SMIS Corporation Berhad

(491857-V)

Annual Report 2014

Contents

Group Structure

- 100% GRAND CARPET INDUSTRIES SDN. BHD.
- 100% SANYCO GRAND INDUSTRIES SDN. BHD.
- 60% SUGIHARA GRAND INDUSTRIES SDN. BHD.
- 100% MACHINERY & INDUSTRIAL SUPPLIES SDN. BHD.
- 66.25% CLEON TECHNOLOGY SDN. BHD. (In Members' Voluntary Liquidation)
- 96.67% EXSILIO PTE. LTD.
  - 99.87% PT ZUSMA PLASTICS
  - 99.86% PLASPOINT SDN. BHD.

Corporate Information

BOARD OF DIRECTORS

Ng Wai Kee
(Executive Director & Chairman)

Yap Siew Foong
(Executive Director)

Foo Lee Khean
(Senior Independent Non-Executive Director)

Wern Li Morsingh
(Independent Non-Executive Director)

Oei Kok Eong
(Independent Non-Executive Director)

AUDIT AND RISK COMMITTEE

Foo Lee Khean
(Chairman)
Wern Li Morsingh
Oei Kok Eong

NOMINATION COMMITTEE

Foo Lee Khean
(Chairman)
Wern Li Morsingh
Oei Kok Eong

REMUNERATION COMMITTEE

Wern Li Morsingh
(Chairperson)
Foo Lee Khean
Ng Wai Kee

BUSINESS ADDRESS

No. 19, Jalan Dua,
Off Jalan Chan Sow Lin,
55200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-9221 9898 Fax: 03-9221 7878

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Choong Lee Wah (MAICSA 7019418)

REGISTERED OFFICE

Lot 6.05, Level 6,
KPMG Tower, 8 First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7720 1188 Fax: 03-7720 1111

AUDITORS

Baker Tilly Monteiro Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur, Wilayah Persekutuan.
Tel: 03-2297 1000 Fax: 03-2282 9980

PRINCIPAL BANKERS

United Overseas Bank Malaysia Berhad (271809-K)
Level 7, Menara UOB, Jalan Raja Laut,
50050 Kuala Lumpur, Wilayah Persekutuan.

Public Bank Berhad (6364-H)
Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Wilayah Persekutuan.

SHARE REGISTRARS

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6,
KPMG Tower, 8 First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7720 1188 Fax: 03-7720 1111

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)

WEBSITE

http://www.smis.com.my

Summary of Financial Highlights

In thousands of RM	2010	2011	2012	2013	2014
Revenue	97,487	110,009	115,639	132,961	146,743
Profit before tax	9,858	2,815	3,365	8,014	5,765
Profit for the year	8,472	132	1,232	4,954	3,063
Profit attributable to owners	6,113	(490)	854	4,217	2,526
Total equity attributable to owners	73,882	72,218	72,798	76,374	77,955
Total assets	96,699	100,263	109,939	115,256	117,833
Total liabilities	(20,199)	(24,046)	(32,768)	(33,994)	(33,997)
Total borrowings	-	(2,990)	(7,591)	(7,725)	(6,790)

Growth rate over previous years	2010	2011	2012	2013	2014
Revenue	43.8%	12.8%	5.1%	15.0%	10.4%
Profit before tax	157.9%	(71.4%)	19.5%	138.2%	(28.1%)
Profit for the year	162.3%	(98.4%)	833.3%	302.1%	(38.2%)
Total equity attributable to owners	9.1%	(2.3%)	0.8%	4.9%	2.1%
Total assets	12.9%	3.7%	9.7%	4.8%	2.2%
Total liabilities	14.1%	19.0%	36.3%	3.7%	0.0%
Total borrowings	* n/a	* n/a	153.9%	1.8%	(12.1%)

Share information	2010	2011	2012	2013	2014
Basic earnings per share (sen)	14.44	(1.16)	2.02	9.99	5.99
Net assets per share (RM)	1.65	1.61	1.62	1.70	1.74

Financial ratio	2010	2011	2012	2013	2014
Return on equity attributable to owners	11.47%	0.18%	1.69%	6.49%	3.93%
Return on total assets	8.76%	0.13%	1.12%	4.30%	2.60%
Debt equity ratio	* n/a	0.04	0.10	0.10	0.08

Remarks:

**n/a = not applicable*

PROFILE OF DIRECTORS

Profile of Directors

NG WAI KEE
Chairman, Executive Director

Ng Wai Kee, a Malaysian, aged 44, was appointed to the Board of Directors of SMIS Corporation Berhad ("SMIS" or "the Company") on 2 February 2002 as an Executive Director and assumed the position of the Chief Executive Officer ("CEO") on 22 February 2013. He was re-designated as Chairman and Executive Director on 21 November 2014. He also serves as a member of the Remuneration Committee.

He holds a Bachelor of Accounting from the University of Technology, Sydney, Australia and is an Associate member of the Institute of Chartered Accountants, Australia. He has worked as a project consultant in Westpac Banking Corporation, Sydney in 1992 and with Deloitte Touche Tohmatsu, Sydney in 1993. He left the firm as a Senior Analyst in 1996. Since 1997, he has been instrumental in many milestones achieved by SMIS, namely securing a joint venture with Sugihara Co. Ltd., Japan and listing the Company on Bursa Malaysia Securities Berhad. Currently, he is responsible for the strategic direction and operational management of SMIS where he continues to drive for growth, efficiency and tighter corporate governance to ensure greater shareholder value.

He is currently a Director of Malaysian Automotive Component Parts Manufacturers.

He is son of Yap Siew Foong, a Director and major shareholder of the Company. Save for his shareholdings in the Company as disclosed on page 104 of the annual report, he does not have any other conflict of interest with the Company and has never been convicted of any offences within the past 10 years other than traffic offences, if any. His length of service in SMIS as at 29 May 2015 is thirteen (13) years.

He has attended all the five (5) board meetings held in the financial year ended 31 December 2014.

YAP SIEW FOONG
Executive Director

Yap Siew Foong, a Malaysian, aged 71, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Executive Director.

She is one of the co-founders of SMIS Group and is responsible for the finance and operations of the trading division.

She is the mother of Ng Wai Kee. Save for her shareholdings in the Company as disclosed on page 104 of the annual report, she does not have any other conflict of interest with the Company and has never been convicted of any offences within the past 10 years other than traffic offences, if any. Her length of service in SMIS as at 29 May 2015 is thirteen (13) years.

She has attended all the five (5) board meetings held in the financial year ended 31 December 2014.

FOO LEE KHEAN
Senior Independent Non-Executive Director

Foo Lee Khean, a Malaysian, aged 52, was appointed to the Board of Directors of SMIS on 26 November 2007 as an Independent Non-Executive Director. He also serves as the Chairman of the Audit and Risk Committee and Nomination Committee and is a member of the Remuneration Committee.

He is a Fellow Member of the Chartered Institute of Management Accountant, United Kingdom and Malaysia Institute of Accountants. He started his career with Coopers & Lybrand Malaysia in 1987 in the restructuring and recovery department before leaving as a Senior Associate in 1989 to join PricewaterhouseCoopers ("PwC"), Singapore, also in the restructuring and recovery department. He left PwC in 1990 to join Arthur Andersen, Singapore before being transferred to Arthur Andersen, Malaysia in 1992 in the corporate recovery and corporate finance division.

His responsibility includes handling forensic audit, general receivership, merger and acquisitions as well as corporate finance activities such as IPOs, fund raising exercise and debt restructuring. He was the Director- Corporate Finance of Ernst & Young in 2002 following the merger of Arthur Andersen with Ernst & Young in same year before leaving in 2005 to join as a partner of Strategic Capital Advisory.

He serves as Director of SYF Resources Berhad, Kumpulan Jetson Berhad and Systech Bhd.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has never been convicted for any offences within the past 10 years other than traffic offences, if any. His length of service in SMIS as at 29 May 2015 is seven (7) years.

He has attended four (4) out of five (5) board meetings held in the financial year ended 31 December 2014.

WERN LI MORSINGH
Independent Non-Executive Director

Wern Li Morsingh, a Malaysian, aged 42, was appointed to the Board of Directors of SMIS on 28 November 2012 as an Independent Non-Executive Director. She also serves as the Chairperson of the Remuneration Committee and a member of the Audit and Risk Committee and Nomination Committee.

She graduated with a Bachelor of Laws (Hons), King's College London, in 1995 and was admitted as an Utter Barrister of Gary's Inn in 1996. In 1997, she was admitted to the Malaysian Bar. She did a postgraduate certified diploma in accounting and finance from the Association of Certified Chartered Accountants in 2001. She was admitted to the Singaporean Bar in 2002, she is also a Commissioner for Oaths.

She served as a legal assistant in legal firms in Malaysia and Singapore from 1997 to 2006.

She is currently a partner of Amin, Wern Li & Associates.

She has no family relationship with any director and/or major shareholders of the Company. She does not have any conflict of interest with the Company and has never been convicted for any offences within the past 10 years other than traffic offences, if any. Her length of service in SMIS as at 29 May 2015 is two (2) years.

She has attended all the five (5) board meetings held in the financial year ended 31 December 2014

OEI KOK EONG
Independent Non-Executive Director

Oei Kok Eong, aged 61, was appointed to the Board of Directors of SMIS on 21 November 2014 as an Independent Non-Executive Director. He is also a member of the Audit and Risk Committee and Nomination Committee.

He has a Bachelor's Degree in Mechanical Engineering from the University of Singapore, 1977.

He started his career in Jardine Parrish, Singapore as a project and maintenance engineer and then worked in Rothmans, PJ in manufacturing. Since then he has more than thirty (30) years experience in the automotive component industry, initially as Operations Manager of a greenfield company, Kayaba (Malaysia) Sdn Bhd, a joint-venture between an international Japanese PLC and UMW Berhad, and rose to the position of General Manager /Director.

He also headed the Autoliv group of companies in Malaysia – a division of Hirotako Berhad - manufacturing seat belts, steering wheels and airbags systems.

In 2006, he was appointed an Executive Director of APM Holdings Berhad, responsible for overseas operations until his retirement in 2011.

He has served over the years, in various positions in the Malaysian Automotive Component Manufacturers' Association (MACPMA) & working /technical committees of SIRIM. He also initiated and headed the Toyota Suppliers' Club's Lean Manufacturing activities for several years. He was the founding Chair of the Malaysian Chapter of the Society of Automotive Engineers in 2000.

Presently, he is a business coach mentoring a group of business owners and CEOs in association with Vistage Malaysia Sdn Bhd and sits in the General Technical Committee of Lloyds Register of Quality Assurance, Malaysia.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has never been convicted for any offences within the past 10 years other than traffic offences, if any. His length of service in SMIS as at 29 May 2015 is approximately six (6) months.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the Audited Financial Statements for the financial year ended 31 December 2014 of SMIS Corporation Berhad.

FINANCIAL PERFORMANCE

Revenue for the financial year under review was RM147m against RM133m for year 2013. Profit before tax (PBT) stood at RM5.8m against RM8.0m in the previous year.

AUTOMOTIVE SEGMENT

Turnover for the segment grew by 11.7%, recording revenue of RM126m as compared to RM113m in year 2013. The Total Industry Volume grew by 1.6% for year 2014. Whilst turnover grew, PBT was reduced by 25.3% to RM8.9m for the financial year under review against RM11.9m in the previous year, largely due to product mix. Year 2014 saw an increase in demand for "less-than-premium" products at the expense of better margin ones. The increase in landed cost of materials as a direct result of the weakening of the Malaysian Ringgit was also a contributing factor towards thinner margins.

The Company expects marginal growth in the segment in line with the Malaysian Automotive Association's forecast of a 2% growth in the Total Industry Volume for year 2015.

MACHINERY PARTS

The Machinery Parts segment commenced 2014 in a depressed market with a sluggish Palm Oil sector and lack of Sewage and Waste Water projects in the pipeline. The segment was able to recover significantly from the second-half onwards, however, turnover for the year suffered a 7.8% reduction recording RM15.2m against RM16.5m in year 2013.

Whilst we continue to intensify efforts to explore new markets, the segment remains very competitive with products and customers highly sensitive toward pricing.

PLASTIC

Revenue for Plastic segment was RM5.5m against RM3.6m for year 2013. Even though the segment remained small in comparison to the group, efforts in developing products for the emerging markets was responsible for the growth of the company.

As our products gain wider acceptance, we remain optimistic that the segment will continue to grow.

APPRECIATION

It is with great sadness to inform you that Encik Ahmad @ Misron bin Yusof, our late Chairman, passed away in January 2015 after a period of illness. His contribution to the Board was invaluable and our thoughts are with his family and friends.

On behalf of the Board of Directors, I extend my heartfelt appreciation to all our people who have remained committed and dedicated to the Company and who continue to persevere and contribute as we strive for greater success. I would also like to express our sincere gratitude to the stakeholders, shareholders, business associates, customers, suppliers and bankers for their continued confidence and support.

Last but not least, I would like to thank my fellow Directors for their support, counsel and guidance.

Thank you,

Ng Wai Kee
Chairman and Executive Director

The Board of Directors ("the Board') of SMIS Corporation Berhad ("SMIS" or "the Company") is committed to ensure that good corporate governance principles and practices are applied throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance.

The Board is guided by the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012") and Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia Listing Requirements").

The Board is pleased to provide the following Statement which set out how the Group has applied the Principles and Recommendations of the MCCG 2012 and Bursa Malaysia Listing Requirements during the financial year ended 31 December 2014. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observance, including the reasons thereof, is included in the following Statement.

Principle 1 – Establish clear roles and responsibilities of the Board and Management

The Board retains full responsibility over overall performance of the Company and the Group by discharging its stewardship responsibilities through providing strategic leadership, overseeing the conduct of the Group's businesses, identifying and managing principal risks, reviewing adequacy and integrity of the Group's internal control systems and developing an investor relations program.

The Board has also delegated specific responsibilities to three (3) Board Committees namely the Audit and Risk Committee ("ARC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). All the Board Committees discharge their duties and responsibilities within their specific terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

The following are the principal responsibilities of the Board in discharging its fiduciary and leadership functions:

i) reviewing and adopting a strategic plan including setting performance, objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;

ii) overseeing the conduct of the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and within a framework of prudent and effective controls which enables risk to be assessed and managed;

iii) reviewing the procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;

iv) setting, reviewing and ensuring compliance with the Company's principles, values and ethos of the Company;

v) establishing proper succession planning, including appointing, assessing, training, fixing the compensation of and where appropriate, replacing Board and Senior Management;

vi) developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group;

vii) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and

viii) ensuring that the Company adheres to high standards of ethics and corporate behaviour.

Code of Conduct, Code of Ethics, Whistle Blower Policy and Insider Dealing Policy

The Company has adopted the Code of Conduct on 30 April 2013 for Directors, Management and Officers of the Group, to promote the corporate culture which engenders ethical conduct that permeates throughout the Company, to be in line with the MCCG 2012.

The Board has also adopted the Code of Ethics on 30 April 2013 for Directors to enhance the standard of corporate governance and corporate behavior and to focus on the Board and each Director on areas of ethical risk, provide guidance to Directors to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability.

The Board has formalised a Whistle Blower Policy on 30 May 2013, which outlines when, how and to whom a concern may be properly raised about any actual or potential corporate fraud or improper conduct or unlawful conduct involving employee, officer or Management of the Company.

The Board has also formalised an Insider Dealing Policy on 30 May 2013 for Directors and employees who possess price sensitive information which is not generally available to the public are not allowed to trade in securities consistent with the Capital Markets and Services Act 2007, which prohibits insider trading. Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers and the relevant employees on a quarterly basis. In 2014, none of the Directors dealt in securities of the Company during the closed period.

Copies of the Code of Conduct, Code of Ethics, Whistle Blower Policy and insider Dealing Policy are available in the Company's website at www.smis.com.my.

Sustainability

The Board is mindful of the importance of business sustainability which encompasses all aspects of ethical business practices, addressing relevant Environment, Social and Governance (ESG). The Board has approved and adopted Sustainability Policy on 30 May 2013 to endeavour to integrate the principles of sustainability into the Group's strategies, policies and procedures. The Company's activities on corporate social responsibilities for the year under review are disclosed on page 16 of this Annual Report.

Supply and access to information

To ensure effective functioning of the Board, Directors are given access to information through the following means:

i) Management and external advisers may be invited to the Board and Board Committees' meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agendas and to report or present areas within their responsibility to ensure the Board is able to effectively discharge its responsibilities.

ii) Information provided to the Board and Board Committees are compiled into reports via the Board and Board Committees papers circulated to Directors prior to the Board and Board Committees' meetings, to enable the Board and Board Committees to make decisions and to deal with matters arising from such meetings.

iii) Directors have ready and unrestricted access to the advice and services of the Company Secretaries.

iv) Directors may obtain independent professional advice at the Company's expense in furtherance of their duties, where this is deemed necessary, after consultation with the Chairman and other Board members and in accordance with established procedures set out in the Board Charter.

Company Secretaries

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, the Board's policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required and have attended training and seminars conducted by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) to keep abreast with the relevant updates on statutory and regulatory requirements.

The Company Secretaries attend all the Board and Board Committees' meetings and ensures that meetings are properly convened, and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained accordingly. The removal of Company Secretaries, if any, is a matter for the Board, as a whole, to decide.

Board Charter

The Board has adopted a Board Charter which serves as a reference point for Board activities and provides guidance and clarity for Directors and Management with regard to the roles and responsibilities of the Board and its Committees.

The Board Charter is available in the Company's website at www.smis.com.my.

Principle 2 – Strengthen Composition of the Board

Board Composition and Balance

The Board consists of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition complies with the Bursa Malaysia Listing Requirements that requires at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be independent. None of the Directors hold more than five (5) directorships in listed issuer in Malaysia. A brief profile of each Director is presented on pages 5 to 7 of this Annual Report. Mr Foo Lee Khean has been identified as the Senior Independent Non-Executive Director.

Board Diversity Policy

The Board is diligent in maintaining the appropriate balance of skill, knowledge, professional background and experience in its succession planning. Looking forward at upcoming requirements and identifying potential gaps; appointing the best individuals is critical in ensuring a high level of compliance and governance. The correct Board mix is also crucial for the success of the Group.

This policy expresses the Board's commitment to ensure transparency and diversity in making appointments to the Board (and Board Committees) based on principles of non-discrimination; regardless of race, ethnicity, gender, age, disability religion or belief. The Board also upholds the promotion of fair participation and equal opportunity in embracing a spirit of inclusion for all individuals of the right caliber.

The Board maintains a good record on Board diversity in a wide range of backgrounds represented among the Board members. In terms of gender diversity, the Board currently comprises of 40% women representation. With regard to ethnicity diversity, the Board currently comprises of 80% Chinese and 20% Indian. The breakdown of the Board composition in terms of age is as follows:

Age Range	Composition (%)
41 – 50	40
51 – 60	20
61 – 70	20
71 - 80	20

NC

The NC comprises three (3) members, all of whom are Independent Non-Executive Directors and the members are as follows:

Foo Lee Khean	Chairman *(Senior Independent Non-Executive Director)*
Wern Li Morsingh	Member *(Independent Non-Executive Director)*
Oei Kok Eong *(Appointed with effect from 21 November 2014)*	Member *(Independent Non-Executive Director)*

The NC was formed by the Board with specific terms of reference, which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programmes for the Board. In discharging its responsibilities, the NC has developed certain criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the NC considers, inter-alia, the required mix of skills, knowledge, expertise, experience, professionalism, integrity, competency, commitment (including time commitment), contribution and performance of the candidates, including, where appropriate, the criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors.

A selection process for new appointees to the Board as recommended by the NC has been adopted by the Board. The Committee assesses the suitability of candidates based on the criteria adopted before recommending to the Board for appointment. Following the appointment of new Directors to the Board, the Committee ensures that an induction programme is arranged, including visits to the Group's significant businesses and meetings with Senior Management personnel, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Group.

The Committee reviews annually the required mix of skills and experience of Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board. The Committee also assesses annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director. The evaluation process is led by the NC Chairman and supported by the Company Secretaries. The Directors complete a questionnaire regarding the effectiveness of the Board and its Board Committees. This process includes a peer review where Directors assess their own and also their fellow Directors' performance. The assessment and comments by all Directors are summarized and discussed at the NC meeting and reported to the Board Meeting by the NC Chairman. All assessments and evaluations carried out by the NC in discharging of its functions are properly documented.

During the financial year under review, two (2) Committee meetings were held and attended by a majority of its members. During the meeting held in November 2014, the NC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors; independence of the Independent Directors, the contribution of each individual Director; effectiveness of the Board, as a whole, and the Board Committees and also the retirement of Directors by rotation who were eligible for re-election. The Board also reviewed the character, experience, integrity and competence of the Directors, CEO and Financial Controller, to ensure they have the time to discharge their respective roles.

The Chairman of the NC is also the Senior Independent Director appointed by the Board.

The Board has formalised a Directors' Assessment Policy on 30 April 2013 which developed the criteria to be used in the assessment of Board and Board Committees as well as the procedure for Board performance assessment.

The Directors' Assessment Policy is available in the Company's website at www.smis.com.my.

Directors' Training

The Board, via the NC, continues to identify and attend appropriate briefings, seminars, conferences, courses to keep abreast of changes in legislations and regulations affecting the Group. An induction programme has been arranged for newly appointed Directors to facilitate their understanding of the operations of the Group as well as the products and services offered by the Group.

All Directors have attended and completed the Mandatory Accreditation Programme pursuant to the Bursa Malaysia Listing Requirements. Given the varying training needs of each Director, all the Directors except Oei Kok Eong who was appointed as Independent Non-Executive Director on 21 November 2014 have continuously undergone training programmes to enhance their skills and knowledge.

The Directors are mindful that they should receive appropriate continuous training. Continuous training is vital for the Board members to gain insight into the state of technology development, current economic outlook, latest regulatory development and management strategies in relation to the Group's business.

Details of training attended by Directors during the financial year ended 31 December 2014 are as follows:

No	Name of Director	Programme	Date Attended
1	Ng Wai Kee	UOB Global Markets and Investment Management's Corporate Seminar 2014	25 February 2014
2	Yap Siew Foong	Personal Data Protection Act 2010 : Practical Steps to Compliance	20 February 2014
3	Foo Lee Khean	Options and Futures I: Principles and Valuations	15 March 2014
		Governance, Risk Compliance: A Practical Approach to an Effective and Efficient Enterprise Risk Management and Corporate Governance Framework	6 May 2014
		Goods and Services Tax Seminar	8 May 2014
		Economics and Capital Market 1: Forces Shaping Global Capital Markets	11 October 2014
4	Wern Li Morsingh	Lawyer as Company Secretaries	7 April 2014
5	Oei Kok Eong *(Appointed with effect from 21 November 2014)*	Vistage: PAEI & Personal Analysis Workshop	5 March 2014
		Vistage: Chair Development Workshop – Accelerate High Leverage Chairing	21 & 22 March 2014

The Company Secretaries circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefs the Board quarterly on any updates at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

RC

The RC comprises three (3) members, majority of whom are Non-Executive Directors. The members of the RC are as follows:

Wern Li Morsingh *(Appointed with effect from 21 November 2014)*	Chairperson *(Independent Non-Executive Director)*
Foo Lee Khean	Member *(Senior Independent Non-Executive Director)*
Ng Wai Kee	Member *(Executive Director)*

The RC, established by the Board, is responsible for setting the policy, framework and determining the remuneration of Directors so as to ensure that the Company is able to attract and retain its Directors needed to run the Group successfully. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

The RC is entrusted to recommend to the Board, the remuneration of Executive Directors and Non-Executive Directors of the Company in all its forms. The Executive Directors concerned play no part in deciding their own remuneration but may attend the Committee meeting at the invitation of the Chairman of the Committee if their presence is required. The determination of remuneration of Independent Non-Executive Directors is a matter for the Board, as a whole, with individual Director abstaining from discussion of his/her own remuneration. The Company's Articles of Association provide that any payment of Directors' fees should be approved at a general meeting.

During the financial year under review, one (1) Committee meeting was held and attended by a majority of its members. The RC reviewed and recommended to the Board, the remuneration for the Executive Directors of the Company and all the Independent Non-Executive Directors' fees, including the fees for the two (2) Independent Non-Executive Directors, for shareholders' approval at the Company's Annual General Meeting.

Directors' Remunerations

A summary of the remuneration of Directors distinguishing between Executive and Non-Executive Directors in aggregate, with categorization into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 for the financial year ended 31 December 2014 are disclosed below:

Aggregate remuneration:

Category of Remuneration	Executive Directors	Non-Executive Directors	Total
Basic Salary	696,586	-	696,586
Bonus	195,200	-	195,200
Fees	24,000	156,967	180,967
Attendance Fee	-	14,500	14,500
*Others	15,300	-	15,300
Total	**931,086**	**171,467**	**1,102,553**

* *Others include SOCSO and benefits in-kind.*

Number of Directors whose remuneration falls into the following bands:

Remuneration Band	Number of Directors Executive	Non-Executive	Total
RM150,000 and below	-	3	3
RM250,001 to RM300,000	1	-	1
RM600,001 to RM650,000	1	-	1
Total	**2**	**3**	**5**

The Board has chosen to disclose the remuneration in bands pursuant to the Bursa Malaysia Listing Requirements and is of the opinion that detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of the Company's governance.

Principle 3 – Reinforce Independence of the Board

There is clear division of responsibilities between the Chairman and the CEO to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making. The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The CEO, supported by the Senior Management team, implements the Group's strategic plans, policies and decisions adopted by the Board and oversees the operations and business development of the Group.

The Chairman of the Board is an Executive Director and the Board also comprises a majority of independent directors. Mr Foo Lee Khean has been identified as the Company's Senior Independent Non-Executive Director, to whom concerns may be conveyed by shareholders and other stakeholders.

The Independent Non-Executive Directors provide a broader view and independent assessment of the Board's decision making process by acting as an effective check and balance. The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders and represents a balanced mix of skills and experience to discharge the Board's duties and responsibilities.

During the financial year under review, the Board had assessed the independence of its Independent Non-Executive Directors based on criteria developed by the NC and generally satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

In line with the MCCG 2012 and to enable a balance of power and authority in the Board, the Board Charter, which has been adopted by the Company, sets out the restriction on the tenure of an Independent Director to a cumulative term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the NC is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence.

The three (3) Independent Non-Executive Directors have served the Board of SMIS for less than eight (8) years. Their tenure of service is set out in the Directors' Profile of this Annual Report.

Principle 4 – Foster commitment of Directors

The Board meets at least four (4) times a year and additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committees papers are prepared by Management which provide the relevant facts and analysis for the consideration of Directors. The agenda, relevant reports and Board papers are furnished to Directors and Board Committees members in advance to allow the Directors to have the sufficient time to peruse for effective discussion and decision making during meetings. The Chairman of the ARC will brief the Directors at each Board meeting of any salient matters noted by the ARC and which require the Board's notice or direction. All pertinent matters discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

It is the policy of the Company for the Directors to devote sufficient time and efforts to carry out their responsibilities. It is also the Board's policy for the Directors to notify the Chairman before accepting any new directorships notwithstanding that the Bursa Malaysia Listing Requirements allow a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings.

During the financial year ended 31 December 2014, the Board met five (5) times to deliberate and consider matters pertaining to the Group's financial performance, significant investments, corporate development, strategic issues and business plans. The details of attendance of the Directors are as follows:

Name of Director	Designation	No. of Meetings Attended
Ng Wai Kee *(Appointed as Chairman of the Board with effect from 21 November 2014)*	Chairman, Executive Director	5/5
Ahmad @ Misron bin Yusof *(Retired with effect from 21 November 2014)*	Chairman, Independent Non-Executive Director	3/5
Yap Siew Foong	Executive Director	5/5
Foo Lee Khean	Senior Independent Non-Executive Director	4/5
Wern Li Morsingh	Independent Non-Executive Director	5/5
Oei Kok Eong *(Appointed with effect from 21 November 2014)*	Independent Non-Executive Director	Not Applicable

Principle 5 – Uphold integrity in financial reporting by Company

The Board has established an ARC comprises three (3) members of whom all are Independent Non-Executive Directors. The composition of the ARC, including its roles and responsibilities are set out on pages 19 to 21 under the ARC Report of this Annual Report. One of the key responsibilities of the ARC is to ensure that the financial statements of the Group and of the Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Statement of Responsibility by the Directors in respect of preparation of annual audited accounts can be found on page 26 of this Annual Report.

The ARC members have met with the External Auditors twice without the presence of the Management and Executive Directors during the financial year to discuss issues arising from any audit exercises or other matters, which the External Auditors may wish to raise.

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures, via the ARC, in assessing the suitability and independence of the External Auditors. Such procedures entail the provision of written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

Principle 6 – Recognise and manage risks

The Company has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. Reviews on the key risks identified were conducted to ensure proper management of risks within an acceptable risk profile and that measures are taken to mitigate any weaknesses.

The Board has outsourced the internal audit function to an independent professional services firm, Audex Governance Sdn Bhd that reports directly to the ARC. The ARC has also met with the Internal Auditors without the presence of the Executive Directors and Management during the financial year. The key activities covered by the internal audit function during the financial year under review is provided in the ARC Report of the Company as set out on page 22 of this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

The Board has implemented the corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders. Steps will be taken to formalise pertinent corporate disclosure policies to comply with the disclosure requirements as stipulated in the Bursa Malaysia Listing Requirements, and to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

To augment the process of disclosure, the Board has established a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information and the Company's Annual Report may be accessed.

Principle 8 – Strengthen relationship between Company and shareholders

The Company acknowledges that effective investor relations are essential in enhancing shareholder values.

To this end, the Board provides Company's shareholders with timely releases of financial results on a quarterly basis and announcements on the Group's performance. Whilst the Company endeavors to provide as much information as possible, it is also aware of legal and regulatory framework governing release of material and price sensitive information.

Corporate and financial information of the Group are available to shareholders and the public through the Group's website at www.smis.com.my.

The Company's AGM serves as a principal forum for dialogue with shareholders. Shareholders have direct access to Directors and are provided with sufficient opportunity and time to participate through questions on future prospects, performance of the Group, and other matters of concern. Members of the Board as well as external auditors are present to provide answers and clarifications at the meeting.

The Notice of AGM will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed. The Board encourages participation at general meetings and will generally carry out resolutions by show of hand, except for Related Party Transaction (wherein poll will be conducted) and unless otherwise demanded by shareholders in accordance with the Articles of Association of the Company. The Chairman of the Board will inform the shareholders of their right to demand a poll vote at the commencement of the general meeting,

OTHER INFORMATION

(a) Corporate Social Responsibility (CSR)

SMIS continues to recognise the academic achievements of her employees' children. Cash awards ranging from RM300 to RM1,000 were awarded to children of employees who excelled in public examinations as well as those who achieved the top three positions in their class. Employees' children who were pursuing tertiary education in local institutions of higher learning were also given cash sponsorship. The welfare of employees' children will continue to be a key focus of SMIS' CSR activities.

(b) Workplaces Practices

SMIS takes an inclusive approach to diversity in its employment and promotion of individuals.

As a corporate body headquartered in a multi-ethnic country and with business dealings across the region, the Group values equality and non-discrimination. Equal opportunities and fair consideration in employment, career development and promotion is given to all individuals regardless of race, ethnicity, gender, age, disability, religion or belief.

Employees are given opportunities to work across functions, across geographies and interact with co-workers within the Group. SMIS encourages its employees to adopt the same inclusive, diverse and non-discriminatory culture as it does.

(c) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2014 are set out as below:

	Number of SMIS Shares Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-14	-	-	-	-	-
Feb-14	-	-	-	-	-
Mar-14	-	-	-	-	-
Apr-14	-	-	-	-	-
May-14	10,000	0.75	0.72	0.74	7,283
Jun-14	-	-	-	-	-
Jul-14	-	-	-	-	-
Aug-14	-	-	-	-	-
Sep-14	-	-	-	-	-
Oct-14	-	-	-	-	-
Nov-14	5,000	0.80	0.80	0.80	4,046
Dec-14	-	-	-	-	-
Total	**15,000**	**-**	**-**	**-**	**11,329**

(d) Option or Convertible Securities

There were no option or convertible securities exercised during the financial year ended 31 December 2014.

(e) Material Contracts involving Directors' and Major Shareholders' Interests

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by SMIS and/or its subsidiary companies which involve Directors' and major shareholders' interests during the financial year ended 31 December 2014.

(d) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial year ended 31 December 2014 are disclosed in note 29 on pages 88 to 89 of the notes to the financial statements and in the Circular to Shareholders, dated 29 May 2015.

(e) Non-Audit Fees

The total non-audit fees paid and payable to external auditors during the financial year ended 31 December 2014 amounted to RM30,000.00.

(f) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory authorities during the financial year ended 31 December 2014.

(g) Depository Receipt Programme

There was no Depository Receipt Programme sponsored by the Company during the financial year ended 31 December 2014.

(h) Variance of Actual Profit from the Forecast Profit

There was no profit estimation, forecast or projection made or released by the Company during the financial year ended 31 December 2014.

There were no variance of 10% or more between the audited results and the unaudited results announced pertaining to the said financial year.

(i) Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2014.

(j) Utilisation of Proceeds

There were no proceeds raised from any proposal during the financial year ended 31 December 2014.

Audit and Risk Committee Report

The Board is pleased to present the following Audit and Risk Committee ("ARC") Report for the financial year ended 31 December 2014 in accordance with Paragraph 15.15 of the Bursa Malaysia Listing Requirements.

The ARC provides assistance to the Board in ensuring timely and accurate financial reporting, proper implementation of risk management policies and strategies in relation to the Group's business strategies and oversight of risk and internal control. It also reviews the Group's compliance with legal and regulatory requirements.

Attendance at Meetings

The ARC has three (3) members, all of whom are Independent Non-Executive Directors. Members of the ARC and details of their attendance at meetings during the financial year ended 31 December 2014 are as follows:

Composition of Committee	No. of Meetings Attended
Foo Lee Khean Chairman *(Senior Independent Non-Executive Director)*	4/5
Ahmad @ Misron bin Yusof Member *(Independent Non-Executive Director)* *(Retired with effect from 21 November 2014)*	3/5
Wern Li Morsingh Member *(Independent Non-Executive Director)*	5/5
Oei Kok Eong Member *(Independent Non-Executive Director)* *(Appointed with effect from 21 November 2014)*	Not Applicable

The ARC held five (5) meetings during the financial year ended 31 December 2014. The meetings were appropriately structured through the use of agenda and board papers containing information relevant to the matters for deliberation, which were distributed to members with sufficient notice.

The ARC is in compliance with Paragraph 15.09 of the Bursa Malaysia Listing Requirements.

TERMS OF REFERENCE FOR ARC

The Terms of Reference of the ARC are as follows:

1. OBJECTIVES

The objectives of the ARC are to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the ARC shall:

(a) Oversee and appraise the quality of audits conducted both by the Company's internal and external auditors;

(b) Maintain open lines of communication between the Board of Directors, internal auditors and external auditors for exchange of views and information, as well as to confirm their respective authorities and responsibilities; and

(c) Determine the adequacy of the Group's administrative, operating and accounting controls.

2. COMPOSITION

The ARC shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfills the following requirements:

(a) the ARC must be composed of no fewer than 3 members;

(b) all members of the ARC should be non-executive directors;

(c) a majority of the ARC must be independent directors;

(d) all members of the ARC should be financially literate and at least one member of the ARC:

i) must be a member of the Malaysian Institute of Accountants; or

ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:

- he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- he must be a person who fulfills the requirements as may be prescribed or approved by the Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.

iii) no alternate Director of the Board shall be appointed as a member of the ARC.

The members of the ARC shall elect a Chairman from among their number who shall be an independent director. In the event of any vacancy in the ARC resulting in the non-compliance of (a) to (d) above, the vacancy must be filled within 3 months of that event.

The Board must review the term of office and performance of the ARC and members have carried out their duties in accordance with the terms of reference.

3. FREQUENCY OF MEETINGS

Meetings shall be held at least four (4) times in each financial year. More meeting may be conducted if the need arises.

4. SECRETARY

The Secretary of the Company shall be secretary of the ARC.

5. FUNCTIONS

The functions of the ARC are as follows:

(a) To review the following and report the same to the Board of Directors:

i) with the external auditors, the audit plan;

ii) with the external auditors, their evaluations of the system of internal controls;

iii) with the external auditors, their audit reports;

iv) the assistance given by the Company's employees to the external auditors; and

v) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(b) To consider the appointment of external auditors, audit fees, any questions of resignation or dismissal, and the letter of resignation from external auditors, if applicable;

(c) To discuss with external auditors before an audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(d) To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include:

- Management consulting;
- Strategic decision;
- Internal Audit; and
- Policy and standard operating procedures documentation

(e) To review quarterly and year-end financial statements of the Company, focusing particularly on:

- Any changes in accounting policies and practices;
- Significant adjustments arising from the audit;
- The going concern assumption;
- Integrity of financial statements; and
- Compliance with accounting standards and other legal requirements

(f) To discuss problems and reservations arising from interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary);

(g) To review external auditor's management letter and management's response;

(h) To review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employees involved in the risk management process;

(i) To review the Group's risk profile and risk tolerance; and

(j) In respect of the internal audit functions, the following shall be carried out to ensure effectiveness of internal control system:

- Review the adequacy of scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
- Review the internal audit programs and results of the internal audit process. Where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit functions;
- Review any appraisal or assessment of performance of members of the internal audit functions;
- Approve any appointment or termination of senior staff members of the internal audit functions;
- Inform itself of resignations of internal auditors and provide the resining internal auditors an opportunity to submit his reasons for resigning;
- To consider the major findings of internal investigations and management's responses;
- To ensure the internal audit functions is independent of the activities it audits and the head of internal audit reports directly to the ARC. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company;
- To report promptly any matters resulting in the breach of the Bursa Securities Listing Requirements to the Board. Where the ARC is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the ARC shall promptly report such matter to Bursa Securities; and
- To consider other areas as defined by the board.

6. RIGHTS OF THE ARC

The ARC shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

(a) have authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company and the Group;

(d) have direct communication channels with the external auditors who carry out the internal audit function or activity;

(e) be able to obtain independent professional or other advice, at the expenses of the Company; and

(f) be able to convene meetings with the external auditors (without the presence of executive Board members) at least twice a year and whenever deemed necessary.

The Chairman of the ARC shall engage on a continuous basis with senior management, such as the Chairman, Executive Directors, the Financial Controller, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Group.

SUMMARY OF ACTIVITIES OF THE ARC

In accordance with the Terms of Reference of the ARC, the following activities were undertaken by the ARC during the financial year ended 31 December 2014:

(a) Reviewed the Audit Planning Memorandum of the external auditors and the scope of their audits, including any changes to the scope of audit plan. Met with the external auditors twice without the presence of Executive Directors and Management.

(b) Reviewed the quarterly and half-yearly unaudited financial results of the Group prior to recommending them for approval by the Board.

(c) Reviewed the annual audited financial statements of the Group with the external auditors prior to tabling to the Board for their consideration and approval.

(d) Reviewed the adequacy of scope, function, competency and resources of the Internal Audit function.

(e) Reviewed the performance of external auditors and made recommendations to the Board on their appointment and remuneration.

(f) Reviewed and approved the internal audit plan prepared by Internal Auditors.

(g) Reviewed internal audit reports which outlined recommendations towards correcting areas of weaknesses and ensured that management action plans are established for the implementation of internal auditors' recommendations.

(h) Reviewed the results of the risk management exercise carried out for the Group.

(i) Reviewed related party transactions and Recurrent Related Party Transaction entered into by the Company and the Group, taking into consideration conflict of interests that may arise.

(j) Reviewed the Statement on Risk Management and Internal Control System.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an independent professional services firm, namely Audex Governance Sdn Bhd, to carry out internal audit on the Group. The Head of Internal Audit reports directly to the ARC and assists the ARC in the discharge of its duties and responsibilities. Internal audit reports are presented, together with audit findings and recommendations as well as the Management's response and proposed action plans, to the ARC on a quarterly basis.

The activities of the Internal Audit Function during the financial year ended 31 December 2014 were as follows:

(a) Regular review of business processes in accordance with approved internal audit plan.

(b) Periodically presented the results of internal audit reviews to the ARC.

(c) Follow up reviews were carried out to ascertain the status of implementation of agreed management action plans. The results of follow up reviews were reported to the ARC.

(d) To assess the adequacy and integrity of the system of internal controls as established by the Management. The internal audit covered key operational, financial and compliance controls.

Total professional fees paid for outsourcing of internal audit function for the financial year ended 31 December 2014 was RM60,000 (2013 – RM77,500).

This report is made in accordance with the approval of the Board of Directors dated 23 April 2015.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors of SMIS Corporation Berhad is pleased to present the following Statement on Risk Management and Internal Control which outlines the nature and scope of its risk management and internal controls of the Group during the financial year ended 31 December 2014. This Statement on Risk Management and Internal Control was made in accordance with Paragraph 15.26 (b) of the Bursa Malaysia Listing Requirements and in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" as adopted by Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the Group's internal control and risk management systems, which includes the establishment of an appropriate internal control environment and framework, reviewing the integrity, effectiveness and adequacy of these systems to ensure that the Group's assets and the shareholders' interests are safeguarded.

Due to inherent limitations in any system of risk management and internal controls, the systems put into effect by Management can only manage and reduce but cannot totally eliminate all the risks of failure to achieve the Group's business objectives. Consequently, the system can only provide reasonable but not absolute assurance against material misstatement, losses or fraud.

The process of identifying, evaluating and managing the significant risks is a concerted and continuing effort throughout the financial year under review. The Board of Directors will constantly be proactive to enforce and strengthen the Group's risk management and internal control system.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

1. Risk Management System

The Board recognises that an effective risk management practices is essential for the Group in pursuit of its corporate objectives, in today's challenging business environment and is a daily integral part of the Group's business operations and performance.

Whilst the Board maintains ultimate overall control over risk and control issues, Key Management staff and Heads of Department are delegated with the responsibilities to implement the system of risk management and internal control within defined parameters and standards. The deliberation of risks and related mitigating responses are carried out at the periodic management meetings attended by the Executive Directors and Key Management staff. Significant risks are communicated to the Board of Directors at its scheduled meetings, who are in consultation with the ARC.

The above mentioned practices of the Group serves as the on-going process used to identify, evaluate and manage significant risks which had been in place for the year under review and up to the date of this report. The Board of Directors shall re-evaluate the existing risk management practices, and where appropriate and necessary, revise such practices accordingly as well as the follow-up process.

2. Internal Control System

Apart from having periodic internal audits, key elements of the Company's internal control systems are as follows:

- An organizational structure, which clearly defines the lines of responsibility, proper segregation of duties and delegation of authority.
- Rigorous review of key information such as financial performance, key business indicators, management accounts and detailed budgets by the Board of Directors and the ARC.
- The ARC members are all Independent Non-Executive Directors.
- The Executive Directors are closely involved in the running of business and operations of the Group. They report to the Board on significant changes in the business and external environment, which may affect the operations of the Group at large.

- Timely and effective internal reporting involving the services of qualified professionals such as Auditors and Company Secretary.

- Operation review meetings are held by the management on a monthly basis to monitor the progress of business operations, deliberate significant issues and formulate appropriate measures.

- Certain of the Group's operations are certified by ISO 9001:2008, ISO/TS 16949 and ISO 14001:2004. With these certifications, reviews are conducted by independent external ISO auditors particularly to ensure compliance with terms and conditions of the respective certifications.

- Machinery segment and Automotive segment are reviewed and certified by ISO 9001:2008 and ISO/TS 16949 respectively, where they meet specific requirements for quality management system and demonstrate their abilities to consistently provide products that meet customers' and applicable regulatory requirements. These enhance customers' satisfaction through effective application of the system, including processes for continual improvement of the system and assurance of conformity to customers' and applicable regulatory requirements.

- In addition to the above, Automotive segment is also reviewed and certified by ISO 14001:2004 where it meets specific requirements for environmental management standards and demonstrates its ability to establish, implement, maintain and improve its environmental management system to conform with its stated environmental policy.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional services firm to assist the Board and the ARC in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors' reports were presented directly to the ARC. The scope of review of the outsourced internal audit function is determined and approved by the ARC.

During the financial year ended 31 December 2014, the internal audit function, led by the outsourced Internal Auditors, performed reviews in accordance with the internal audit plan approved by the ARC. Findings from the internal audit reviews, including the recommended improvement were presented to the ARC at their quarterly scheduled meetings and would thereafter be reported and recommendations be made to the Board of Directors. In addition, follow up visits were conducted to ensure that corrective actions have been implemented in a timely manner.

Based on the results of internal audit reviews, identified issues in internal control have been adequately addressed. Heads of Department continue to ensure that appropriate actions are taken to enhance and strengthen the internal control environment.

Total professional fees paid for outsourcing of internal audit function for the financial year ended 31 December 2014 was RM60,000 (2013 – RM77,500).

ASSURANCE FROM MANAGEMENT

The Executive Director and the Financial Controller have given assurance to the Board of Directors that the Group's risk management and internal control system is operating adequately and effectively in all material aspects based on the risk management framework adopted by the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement of Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 31 December 2014 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagement Other than Audits or Reviews of Historical Financial Information and RPG 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls. Their work performed are restricted to the requirements by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Controls intended to be included in the Annual Report of the Company is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually incorrect.

CONCLUSION

For the financial year under review, the Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' interests and the Group's assets. However, the Board is also aware that internal control systems and risk management practices must be evaluated periodically, and continuously evolve to ensure their continued effectiveness to meet dynamic changes in the business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

This statement is approved by the Board of Directors on 23 April 2015.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 ("Act") to prepare the financial statements for the financial year ended 31 December 2014 which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Act in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of financial position of the Company and its subsidiaries (the "Group") as at 31 December 2014, and of the financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2014.

In preparing the financial statements, the Directors have:

- adopted suitable and appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured the adoption of applicable approved accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company kept proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company in accordance with the Act. The Directors are also responsible for taking such steps to ensure that proper internal controls are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

Financial Statements

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) net of tax	3,063	(12,924)
Oher comprehensive income for the financial year, net of tax	577	-
Total comprehensive income/(expense) for the financial year	3,640	(12,924)
Profit/(Loss) attributable to:		
Owners of the Company	2,526	(12,924)
Non-controlling interests	537	-
	3,063	(12,924)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	3,095	(12,924)
Non-controlling interests	545	-
	3,640	(12,924)

DIVIDENDS

The dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
First and final single tier dividend of 2.5 sen per ordinary share of RM1/- each on 42,189,900 ordinary shares in respect of the financial year ended 31 December 2013, approved by the shareholders at the Annual General Meeting on 6 June 2014 and payable on 10 July 2014	1,055

At the forthcoming Annual General Meeting, a first and final single tier dividend of 2.5 sen per ordinary share of RM1/- each in respect of the financial year ended 31 December 2014 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the Directors, no contingent liabilities or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

TREASURY SHARES

During the financial year, the Company repurchased 15,000 of its issued ordinary shares from the open market at an average price of RM0.7675 per share. The total consideration paid was RM11,329/- including transaction costs of RM99/-. The repurchased transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2014, the Group held 2,615,100 (2013: 2,600,100) of the Company's shares as treasury shares. The number of outstanding ordinary shares of RM1/- each in issue after set off is 42,184,900 (2013: 42,199,900).

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors in office since the date of the last report and at the date of this report are:

Ng Wai Kee	
Yap Siew Foong	
Foo Lee Khean	
Ahmad @ Misron bin Yusof	(Retired on 21 November 2014)
Wern Li Morsingh	
Oei Kok Eong	(Appointed on 21 November 2014)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those Directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31 December 2014 are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
The Company				
Direct interest				
Ng Wai Kee	700,900	-	-	700,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Indirect interest				
Yap Siew Foong	15,680,000	-	-	15,680,000

By virtue of their interest in the ordinary shares of the Company, Yap Siew Foong is also deemed interested in the ordinary shares of the subsidiaries during the financial year to the extent that the Company has an interest.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in the shares of the Company and shares of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or a full time employee of the Company as shown in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with companies in Group in the ordinary course of business, as disclosed in Note 29 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events that occurred during the financial year are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

………………………………………………….
NG WAI KEE
Director

………………………………………………….
YAP SIEW FOONG
Director

Kuala Lumpur

Date: 23 April 2015

Statement by Directors

We, **NG WAI KEE** and **YAP SIEW FOONG**, being two of the Directors of the Group and of the Company, do hereby state that in the opinion of the Directors, the financial statements set out on pages 36 to 100 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out on page 101 to the financial statements have been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

……………………………………………..
NG WAI KEE
Director

……………………………………………..
YAP SIEW FOONG
Director

Kuala Lumpur

Date: 23 April 2015

Statutory Declaration

I, **NG WAI KEE**, being the Director primarily responsible for the financial management of the Group and of the Company, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 36 to 100 and the supplementary information set out on page 101 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

……………………………………………………..
NG WAI KEE

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 23 April 2015.

Before me,

……………………………………………………..
Commissioner for Oaths

Independent Auditors' Report

to the Members of SMIS Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of SMIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 100.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 101 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Fu Joe
No. 2966/11/16 (J)
Chartered Accountant

Kuala Lumpur

Date: 23 April 2015

Consolidated Statement of Financial Position

As at 31 December 2014

		Group	
		2014	2013
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	33,106	31,570
Investment properties	6	455	477
Intangible assets	7	710	710
Deferred tax assets	9	1,297	1,286
Total non-current assets		35,568	34,043
Current assets			
Trade and other receivables	10	42,042	36,443
Prepayments		3,004	3,392
Inventories	11	16,159	16,753
Tax recoverables		807	546
Cash and bank balances	12	20,253	24,079
Total current assets		82,265	81,213
TOTAL ASSETS		117,833	115,256
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	13	44,800	44,800
Treasury shares	14	(1,177)	(1,166)
Reserves	15	34,332	32,740
Total equity attributable to owners of the Company		77,955	76,374
Non-controlling interests		5,881	4,888
Total equity		83,836	81,262

Consolidated Statement of Financial Position

As at 31 December 2014

Continued

	Note	Group 2014 RM'000	Group 2013 RM'000
Non-current liabilities			
Loans and borrowings	16	2,099	2,227
Other financial liability	17	45	426
Deferred tax liabilities	9	393	182
Total non-current liabilities		2,537	2,835
Current liabilities			
Loans and borrowings	16	4,691	5,498
Provision for warranties	18	288	489
Trade and other payables	19	26,195	24,638
Tax payables		286	534
Total current liabilities		31,460	31,159
Total liabilities		33,997	33,994
TOTAL EQUITY AND LIABILITIES		117,833	115,256

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2014

	Note	Company 2014 RM'000	Company 2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	-	-
Investment in subsidiaries	8	56,627	64,908
Total non-current assets		56,627	64,908
Current assets			
Trade and other receivables	10	3,605	8,097
Tax recoverable		-	43
Cash and bank balances	12	59	1,043
Total current assets		3,664	9,183
TOTAL ASSETS		60,291	74,091
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	13	44,800	44,800
Treasury shares	14	(1,177)	(1,166)
Reserves	15	16,326	30,305
Total equity attributable to owners of the Company		59,949	73,939
Current liabilities			
Trade and other payables	19	342	152
Total current liabilities		342	152
Total liabilities		342	152
TOTAL EQUITY AND LIABILITIES		60,291	74,091

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

For the Financial Year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	20	146,743	132,961	2,000	2,738
Cost of sales		(122,664)	(108,121)	-	-
Gross profit		24,079	24,840	2,000	2,738
Other operating income		1,690	1,258	15	48
Administrative and distribution expenses		(16,355)	(14,997)	(14,896)	(418)
Other operating expenses		(3,331)	(2,771)	-	-
Operating profit/(loss)	21	6,083	8,330	(12,881)	2,368
Finance income		186	252	-	-
Finance costs	22	(504)	(568)	-	-
Profit/(loss) before taxation		5,765	8,014	(12,881)	2,368
Taxation	23	(2,702)	(3,060)	(43)	43
Net profit/(loss) for the financial year		3,063	4,954	(12,924)	2,411
Other comprehensive income for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of financial liability		381	281	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		196	241	-	-
Available-for-sale financial assets - reclassified to profit or loss		-	(88)	-	-
Total comprehensive income/(expense) for the financial year		3,640	5,388	(12,924)	2,411
Profit/(loss) attributable to:					
Owners of the Company		2,526	4,217	(12,924)	2,411
Non-controlling interests		537	737	-	-
		3,063	4,954	(12,924)	2,411
Total comprehensive income/(expense) attributable to:					
Owners of the Company		3,095	4,643	(12,924)	2,411
Non-controlling interests		545	745	-	-
		3,640	5,388	(12,924)	2,411
Earnings per ordinary share (sen):					
- basic	24	5.99	9.99		
- diluted	24	5.99	9.99		

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2014

	Attributable to the Owners of the Company								
			Non-distributable			Distributable			
Group	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2014	44,800	(1,166)	4,891	53	-	27,796	76,374	4,888	81,262
Remeasurement of financial liability	-	-	-	-	-	381	381	-	381
Foreign currency translation reserve	-	-	-	188	-	-	188	8	196
Total other comprehensive income for the financial year	-	-	-	188	-	381	569	8	577
Profit net of tax for the year	-	-	-	-	-	2,526	2,526	537	3,063
Total comprehensive income for the financial year	-	-	-	188	-	2,907	3,095	545	3,640
Contibutions by and distribution to owners of the Company									
- Purchase of own shares	-	(11)	-	-	-	-	(11)	-	(11)
- Dividends to owners of the Company (Note 25)	-	-	-	-	-	(1,055)	(1,055)	-	(1,055)
- Remeasurement of non-controlling interests	-	-	-	-	-	(448)	(448)	448	-
Total transaction with owners of the Company	-	(11)	-	-	-	(1,503)	(1,514)	448	(1,066)
At 31 December 2014	44,800	(1,177)	4,891	241	-	29,200	77,955	5,881	83,836
At 1 January 2013	44,800	(1,156)	4,891	(180)	88	24,355	72,798	4,373	77,171
Fair value of available-for-sale financial assets	-	-	-	-	(88)	-	(88)	-	(88)
Remeasurement of financial liability	-	-	-	-	-	281	281	-	281
Foreign currency translation reserve	-	-	-	233	-	-	233	8	241
Total other comprehensive income for the financial year	-	-	-	233	(88)	281	426	8	434
Profit net of tax for the year	-	-	-	-	-	4,217	4,217	737	4,954
Total comprehensive income for the financial year	-	-	-	233	(88)	4,498	4,643	745	5,388
Contibutions by and distribution to owners of the Company									
- Purchase of own shares	-	(10)	-	-	-	-	(10)	-	(10)
- Dividends to owners of the Company (Note 25)	-	-	-	-	-	(1,057)	(1,057)	(158)	(1,215)
- Derecognition of subsidiary	-	-	-	-	-	-	-	(72)	(72)
Total transaction with owners of the Company	-	(10)	-	-	-	(1,057)	(1,067)	(230)	(1,297)
At 31 December 2013	44,800	(1,166)	4,891	53	-	27,796	76,374	4,888	81,262

Company	Share capital RM'000	Treasury shares RM'000	*Non-distributable* Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2013	44,800	(1,156)	4,891	24,060	72,595
Profit and total comprehensive income for the year	-	-	-	2,411	2,411
Contributions by and distributions to owners of the Company					
- Purchase of treasury shares	-	(10)	-	-	(10)
-Dividend to owners of the Company	-	-	-	(1,057)	(1,057)
Total transactions with owners of the Company	-	(10)	-	(1,057)	(1,067)
At 31 December 2013	44,800	(1,166)	4,891	25,414	73,939
Loss and total comprehensive expense for the year	-	-	-	(12,924)	(12,924)
Contributions by and distributions to owners of the Company					
- Purchase of treasury shares	-	(11)	-	-	(11)
- Dividends to owners of the Company (Note 25)	-	-	-	(1,055)	(1,055)
Total transactions with owners of the Company	-	(11)	-	(1,055)	(1,066)
At 31 December 2014	44,800	(1,177)	4,891	11,435	59,949

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

For the Financial Year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit/(loss) before taxation		5,765	8,014	(12,881)	2,368
Adjustments for:					
Impairment loss on:					
- trade receivables		130	788	-	-
- amount owing from subsidiaries		-	-	5,996	-
Impairment loss on investment in subsidiaries		-	-	8,281	-
Impairment loss on intangible assets		-	612	-	-
Inventories written-down		200	309	-	-
Inventories written-off		-	5	-	-
Depreciation of:					
- investment properties		22	23	-	-
- property, plant and equipment		5,793	4,964	-	-
Dividend income from subsidiaries		-	-	(2,000)	(2,738)
Gain on disposal of:					
- other investments		-	(88)	-	-
- property, plant and equipment		(233)	(69)	-	-
Finance income		(159)	(233)	(16)	-
Property, plant and equipment written off		-	2	-	-
Finance costs		461	495	-	-
Reversal of inventories writen-down		(283)	(112)	-	-
Reversal of impairment loss on trade receivables		(138)	(42)	-	-
Reversal of provision on warranty		(201)	-	-	-
Unrealised foreign exchange gain		(342)	(82)	-	-
Unrealised foreign exchange loss		76	73	-	-
Operating profit/(loss) before working capital changes		11,091	14,659	(620)	(370)
Changes in Working Capital:					
Inventories		677	(3,304)	-	-
Receivables		(4,937)	(3,426)	(1,504)	(307)
Payables		591	1,082	190	(250)
		7,422	9,011	(1,934)	(927)
Interest paid		(461)	(495)	-	-
Tax refund		275	-	-	-
Tax paid		(3,286)	(3,597)	-	-
Net cash generate from/(used in) operating activities carry forward		3,950	4,919	(1,934)	(927)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Net cash generate from/(used in) operating activities brought forward		3,950	4,919	(1,934)	(927)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment*		(6,541)	(6,714)	-	-
Dividend income		-	-	2,000	2,738
Interest received		159	233	16	-
Proceeds from disposal of property, plant and equipment		481	69	-	-
Net cash (used in)/generated from investing activities		(5,901)	(6,412)	2,016	2,738
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividend paid		(1,055)	(1,215)	(1,055)	(1,057)
Purchase of treasury shares		(11)	(10)	(11)	(10)
(Repayment)/Drawdown of other borrowings		(513)	655	-	-
Repayment of term loan		(128)	(124)	-	-
Repayment of hire purchase liabilities		(153)	(147)	-	-
Net cash used in financing activities		(1,860)	(841)	(1,066)	(1,067)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(3,811)	(2,334)	(984)	744
EXCHANGE RATE FLUCTUATIONS RESERVE		126	178	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		21,214	23,370	1,043	299
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		17,529	21,214	59	1,043
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Short term investments	12	2,865	3,798	-	1,022
Deposits placed with licensed banks	12	3,325	5,432	-	-
Cash at banks and on hand	12	14,063	14,849	59	21
Bank overdraft	16	(2,724)	(2,865)	-	-
		17,529	21,214	59	1,043

* Acquisition of property, plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM7,507,000/- (2013: RM6,742,000/-) of which RM966,000/- (2013: RM28,000/-) was accrued at the end of reporting year.

The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at No 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.

The financial statements are expressed in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ('000) except when otherwise stated.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 3.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int")

(a) Adoption of Amendments/Improvements to MFRSs and New IC Int

The Group and the Company had adopted the following amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 127	Separate Financial Statements
MFRS 132	Financial Instruments: Presentation
MFRS 136	Impairment of Assets
MFRS 139	Financial Instruments: Recognition and Measurement

New IC Int

IC Int 21	Levies

The adoption of the above amendments/improvements to MFRSs and new IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements

Amendments to MFRS 10 introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value thorough profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarifies that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. This Amendments only impacts the presentation in the financial statements but has no impact on the financial results and positions of the Group and of the Company.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(a) Adoption of Amendments/Improvements to MFRSs and New IC Int (Continued)

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs and amendments/ improvements to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 8	Operating Segments	1 July 2014
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosures of Interests in Other Entities	1 January 2016
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 July 2014/ 1 January 2016
MFRS 119	Employee Benefits	1 July 2014/ 1 January 2016
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate financial statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 138	Intangible Assets	1 July 2014/ 1 January 2016
MFRS 140	Investment Property	1 July 2014
MFRS 141	Agriculture	1 January 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement

MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

Impairment

MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

Hedge accounting

MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Identify the contracts with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

Amendments to MFRS 1 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduces specific guidance when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vise versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provides additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The Amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarifies that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets / liabilities and recognition of acquisition-related costs as expenses. The Amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation*.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improves the effectiveness of disclosures. The Amendments clarifies guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 116 prohibits revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

In addition, the Amendments clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allows a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduces a rebuttable presumption that the revenue-based amortisation method is inappropriate (for the same reasons as per the Amendments to MFRS 116). This presumption can be overcome only in the limited circumstances:

- in which the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or

- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the Amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These Amendments addresses the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements:- the Amendments clarifies that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

- Consolidation of intermediate investment entities:- the Amendments clarifies that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

- Policy choice for equity accounting for investments in associates and joint ventures:- the Amendments allows a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including incorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Accounting for acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interest and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the "foreign currency translation reserve" (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents. Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair value with the gain or loss recognised in other comprehensive income, except for impairment losses which is recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities are financial liabilities arising from written put options to non-controlling interests. Written put options to non-controlling interests are recognised at fair value. At the end of each reporting date, the liability is remeasured and the changes are taken directly to equity.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives are as follows:

Leasehold land	17 - 99 years
Buildings	50 years
Plant and machineries	5 - 10 years
Office equipment, furniture and fittings and renovations	3 - 50 years
Motor vehicles	3 - 10 years
Moulds and jigs	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period. Capital work-in-progress is stated at cost and is not depreciated until it is ready for its intended use. Upon completion, capital work-in-progress is transferred to categories of property, plant and equipment, depending on the nature of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or capital appreciation or for both.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Goodwill on consolidation

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill arises on business combination is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k) to the financial statements.

Goodwill is not amortised but is reviewed for impairment, annually, or more frequently for impairment if events or changes in circumstances indicate that the carrying value may be impaired.

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3(k).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties (Continued)

(ii) Determination of fair value

The fair value on the investment properties are determined based on information available through internal research and Directors' best estimation.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value with first-in first-out being the main basis for cost. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. In the case of trading goods, cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with Note 3(c).

(j) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(k) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment (Continued)

(i) Financial assets (Continued)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of the cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Equity instrument

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

(ii) Distribution of assets to owners of the company

The group measures a liability to distribute assets as a dividend to the owner of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustment to the amount of distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance is treated as tax base of assets and is recognised as a reduction of tax expense as and when it is utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Earnings per ordinary share

The Group presents basic earnings per ordinary share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (Unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Judgements Made in Applying Accounting Policies

In the process of applying the Group's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between operating lease and finance lease for leasehold land

The Group has developed certain criteria based on MFRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

The Group judged that the leasehold land of the Group are in substance finance leases and had classified the leasehold land as property, plant and equipment.

4.2 Key source of estimation uncertainty

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Impairment of Investment Properties

The Group assesses at the end of each reporting period whether there is any objective evidence that the investment properties are impaired. The Group considers internal and external factors such as market price and latest transacted price of properties within the same vicinity and nature.

The Group assessed the market price of the investment properties based on information available through internal research and Directors' best estimates.

Where there is objective evidence, impairment losses are recognised in profit or loss. As at the end of the reporting period, the Directors of the Company are of the opinion that there is no adjustment required.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.2 Key source of estimation uncertainty (Continued)

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flow from the CGU and also choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill are given in Note 7.

Based on management's estimation of the present value of future cash flows generated by the subsidiary, impairment loss of RM Nil (2013: RM612,000/-) has been provided for the goodwill of the Group during the financiel year.

(iv) Impairment of investment in subsidiaries

The Group and the Company carried out the impairment test based on a variety of estimation including the value-in-use of the cash generating unit. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on management's estimation of the present value of future cash flows generated by the subsidiary, the Company has impaired the investment in subsidiaries of RM8,281,000/- (2013: RM Nil) during the financial year.

(v) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future fees receivable, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

(vii) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.2 Key source of estimation uncertainty (Continued)

(viii) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(ix) Provision for warranties

The provision for warranties related mainly to automotive brake system sold. Judgement is required in determine and estimating the amount of provision to be made. The Group evaluate the amount at provision required based on historical warranty data associated with similar products and services.

Based on management's evaluation on the warranty provided to its customers, a reversal of RM201,000/- has been made during the financial year.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Capital work in progress RM'000	Total RM'000
Cost								
At 1 January 2013	6,961	14,568	39,592	10,452	2,095	6,581	-	80,249
Additions	-	-	2,005	1,388	512	1,458	1,379	6,742
Disposals/write off	-	-	(102)	(4)	(526)	(36)	-	(668)
Exchange differences	93	-	-	-	-	-	-	93
At 31 December 2013/ 1 January 2014	7,054	14,568	41,495	11,836	2,081	8,003	1,379	86,416
Additions	-	-	3,648	1,426	-	2,009	424	7,507
Disposals/write off	-	-	(114)	(11)	-	(228)	-	(353)
Reclassification	-	-	-	1,379	-	-	(1,379)	-
Exchange differences	70	-	-	-	-	-	-	70
At 31 December 2014	7,124	14,568	45,029	14,630	2,081	9,784	424	93,640
Depreciation and impairment loss								
At 1 January 2013								
Accumulated depreciation	798	4,677	28,975	7,479	1,400	4,714	-	48,043
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	798	4,677	31,219	7,687	1,400	4,738	-	50,519
Depreciation for the financial year	124	280	2,326	830	311	1,093	-	4,964
Disposals/write off	-	-	(102)	-	(526)	(9)	-	(637)
At 31 December 2013/ 1 January 2014								
Accumulated depreciation	922	4,957	31,199	8,309	1,185	5,798	-	52,370
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	922	4,957	33,443	8,517	1,185	5,822	-	54,846
Depreciation for the financial year	118	286	2,257	1,418	313	1,401	-	5,793
Disposals/write off	-	-	(18)	(11)	-	(76)	-	(105)
At 31 December 2014								
Accumulated depreciation	1,040	5,243	33,438	9,716	1,498	7,123	-	58,058
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	1,040	5,243	35,682	9,924	1,498	7,147	-	60,534
Carrying amounts								
At 31 December 2013	6,132	9,611	8,052	3,319	896	2,181	1,379	31,570
At 31 December 2014	6,084	9,325	9,347	4,706	583	2,637	424	33,106

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Office equipment RM'000
Cost	
At 1 January 2013/31 December 2014	9
Accumulated depreciation	
At 1 January 2013/31 December 2014	9
Carrying amounts	
At 31 December 2013	-
At 31 December 2014	-

5.1 Security

During the financial year, the following securities are pledged:

(i) A freehold land and building of the Group with carrying amount of RM3,325,000/- (2013: RM3,380,000/-) has been assigned/ pledged to a licensed bank as security for borrowings/ banking facilities granted to a subsidiary. As at 31 December 2014, the Group has not utilised the banking facilities.

(ii) A freehold land and building of the Group with carrying amount of RM3,063,000/- (2013: RM3,094,000/-) has been pledged to a licensed bank as security for term loans granted to a subsidiary as disclosed in Note 16 to the financial statements.

5.2 Land

Included in the carrying amounts of land are:

	Group	
	2014 RM'000	2013 RM'000
Freehold land	3,127	3,127
Leasehold land with unexpired lease period of		
- more than 50 years	1,155	1,171
- less than 50 years	1,802	1,834
	6,084	6,132

5.3 Assets under borrowings arrangement

(i) The carrying amounts of motor vehicles at the Group as at financial year end held under hire purchase arrangement amounted to RM Nil (2013: RM282,000/-).

(ii) The carrying amount of a freehold land and building at the Group as at financial year end held under term loan facility amounted to RM3,063,000/- (2013:RM3,094,000/-).

6. INVESTMENT PROPERTIES

Group	Buildings 2014 RM'000	Buildings 2013 RM'000
Cost		
At 1 January/31 December	1,949	1,949
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	776	753
Accumulated impairment loss	696	696
	1,472	1,449
Depreciation for the financial year	22	23
At 31 December		
Accumulated depreciation	798	776
Accumulated impairment loss	696	696
	1,494	1,472
Carrying amount		
At 31 December	455	477
Fair Value		
At 31 December	7,970	7,327

Investment properties comprise of an office building and a service apartment that are leased to third parties. The leases are renewable on a yearly basis. No contingent rents are charged.

The following are recognised in profit and loss in respect of the investment properties:

	Group 2014 RM'000	Group 2013 RM'000
Rental income	194	193
Direct operating expenses:		
- income generating investment properties	(46)	(48)

6. INVESTMENT PROPERTIES (Continued)

(a) Fair value information

The fair value of investment properties are categorised as follows:

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

- **Level 1 fair value:** Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.
- **Level 2 fair value:** Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.
- **Level 3 fair value:** Level 3 fair value is estimated using unobservable inputs for the investment property.

There is no transfer between levels of fair values hierarchy during the financial year.

The fair value of investment properties of the Group are categorised as Level 3. The fair value on the investment properties are determined based on information available through internal research and Directors' best estimation.

Sales Comparison Approach

The Group's investment properties consist of an office building and a service apartment. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Highest and best use

The Group's investment properties are currently an office building and a service apartment. The office building is at its highest and best use as it is located on the prime land in the city centre in which offices are located. The service apartment is at its highest and best use as it is located in the prime area of the city centre that is ideal for rental by expatriates.

7. INTANGIBLE ASSETS

	Group Goodwill	
	2014 RM'000	2013 RM'000
Cost	1,322	1,322
Accumulated impairment		
At 1 January	612	-
Impairment loss for the financial year	-	612
At 31 December	612	612
Carrying amount	710	710

7. INTANGIBLE ASSETS (Continued)

a) Impairment testing for cash-generating units ("CGU") containing goodwill

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2014 RM'000	2013 RM'000
Machinery parts division	710	710
Plastic resins trading and compounding division	-	-
	710	710

Machinery parts division

The recoverable amount of the machinery parts division was based on its value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the CGU and was based on the following key assumptions:

* Cash flows were projected based on actual operating results in 2014 using an estimated constant grwoth rate of 5%; and

* A pre-tax discount rate of 5% (2013: 4.7%) was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the Group's existing weighted average cost of capital.

The values assigned to the key assumptions used in preparing the projections represent management's assessment of future trends in the machinery parts division and are based on internal sources of information.

Based on the sensitivity analysis performed, the Directors are of the opinion that there are no reasonable possible changes in key assumptions which would cause the carrying values of the CGU to exceed its recoverable amounts.

Plastics resin trading and compounding division

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of RM612,000/- was recognised in the previous financial year and included in the profit or loss in the statements of comprehensive income.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
At cost		
Unquoted shares	68,883	68,883
Less: Accumulated impairment loss	(12,256)	(3,975)
	56,627	64,908

8. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2014 %	Effective ownership interest 2013 %
Direct subsidiaries				
Grand Carpet Industries Sdn. Bhd.	Malaysia	Trading of carpet of all descriptions	100	100
Sanyco Grand Industries Sdn. Bhd.	Malaysia	Manufacturing of automotive braking components and motorcycle components	100	100
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	Trading of machinery and industrial parts supplies	100	100
Sugihara Grand Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of carpet of all descriptions	60	60
Exsilio Pte. Ltd. #	Singapore	Investment holding	96.67	96.67
Cleon Technology Sdn. Bhd. *	Malaysia	Dormant	-	-
Indirect Subsidiaries held through Exsilio Pte. Ltd.				
Plaspoint Sdn. Bhd.	Malaysia	Manufacturers, reproducers, developers and dealers in all kinds of plastics, resins and their wastes	96.53	92.32
PT Zusma Plastics #	Indonesia	Dormant	96.60	96.67

\# *Audited by other member firms of Baker Tilly International.*

* *On 27 December 2012, the Company announced that its 66.25% owned subsidiary had been placed under Members' Voluntary Liquidation (Liquidation) pursuant to the Companies Act, 1965 in Malaysia. The voluntary liquidation is still in progress as at to-date. During the previous financial year, the subsidiary is derecognised from the consolidation of the Group.*

8. INVESTMENT IN SUBSIDIARIES (Continued)

The Group's subsidiaries that have material non-controlling interest ("NCI") are as follows:

In RM'000	Sugihara	2014 Other individually immaterial subsidiries	Total
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	5,824	57	5,881
Profit/(loss) allocated to NCI	925	(380)	545
Summarised financial information before intra-group elimination			
As at 31 December 2014			
Non-current assets	10,423		
Current assets	15,936		
Non-current liabilities	(192)		
Current liabilities	(11,606)		
Net assets	14,561		
Year ended 31 December 2014			
Revenue	65,244		
Profit for the year	2,313		
Total comprehensive income	2,313		
Cash flows from operating activities	2,899		
Cash flows used in investing activities	(5,463)		
Cash flow used in financing activities	(396)		
Net decrease in cash and cash equivalents	(2,960)		
Dividends paid to NCI	-		

8. INVESTMENT IN SUBSIDIARIES (Continued)

In RM'000	Sugihara	2013 Other individually immaterial subsidiries	Total
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	4,899	(11)	4,888
Profit/(loss) allocated to NCI	972	(227)	745
Summarised financial information before intra-group elimination			
As at 31 December 2013			
Non-current assets	7,764		
Current assets	13,497		
Non-current liabilities	(49)		
Current liabilities	(8,964)		
Net assets	12,248		
Year ended 31 December 2013			
Revenue	47,744		
Profit for the year	2,826		
Total comprehensive income	2,826		
Cash flows from operating activities	5,206		
Cash flows used in investing activities	(3,334)		
Net increase in cash and cash equivalents	1,872		
Dividends paid to NCI	158		

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2014 RM'000	Assets 2013 RM'000	Liabilities 2014 RM'000	Liabilities 2013 RM'000	Net 2014 RM'000	Net 2013 RM'000
Property, plant and equipment	-	-	(1,696)	(3,588)	(1,696)	(3,588)
Provisions	2,054	4,200	-	-	2,054	4,200
Capital allowance	546	492	-	-	546	492
Net tax assets/(liabilities), before appropriate offsetting	2,600	4,692	(1,696)	(3,588)	904	1,104
Offsetting	(1,303)	(3,406)	1,303	3,406	-	-
Net tax assets/(liabilities), after appropriate offsetting	1,297	1,286	(393)	(182)	904	1,104

Movement in temporary differences during the year:

Group	At 1.1.2013 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2013 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2014 RM'000
Property, plant and equipment	(1,751)	(1,837)	(3,588)	1,892	(1,696)
Provisions	1,882	2,318	4,200	(2,146)	2,054
Capital allowance	577	(85)	492	54	546
	708	396	1,104	(200)	904

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2014 RM'000	Group 2013 RM'000
Unused tax losses	4,863	3,318
Unabsorbed capital allowances	884	596
Other	(71)	(24)
	5,676	3,890
Potential deferred tax assets not recognised at 24% (2013: 25%)	1,362	973

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Current					
Trade					
Trade receivables	(a)	41,453	35,577	-	-
Non-trade					
Other receivables		249	544	-	-
Deposits		340	322	-	-
Amount owing from subsidiaries	(b)	-	-	3,605	5,359
Dividend receivables		-	-	-	2,738
		589	866	3,605	8,097
		42,042	36,443	3,605	8,097

(a) Credit terms of trade receivables range from 60 to 180 days (2013: 60 to 180 days).

(b) Amount owing from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

11. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
At cost		
Raw materials	7,969	8,262
Work-in-progress	876	396
Manufactured goods	2,577	2,466
Trading goods	4,152	5,300
Consumables	585	329
	16,159	16,753
Recognised in profit or loss:		
Inventories recognised as cost of sales	93,106	82,166
Inventories written-down	200	309
Reversal of inventories written-down	(283)	(112)

12. CASH AND BANK BALANCES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term investments	2,865	3,798	-	1,022
Deposits placed with licensed banks	3,325	5,432	-	-
Cash at banks and on hand	14,063	14,849	59	21
	20,253	24,079	59	1,043

13. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of shares Unit '000	Amount RM'000	Number of shares Unit '000	Amount RM'000
Ordinary shares of RM1/- each				
Authorised:				
At the beginning/end of the financial year	60,000	60,000	60,000	60,000
Issued and fully paid:				
At the beginning/end of the financial year	44,800	44,800	44,800	44,800

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

14. TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 6 June 2014, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 15,000 of its issued ordinary shares from the open market at an average price of RM0.7675 per share. The total consideration paid was approximately RM11,329/- including transaction costs of RM99/-. The repurchased transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2014, the Group held 2,615,100 (2013: 2,600,100) of the Company's shares as treasury shares. The number of outstanding ordinary shares of RM1/- each in issue after the set-off is 42,184,900 (2013: 42,199,900).

14. TREASURY SHARES (Continued)

Details of the shares purchased during the financial year were as follow:

	Average price paid RM	Highest price paid RM	Lowest price paid RM	Number of shares purchased and retained as treasury shares	Total consideration paid RM
2014					
January-March	-	-	-	-	-
April-June	0.74	0.75	0.72	10,000	7,283
July-September	-	-	-	-	-
October-December	0.80	0.80	0.80	5,000	4,046

15. RESERVES

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable					
Share premium	(a)	4,891	4,891	4,891	4,891
Foreign currency translation reserve	(b)	241	53	-	-
		5,132	4,944	4,891	4,891
Distributable					
Retained earnings	(c)	29,200	27,796	11,435	25,414
		34,332	32,740	16,326	30,305

(a) Share Premium

The share premium is arrived at after accounting for the premium received over the nominal value of shares issued to the public, less the subsequent capitalisation for bonus issue of the Company, if any.

(b) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Retained earnings

As at 31 December 2014, the Company is able to distribute the entire balance of retained earnings under single tier system.

16. LOANS AND BORROWINGS

	Note	Group 2014 RM'000	Group 2013 RM'000
Non-current			
Term loan	(b)	2,099	2,227
Current			
Hire purchase payable	(a)	-	153
Term loan	(b)	130	130
Revolving credit	(c)	302	904
Bank overdraft	(c)	2,724	2,865
Banker acceptance	(c)	1,535	1,446
		4,691	5,498
Total loans and borrowings		6,790	7,725

(a) Hire purchase payable

	Group 2014 RM'000	Group 2013 RM'000
Minimum hire purchase payments:		
- not later than one year	-	157
- later than one year but not later than five years	-	-
	-	157
Less: Future hire purchase interest	-	(4)
Present value of hire purchase liabilities	-	153
Represented by:		
Current		
- not later than one year	-	153
Non-current		
- later than one year but not later than five years	-	-
	-	153

16. LOANS AND BORROWINGS (Continued)

(b) Term loan

	Group	
	2014 RM'000	2013 RM'000
Term loan- secured	2,229	2,357
Represented by:		
Current		
- not later than one year	130	130
Non-current		
- later than one year but not later than five years	590	584
- later than five years	1,509	1,643
	2,099	2,227
	2,229	2,357

The term loan bears interest rate at 4.85% (2013: 4.6%) per annum and repayable by 180 monthly installments of RM20,000/- each commencing one month from the date of first drawdown with adjustment in the last installment.

The term loan is secured by way of:

(i) a first party legal charge and specific debentures created over a piece of freehold land and building including fixture and fitting with a carrying amount of RM3,063,000/- ; and

(ii) corporate guarantee by the Company.

(c) The revolving credit, banker acceptance and bank overdraft of the Group is supported by a corporate guarantee of RM8,800,000/- (2013: RM8,800,000/-) issued by the Company.

17. OTHER FINANCIAL LIABILITY

	Group	
	2014 RM'000	2013 RM'000
Written put options to non-controlling interests	45	426

The Group has written put options to non-controlling interests of a subsidiary. These put options provide the non-controlling interests the right to require the Group to acquire shares owned by a key management personnel. These put options are exercisable from 1 January 2017 to 30 June 2020.

The put options were revalued by Directors during the financial year based on the valuation report dated 24 March 2015, carried out by an independent professional firm of valuer using the Black Scholes model and was based on the following key assumptions:

* Exercise price of RM2.64 as set out in the Call and Put Option Agreement;
* Share price of RM0.34 as at 31 December 2014 based on the net asset per share of the subsidiary;
* Risk free interest rate of 2.1%; and
* Expected volatility rate of 1% in the share price.

18. PROVISION FOR WARRANTIES

	Group	
	2014 RM'000	2013 RM'000
At 1 January	489	815
Provisions reversed during the financial year	(201)	-
Provisions utilised during the financial year	-	(326)
At 31 December	288	489
Current	288	489

Warranties

The provision for warranties relates mainly to automotive brake system sold. The provision is based on estimates made from historical warranty data associated with similar products and services.

19. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade					
Trade payables	(a)	15,715	16,880	-	-
Non-trade					
Other payables and accruals	(b)	10,480	7,758	342	152
		10,480	7,758	342	152
		26,195	24,638	342	152

(a) Credit terms of trade payables range from 30 to 120 days (2013: 30 to 120 days).

(b) Included in other payables and accruals of the Group is an amount of RM966,000/- (2013: RM28,000/-) accrued for the acquisition of plant and machineries.

20. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Automotive parts	126,003	112,813	-	-
Dividends income	-	-	2,000	2,738
Machinery parts	15,209	16,500	-	-
Plastic resins trading and compounding	5,531	3,648	-	-
	146,743	132,961	2,000	2,738

21. OPERATING PROFIT/(LOSS)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating profit/(loss) has been arrived at:				
After charging:				
Auditors' remuneration:				
- statutory audit				
current year	172	154	45	29
prior year	(16)	(13)	-	-
- other services	-	4	-	4
Depreciation of:				
- investment properties	22	23	-	-
- property, plant and and equipment	5,793	4,964	-	-
Impairment loss on:				
- amount owing from subsidiaries	-	-	5,996	-
- trade receivables	130	788	-	-
- investment in subsidiaries	-	-	8,281	-
Loss on disposal of property, plant and equipment	1	-	-	-
Property, plant and equipment written-off	-	2	-	-
Intangible assets written-off	-	612	-	-
Inventories written down	200	309	-	-
Inventories written-off	-	5	-	-
Personnel expenses (including key management personnel):				
- contribution to Employees Provident Fund	1,710	1,516	-	-
- wages, salaries and others	22,576	20,182	15	19
Rental expenses for:				
- plant and equipment	-	32	-	-
- warehouse and staff housing facilities	170	422	-	-
Lease equipments	393	348	-	-
Foreign exchange loss:				
- realised	136	49	-	-
- unrealised	76	73	-	-
And crediting:				
Dividend income from subsidiaries	-	-	2,000	2,738
Finance income	159	233	16	-
Foreign exchange gain:				
- realised	50	416	-	-
- unrealised	342	82	-	-
Gain on disposal of property, plant and equipment	234	69	-	-
Rental income from:				
- plant & equipment	210	300	-	-
Reversal of inventories written-down	283	112	-	-
Reversal of impairment loss on trade receivables	138	42	-	-
Reversal of provision on warranty	201	-	-	-

22. FINANCE COSTS

	Group	
	2014 RM'000	2013 RM'000
Interest expense:		
- banker acceptances	65	40
- bank overdraft	235	254
- commitment fee	17	22
- letter of credit	5	3
- term loan	139	176
	461	495
Other bank charges	43	73
	504	568

23. TAXATION

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax expense					
- current year		(2,675)	(3,579)	(43)	43
- prior year		173	123	-	-
		(2,502)	(3,456)	(43)	43
Deferred taxation					
- current year	9	(175)	259	-	-
- prior year	9	(25)	137	-	-
		(200)	396	-	-
		(2,702)	(3,060)	(43)	43

Domestic income tax is calculated at the Malaysia statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year. In the Budget Speech 2014, the Government of Malaysia announced that the domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% with effect from the year of assessment 2016. The computation of deferred tax as at 31 December 2014 and 31 December 2013 has reflected those changes.

23. TAXATION (Continued)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before taxation	5,765	8,014	(12,881)	2,368
Taxation at applicable tax rate of 25%	(1,441)	(2,004)	3,220	(592)
Tax effect arising from				
- non-deductible expenses	(980)	(1,675)	(3,641)	(61)
- tax exempt income	2	867	421	696
- difference in tax rates	(95)	-	-	-
Utillisation of reinvestment allowances	53	-	-	-
- overaccrual in prior years	148	260	-	-
- unrecognised deferred tax assets	(389)	(508)	(43)	-
Tax (expenses)/income for the financial year	(2,702)	(3,060)	(43)	43

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2014 RM'000	2013 RM'000
Profit attributable to owners of the Company	2,526	4,217
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(2,607)	(2,592)
Weighted average number of ordinary shares at 31 December	42,193	42,208
Basic earnings per share (sen)	5.99	9.99

The basic and diluted earnings per ordinary share are equal as the Group has no dilutive potential ordinary share(s).

25. DIVIDENDS

	Company	
	2014 RM'000	2013 RM'000
Dividends paid		
First and final single tier dividend of 2.5 sen per ordinary share of RM1/- each	1,055	-
First and final dividend of 3.34 sen per ordinary share of RM1/- each less 25% tax (2.50 sen net per ordinary share)	-	1,057

26. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Automotive parts	Manufacturing and trading of carpet of all descriptions and manufacturing of automotive braking components and motorcycle components.
Machinery parts	Trading of machinery and industrial parts supplies.
Plastic resins trading and compounding	Trading and compounding of recyclable plastic resins products.
Others	Investment holding.

Performance is measured based on segment profit before tax, interest, as included in the internal management reports that are reviewed by the Group's Chief Executive Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Director. Hence no disclosure is made on segment liabilities.

Geographical segments

In the current financial year, segment reporting for geographical segment is not presented as the Group predominantly operates in Malaysia.

26. OPERATING SEGMENTS (Continued)

	Automotive parts RM'000	Machinery parts RM'000	Plastic resins trading and compounding RM'000	Others RM'000	Inter-segment Elimination RM'000	Notes	Total RM'000
2014							
Segment profit/(loss)	8,908	56	(3,055)	2,174	(2,000)	(a)	6,083
Included in the measure of segment profit are:							
Revenue from external customers	126,003	15,209	5,531	-	-		146,743
Depreciation of property plant and equipment	(4,862)	(376)	(555)	-	-		(5,793)
Depreciation of investment properties	(6)	(16)	-	-	-		(22)
Reversal of inventories written-down	-	283	-	-	-		283
Reversal of impairment loss on trade receivables	118	20	-	-	-		138
Reversal of provision on warranty	201	-	-	-	-		201
Impairment loss on trade receivables	(78)	(52)	-	-	-		(130)
Inventories written-down	-	(200)	-	-	-		(200)
Not included in the measure of segment profit but provided to Group's Chief Executive Director:							
Finance costs	(45)	(9)	(450)	-	-		(504)
Finance income	150	23	13	-	-		186
Taxation	(2,407)	(170)	(82)	(43)	-		(2,702)
Segment assets	82,011	18,921	14,817	2,162	(78)	(b)	117,833
Included in the measure of segment assets are:							
Additions to non-current assets other than financial instruments and deferred tax assets	6,832	177	568	-	-		7,577

26. OPERATING SEGMENTS (Continued)

	Automotive parts RM'000	Machinery parts RM'000	Plastic resins trading and compounding RM'000	Others RM'000	Inter-segment Elimination RM'000	Notes	Total RM'000
2013							
Segment profit/(loss)	11,949	61	(3,252)	2,344	(2,772)	(a)	8,330
Included in the measure of segment profit are:							
Revenue from external customers	112,813	16,500	3,648	-	-		132,961
Depreciation of property plant and equipment	(4,064)	(364)	(536)	-	-		(4,964)
Depreciation of investment properties	(7)	(16)	-	-	-		(23)
Impairment of goodwill	-	-	(612)	-	-		(612)
Impairment loss on trade receivables	(414)	(374)	-	-	-		(788)
Inventories written-down	-	(309)	-	-	-		(309)
Not included in the measure of segment profit but provided to Group's Chief Executive Director:							
Finance costs	(104)	(8)	(456)	-	-		(568)
Finance income	198	18	14	22	-		252
Taxation	(2,926)	(177)	-	43	-		(3,060)
Segment assets	79,082	19,563	13,729	5,654	(2,772)	(b)	115,256
Included in the measure of segment assets are:							
Additions to non-current assets other than financial instruments and deferred tax assets	4,928	539	1,275	-	-		6,742

Notes Nature of elimination to arrive at amounts resorted in the consolidated financial statements:

(a) Intersegment revenues are eliminated on consolidation; and

(b) Intersegment assets are eliminated on consolidation.

26. OPERATING SEGMENTS (Continued)

Reconciliations of reportable segment profit or loss

	2014 RM'000	2013 RM'000
Profit or loss		
Total profit or loss for reportable segments	6,083	8,330
Finance costs	(504)	(568)
Finance income	186	252
Consolidated profit before tax	5,765	8,014
Taxation	(2,702)	(3,060)
Consolidated profit after tax	3,063	4,954

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segments
	2014 RM'000	2013 RM'000	
Customer A	30,714	31,013	Automotive parts
Customer B	14,537	17,385	Automotive parts
Customer C	28,603	13,402	Automotive parts

27. OPERATING LEASES

Leases as leasee

	Group	
	2014 RM'000	2013 RM'000
Less than one year	498	147
Between one and five years	408	996
Later than five years	1	-
	907	1,143

The Group leases a number of equipment, software and services under operating leases. The leases typically run for a period of 2 - 5 years, with an option to renew the lease at the end of lease period.

27. OPERATING LEASES (Continued)

Leases as lessor

The Group leases out its investment properties under operating leases (see Note 6). The future minimum lease payments under non-cancellable leases are as follows:

	2014 RM'000	2013 RM'000
Less than one year	10	10

28. CONTINGENT LIABILITIES

The Group and the Company are contingently liable for the following:

	Group / Company	
	2014 RM'000	2013 RM'000
Guarantee given to secure equipment purchased by subsidiaries	216	608

29. RELATED PARTY TRANSACTIONS

a) Identification of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

San Yes Automotive Technology Co. Ltd. is a substantial shareholder of the Company through its interest of more than twenty percent (20%) in MIYES Holdings Sdn. Bhd. ("MIYES"). The Company's Director Yap Siew Foong has indirect interest in MIYES.

Sugihara Co. Ltd. ("SUGI-Japan") holds direct equity interest of more than twenty percent (20%) in a subsidiary of the Company, Sugihara Grand Industries Sdn. Bhd. ("SUGI"). Directors of SUGI, Shigeru Sugihara and Shoso Sugihara are Directors and substantial shareholders of SUGI-Japan.

All the amounts outstanding are unsecured and expected to be settled by cash.

29. RELATED PARTY TRANSACTIONS (Continued)

b) Significant related party transaction

Group	Amount transacted for the year ended 31 December RM'000	Balances outstanding at 31 December RM'000
2014		
San Yes Automotive Technology Co. Ltd.		
Purchase of raw materials	631	(178)
Sugihara Co. Ltd.		
Purchase of raw materials	903	(657)
Royalties	622	(622)
Other expenses	628	(281)
2013		
San Yes Automotive Technology Co. Ltd.		
Purchase of raw materials	485	(54)
Sugihara Co. Ltd.		
Purchase of raw materials	1,301	(143)
Royalties	484	(723)
Other expenses	114	-

The key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2014 RM '000	2013 RM '000	2014 RM '000	2013 RM '000
Company's Directors				
- Fees	181	105	181	105
- Remuneration	2,804	2,525	15	19
- Other short term employee benefits (including estimated monetory value of benefit-in-kind)	19	31	-	-
Other key management personnel:				
- Remuneration	308	256	-	-
	3,312	2,917	196	124

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers and contributes to statutory pension funds.

The estimated monetary value of Directors' benefits-in-kind is RM19,000/- (2013: RM31,000/-).

30. CAPITAL COMMITMENTS

	Group	
	2014 RM'000	2013 RM'000
Computer software		
Contracted but not provided for and payable	823	654
Joint venture company		
Contracted but not provided for	1,487	-

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables (L&R);
(ii) Financial liabilities measured at amortised cost (FL); and
(iii) Other liabilities (OL)

Financial assets	Carrying amount RM'000	L&R RM'000
2014		
Group		
Trade and other receivables	42,042	42,042
Cash and cash equivalents	20,253	20,253
	62,295	62,295
Company		
Trade and other receivables	3,605	3,605
Cash and cash equivalents	59	59
	3,664	3,664
2013		
Group		
Trade and other receivables	36,443	36,443
Cash and cash equivalents	24,079	24,079
	60,522	60,522
Company		
Trade and other receivables	8,097	8,097
Cash and cash equivalents	1,043	1,043
	9,140	9,140

31. FINANCIAL INSTRUMENTS (Continued)

31.1 Categories of financial instruments (Continued)

Financial liabilities	Carrying amount RM'000	FL/ OL RM'000
2014		
Group		
Loans and borrowings	(6,790)	(6,790)
Trade and other payables	(26,195)	(26,195)
Other financial liabilities	(45)	(45)
	(33,030)	(33,030)
Company		
Trade and other payables	(342)	(342)
2013		
Group		
Loans and borrowings	(7,725)	(7,725)
Trade and other payables	(24,638)	(24,638)
Other financial liabilities	(426)	(426)
	(32,789)	(32,789)
Company		
Trade and other payables	(152)	(152)

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Available-for-sale				
- reclassified to profit or loss	-	88	-	-
Loans and receivables	274	(888)	(5,996)	-
Financial liabilities, measured at amortised cost	115	(428)	-	-
Remeasurement of financial liability	381	281	-	-
	770	(947)	(5,996)	-

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and short term investments. The Company's exposure to credit risk arises principally from advance to subsidiaries and financial guarantees given to banks for credit facilities granted to certain subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Formal credit evaluations are performed on new customers while periodic informal credit evaluations are performed for monitoring purposes.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(i) Credit risk (Continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2014			
Not past due	18,784	-	18,784
Past due 0-30 days	8,657	-	8,657
Past due 31-120 days	10,228	-	10,228
Past due more than 120 days	5,171	(1,387)	3,784
	42,840	(1,387)	41,453
31 December 2013			
Not past due	18,244	-	18,244
Past due 0-30 days	6,732	-	6,732
Past due 31-120 days	8,552	-	8,552
Past due more than 120 days	3,444	(1,395)	2,049
	36,972	(1,395)	35,577

<u>Receivables that are neither past due nor impaired</u>
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

<u>Receivables that are past due but not impaired</u>
The Group has not made any allowance for impairment for these trade receivables since thare has not been a significant change in the credit quality of these trade receivables and the amounts owing are still considered as recoverable.

Trade receivables that are past due but not impaired are unsecured in nature.

<u>Receivables that are either past due or impaired</u>
The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2014 RM'000	2013 RM'000
At 1 January	1,395	649
Impairment loss recognised	130	788
Impairment loss reversal	(138)	(42)
At 31 December	1,387	1,395

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(i) Credit risk (Continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

An impairment loss in respect of advances to subsidiaries of RM5,996,000/- (2013: RM Nil) was recognised during the financial year.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM25,640,000/- (2013: RM25,640,000/-) representing the outstanding facilities of subsidiaries as at end of the reporting period.

The Group provides unsecured financial guarantees to third parties in respect of services provided to subsidiaries. The maximum exposure to credit risk amounts to RM323,000/- (2013: RM450,000/-) representing the outstanding guarantees as at the end of the reporting period.

At the end of the reporting period, it was not probable that the counter party to the financial guarantee contract will claim under the contract. Consequently, the fair value for the financial guarantee is Nil.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Short term investment

Risk management objectives, policies and processes for managing the risk

Investments are made only in liquid securities and only with reputable financial institutions.

As at the end of the reporting period, the Group has only invested in unit trust (Note 12) with reputable financial institutions. The maximum exposure to credit risk is represented by the carrying amounts as disclosed in Note 12.

These investments are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments are not recoverable.

31.3 Financial risk management (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	2-5 years RM'000	> 5 years RM'000
2014						
Bank overdraft	2,724	8.35	2,724	2,724	-	-
Banker acceptance	1,535	5.39- 6.03	1,535	1,535	-	-
Hire purchase payable	-	-	-	-	-	-
Revolving credit	302	5.41	302	302	-	-
Term loan	2,229	4.85	2,229	130	590	1,509
Trade and other payables	26,195	-	26,195	26,195	-	-
2013						
Bank overdraft	2,865	8.10	2,865	2,865	-	-
Banker acceptance	1,446	5.41- 5.47	1,446	1,446	-	-
Hire purchase payable	157	2.35	157	157	-	-
Revolving credit	904	5.41	904	904	-	-
Term loan	2,357	4.60	2,357	130	584	1,643
Trade and other payables	24,638	-	24,638	24,638	-	-
Company						
2014						
Other payables	342	-	342	342	-	-
2013						
Other payables	152	-	152	152	-	-

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

Currency risk

The Group's exposure to foreign currency risk is on sales and purchases that are denominated in currencies other than the functional currencies of the Group entities. The currencies giving rise to this risk are primarily US Dollar (USD), Japanese Yen (JPY), Euro Dollar (EUR), Singapore Dollar (SGD), Thailand Baht (THB), Australian Dollar (AUD), Swiss Franc (CHF) and Chinese Yuan (CNY).

Risk management objectives, policies and processes for managing the risk

The Group does not engage in foreign currency hedging on its foreign currency exposures but the management is monitoring these exposures on an ongoing basis.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in							
	USD	JPY	EUR	SGD	THB	AUD	CHF	CNY
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014								
Trade receivables	1,610	-	-	-	-	-	-	-
Cash and cash equivalents	1,528	-	-	-	-	-	-	-
Trade payables	(1,627)	(4,305)	(162)	-	(8)	(61)	(340)	(12)
Other payables	(103)	-	-	-	-	-	-	-
Exposure in the statements of financial position	1,408	(4,305)	(162)	-	(8)	(61)	(340)	(12)
2013								
Trade receivables	1,016	-	-	-	68	-	-	-
Cash and cash equivalents	536	-	-	-	-	-	-	-
Trade payables	(2,950)	(175)	(318)	-	-	(40)	-	-
Other payables	(42)	-	-	(52)	-	-	-	-
Exposure in the statements of financial position	(1,440)	(175)	(318)	(52)	68	(40)	-	-

Currency risk sensitivity analysis

A 10% (2013: 10%) strengthening/weakening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have (increased)/decreased equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(iii) Market risk (Continued)

Currency risk sensitivity analysis (Continued)

	Profit or loss 2014 RM'000	Profit or loss 2013 RM'000
USD	(106)	108
JPY	323	13
EUR	12	24
CHF	26	-

The exposure to currency risk of the Group on SGD, THB, AUD and CNY are not material and hence, sensitivity analysis is not presented.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group manages its interest rate risk by having a combination of borrowings with fixed and floating rates. The Group's surplus funds are placed as short term deposits with licensed banks and short term investments.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2014 RM'000	2013 RM'000
Group		
Fixed rate instruments		
Financial assets	6,190	9,230
Financial liabilities	-	(153)
Floating rate instruments		
Financial liabilities	(6,790)	(7,572)
Company		
Fixed rate instruments		
Financial assets	-	1,022

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(iii) Market risk (Continued)

Interest rate risk (Continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
2014		
Floating rate instruments	(51)	51
2013		
Floating rate instruments	(57)	57

(c) Other price risk

Market price risk arises from the Group's and the Company's investments in unit trust.

Risk management objectives, policies and processes for managing the risk

Management of the Group and the Company monitors the investments in unit trust on a portfolio basis. All buy and sell decisions are approved by Board of Directors of the Company.

Market price risk sensitivity analysis

A 10% (2013: 10%) increase in market prices at the end of the reporting period would have increased equity and post-tax profit or loss of the Group and the Company by RM215,000/- and RM Nil (2013: RM285,000/- and RM77,000/-) respectively for short term investments. A 10% (2013: 10%) weakening in market prices would have had equal but opposite effect on post-tax profit or loss and equity.

31. FINANCIAL INSTRUMENTS (Continued)

31.4 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables, payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of long term portion of the loans approximates their carrying amount as it is a floating rate instruments.

The fair values of the other financial liabilities are calculated based on the present value of estimated settlement amounts.

The fair values of financial liabilities together with the carrying amounts shown in the statements of financial position, are as follows:

	2014		2013	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial liabilities				
Other financial liabilities	(45)	(45)	(426)	(707)

31.5 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2014				
Financial liabilities				
Other financial liabilities	-	(45)	-	(45)
2013				
Financial liabilities				
Other financial liabilities	-	-	(426)	(426)

Level 2 fair value

Fair value, which is determine for disclosure purposes, is calculated based on the valuation report dated 24 March 2015, carried out by an independent professional firm of valuer using the Black Scholes model.

During the previous financial year, the other financial liabilities were valued using unobservable inputs, which resulted in a Level 3 fair value. Upon revision to its valuation technique in the current financial year, the fair value was therefore classified as Level 2.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the following were completed:

(a) On 5 February 2014, Plaspoint Sdn Bhd ("PPSB") increased its issued and share capital from RM10,000/- to RM350,000/- by the allotment of 340,000 ordinary shares of RM1/- each by way of capitalisation of debts by Machinery & Industrial Supplies Sdn Bhd ("MISSB");

(b) On 27 March 2014, MISSB had disposed its 340,000 ordinary shares of RM1/- each of equity interest in PPSB to Exsilio Pte Ltd ("EPL") for a total cash consideration of RM340,000/- ("the Disposal"). Following the completion of the Disposal, EPL has 99.86% ownership in the equity interest of PPSB and consequently the Company has 96.53% ownership in the equity interest of PPSB;

(c) On 31 August 2014, the Company had entered into a Shareholders' Agreement ("the Agreement") with PT. Multi Warna Karpetindo Agung, a company incorporated in The Republic of Indonesia to establish and operate a joint venture company in The Republic of Indonesia in the name of PT Grand Surya Techno ("the JVC"). The primary activities of the JVC will be of manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats. The JVC will be incorporated with proposed authorised share capital of IDR30,000,000,000/- divided into 3,000,000 ordinary shares of IDR10,000/- each and proposed issued and paid-up share capital of 917,622 ordinary shares of IDR10,000/- each ("the Business").

    Upon completion of the Agreement, the JVC shall become a 60% owned subsidiary of the Company. As at the date of this report, the Agreement is yet to be completed; and

(d) On 18 November 2014, the Company acquired 1 ordinary share of IDR8,544,000/- each at par or equal to USD1,000/- each at par, representing 0.07% of the issued and paid up share-capital in PT Zusma Plastic ("PTZP") for a total cash consideration of IDR8,544,000/- ("the Acquisition"). Upon completion of the Acquisition, EPL and the Company has 99.93% and 0.07% ownership in the equity interest of PTZP respectively.

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal gearing ratio and a consolidated shareholders' equity that complies with debt covenants and regulatory requirements.

During 2014, the Group's has set the strategy to maintain the gearing ratio at less than 0.5:1 to comply with the debt covenants. The gearing ratio at 31 December 2014 was as follows:

Group	2014 RM'000	2013 RM'000
Total loans and borrowings (Note 16)	6,790	7,725
Total net worth	83,126	80,552
Gearing ratio	0.08	0.10

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain a maximum gearing ratio of 0.5 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has not breach this covenant during the year.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Malaysia . The directive requires all listed issuers to disclose the breakdown of the retain earnings as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained earnings of the Group and the Company as at 31 December 2014 are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	56,799	63,613	11,435	25,414
- unrealised	215	720	-	-
	57,014	64,333	11,435	25,414
Less: Consolidation adjustments	(27,814)	(36,537)	-	-
Total retained earnings	29,200	27,796	11,435	25,414

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Shareholdings Statistics
As at 5 May 2015

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM 60,000,000
Issued and paid-up Share Capital	:	RM 44,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per share

(Against Total Issued Capital of 42,184,900)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities	% of Issued Capital *
1 - 99	10	0.94	264	0.00
100 - 1,000	244	22.93	221,200	0.52
1,001 - 10,000	578	54.32	2,837,600	6.73
10,001 - 100,000	197	18.52	5,678,038	13.46
100,001 - 2,109,244*	33	3.10	14,247,798	33.78
2,109,245 and above**	2	0.19	19,200,000	45.51
Total	**1,064**	**100.00**	**42,184,900**	**100.00**

Total No. of Shareholders / Depositors	:	1,064
Total Shareholdings / Securities	:	42,184,900
Total Percentage (%)	:	100.0000

* *Excludes 2,615,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 5 May 2015.*

LIST OF TOP 30 SHAREHOLDERS / DEPOSITORS

No	Name	Normal Holdings	Holding Percentage % *
1	MIYES HOLDINGS SDN BHD	15,680,000	37.17
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	3,520,000	8.34
3	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN	2,000,000	4.74
4	CHANG KUN-SHENG	1,450,000	3.44
5	CHEN MENG-HSIN	1,368,941	3.25
6	YAP SIEW FOONG	1,263,730	3.00
7	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN	793,100	1.88
8	NG WAI KEE	640,900	1.52
9	NG ENG BEE	560,000	1.33
10	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' TAN EE SENG	479,000	1.14
11	YEOH PHEK LENG	430,000	1.02
12	NG ENG BEE	395,195	0.94
13	ENG KIM LIAN	380,964	0.90
14	CHONG TECK HOO @ CHAM TECK HOO	352,089	0.83
15	CHAM BEE SENG @ CHIAM BEE SENG	349,989	0.83
16	TAN SIEW HOONG	298,800	0.71
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)	293,500	0.70
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR LEE HA SING	291,200	0.69
19	LIM PEI THAM @ LIAM AHAT KIAT	276,400	0.66
20	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)	250,000	0.59
21	GOH YOKE CHOO	248,800	0.59
22	TAN JIN TUAN	203,000	0.48
23	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)	180,000	0.43
24	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY TENG HUP (M01)	170,000	0.40
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.40
26	CHAN SENG CHEONG	157,500	0.37
27	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON	150,200	0.36
28	LIM YOK MOI	150,000	0.36
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO BUN HOCK	150,000	0.36
30	CHAM BEE SIM	149,572	0.35
	TOTAL	**32,802,880**	**77.76**

* *Excludes 2,615,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 5 May 2015.*

Shareholdings Statistics

As at 5 May 2015

Continued

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 5 MAY 2015

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
MIYES Holdings Sdn Bhd ("MIYES")	15,680,000	37.17	-	-
Umberston Holdings Sdn Bhd ("Umberston")	-	-	15,680,000[1]	37.17
San Yes Automotive Technology Co., Ltd	-	-	15,680,000[1]	37.17
Ng Kwee Eng	142,018	0.34	15,680,000[2]	37.17
Yap Siew Foong	1,263,730	3.00	15,680,000[2]	37.17
Mohd Riani bin Osman	2,283,838	5.41	-	-

* *Excludes 2,615,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 5 May 2015.*

(1) deemed interested through MIYES
(2) deemed interested through Umberston and MIYES

DIRECTORS'SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 5 MAY 2015

	Direct Interest		Indirect Interest	
Name of Director	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
Yap Siew Foong	1,263,730	3.00	15,680,000[1]	37.17
Ng Wai Kee	700,900	1.66	-	-
Foo Lee Khean	-	-	-	-
Wern Li Morsingh	-	-	-	-
Oei Kok Eong	-	-	-	-

* *Excludes 2,615,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 5 May 2015.*

(1) deemed interested through Umberston and MIYES

Registered Beneficial Owner	Location	Date of Valuation	Description and Existing Use	Tenure	Approximate Age of Property (Year)	Built Up area (Sq.m)	Net book Value as at 31 December 2014 (RM)
Machinery & Industrial Supplies Sdn Bhd	No 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.	June 14, 2012	A double storey detached warehouse with 3 storey frontal office. Office and warehouse.	Leasehold 66 years	18	3,867	2,349,800
Grand Carpet Industries Sdn Bhd	Lot 3, Jalan Sultan Hishamuddin 2, Kawasan Perusahaan Selat Kelang Utara, 42000 Port Klang, Selangor.	February 20, 2012	Industrial land erected with single and double storey office annexed. Office and factory	Leasehold 99 years	23	10,310	5,494,557
Sanyco Grand Industries Sdn Bhd	No 3, Jalan U1/15, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor.	June 1, 2000	Two single storey factories with office annexed. Office and factory.	Freehold	16	2,140	3,324,601
Plaspoint Sdn Bhd	No. 4, Jalan Desa Tropika ½, Taman Perindustrian Tropika, 81800 Ulu Tiram, Johor.	November 17, 2011	A renovated double storey corner detached factory with 2 storey frontal office. Office and factory.	Freehold	4	3,344	3,062,780
Machinery & Industrial Supplies Sdn Bhd	No. 50 & 52, Jalan Brunei Utara, Kuala Lumpur.	June 1, 2000	2 adjoining units of 4 storey shop office. The ground floor to the second floor are rented out whilst the third floor is vacant.	Freehold	35	1,197	226,396
Machinery & Industrial Supplies Sdn Bhd	No 21 & 23 (Developer's Plot No.118 & 119), Taman Kenanga, Bandar Baru Salak Tinggi, 83800 Dengkil, Selangor Darul Ehsan.	Dec 23, 2005	Two units of an intermediate and end lot of three storey shop house. The property is vacant.	Freehold	14	429	NIL
Grand Carpet Industries Sdn Bhd	Parcel No.A-42-09 (E), Berjaya Star City, Jalan Imbi, Section 52, 55100 Kuala Lumpur.	June 1, 2000	A 42nd Floor service suite within a high-rise commercial building housing retails and service apartment block. Rented.	Freehold	12	54	228,698
PT Zusma Plastics	Suryacipta City of Industry, Jl. Surya Madya IV Kav 1-28 J, Kutanegara Village, Ciampel, Karawang, West Java 41361, Indonesia	August 23, 2011	Industrial Land. The land is vacant.	Leasehold 16 years	4	7,012	1,168,812

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 22 June 2015 at 10.00 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the payment of a First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each for the financial year ended 31 December 2014. **Ordinary Resolution 1**

3. To approve the increase of Directors' Fees for the financial year ended 31 December 2014 and the payment thereof. **Ordinary Resolution 2**

4. To re-elect Mr Foo Lee Khean who is retiring under Article 103 of the Company's Articles of Association. **Ordinary Resolution 3**

5. To re-elect Mr Oei Kok Eong who is retiring under Article 109 of the Company's Articles of Association. **Ordinary Resolution 4**

6. To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

   "That pursuant to Section 129(6) of the Companies Act, 1965, Madam Yap Siew Foong who is over seventy (70) years of age, be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 5**

7. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

As Special Business

To consider and, if thought fit, to pass the following resolutions:-

8. **Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 ("the Act") for the Directors to allot and issue shares**

   "THAT pursuant to Section 132D of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting ("AGM") upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue." **Ordinary Resolution 7**

9. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

"THAT, pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") the Company and its subsidiaries ("SMIS Group") be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out under Section 2.4 of Part A of the Circular to Shareholders dated 29 May 2015 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

(i) the transactions are in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure of the aggregate value of the transactions of the Proposed Shareholders' Mandate conducted during the financial year will be disclosed in the Annual Report for the said financial year,

THAT such approval will continue to be in force until:-

(i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders Mandate is approved, at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate." **Ordinary Resolution 8**

10. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the Issued and Paid-Up Share Capital**

"THAT subject to the Act, the Memorandum and Articles of Association of the Company, the MMLR of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company as at 31 December 2014 of RM29.2 million and RM4.9 million respectively to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

THAT an amount not exceeding the Company's share premium account and retained profits account be allocated by the Company for the Proposed Share Buy-Back;

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:

(i) the conclusion of the next AGM of the Company [being the Seventeenth ("17th") AGM of the Company], at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the 17th AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authority." **Ordinary Resolution 9**

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the 16th AGM of the Company, a First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each in respect of the financial year ended 31 December 2014 will be paid to the shareholders of the Company on 24 July 2015. The entitlement date for the said dividend shall be 30 June 2015.

A depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares transferred to the depositor's securities account before 4.00 p.m. on 30 June 2015 in respect of ordinary transfers, and

(b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
CHOONG LEE WAH (MAICSA 7019418)
Secretaries

Selangor Darul Ehsan
Date: 29 May 2015

NOTES:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints the maximum of two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

2. *Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.*

4. *The instrument appointing a proxy, with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority, must be deposited at the Share Registrar's Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

5. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 15 June 2015 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is ***not put forward for voting****.*

2. Ordinary Resolution No. 7 – Proposed Renewal of Authority under Section 132D of the Act for the Directors to allot and issue shares

The Company had, during its 15th AGM held on 6 June 2014, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 7 proposed under item 8 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s), working capital and/or acquisitions.

3. Ordinary Resolution No. 8 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 8 proposed under item 9 of the Agenda, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions in accordance with Paragraph 10.09 of the MMLR of Bursa Securities and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

Further information on the Proposed Shareholders' Mandate is set out in the Circular of the Proposed Shareholders' Mandate of the Company dated 29 May 2015 accompanying the Company's Annual Report 2014.

4. ***Ordinary Resolution No. 9 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the Issued and Paid-Up Share Capital***

   The proposed Ordinary Resolution 9, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the 17th AGM is required by law to be held.

   Further information on the Proposed Renewal of Share Buy-Back is set out in the Share Buy Back Statement of the Company dated 29 May 2015 accompanying the Company's Annual Report 2014.

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

PROXY FORM

SMIS CORPORATION BERHAD (491857-V)
(Incorporated in Malaysia)

Number of shares held	CDS Account No.

I/We, ...

of ....

being a member of **SMIS CORPORATION BERHAD** hereby appoint ....

.... of

.... or

failing him/her .... of

....

failing him/her, *the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 22 June 2015 at 10.00 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

* *Please delete the words "Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

No.	Resolution	For	Against
Ordinary Resolution 1	Declaration of a First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each for the financial year ended 31 December 2014		
Ordinary Resolution 2	Approval of the increase of Directors' Fees for the financial year ended 31 December 2014 and payment thereof		
Ordinary Resolution 3	Re-election of Mr Foo Lee Khean as Director (Article 103)		
Ordinary Resolution 4	Re-election of Mr Oei Kok Eong as Director (Article 109)		
Ordinary Resolution 5	Re-appointment of Madam Yap Siew Foong as Director (Section 129(6))		
Ordinary Resolution 6	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
Ordinary Resolution 7	Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the Issued and Paid-Up Share Capital		

(Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.)

Dated this .... day of 2015

The proportions of my/our holding to be represented by my/our proxies are as follows:

1st proxy		%
2nd proxy		%
TOTAL	100	%

....

Signature of Shareholder or
Common Seal of Shareholder

NOTES:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints the maximum of two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.*
4. *The instrument appointing a proxy, with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority, must be deposited at the Share Registrar's Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof*
5. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 15 June 2015 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf*

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 May 2015.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

SHARE REGISTRAR
SMIS CORPORATION BERHAD

LOT 6.05, LEVEL 6, KPMG TOWER
8 FIRST AVENUE, BANDAR UTAMA
47800 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

1st Fold Here

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Off Jalan Chan Sow Lin,
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