

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

**REPORTS AND FINANCIAL STATEMENTS**  
**for the period from 1 September 2014 to 30 June 2015**

**YONG & LEONARD (AF 0075)**  
**Chartered Accountants**

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Company No.: 568510-M

**KLE PRODUCTS SDN. BHD.**  
*(Incorporated in Malaysia)*

**FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 1 SEPTEMBER 2014 TO 30 JUNE 2015**

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**KLE PRODUCTS SDN. BHD.**  
*(Incorporated in Malaysia)*

**DIRECTORS' REPORT**  
**FOR THE PERIOD FROM 1 SEPTEMBER 2014 To 30 June 2015**

The directors hereby submit their report together with the audited financial statements of the Company for the period from 1 September 2014 to 30 June 2015.

**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 period.

**RESULTS**

	<b>RM</b>
Profit for the year	<u>2,502,328</u>

In the opinion of the directors, the results of the operations of the Company during the period 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 2014 was as follows:

In respect of period ended 30 June 2015	<b>RM</b>
Single tier interim dividend of RM0.40 per ordinary shares and paid on 31 March 2015	<u>1,000,000</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 period.

**SHARE OPTIONS**

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

No shares have been issued during the period by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the period, 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 period, 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 period in the ordinary shares of the Company and its related corporations during the period are as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.9.2014	Bought	Sold	At 30.6.2015
<b><u>Direct Interest</u></b>				
Chen Wee Min	945,500	204,500	-	1,150,000
<b><u>Deemed interest by virtue of the director being a daughter to a shareholder</u></b>				
Chen Kay Wen	945,500	204,500	-	1,150,000

## 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 period and secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the period.

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 period 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 period and the date of this report which is likely to affect substantially the results of the operations of the Company for the year.

**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: 15 September 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 30 June 2015 and of the results of its business and the cash flows of the Company for the period 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: 15 September 2015

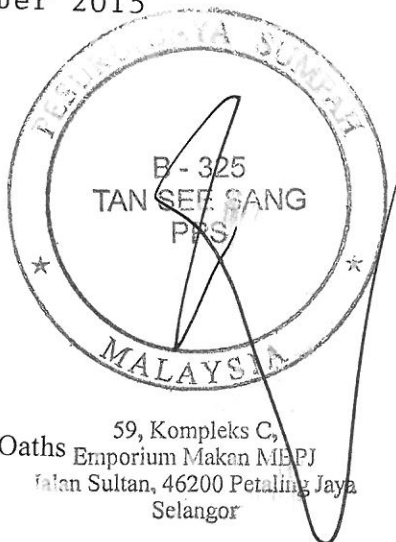
**STATUTORY DECLARATION**  
Pursuant to Section 169 (16) of the Companies Act 1965

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 15 September 2015

  
**CHEN WEE MIN**

Before me,



Commissioners for Oaths  
59, Kompleks C,  
Emporium Mekan MBPJ  
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 30 June 2015, and the income statement, statement of changes in equity and cash flows statement for the period 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 30 June 2015 and of its financial performance and cash flows for the period 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: 15 September 2015

**KLE PRODUCTS SDN. BHD.**  
*(Incorporated in Malaysia)*

**BALANCE SHEET**  
**AS AT 30 JUNE 2015**

	Note	2015 RM	2014 RM
<b>ASSETS</b>			
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	3	11,455,426	11,530,078
<b>CURRENT ASSETS</b>			
Inventories	4	6,304,549	7,159,227
Trade receivables	5	15,886,683	12,060,232
Other receivables, deposits and prepayments	6	182,681	452,382
Fixed deposits with licensed bank		852,343	1,653,643
Cash and bank balances	7	44,930	100,966
		23,271,186	21,426,450
<b>TOTAL ASSETS</b>		<b>34,726,612</b>	<b>32,956,528</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	8	2,500,000	2,500,000
Retained earnings		7,101,509	5,599,181
<b>SHAREHOLDERS' EQUITY</b>		<b>9,601,509</b>	<b>8,099,181</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings (Secured)	9	3,193,201	3,923,935
Deferred tax liabilities	10	87,129	87,129
		3,280,330	4,011,064
<b>CURRENT LIABILITIES</b>			
Trade payables		8,024,678	6,535,229
Other payables and accruals	11	5,575,323	6,619,697
Amount due to directors	12	1,938,591	302,246
Provision for taxation		1,601,668	864,752
Bank overdraft (Secured)	9	1,456,454	2,578,836
Borrowings (Secured)	9	3,248,059	3,945,523
		21,844,773	20,846,283
<b>NET CURRENT ASSETS</b>		<b>1,426,413</b>	<b>580,067</b>
<b>TOTAL LIABILITIES</b>		<b>25,125,103</b>	<b>24,857,347</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>34,726,612</b>	<b>32,956,528</b>

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

**KLE PRODUCTS SDN. BHD.**  
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**INCOME STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2015**

	Note	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
Revenue	13	26,162,053	23,618,238
Other operating income		59,344	78,830
Operating expenses		(22,161,053)	(20,967,646)
Profits from operations		4,060,344	2,729,422
Finance costs		(576,016)	(896,726)
Profit before tax	14	3,484,328	1,832,696
Income tax expense	15	(982,000)	(690,000)
Profit for the year		2,502,328	1,142,696
Dividends per ordinary shares	16	0.40	2.80

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

**KLE PRODUCTS SDN. BHD.**  
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**STATEMENT OF CHANGES IN EQUITY  
 FOR THE PERIOD ENDED 30 JUNE 2015**

		Share capital RM	<u>Distributable Retained earnings RM</u>	Total RM
	Note			
As at 1 September 2013		2,500,000	11,456,485	13,956,485
Profit for the year		-	1,142,696	1,142,696
Dividends	16	<u>-</u>	<u>(7,000,000)</u>	<u>(7,000,000)</u>
As at 31 August 2014		2,500,000	5,599,181	8,099,181
Profit for the year		-	2,502,328	2,502,328
Dividends	16	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
As at 30 June 2015		<u>2,500,000</u>	<u>7,101,509</u>	<u>9,601,509</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 30 JUNE 2015**

	Note	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		3,484,328	1,832,696
Adjustments for:			
Depreciation		423,974	508,336
Interest income		(575)	(65,236)
Interest expenses		576,016	896,726
Gain on disposal of motor vehicle		(2,295)	-
Operating profit/(loss) before working capital changes		4,481,448	3,172,522
Inventories		854,678	(475,058)
Receivables		(3,556,750)	2,391,758
Director		1,636,345	4,056,246
Payables		445,075	30,488
Cash generated from operations		3,860,796	9,175,956
Interest paid		(353,126)	(634,903)
Tax paid		(245,084)	(310,360)
Interest income		575	65,236
Net cash generated from operating activities		3,263,161	8,295,929
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(380,370)	(757,640)
Proceeds from disposal of plant and equipment		33,343	-
Net cash used in investing activities		(347,027)	(757,640)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(1,000,000)	(7,000,000)
Net repayment of trust receipt		(12,926)	(1,777,903)
Net repayment of letter of credit / discounting line		(296,949)	(447,134)
Net (repayment) / drawdown of letter of banker's acceptance		(383,000)	383,000
Net repayment drawdown of term loan		(655,744)	(785,421)
Drawdown of hire purchase		-	528,600
Net repayment of hire purchase		(302,469)	(241,740)
Net cash used in financing activities		(2,651,088)	(9,340,598)
Net decrease in cash and cash equivalents		265,046	(1,802,309)
Cash and cash equivalents at beginning of the year		(824,227)	978,082
Cash and cash equivalents at end of the year	17	(559,181)	(824,227)

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 PERIOD FROM 1 SEPTEMBER 2014 To 30 June 2015**

**1 GENERAL INFORMATION**

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

The registered office is located at 308, Block A (3<sup>rd</sup> 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:

	<b><u>Rate</u></b>
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:

	As at 30.6.2015	As at 31.8.2014
	RM	RM
1 US Dollar	3.79	3.16
1 Chinese Renminbi	0.61	0.51

## 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 period 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 period 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 2014 RM	Additions RM	Disposals RM	As at 30 June 2015 RM
<b><u>Cost</u></b>				
Leasehold land and building	8,771,000	-	-	8,771,000
Machinery and equipment	1,265,918	341,000	-	1,606,918
Motor vehicles	624,139	-	(80,993)	543,146
Moulds	1,376,310	39,370	-	1,415,680
Office equipment	17,270	-	-	17,270
Renovations	1,702,306	-	-	1,702,306
	13,756,943	380,370	(80,993)	14,056,320

	As at 1 September 2014 RM	Charges for the year RM	Disposals RM	As at 30 June 2015 RM
<b><u>Accumulated Depreciation</u></b>				
Leasehold land and building	482,820	146,183	-	629,003
Machinery and equipment	345,616	103,583	-	449,199
Motor vehicles	372,549	69,688	(49,945)	392,292
Moulds	925,216	74,709	-	999,925
Office equipment	12,032	1,440	-	13,472
Renovations	88,632	28,371	-	117,003
	2,226,865	423,974	(49,945)	2,600,894

	As at 30 June 2015 RM	As at 31 August 2014 RM
<b><u>Carrying Amounts</u></b>		
Leasehold land and building	8,141,997	8,288,180
Machinery and equipment	1,157,719	920,302
Motor vehicles	150,854	251,590
Moulds	415,755	451,094
Office equipment	3,798	5,238
Renovations	1,585,303	1,613,674
	11,455,426	11,530,078

	2015 RM	2014 RM
Addition of assets under finance lease liabilities		
- Machinery and equipment	-	565,800
	-	565,800
Net book value of asset under finance lease liabilities		
- Motor vehicles	151,354	202,091
- Machinery and equipment	462,070	602,540
	613,424	804,631

Net book value of leasehold land and building are pledged to banks for banking facilities of RM8,141,997 (2014: RM8,288,180). See Note 9.

#### 4 INVENTORIES

	2015 RM	2014 RM
At costs:		
Raw materials	600,731	191,358
Work in progress	1,088,585	1,688,621
Finish goods	4,615,233	5,279,248
	6,304,549	7,159,227

#### 5 TRADE RECEIVABLES

	2015 RM	2014 RM
Trade receivables	16,130,140	12,303,689
Less: Provision for doubtful debts	(243,457)	(243,457)
	15,886,683	12,060,232

Included in the trade receivable is a long overdue amount of RM1,944,367 (2014: 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 (2014: RM44,884) 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 FIXED DEPOSITS WITH LICENSED BANKS**

Fixed deposits with licensed banks amounting to RM852,343 (2014: RM1,303,643) have been pledge to the Company's banker as security for banking facilities of the Company.

**8 SHARE CAPITAL**

	Number of shares			
	2015	2014	2015	2014
	Units	Units	RM	RM
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
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>

**9 BANK OVERDRAFTS AND OTHER BORROWING (SECURED)**

	2015	2014
	RM	RM
<b><u>Current</u></b>		
Bank overdrafts	<u>1,456,454</u>	<u>2,578,836</u>
<b><u>Other borrowings</u></b>		
<b><u>Current</u></b>		
Letter of credit	-	296,949
Trust receipts	2,443,762	2,456,688
Banker's acceptance	-	383,000
Term loans	560,004	560,004
Finance lease and hire purchase liabilities	<u>244,293</u>	<u>248,882</u>
	<u>3,248,059</u>	<u>3,945,523</u>
<b><u>Non-current</u></b>		
Term loans	3,077,843	3,544,512
Finance lease and hire purchase	<u>115,358</u>	<u>379,423</u>
	<u>3,193,201</u>	<u>3,923,935</u>

	2015 RM	2014 RM
<b><u>Non-current liabilities</u></b>		
<b><u>Term loans</u></b>		
- Current	560,004	560,004
- Non-current	3,077,843	3,544,512
	<u>3,637,847</u>	<u>4,104,516</u>
<b><u>The term loan are repayable:</u></b>		
- 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	837,827	1,304,496
	<u>3,637,847</u>	<u>4,104,516</u>
<b><u>Finance lease and hire purchase liabilities</u></b>		
- Current	244,293	248,882
- Non-current	115,358	379,423
	<u>359,651</u>	<u>628,305</u>
<b><u>Minimum lease payments:</u></b>		
- Not later than 1 year	260,399	278,996
- Later than 1 year and not later than 2 years	92,232	278,996
- Later than 2 years and not later than 5 years	26,880	127,639
- Later than 5 years	-	-
	<u>379,511</u>	<u>685,631</u>
Future finance charges	(19,860)	(57,326)
Present value of finance lease and hire purchase liabilities	<u>359,651</u>	<u>628,305</u>
<b><u>Present value of hire purchase liabilities</u></b>		
- Not later than 1 year	244,292	248,882
- Later than 1 year and not later than 2 years	89,119	267,279
- Later than 2 years and not later than 5 years	26,240	112,144
- Later than 5 years	-	-
	<u>115,359</u>	<u>379,423</u>
	<u>359,651</u>	<u>628,305</u>

**Securities**

The bank overdrafts and other facilities are secured as follows:

- Pledged of fixed deposits of the Company (See Note 7);
- Corporate Guarantee from a company of which certain director and significant shareholders are also directors and shareholders of the Company;
- Joint and Several Guarantee issued by the Directors;
- Joint and several guarantee issued by Syarikat Jaminan Pembiayaan Perniagaan Bhd;
- First and second legal charge over the Company's landed properties (See Note 3); and
- Against sinking funds.

**Interest**

	2015 %	2014 %
Contractual interest rates at balance sheet date (per annum)		
Bank overdrafts	BLR + 1.25	BLR + 1.25
Trust receipts – TR1 & TR2	-	5.00
– TR3	-	BLR + 1.00
– TR4	BLR + 1.25	BLR + 1.25
Letter of credit – LC1, LC2 & LC3	ABM rate *	ABM rate *
Banker acceptance	5.00 – 5.80	5.00 – 5.80
Hire purchase liabilities (Average)	5.69	5.69
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.

**10 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:

	2015 RM	2014 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>

**11 OTHER PAYABLES AND ACCRUALS**

Included in other payables is RM4,998,596 (2014: RM6,571,577) 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.

**12 AMOUNT DUE TO DIRECTORS**

This 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**

	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
Changes of inventories	854,678	475,058
Raw materials used	14,825,666	15,913,733
Staff costs	1,178,934	1,580,864
Depreciation of property plant and equipment	423,977	508,336
Other operating expenses	4,877,798	2,489,655
	<u>22,161,053</u>	<u>20,967,646</u>

## **14.2 DISCLOSURE ITEMS**

	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
This is stated after charging:		
Audit fee	28,000	26,000
Rental of premises	<u>11,750</u>	<u>21,250</u>
And crediting:		
Fixed deposits interest	(575)	(65,236)
Gain on disposal of fixed assets	(2,295)	-
Realised foreign exchange gain	(53,434)	(13,594)
Other income	<u>(3,040)</u>	<u>-</u>
	<u>(59,344)</u>	<u>(78,830)</u>

### 14.3 EMPLOYEE BENEFIT EXPENSES

	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
Salaries, bonuses and allowance	1,117,214	1,511,793
EPF and SOCSO contribution	61,720	69,071
	<u>1,178,934</u>	<u>1,580,864</u>

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

	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
Directors' salary and incentives	52,407	64,868
EPF and SOCSO contribution	6,684	4,680
	<u>59,091</u>	<u>69,548</u>

In addition to the 1 (2014 : 2) working director, the Company has 61 (2014: 66) employees at the end of the financial year. This does not include sub contracted workers.

### 14.4 FINANCE COSTS

	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
LC, TR and BA interest	245,230	488,841
Bank overdraft interest	107,896	146,062
Hire purchase interest	33,816	38,546
Term loans interest	189,074	223,277
	<u>576,016</u>	<u>896,726</u>



**15 INCOME TAX EXPENSE**

	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
<b>Current tax expense</b>		
Current year	982,000	690,000
Total income tax expense	982,000	690,000

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

	Period from 1.9.2014 – 30.6.2015 RM	Year ended 31.8.2014 RM
Profit before tax	3,484,328	1,832,696
Tax at Malaysian statutory tax rate of 25% (2014 : 25%)	871,082	458,174
Tax effects of:		
Non-deductible expenses	196,915	268,580
Utilisation of deferred tax asset during the year	(60,997)	(11,754)
Reduction of tax as a result of 5% (2014:5%) tax saving on the first RM500,000 of chargeable income for companies with paid up capital of RM2,500,000 and below Malaysia	(25,000)	(25,000)
Total income tax expense	982,000	690,000

**16 DIVIDENDS**

	2015		2014	
	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
Interim dividend paid on 31 March 2015	0.40	1,000,000	-	-

# **17 CASH AND CASH EQUIVALENT**

	<b>2015 RM</b>	<b>2014 RM</b>
Fixed deposits with licensed banks	852,343	1,653,643
Cash and bank balances	44,930	100,966
Bank overdrafts	(1,456,454)	(2,578,836)
	<u>(559,181)</u>	<u>(824,227)</u>

Cash and cash equivalent at the end of the year include fixed deposits amounting to RM852,343 (2014: RM1,653,643) 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. The balance of amount not accrued in the balance sheet as at 30 June 2015 was RM201,340 (31 August 2014: RM473,340). The Company has appealed to the department mentioned above. These contingent liabilities have not been recognised in the account as it is in the opinion of the directors that the likelihood of the liabilities materialising is low.

# **19 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The financial statements of the Company were authorised for issue by the Board of Directors on 15 September 2015.

**KLE PRODUCTS SDN. BHD.**  
(Incorporated in Malaysia)

**DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015 RM</b>	<b>2014 RM</b>
<b>REVENUE</b>	<u>26,162,053</u>	<u>23,618,238</u>
<b>LESS: COST OF SALES</b>		
Closing stock - finished goods	(4,615,233)	(5,279,248)
Opening stock - finished goods	5,279,248	4,415,853
Upkeep of tools and equipment	2,395	3,355
Cost of Manufacturing	<u>20,413,744</u>	<u>20,953,915</u>
	<u>21,080,154</u>	<u>20,093,875</u>
<b>GROSS PROFIT</b>	5,081,899	3,524,363
<b>ADD: OTHER OPERATING INCOME</b>		
Fixed deposit interest received	575	65,236
Gain on disposal of fixed assets	2,295	-
Gain on foreign exchange	53,434	-
Other income	3,040	-
Realised foreign exchange gain	-	13,594
	<u>59,344</u>	<u>78,830</u>
	5,141,243	3,603,193
<b>LESS: OPERATING EXPENSES</b>	<u>(1,656,915)</u>	<u>(1,770,498)</u>
<b>PROFIT BEFORE TAX</b>	<u><u>3,484,328</u></u>	<u><u>1,832,696</u></u>

*This Statement is prepared for the purpose of the Management's use only and does not form part of the statutory audited financial statements.*

**KLE PRODUCTS SDN. BHD.**  
(Incorporated in Malaysia)

**MANUFACTURING ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015 RM	2014 RM
<b>RAW MATERIALS</b>		
Closing stock - raw materials	(600,731)	(191,358)
Opening stock - raw materials	191,358	615,167
Purchase of raw materials	14,825,666	15,913,733
	<u>14,416,293</u>	<u>16,337,542</u>
<b>DIRECT LABOUR</b>		
Ang pow	240	145
E.P.F. and SOCSO contributions	43,140	43,573
Permit fees	30,756	187,056
Wages and incentive	1,020,739	1,218,719
	<u>1,094,875</u>	<u>1,449,493</u>
<b>DIRECT EXPENSES</b>		
Customs duties	-	109
Forwarding charges	4,990	22,563
LC, TR charges and BA interest	245,230	488,841
Paints, chemical and other materials	1,900,020	1,103,259
	<u>2,150,240</u>	<u>1,614,772</u>
<b>PRIME COST</b>	<u>17,661,408</u>	<u>19,401,807</u>
<b>FACTORY OVERHEADS</b>		
Depreciation on machinery and equipment	178,293	213,521
Electricity and water	502,430	405,064
Factory - packing expenses	44,768	14,908
Factory - spraying charge	1,358,339	534,369
Factory general expenses	10,744	22,835
Factory insurance	5,108	38,903
Hire purchase interest	5,261	31,465
Medical expenses	-	325
Realised foreign exchange loss	-	8,063
Upkeep and maintenance of machinery and equipment	35,607	296,877
Worker's house rental	11,750	21,250
	<u>2,152,300</u>	<u>1,587,580</u>
<b>WORK-IN-PROGRESS</b>		
Closing stock - work-in-progress	(1,088,585)	(1,688,621)
Opening stock - work-in-progress	1,688,621	1,653,149
	<u>600,036</u>	<u>(35,472)</u>

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Company No.: 568510-M

**KLE PRODUCTS SDN. BHD.**  
*(Incorporated in Malaysia)*

**MANUFACTURING ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>COST OF MANUFACTURING</b>	<u>20,413,744</u>	<u>20,953,915</u>

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**KLE PRODUCTS SDN. BHD.**  
(Incorporated in Malaysia)

**OPERATING EXPENSES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	2015 RM	2014 RM
<b>OTHER OPERATING EXPENSES</b>		
Angpow	-	20
Audit fee	18,000	13,000
Bank interest and charges	107,896	146,062
Commission	37,500	22,500
Depreciation of fixed assets	245,684	294,816
Director's incentive	-	27,000
Director's remuneration	52,407	37,868
Donation and sponsorship	-	7,109
E.P.F. and SOCSO contributions	(1,440)	20,818
Entertainment	27,162	3,813
Hire purchase interest	28,555	7,081
Hotel accomodation	968	111
Medical fees	826	-
Penalty and compound	8,212	-
Printing and stationery	5,121	3,580
Professional fees	-	11,433
Quit rent and assessment	15,113	5,666
Road tax and insurance	5,938	6,360
Salaries, incentive and bonus	44,069	228,205
Secretarial fee	700	832
Staff welfare and refreshment	6,932	735
Stamp duties	300	-
Sundry expenses	26,221	150,491
Telephone and postage	2,865	6,712
Term loan interest	189,074	223,277
Transport charges	297,733	181,439
Travelling expenses	15,189	10,631
Upkeep of motor vehicle	-	16,760
Upkeep of motor vehicles	23,198	-
Upkeep of office	153,773	82,790
Upkeep of office equipment	-	500
Ang pow - office staff	220	-
Directors' E.P.F. contribution	6,684	4,680
Donation , gift & sponsorship	29,672	-
E.P.F. contributions	12,294	-
Foreign worker insurance	2,616	-
Input tax not claimable	149	-
Licence fee	5,076	-
Parking & toll charges	2,153	-

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**KLE PRODUCTS SDN. BHD.**  
*(Incorporated in Malaysia)*

**OPERATING EXPENSES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b> <b>RM</b>	<b>2014</b> <b>RM</b>
Petrol charge	20,045	-
Professional charge	25,298	-
Sales tax	214,000	256,000
Service tax	1,768	20
SOCSO contributions	1,042	-
Staff training	2,500	-
Subscription fee	5,000	-
Unrealised loss on foreign exchange	15,600	189
Salaries, allowances and bonus	802	-
	<u>1,656,914</u>	<u>1,770,498</u>