

KLE PRODUCTS SDN. BHD.
(568510-M)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
for the year ended 31 August 2014

YONG & LEONARD (AF 0075)
Chartered Accountants

Company No.: 568510-M

KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

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KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2014

The directors hereby submit their report together with the audited financial statements of the Company for the year ended 31 August 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of manufacturing conveyer chain system and parts. There have been no significant changes in the nature of the activities during the year.

RESULTS

	RM
Profit for the year	<u>1,142,696</u>

In the opinion of the directors, the results of the operations of the Company during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividend on ordinary shares paid or declared by the Company since 31 August 2013 was as follows:

	RM
In respect of year ended 31 August 2014	
Single tier interim dividend of RM2.80 per ordinary shares and paid on 17 January 2014	<u>7,000,000</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions except as disclosed in the financial statements.

SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the year to take up unissued shares of the Company.

No shares have been issued during the year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the year, there were no unissued shares of the Company under options.

DIRECTORS

The directors who held office since the date of the last report are:

Chen Kay Wen
Chen Wee Min

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous year, no director has received or become entitled to receive a benefit (other than those disclosed in 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.

DIRECTORS' INTERESTS

According to the register of directors' shareholding, the interests of directors in office at the end of the year in the ordinary shares of the Company and its related corporations during the year are as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.9.2013	Bought	Sold	At 31.8.2014
<u>Direct Interest</u>				
Chen Wee Min	945,500	-	-	945,500

OTHER STATUTORY INFORMATION

Before the income statement and the balance sheet of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

As of the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

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

- (a) any charge on the assets of the Company which has arisen since the end of the year and secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

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

Company No.: 568510-M

AUDITORS

The retiring auditors, Yong & Leonard, have indicated their willingness to be re-appointed in accordance with Section 172(2) of the Companies Act 1965.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,



CHEN WEE MIN
Director



CHEN KAY WEN
Director

Date: 10 August 2015

Company No.: 568510-M

KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169 (15) of the Companies Act 1965

The directors of KLE Products Sdn. Bhd. state that, in their opinion, the financial statements set out on pages 8 to 24 are drawn up in accordance with the provisions of the Companies Act 1965 and the approved accounting standards applicable to private entities in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 August 2014 and of the results of its business and the cash flows of the Company for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,


CHEN WEE MIN
Director
CHEN KAY WEN
Director

Date: 10 August 2015

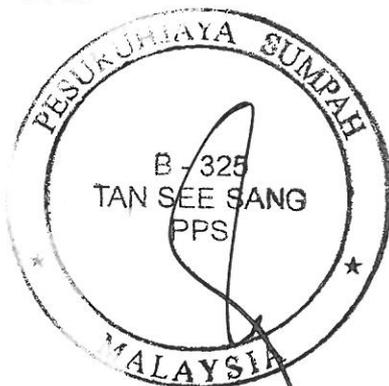
STATUTORY DECLARATION
Pursuant to Section 169 (16) of the Companies Act 1965

I, Chen Wee Min, the director primarily responsible for the financial management of KLE Products Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 8 to 24 are, in my opinion, 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.

Subscribed and solemnly declared by)
Chen Wee Min)
at Petaling Jaya in the state of Selangor Darul Ehsan)
on 10 August 2015)


CHEN WEE MIN

Before me,



Commissioners for Oaths
59, Kompleks C,
Emporium Mekan MBF
Jalan Sultan, 46200 Petaling Jaya
Selangor

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
KLE PRODUCTS SDN. BHD. (Company No.: 568510-M)
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of KLE Products Sdn. Bhd., which comprise the balance sheet as at 31 August 2014, and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 24.

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 Private Entity Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 judgment, 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 control 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 control. 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
KLE PRODUCTS SDN. BHD. (Company No.: 568510-M)**
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2014 and of its financial performance and cash flows for the year then ended in accordance with Private Entity Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

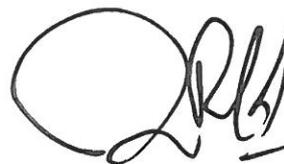
In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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 content of this report.



YONG & LEONARD
Firm Number: AF 0075
Chartered Accountants



LEONG POOI WAH
Approval Number: 2228/03/16(J)
Partner of the Firm

Date: 10 August 2015

KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 31 AUGUST 2014

	Note	2014 RM	2013 RM (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	11,530,078	11,280,774
CURRENT ASSETS			
Inventories	4	7,159,227	6,684,169
Trade receivables	5	12,060,232	14,673,614
Other receivables, deposits and prepayments	6	452,382	230,758
Amount due from directors	7	-	3,754,000
Fixed deposits with licensed bank	8	1,653,643	2,496,802
Cash and bank balances		100,966	18,806
		<u>21,426,450</u>	<u>27,858,149</u>
TOTAL ASSETS		<u><u>32,956,528</u></u>	<u><u>39,138,923</u></u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital ⁴	9	2,500,000	2,500,000
Retained earnings		<u>5,599,181</u>	<u>11,456,485</u>
SHAREHOLDERS' EQUITY		<u>8,099,181</u>	<u>13,956,485</u>
NON-CURRENT LIABILITIES			
Other borrowings (Secured)	10	3,923,935	4,335,175
Deferred tax liabilities	11	87,129	87,129
		<u>4,011,064</u>	<u>4,422,304</u>
CURRENT LIABILITIES			
Trade payables		6,535,229	6,727,028
Other payables and accruals	12	6,619,697	6,397,410
Amount due to directors	7	302,246	-
Provision for taxation		864,752	485,112
Bank overdrafts (Secured)		2,578,836	1,537,526
Other borrowings (Secured)	10	3,945,523	5,613,058
		<u>20,846,283</u>	<u>20,760,134</u>
NET CURRENT ASSETS		<u>580,067</u>	<u>7,098,015</u>
TOTAL LIABILITIES		<u>24,857,347</u>	<u>25,182,438</u>
TOTAL EQUITY AND LIABILITIES		<u><u>32,956,528</u></u>	<u><u>39,138,923</u></u>

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

KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014

	Note	2014 RM	2013 RM (Restated)
Revenue	13	23,618,238	27,252,906
Other operating income		78,830	121,436
Other operating expenses		(20,967,646)	(24,130,767)
Profits from operations		2,729,422	3,243,575
Finance costs		(896,726)	(796,041)
Profit before tax	14	1,832,696	2,447,534
Income tax expense	15	(690,000)	(894,749)
Profit for the year		1,142,696	1,552,785
Dividend per ordinary shares	16	2.80	-

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

KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 AUGUST 2014**

			<u>Distributable</u>	
	Note	Share capital RM	Retained earnings RM	Total RM
As at 1 September 2012		2,500,000	9,903,700	12,403,700
Profit for the year		-	1,664,785	1,664,785
Prior year adjustment (Note 19)		-	(112,000)	(112,000)
As at 31 August 2013 (Restated)		2,500,000	11,456,485	13,956,485
Dividends	16	-	(7,000,000)	(7,000,000)
Profit for the year		-	1,142,696	1,142,696
As at 31 August 2014		<u>2,500,000</u>	<u>5,599,181</u>	<u>8,099,181</u>

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

KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014

	2014 RM	2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,832,696	2,447,534
Adjustments for:		
Depreciation	508,336	445,178
Interest expense	896,726	796,041
Interest income	(65,236)	(45,241)
Operating profit before working capital changes	3,172,522	3,643,512
Inventories	(475,058)	417,835
Receivables	2,391,758	(3,559,154)
Payables	30,488	4,773,015
Director	4,056,246	(2,304,000)
Cash generated from operations	9,175,956	2,971,208
Interest paid	(634,903)	(532,723)
Interest income	65,236	45,241
Tax paid	(310,360)	(400,000)
Net cash generated from operating activities	8,295,929	2,083,726
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of plant and equipment	(757,640)	(420,874)
Net cash used in investing activity	(757,640)	(420,874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(7,000,000)	-
Net (repayment) / drawdown of trust receipt	(1,777,903)	(33,478)
Net (repayment) / drawdown of letter of credit / discounting line	(447,134)	(382,646)
Net drawdown / (repayment) of banker's acceptance	383,000	(450,000)
Net drawdown / (repayment) of term loans	(785,421)	(813,481)
Drawdown of hire purchase	528,600	-
Net repayment of hire purchase creditors	(241,740)	(5,047)
Net cash used in financing activities	(9,340,598)	(1,684,652)
Net decrease in cash and cash equivalents	(1,802,309)	(21,800)
Cash and cash equivalents at beginning of the year	978,082	999,882
Cash and cash equivalents at end of the year	17 (824,227)	978,082

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

KLE PRODUCTS SDN. BHD.
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

1 GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia.

The registered office is located at 308, Block A (3rd Floor), Kelana Business Centre, 97, Jalan SS7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Company are presented in Ringgit Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with approved accounting standards applicable to private entities in Malaysia and the provisions of the Companies Act 1965.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below:

2.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided on a straight-line method so as to write off the cost of the assets over their estimated useful lives, as follows:

	<u>Rate</u>
Moulds	10%
Machinery and equipment	10%
Motor vehicles	20%
Office equipment	10%
Renovations	2%
Leasehold land and building	2%

Depreciation of an asset begins when it is ready for its intended use.

The residual values and the useful lives of assets, if significant, are reviewed at each balance sheet date.

The gain or loss arising from the disposal or retirement of an asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, are recognised in income statement.

2.2 IMPAIRMENT OF ASSETS

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the net selling price and value in use. 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.

If the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss is recognised immediately in income statement, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

2.3 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.4 RECEIVABLES

Receivables are initially measured at anticipated realisable values. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value. For the purpose of the cash flows statement, cash and cash equivalents are presented net of bank overdrafts.

2.6 SHARE CAPITAL

Share capital issued by the Company is recognised at the proceeds received.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

2.7 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially translated at the exchange rate at the dates of the transactions.

At the balance sheet date, foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at the exchange rate ruling at that date. Exchange differences arising on the settlement or translation of monetary items are recognised in income statement.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates at the date of the transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

The principal closing rates used in translation of foreign currencies amount are as follows:

	2014	2013
	RM	RM
1 US Dollar	3.16	3.30
1 Chinese Renminbi	0.51	0.54

2.8 FINANCE LEASE

Hire purchase and leases of property, plant and equipment, which are classified as finance lease, where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are transferred to the Company.

Assets under finance lease are depreciated on a straight-line basis over the shorter of the hire and lease terms or their useful lives. Finance lease interest is recognised as an expense in income statement over the lease period so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

All other leases are classified as operating lease and the lease rentals are recognised as an expense in income statement on a straight-line basis over the lease periods.

2.9 PAYABLES

Payables are stated at cost which is the consideration to be paid in the future for goods and services rendered.

2.10 REVENUE

i) Sales Of Goods

Revenue is recognised upon delivery of goods, net of discount and returns.

2.11 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expense in the year in which the associated services are rendered by employees of the Company.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Profit-sharing and bonus plans are recognised when the Company has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Company has no realistic alternative but to make the payments.

ii) Defined Contribution Plan

Contributions to the statutory pension scheme are recognised as an expense in income statement in the year to which they relate.

2.12 INCOME TAX

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are charged or credited to equity if the tax relates to items that are credited or charged directly to equity.

Current tax liabilities are measured based on the amounts expected to be paid, using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences which are the differences between the carrying amount in the financial statements and the corresponding tax base of an asset or liability at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax liabilities and assets are not recognised if the temporary differences arise from goodwill and for initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit. Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amounts of its assets and liabilities and are measured using the tax rates that have been enacted or substantially enacted by the balance sheet date.

The carrying amount of the deferred tax assets are reviewed at each balance sheet date, and the carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. The reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

3 PROPERTY, PLANT AND EQUIPMENT

	As at 1 September 2013 RM	Additions RM	As at 31 August 2014 RM
<u>Cost</u>			
Leasehold land and building	8,771,000	-	8,771,000
Machinery and equipment	603,618	662,300	1,265,918
Motor vehicles	624,139	-	624,139
Moulds	1,281,520	94,790	1,376,310
Office equipment	16,720	550	17,270
Renovations	1,702,306	-	1,702,306
	12,999,303	757,640	13,756,943

	As at 1 September 2013 RM	Charges for the year RM	As at 31 August 2014 RM
<u>Accumulated Depreciation</u>			
Leasehold land and building	307,400	175,420	482,820
Machinery and equipment	229,259	116,357	345,616
Motor vehicles	288,921	83,628	372,549
Moulds	828,053	97,163	925,216
Office equipment	10,310	1,722	12,032
Renovations	54,586	34,046	88,632
	1,718,529	508,336	2,226,865

	2014 RM	2013 RM
<u>Carrying Amounts</u>		
Leasehold land and building	8,288,180	8,463,600
Machinery and equipment	920,302	374,359
Motor vehicles	251,590	335,218
Moulds	451,094	453,467
Office equipment	5,238	6,410
Renovations	1,613,674	1,647,720
	11,530,078	11,280,774

	2014 RM	2013 RM
Addition of assets under finance lease liabilities		
- Motor vehicles	-	154,430
- Machinery and equipment	565,800	-
	<u>565,800</u>	<u>154,430</u>
Net book value of asset under finance lease liabilities		
- Motor vehicles	202,091	267,718
- Machinery and equipment	602,540	229,251
	<u>804,631</u>	<u>496,969</u>

Net book value of leasehold land and building are pledged to banks for banking facilities of RM8,288,180 (2013: RM8,463,600). See Note 10.

4 INVENTORIES

	2014 RM	2013 RM
At costs:		
Raw materials	191,358	615,167
Work in progress	1,688,621	1,653,149
Finish goods	5,279,248	4,415,853
	<u>7,159,227</u>	<u>6,684,169</u>

5 TRADE RECEIVABLES

	2014 RM	2013 RM
Trade receivables	12,303,689	14,917,071
Less: Provision for doubtful debts	<u>(243,457)</u>	<u>(243,457)</u>
	<u>12,060,232</u>	<u>14,673,614</u>

Included in the trade receivable is a long overdue amount of RM1,888,513 owing by a company in which legal action has been taken to recover the debt. In the opinion of the directors the amount is recoverable because the said company is solvent and active in business.

6 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables is RM44,884 (2013: Nil) owing by a company in which certain directors of the Company have interests. The outstanding amount is unsecured, interest-free and has no fixed terms of repayments.

7 AMOUNT DUE FROM / (TO) DIRECTORS

This amount is unsecured, interest-free and has no fixed terms of repayments.

8 FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks amounting to RM1,303,643 (2013: RM2,496,802) have been pledge to the Company's banker as security for banking facilities of the Company.

9 SHARE CAPITAL

	Number of shares		2014	2013
	2014	2013	2014	2013
	Units	Units	RM	RM
Authorised:				
Ordinary shares of RM1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>

10 BANK OVERDRAFTS AND OTHER BORROWING (SECURED)

	2014	2013
	RM	RM
<u>Current</u>		
Bank overdrafts	<u>2,578,836</u>	<u>1,537,526</u>
<u>Other borrowings</u>		
<u>Current</u>		
Letter of credit	296,949	744,083
Trust receipts	2,456,688	4,234,591
Banker's acceptance	383,000	-
Term loans	560,004	560,004
Finance lease and hire purchase liabilities	<u>248,882</u>	<u>74,380</u>
	<u>3,945,523</u>	<u>5,613,058</u>
<u>Non-current</u>		
Term loans	3,544,512	4,106,656
Finance lease and hire purchase	<u>379,423</u>	<u>228,519</u>
	<u>3,923,935</u>	<u>4,335,175</u>

	2014 RM	2013 RM
<u>Non-current liabilities</u>		
<u>Term loans</u>		
- Current	560,004	560,004
- Non-current	3,544,512	4,106,656
	<u>4,104,516</u>	<u>4,666,660</u>
<u>The term loan are repayable:</u>		
- Not later than 1 year	560,004	560,004
- Later than 1 year and not later than 2 years	560,004	560,004
- Later than 2 years and not later than 5 years	1,680,012	1,680,012
- Later than 5 years	1,304,496	1,866,640
	<u>4,104,516</u>	<u>4,666,660</u>
<u>Finance lease and hire purchase liabilities</u>		
- Current	248,882	74,380
- Non-current	379,423	228,519
	<u>628,305</u>	<u>302,899</u>
<u>Minimum lease payments:</u>		
- Not later than 1 year	278,996	89,172
- Later than 1 year and not later than 2 years	278,996	89,172
- Later than 2 years and not later than 5 years	127,639	145,694
- Later than 5 years	-	22,400
	<u>685,631</u>	<u>346,438</u>
Future finance charges	<u>(57,326)</u>	<u>(43,539)</u>
Present value of finance lease and hire purchase liabilities	<u>628,305</u>	<u>302,899</u>
<u>Present value of hire purchase liabilities</u>		
- Not later than 1 year	248,882	74,381
- Later than 1 year and not later than 2 years	267,279	78,543
- Later than 2 years and not later than 5 years	112,144	128,932
- Later than 5 years	-	21,043
	<u>379,423</u>	<u>228,518</u>
	<u>628,305</u>	<u>302,899</u>

Securities

The bank overdrafts and other facilities are secured as follows:

- (a) Pledged of fixed deposits of the Company (See Note 8);
- (b) Corporate Guarantee from a company of which certain director and significant shareholders are also directors and shareholders of the Company;
- (c) Joint and Several Guarantee issued by the Directors;
- (d) Joint and several guarantee issued by Syarikat Jaminan Pembiayaan Perniagaan Bhd;
- (e) First and second legal charge over the Company's landed properties (See Note 3); and
- (f) Against sinking funds.

Interest

	2014	2013
	%	%
Contractual interest rates at balance sheet date (per annum)		
Bank overdrafts	BLR + 1.25	BLR + 1.25
Trust receipts – TR1 & TR2	5.00	5.00
– TR3	BLR + 1.00	BLR + 1.00
– TR4	BLR + 1.25	-
Letter of credit – LC1, LC2 & LC3	ABM rate *	ABM rate *
Banker acceptance	5.00 – 5.80	5.00
Hire purchase liabilities (Average)	5.69	5.50
Term loan	<u>ECOF + 1.75</u>	<u>ECOF + 1.75</u>

* ABM is association of Banks in Malaysia

Finance lease liabilities are effectively secured as the rights to relevant assets revert to the creditors in the event of default.

11 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax relate to income taxes levied by the same taxation authority on the same taxable entity. The amounts of deferred tax liabilities, after appropriate offsetting, are included in the balance sheet, as follows:

	2014	2013
	RM	RM
Deferred tax liabilities in respect of plant and equipment	<u>87,129</u>	<u>87,129</u>
At beginning / end of year	<u>87,129</u>	<u>87,129</u>

12 OTHER PAYABLES AND ACCRUALS

Included in other payables is RM6,571,577 (2013: RM6,070,556) owing to a company in which certain directors of the Company have interests. The outstanding amount is unsecured, interest-free and has no fixed terms of repayments.

13 REVENUE

Revenue represents the invoiced value of goods sold less discounts.

14 PROFIT BEFORE TAX**14.1 OPERATING EXPENSES**

	2014	2013
	RM	RM
Changes of inventories	475,058	417,836
Raw materials used	15,913,733	15,691,810
Staff costs	1,580,864	1,996,210
Depreciation of property plant and equipment	508,336	445,178
Other operating expenses	2,489,655	5,579,733
	<u>20,967,646</u>	<u>24,130,767</u>

14.2 DISCLOSURE ITEMS

	2014	2013
	RM	RM
This is stated after charging:		
Audit fee	26,000	13,000
Rental of machinery	-	1,200,000
Rental of premises	21,250	19,650
	<u>21,250</u>	<u>19,650</u>
And crediting:		
Factory rental received	-	(72,000)
Fixed deposits interest	(65,236)	(45,241)
Realised foreign exchange gain	(13,594)	(4,130)
Other income	-	(65)
	<u>(78,830)</u>	<u>(121,436)</u>

14.3 EMPLOYEE BENEFIT EXPENSES

	2014	2013
	RM	RM
Salaries, bonuses and allowance	1,511,793	1,906,387
EPF and SOCSO contribution	69,071	89,823
	<u>1,580,864</u>	<u>1,996,210</u>

Included in employee benefits expenses are directors' remuneration as follows:

	2014	2013
	RM	RM
Directors' salary and incentives	64,868	91,200
EPF and SOCSO contribution	4,680	-
	<u>69,548</u>	<u>91,200</u>

In addition to the 2 (2013 : 1) working director, the Company has 66 (2013: 80) employees at the end of the financial year. This does not include sub contracted workers.

14.4 FINANCE COSTS

	2014	2013
	RM	RM
LC, TR and BA interest	488,841	391,307
Bank overdraft interest	146,062	141,416
Hire purchase interest	38,546	9,841
Term loans interest	223,277	253,477
	<u>896,726</u>	<u>796,041</u>

15 INCOME TAX EXPENSE

	2014	2013
	RM	RM
Current tax expense		
Current year	690,000	885,000
Under provision in prior years	-	9,749
Total income tax expense	<u>690,000</u>	<u>894,749</u>

The income tax expense is reconciled to the accounting profit at the applicable tax rate as follows:

	2014	2013
	RM	RM
Profit before tax	<u>1,532,696</u>	<u>2,447,534</u>
Tax at Malaysian statutory tax rate of 25% (2013 : 25%)	383,174	611,884
Tax effects of:		
Non-taxable income		
Non-deductible expenses	343,580	338,407
Utilisation of deferred tax asset during the year	(11,754)	(40,291)
Under provision in prior years		9,749
Reduction of tax as a result of 5% (2013:5%) tax saving on the first RM500,000 of chargeable income for companies with paid up capital of RM2,500,000 and below Malaysia	<u>(25,000)</u>	<u>(25,000)</u>
Total income tax expense	<u>690,000</u>	<u>894,749</u>

16 DIVIDENDS

	2014		2013	
	Gross dividend per shares RM	Single tier dividend RM	Gross dividend per shares RM	Single tier dividend RM
Interim dividend paid on 17 January 2014	2.80	7,000,000	-	-

17 CASH AND CASH EQUIVALENT

	2014 RM	2013 RM
Fixed deposits with licensed banks	1,653,643	2,496,802
Cash and bank balances	100,966	18,806
Bank overdrafts	<u>(2,578,836)</u>	<u>(1,537,526)</u>
	<u>824,227</u>	<u>978,082</u>

Cash and cash equivalent at the end of the year include fixed deposits amounting to RM1,653,643 (2013: RM2,496,802) not available for use as it has been pledged as security.

18 CONTINGENT LIABILITY

The Company received a letter from Custom Duties & Exercise for additional sales tax and compound amounted approximately total RM473,340 (2013: RM633,341) after net of the sales tax and compound paid. The Company has appealed to the department mentioned above. These contingent liabilities have not been recognised in the account as it is in opinion of the directors that the likelihood of the liabilities materialising is low.

19 PRIOR YEAR ADJUSTMENTS

The financial statements of the Company for the year ended 31 August 2013 provision for taxation are understated. The effects of the adjustment are as follows:

	31.08.2013 RM
Effects on retained profits as at year ended 31 August 2013	
As previously stated	11,568,485
Prior year adjustment	<u>(112,000)</u>
Retained profits, as restated	<u>11,456,485</u>

20 COMPARATIVE FIGURES RESTATED

The comparative figures of taxation and provision for taxation of the Company were inadvertently understated as follows:

Income statement For the year ended 31 August 2013	As previously stated RM	Restated RM	Differences RM
Taxation	<u>782,749</u>	<u>894,749</u>	<u>112,000</u>

Balance sheet As at 31 August 2013	As previously Stated RM	Restated RM	Differences RM
Provision for taxation	<u>373,112</u>	<u>485,112</u>	<u>112,000</u>

21 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 10 August 2015.