SWS Capital Berhad

(502246-P)
(Incorporated in Malaysia)

Directors' Report and
Audited Financial Statements
31 August 2014

502246-P

SWS Capital Berhad
(Incorporated in Malaysia)

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SWS Capital Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2014.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Profit net of tax	4,469,985	1,524,540
Profit attributable to:		
Owners of the parent	3,370,959	1,524,540
Non-controlling interests	1,099,026	-
	4,469,985	1,524,540

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

Dividends

No dividend has been paid or declared by the Company since the end of previous financial year.

At the forthcoming Annual General Meeting, a first and final single-tier dividend of 1 sen per ordinary share, amounting to approximately RM1,265,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 August 2015.

SWS Capital Berhad
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Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Neo Tiam Hock
Neo Chee Kiat
Hj Ismail Bin Tunggak @ Hj Ahmad
Anthony Na Hai Sir
Piong Yew Peng

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 30 to the financial statements.

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	1.9.2013	**Acquired**	**Sold**	**31.8.2014**
The Company				
Direct interest:				
Neo Tiam Hock	11,336,896	-	-	11,336,896
Neo Chee Kiat	10,858,210	-	-	10,858,210
Indirect interest:				
Neo Tiam Hock	25,290,518	-	-	25,290,518
Neo Chee Kiat	12,969,000	-	-	12,969,000

Directors' interests (continued)

	Number of warrants			
	1.9.2013	**Acquired**	**Sold**	**31.8.2014**
Direct interest:				
Neo Tiam Hock	431,149	-	-	431,149
Neo Chee Kiat	68	-	-	68
Indirect interest:				
Neo Tiam Hock	952	-	-	952

By virtue of their interests in share in the Company, Neo Tiam Hock and Neo Chee Kiat are also deemed interested in shares in all subsidiaries of the Company to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares and warrants of the Company or its related corporations during the financial year.

Other statutory information

(a) 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:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

    (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

    (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Other statutory information (continued)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

 (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

 (i) 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 financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

 (ii) 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 or of the Company for the financial year in which this report is made.

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Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 December 2014.

Neo Tiam Hock

Neo Chee Kiat

SWS Capital Berhad
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Statement by directors
Pursuant to Section 169 (15) of the Companies Act, 1965

We, Neo Tiam Hock and Neo Chee Kiat, being two of the directors of SWS Capital Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 76 are drawn up in accordance with 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 August 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 37 on page 77 to the financial statements have been prepared 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 December 2014.

Neo Tiam Hock

Neo Chee Kiat

Statutory declaration
Pursuant to Section 169 (16) of the Companies Act, 1965

I, Neo Chee Kiat, being the director primarily responsible for the financial management of SWS Capital Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 76 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 the abovenamed, Neo Chee Kiat
on 23 December 2014

Neo Chee Kiat

Before me,

TAN BEE TEN
Commissioner for Oaths

Independent auditors' report to the members of
SWS Capital Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of SWS Capital Berhad, which comprise statements of financial position as at 31 August 2014 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 76.

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 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 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 entity'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 entity'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.

Independent auditors' report to the members of SWS Capital Berhad (continued)

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 August 2014 and of their financial performance and cash flows for the year then ended in accordance with 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 Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 37 to the financial statements on page 77 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 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.

Independent auditors' report to the members of SWS Capital Berhad (continued)

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.

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ah Too
2187/09/15(J)
Chartered Accountant

Melaka, Malaysia
Date: 23 December 2014

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SWS Capital Berhad
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Statements of comprehensive income
For the financial year ended 31 August 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Revenue	8	126,619,050	106,880,015	1,885,333	413,333
Cost of sales		(106,230,738)	(89,858,515)	-	-
Gross profit		20,388,312	17,021,500	1,885,333	413,333
Other income	9	2,096,571	2,099,670	360,000	1,594,423
Other items of expense					
Administrative expenses		(10,702,863)	(8,871,796)	(280,293)	(427,746)
Selling and distribution expenses		(5,789,412)	(5,081,845)	-	-
Other expenses		(788,627)	(1,025,935)	(1,500)	(1,750)
Finance costs	10	(854,484)	(925,764)	-	-
Profit before tax	11	4,349,497	3,215,830	1,963,540	1,578,260
Tax income/(expense)	14	120,488	(373,510)	(439,000)	-
Profit net of tax		4,469,985	2,842,320	1,524,540	1,578,260
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent period:					
Revaluation of land and building		239,000	-	-	-
		4,708,985	2,842,320	1,524,540	1,578,260
Profit attributable to:					
Owners of the parent		3,370,959	2,542,617	1,524,540	1,578,260
Non-controlling interests		1,099,026	299,703	-	-
		4,469,985	2,842,320	1,524,540	1,578,260
Total comprehensive income attributable to:					
Owners of the parent		3,609,959	2,542,617	1,524,540	1,578,260
Non-controlling interests		1,099,026	299,703	-	-
		4,708,985	2,842,320	1,524,540	-
Earnings per share attributable to owners of the parent (sen per share)					
Basic	15	2.7	2.0		
Diluted	15	2.7	2.0		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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SWS Capital Berhad
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Statements of financial position
As at 31 August 2014

		Group		Company	
	Note	**2014**	**2013**	**2014**	**2013**
		RM	**RM**	**RM**	**RM**
Assets					
Non-current assets					
Property, plant and equipment	16	38,873,709	39,664,749	-	-
Investment properties	18	3,983,000	3,130,000	-	-
Investment in subsidiaries	17	-	-	44,746,329	42,872,040
Deferred tax assets	28	646,000	-	-	-
		43,502,709	42,794,749	44,746,329	42,872,040
Current assets					
Inventories	19	34,001,794	31,622,499	-	-
Trade and other receivables	20	14,465,938	17,202,173	1,000	1,000
Other current assets	21	4,455,807	2,337,274	-	-
Due from subsidiaries	22	-	-	280,664	704,953
Derivatives	23	18,759	-	-	-
Tax recoverable		369,197	761,030	120,102	162,859
Cash and bank balances	24	5,430,262	4,640,552	63,447	12,054
		58,741,757	56,563,528	465,213	880,866
Assets classified as held for sale	25	618,332	1,719,815	-	-
		59,360,089	58,283,343	465,213	880,866
Total assets		102,862,798	101,078,092	45,211,542	43,752,906
Equity and liabilities					
Current liabilities					
Loans and borrowings	26	18,782,538	22,403,834	-	-
Trade and other payables	27	13,923,216	12,780,522	34,146	30,000
Due to a subsidiary	22	-	-	-	70,050
Derivatives	23	-	206,848	-	-
		32,705,754	35,391,204	34,146	100,050
Non-current liabilities					
Loans and borrowings	26	1,702,212	2,217,014	-	-
Deferred tax liabilities	28	988,096	712,123	-	-
		2,690,308	2,929,137	-	-
Total liabilities		35,396,062	38,320,341	34,146	100,050

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Statements of financial position
As at 31 August 2014 (continued)

		Group		Company	
	Note	**2014**	**2013**	**2014**	**2013**
		RM	**RM**	**RM**	**RM**
Equity					
Share capital	29(a)	63,252,750	63,252,750	63,252,750	63,252,750
Share premium	29(b)	12,494,536	12,494,536	12,494,536	12,494,536
Revaluation reserve	29(c)	239,000	-	-	-
Accumulated losses		(12,587,265)	(15,958,224)	(30,569,890)	(32,094,430)
Equity attributable to owners of the parent		63,399,021	59,789,062	45,177,396	43,652,856
Non-controlling interests		4,067,715	2,968,689	-	-
Total equity		67,466,736	62,757,751	45,177,396	43,652,856
Total equity and liabilities		102,862,798	101,078,092	45,211,542	43,752,906

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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SWS Capital Berhad
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Statements of changes in equity
For the financial year ended 31 August 2014

Group	Equity, total RM	Equity attributable to owners of the parent RM	|---Attributable to owners of the parent--- Share capital RM	Share premium RM	Revaluation reserve RM	Accumulated losses RM ---|	Non-controlling interests RM
2014							
Opening balance at 1 September 2013	62,757,751	59,789,062	63,252,750	12,494,536	-	(15,958,224)	2,968,689
Net profit for the year	4,469,985	3,370,959	-	-	-	3,370,959	1,099,026
Other comprehensive income	239,000	239,000	-	-	239,000	-	-
Total comprehensive income	4,708,985	3,609,959	-	-	239,000	3,370,959	1,099,026
Closing balance at 31 August 2014	67,466,736	63,399,021	63,252,750	12,494,536	239,000	(12,587,265)	4,067,715

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Statements of changes in equity
For the financial year ended 31 August 2014 (continued)

Group	Equity, total RM	Equity attributable to owners of the parent RM	|------------Attributable to owners of the parent------------| Share capital RM	Share premium RM	Revaluation reserve RM	Accumulated losses RM	Non-controlling interests RM
2013							
Opening balance at 1 September 2012	59,915,431	57,246,445	63,252,750	12,494,536	-	(18,500,841)	2,668,986
Total comprehensive income	2,842,320	2,542,617	-	-	-	2,542,617	299,703
Closing balance at 31 August 2013	62,757,751	59,789,062	63,252,750	12,494,536	-	(15,958,224)	2,968,689

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SWS Capital Berhad
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Statements of changes in equity
For the financial year ended 31 August 2014 (continued)

		Non-distributable		
Company	**Equity, total RM**	**Share capital RM**	**Share premium RM**	**Accumulated losses RM**
2014				
Opening balance at 1 September 2013	43,652,856	63,252,750	12,494,536	(32,094,430)
Total comprehensive income	1,524,540	-	-	1,524,540
Closing balance at 31 August 2014	45,177,396	63,252,750	12,494,536	(30,569,890)
2013				
Opening balance at 1 September 2012	42,074,596	63,252,750	12,494,536	(33,672,690)
Total comprehensive income	1,578,260	-	-	1,578,260
Closing balance at 31 August 2013	43,652,856	63,252,750	12,494,536	(32,094,430)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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SWS Capital Berhad
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Statements of cash flows
For the financial year ended 31 August 2014

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Profit before tax	4,349,497	3,215,830	1,963,540	1,578,260
Adjustments for:				
Impairment loss on receivables	772,464	656,531	-	-
Depreciation of property, plant and equipment	2,403,742	2,305,238	-	-
Impairment loss on property, plant and equipment	-	350,000	-	-
Inventories written off	16,788	5,176	-	-
Inventories written down	326,290	109,350	-	-
Loss on disposal of an investment property	87,000	-	-	-
Finance costs	854,484	925,764	-	-
Property, plant an equipment written off	886	73,027	-	-
Reversal of impairment loss on receivables	(88,365)	(66,777)	-	-
Reversal of impairment loss on investment in sudsidiaries	-	-	-	(1,496,510)
Dividend income from subsidiaries	-	-	(1,813,333)	(341,333)
Net gain from fair value adjustment of investment properties	(160,000)	(151,583)	-	-
Gain on disposal of property, plant and equipment	(35,350)	(194,720)	-	-
Unrealised (gain)/loss on foreign exchange	(415,525)	207,288	-	-
Interest income	(88,388)	(11,489)	-	-
Waiver of debts owed to a subsidiary	-	-	(360,000)	-
Net fair value (gain)/loss on derivatives	(18,759)	207,113	-	-
Total adjustments	3,655,267	4,414,918	(2,173,333)	(1,837,843)
Operating cash flows before changes in working capital	8,004,764	7,630,748	(209,793)	(259,583)

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Statements of cash flows
For the financial year ended 31 August 2014 (continued)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Changes in working capital				
Increase in inventories	(2,722,373)	(4,211,045)	-	-
Decrease in receivables	1,845,288	920,917	-	-
(Increase)/decrease in other current assets	(1,014,228)	997,219	-	12,000
Increase in payables	1,142,694	199,305	4,146	4,807
Total changes in working capital	(748,619)	(2,093,604)	4,146	16,807
Cash flows from/(used in) operations	7,256,145	5,537,144	(205,647)	(242,776)
Interest paid	(854,484)	(925,764)	-	-
Income tax refunded	142,294	164,503	57,090	-
Net cash flows from/(used in) operating activities	6,543,955	4,775,883	(148,557)	(242,776)
Investing activities				
Advances to subsidiaries	-	-	-	(11,950)
Additional investment in subsidiaries	-	-	(1,874,289)	-
Net advances from a subsidiary	-	-	289,950	-
Repayment from subsidiaries	-	-	424,289	-
Purchase of property, plant and equipment	(2,337,920)	(741,729)	-	-
Interest received	88,388	11,489	-	-
Dividend received	-	-	1,360,000	256,000
Deposits paid for purchase of property, plant and equipment	(1,104,305)	-	-	-
Proceeds from disposal of property, plant and equipment	35,350	875,698	-	-
Proceeds from disposal of an investment property	140,000	-	-	-
Proceeds from disposal of assets classified as held for sale	1,719,815	-	-	-
Placement of deposits with licensed banks	(76,183)	(11,442)	-	-
Net cash flows (used in)/from investing activities	(1,534,855)	134,016	199,950	244,050

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Statements of cash flows
For the financial year ended 31 August 2014 (continued)

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Financing activities				
Repayment of term loans	(695,343)	(670,271)	-	-
Decrease in short term borrowings	(3,188,975)	(1,200,651)	-	-
Repayment of obligations under finance leases	(495,020)	(559,297)	-	-
Net cash flows used in financing activities	(4,379,338)	(2,430,219)	-	-
Net increase in cash and cash equivalents	629,762	2,479,680	51,393	1,274
Cash and cash equivalents at beginning of the financial year	3,002,118	522,438	12,054	10,780
Cash and cash equivalents at end of the financial year (Note 24)	3,631,880	3,002,118	63,447	12,054

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

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

The principal place of business is located at Lot 4085, Kawasan Perindustrian Parit Jamil, 84150 Parit Jawa, Muar, Johor Darul Takzim.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

2. Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") in Malaysia and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Company have also been prepared on a historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 August 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

3. Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4. Summary of significant accounting policies

4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed as incurred and included in administrative expenses.

4. Summary of significant accounting policies (continued)

4.1 Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4. Summary of significant accounting policies (continued)

4.1 Business combinations and goodwill (continued)

Business combinations involving entities under common control are accounted for by applying the pooling of interests method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The consolidated statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

4.2 Current versus non-current classification

Assets and liabilities in statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.3 Fair value measurement

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement (continued)

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement (continued)

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the accounting policies of the Group. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.4 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

4.5 Foreign currencies

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is also the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at its functional currency spot rate at the date the transaction first qualifies for recognition.

4. Summary of significant accounting policies (continued)

4.5 Foreign currencies (continued)

(b) Transactions and balances (continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

4.6 Cash dividend and non-cash distribution to owners of the parent

The Company recognises a liability to make cash or non-cash distributions to owners of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

4.7 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

4. Summary of significant accounting policies (continued)

4.7 Property, plant and equipment (continued)

Freehold land has indefinite useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Air conditioners	10 years
- Computers	5 years
- Electrical installation	5 to 50 years
- Freehold and leasehold buildings	50 years
- Furniture and fittings	5 to 10 years
- Leasehold land	84 to 97 years
- Motor vehicles	5 years
- Office equipment	10 years
- Plant, machinery and equipment	5 to 10 years
- Renovation	5 years
- Signboard	10 years
- Worker quarter	50 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.8 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Fair values are evaluated annually by an accredited external independent valuer.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

4. Summary of significant accounting policies (continued)

4.9 Impairment of non-financial assets

At each reporting date, an assessment is made as to whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.10 Investment in subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiaries are accounted for at cost less impairment losses.

4. Summary of significant accounting policies (continued)

4.11 Financial instruments

(a) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

The Group did not have any financial assets at fair value through profit or loss during the financial years ended 31 August 2014 and 2013 except for the derivatives.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and an ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

The Group did not have any held-to-maturity investments during the financial years ended 31 August 2014 and 2013.

Available-for-sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Available-for-sale (AFS) financial assets (continued)

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

The Group did not have any AFS financial assets during the financial years ended 31 August 2014 and 2013.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

(a) Financial assets (continued)

(iii) Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivatives, loans and borrowings.

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

(c) Financial liabilities (continued)

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied.

The Group did not have any financial liabilities at fair value through profit or loss during the financial years ended 31 August 2014 and 2013 except for the derivatives.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the profit or loss

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

(c) Financial liabilities (continued)

(ii) Subsequent measurement (continued)

<u>Financial guarantee contracts</u>

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.12 Cash and short term deposits

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of twelve months.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash, net of outstanding bank overdrafts, if any.

4. Summary of significant accounting policies (continued)

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

4.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

4.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.16 Pension benefits

Defined contribution plan

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contribution to defined contribution pension scheme is recognised as an expense in the period in which the related service is performed.

4. Summary of significant accounting policies (continued)

4.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) Group as lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(b) Group as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.18 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated once classified as held for sale. Assets classified held for sale are presented separately as current items in the statement of the financial position.

4. Summary of significant accounting policies (continued)

4.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group has concluded that it is the principal in all of its revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria desribed below must also be met before revenue is recognised.

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the customer, usually on delivery of the goods.

(b) Management fees

Management fees are recognised when services are rendered.

(c) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

4.20 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Malaysia, where the Group generate taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. Summary of significant accounting policies (continued)

4.20 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

4. Summary of significant accounting policies (continued)

4.20 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

4.21 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

5. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 September 2013, the Group adopted the following new and amended MFRS and IC Interpretations Mandatory for annual financial periods beginning on or after 1 September 2013.

MFRS 1	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Government Loans)
MFRS 3	MFRS 3 Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 7	Amendments to MFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Amendments to MFRS 10 Consolidated Financial Statements (Transition Guidance)

5. Changes in accounting policies (continued)

MFRS 11	Joint Arrangements
MFRS 11	Amendments to MFRS 11 Joint Arrangements (Transition Guidance)
MFRS 12	Disclosure of Interests in Other Entities
MFRS 12	Amendments to MFRS 12 Disclosure of Interests in Other Entities (Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 101	Amendments to MFRS 101 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB In June 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures
Annual Improvements to MFRSs 2009 - 2001 Cycle	
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to IC Int. 2009 - 2011 Cycle	

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except for those discussed below:

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materiality impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements

6. Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10 Consolidated Financial Statements (Investment Entities)	1 January 2014
Amendments to MFRS 12 Disclosure of Interests in Other Entities (Investment Entities)	1 January 2014
Amendments to MFRS 127 Consolidated and Separate Financial Statements (Investment Entities)	1 January 2014
Amendments to MFRS 132 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)	1 January 2014
Amendments to MFRS 136 Recoverable Amount Disclosures for Non- Financial Assets	1 January 2014
Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and 141 Agriculture: Bearer Plants	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018

6. Standards issued but not yet effective (continued)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as disclosed below:

MFRS 9 Financial instruments

MFRS 9, as issued, reflects the first phase of the work on replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the financial assets, but will not have an impact on classification and measurements of the financial liabilities. The effect will be quantified in conjunction with the other phases, when the final standard including all phases is issued.

7. Significant accounting judgments and estimates

The preparation of the Group's and of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

7.1 Judgments

In the process of applying the Group’s accounting policies, management has not made any critical judgments, which could have a significant effect on the amounts recognised in these financial statements.

7.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

7. Significant accounting judgments and estimates (continued)

7.2 Estimates and assumptions (continued)

(a) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery range from 5 to 10 years. These are common life expectancies applied in the furniture industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductibe temporary differences, and the carry forward of unused tax credits and any unused tax losses can be utilised. Significant judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and magnitude of future taxable profits together with future tax planning strategies.

(c) Net realisable values of inventories

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable values of inventories based on an assessment of estimated sales prices in the ordinary course of business less estimated cost of completion and the estimated cost necessary to the sale.

Valuation of inventories are reviewed on a regular basis and the Group will make allowance to write down the inventories to net realisable value primarily based on historical trends and management best estimates of the product demand and related pricing.

(d) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a receivable 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 receivable with similar credit risk characteristics. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 20.

7. Significant accounting judgments and estimates (continued)

7.2 Estimates and assumptions (continued)

(e) Revaluation of investment properties

The Group carries its investment properties at fair value, with charges in fair value being recognised in the profit or loss. The Group engaged an independent valuation specialist to assess fair value as at reporting date for investment properties. Investment properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

8. Revenue

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Management fee	-	-	72,000	72,000
Sale of goods	126,619,050	106,880,015	-	-
Dividend income	-	-	1,813,333	341,333
	126,619,050	106,880,015	1,885,333	413,333

9. Other income

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Reversal of impairment loss on receivables (Note 20(a))	88,365	66,777	-	-
Reversal of impairment loss on investment in a subsidiary (Note 17)	-	-	-	1,496,510
Net gain from fair value adjustment of investment properties (Note 18)	160,000	151,583	-	-
Realised foreign exchange gain	705,545	998,554	-	-
Unrealised foreign exchange gain	415,525	-	-	-
Net fair value gain on derivatives	18,759	-	-	-
Gain on disposal of property, plant and equipment	35,350	194,720	-	-
Insurance claimed	18,246	75,000	-	-
Interest income	88,388	11,489	-	-
Waiver of debts owed to a subsidiary	-	-	360,000	-
Rental income	115,500	330,940	-	-
Sundry income	450,893	270,607	-	97,913
	2,096,571	2,099,670	360,000	1,594,423

10. Finance costs

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Interest expense on:				
- Bankers' acceptances	583,356	544,902	-	-
- Bank overdrafts	93,569	143,293	-	-
- Obligations under finance leases	58,087	73,139	-	-
- Term loans	119,472	164,430	-	-
Total finance costs	854,484	925,764	-	-

11. Profit before tax

The following items have been included in arriving at profit before tax from continuing operations:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Impairment loss on receivables (Note 20)	772,464	656,531	-	-
Auditors' remuneration:				
- Statutory audit	126,500	121,000	25,000	23,000
- Other services	31,054	29,144	9,694	9,394
Depreciation of property, plant and equipment (Note 16)	2,403,742	2,305,238	-	-
Employee benefits expense (Note 12)	15,061,305	11,681,308	24,000	180,000
Net fair value loss on derivatives	-	207,113	-	-
Impairment loss on property, plant and equipment (Note 16)	-	350,000	-	-
Inventories written off	16,788	5,176	-	-
Inventories written down	326,290	109,350	-	-
Loss on disposal of an investment property	87,000	-	-	-
Non-executive directors' emoluments (Note 13)	48,000	60,000	48,000	60,000
Property, plant and equipment written off	886	73,027	-	-
Unrealised loss on foreign exchange	-	207,288	-	-
Rental of:				
- factory	122,000	371,640	-	-
- hostel	51,240	147,900	-	-

12. Employee benefits expense

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Directors (Note 13)				
Executive directors of the Company	1,598,663	1,054,463	24,000	180,000
Directors of subsidiaries	1,064,756	557,699	-	-
	2,663,419	1,612,162	24,000	180,000
Other staff				
Wages and salaries	11,188,532	9,038,525	-	-
Defined contribution plan	575,179	531,047	-	-
Other employee benefits	634,175	499,574	-	-
	12,397,886	10,069,146	-	-
	15,061,305	11,681,308	24,000	180,000

13. Directors' remuneration

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Directors of the Company				
Executive:				
- Fee	288,000	225,000	-	-
- Salaries and other emoluments	1,225,600	760,000	24,000	180,000
- Defined contribution plan	84,000	68,400	-	-
- Estimated monetary value of benefits-in-kind	179,031	178,682	-	-
- Other employee benefits	1,063	1,063	-	-
	1,777,694	1,233,145	24,000	180,000
Non-Executive:				
- Allowances	48,000	60,000	48,000	60,000
- Estimated monetary value of benefits-in-kind	6,900	6,300	-	-
	54,900	66,300	48,000	60,000
Directors of subsidiaries				
- Fee	50,761	25,000	-	-
- Salaries and other emoluments	955,100	475,500	-	-
- Defined contribution plan	56,416	54,720	-	-
- Estimated monetary value of benefits-in-kind	65,257	58,328	-	-
- Other employee benefits	2,479	2,479	-	-
	1,130,013	616,027	-	-

13. Directors' remuneration (continued)

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Total excluding benefits-in-kind	2,711,419	1,672,162	72,000	240,000
Estimated monetary value of benefits-in-kind	251,188	243,310	-	-
Total including benefits-in-kind	2,962,607	1,915,472	72,000	240,000
Analysis of directors' remuneration:				
Executive directors of the Company and directors of subsidiaries (Note 12)	2,663,419	1,612,162	24,000	180,000
Non-executive directors (Note 11)	48,000	60,000	48,000	60,000
Total excluding benefits-in-kind	2,711,419	1,672,162	72,000	240,000

14. Tax income/(expense)

Major components of income tax expense

The major components of tax (income)/expense for the years ended 31 August 2014 and 2013 are:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Statements of comprehensive income:				
Current income tax	162,416	81,816	439,000	-
Under/(over) provision in prior years	87,123	(79,769)	-	-
	249,539	2,047	439,000	-
Deferred income tax (Note 28):				
- Origination and reversal of temporary differences	(441,979)	829,556	-	-
- Under/(over) provision in prior years	71,952	(458,093)	-	-
	(370,027)	371,463	-	-
Tax (income)/expense recognised in profit or loss	(120,488)	373,510	439,000	-

14. Tax (income)/expense (continued)

Reconciliation between tax (income)/expense and accounting profit

The reconciliation between tax (income)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 August 2014 and 2013 are as follows:

	2014 RM	2013 RM
Group		
Profit before tax	4,349,497	3,215,830
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	1,087,374	803,958
Tax effects of:		
- income not subject to tax	(50,823)	(41,096)
- expenses eligible for double deduction	(157,263)	(167,361)
- expenses not deductible for tax purposes	482,166	297,475
Deferred tax assets not recognised on unused tax losses	53,090	638,613
Deferred tax assets not recognised on unabsorbed capital allowances	39,677	-
Deferred tax assets recognised on unused tax losses and unabsorbed capital allowances	-	(328,500)
Deferred tax assets recognised on unutilised allowances for increase exports	(414,822)	(137,937)
Utilisation of previously unrecognised unutilised allowances for increased exports	(948,409)	-
Utilisation of previously unrecognised unabsorbed capital allowances and reinvestment allowances	(169,080)	(100,166)
Utilisation of current year's reinvestment allowances	(201,473)	(53,614)
Under/(over) provision in prior years		
- income tax	87,123	(79,769)
- deferred tax	71,952	(458,093)
Tax (income)/expense recognised in profit or loss	(120,488)	373,510
Company		
Profit before tax	1,963,540	1,578,260
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	490,885	394,565
Tax effects of:		
- income not subject to tax	(90,000)	(410,004)
- expenses not deductible for tax purposes	38,115	15,439
Tax expense recognised in profit or loss	439,000	-

14. Tax (income)/expense (continued)

The Malaysian corporate statutory tax rate is expected to reduce from 25% to 24% with effect from year of assessment 2016 as announced in the 2014 Budget. The reduction in the corporate statutory tax rate has no significant impact to the Group and the Company.

15. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 August:

	Group	
	2014	**2013**
Profit net of tax attributable to owners of the parent (RM)	3,370,959	2,542,617
Weighted average number of ordinary shares for the purpose of basic earnings per share	126,505,500	126,505,500
Basic earnings per share (sen)	2.7	2.0
Diluted earnings per share (sen)	2.7	2.0

The warrants are not dilutive as the average market price of the ordinary shares during the financial year were below the exercise price of the warrants.

16. Property, plant and equipment

	* Land and buildings RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM	Total RM
Group					
Cost					
At 1 September 2012	34,442,967	14,971,560	5,172,813	5,036,094	59,623,434
Additions	69,706	413,040	263,030	223,953	969,729
Disposals	-	(115,400)	(150,418)	(7,412)	(273,230)
Written off	(117,119)	-	-	(87,975)	(205,094)
Transfer from investment properties (Note 18)	4,430,000	-	-	-	4,430,000
Transfer to investment properties (Note 18)	(1,562,379)	-	-	-	(1,562,379)
Reclassified as assets held for sale (Note 25)	(675,000)	-	-	-	(675,000)
At 31 August 2013 and 1 September 2013	36,588,175	15,269,200	5,285,425	5,164,660	62,307,460
Additions	392,976	1,592,400	785,851	141,693	2,912,920
Disposals	-	(15,809)	(142,397)	-	(158,206)
Written off	-	-	-	(5,668)	(5,668)
Revaluation surplus	239,000	-	-	-	239,000
Transfer to investment properties (Note 18)	(1,039,000)	-	-	-	(1,039,000)
Reclassified as assets held for sale (Note 25)	(706,695)	-	-	-	(706,695)
At 31 August 2014	35,474,456	16,845,791	5,928,879	5,300,685	63,549,811

16. Property, plant and equipment (continued)

	* Land and buildings RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM	Total RM
Accumulated depreciation and impairment losses					
At 1 September 2012	5,652,705	9,023,536	3,643,799	2,829,899	21,149,939
Depreciation charge for the year (Note 11)	492,422	1,062,777	451,470	298,569	2,305,238
Disposals	-	(84,421)	(150,419)	(7,412)	(242,252)
Written off	(48,885)	-	-	(83,182)	(132,067)
Impairment loss recognised in profit or loss (Note 11)	350,000	-	-	-	350,000
Transfer to investment properties (Note 18)	(438,147)	-	-	-	(438,147)
Reclassified as assets held for sale (Note 25)	(350,000)	-	-	-	(350,000)
Reclassification	4,626	-	-	(4,626)	-
At 31 August 2013 and 1 September 2013	5,662,721	10,001,892	3,944,850	3,033,248	22,642,711
Depreciation charge for the year (Note 11)	589,138	1,106,153	489,367	219,084	2,403,742
Disposals	-	(15,809)	(142,397)	-	(158,206)
Written off	-	-	-	(4,782)	(4,782)
Transfer to investment properties (Note 18)	(119,000)	-	-	-	(119,000)
Reclassified as assets held for sale (Note 25)	(88,363)	-	-	-	(88,363)
At 31 August 2014	6,044,496	11,092,236	4,291,820	3,247,550	24,676,102

16. Property, plant and equipment (continued)

	* Land and buildings RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM	Total RM
Net carrying amount:					
At 31 August 2014	29,429,960	5,753,555	1,637,059	2,053,135	38,873,709
At 31 August 2013	30,925,454	5,267,308	1,340,575	2,131,412	39,664,749

Other assets comprise office equipment, furniture and fittings, computers, air-conditioners and signboard.

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SWS Capital Berhad
(Incorporated in Malaysia)

16. Property, plant and equipment (continued)

* Land and buildings

	Leasehold land RM	Freehold land RM	Leasehold buildings RM	Freehold buildings RM	Electrical installation RM	Renovation RM	Worker quarter RM	Total RM
Cost								
At 1 September 2012	1,472,412	8,773,387	7,020,659	15,959,429	560,423	378,246	278,411	34,442,967
Additions	-	-	-	41,406	-	28,300	-	69,706
Written off	-	-	-	(117,119)	-	-	-	(117,119)
Transfer from investment properties	1,330,000	-	3,100,000	-	-	-	-	4,430,000
Transfer to investment properties	-	(929,379)	-	(633,000)	-	-	-	(1,562,379)
Reclassified as assets held for sale	-	(675,000)	-	-	-	-	-	(675,000)
At 31 August 2013 and 1 September 2013	2,802,412	7,169,008	10,120,659	15,250,716	560,423	406,546	278,411	36,588,175
Additions	-	-	-	366,571	26,405	-	-	392,976
Revaluation surplus	-	230,000	-	9,000	-	-	-	239,000
Transfer to investment properties	-	(330,000)	-	(709,000)	-	-	-	(1,039,000)
Reclassified as assets held for sale	-	(312,350)	-	(394,345)	-	-	-	(706,695)
At 31 August 2014	2,802,412	6,756,658	10,120,659	14,522,942	586,828	406,546	278,411	35,474,456

16. Property, plant and equipment (continued)

* Land and buildings (continued)

	Leasehold land RM	Freehold land RM	Leasehold buildings RM	Freehold buildings RM	Electrical installation RM	Renovation RM	Worker quarter RM	Total RM
Accumulated depreciation and impairment losses								
At 1 September 2012	170,930	413,588	1,421,341	2,865,534	436,799	325,656	18,857	5,652,705
Depreciation charge for the year	15,363	-	22,630	408,398	27,083	13,380	5,568	492,422
Impairment loss recognised in profit or loss	-	350,000	-	-	-	-	-	350,000
Written off	-	-	-	(48,885)	-	-	-	(48,885)
Transfer to investment properties	-	-	-	(438,147)	-	-	-	(438,147)
Reclassified as assets held for sale	-	(350,000)	-	-	-	-	-	(350,000)
Reclassification	-	-	-	4,626	-	-	-	4,626
At 31 August 2013 and 1 September 2013	186,293	413,588	1,443,971	2,791,526	463,882	339,036	24,425	5,662,721
Depreciation charge for the year	31,988	-	141,953	365,220	30,954	13,455	5,568	589,138
Transfer to investment properties	-	-	-	(119,000)	-	-	-	(119,000)
Reclassified as assets held for sale	-	-	-	(88,363)	-	-	-	(88,363)
At 31 August 2014	218,281	413,588	1,585,924	2,949,383	494,836	352,491	29,993	6,044,496

16. Property, plant and equipment (continued)

*** Land and buildings (continued)**

	Leasehold land RM	Freehold land RM	Leasehold buildings RM	Freehold buildings RM	Electrical installation RM	Renovation RM	Worker quarter RM	Total RM
Net carrying amount								
At 31 August 2014	2,584,131	6,343,070	8,534,735	11,573,559	91,992	54,055	248,418	29,429,960
At 31 August 2013	2,616,119	6,755,420	8,676,688	12,459,190	96,541	67,510	253,986	30,925,454

16. Property, plant and equipment (continued)

(a) Acquisitions of property, plant and equipment during the financial year were by the following means:

	Group 2014 RM	Group 2013 RM
Cash outflows	2,337,920	741,729
Finance lease arrangements	575,000	228,000
	2,912,920	969,729

(b) Net carrying amount of property, plant and equipment held under finance lease arrangements are as follows:

	Group 2014 RM	Group 2013 RM
Motor vehicles	1,509,415	1,154,575
Plant and machinery	612,672	925,205
	2,122,087	2,079,780

(c) Net carrying amount of property, plant and equipment pledged as securities for the banking facilities granted to the Group as disclosed in Note 26 are as follow:

	Group 2014 RM	Group 2013 RM
Freehold buildings	11,573,559	11,384,547
Freehold land	6,343,070	5,619,719
Leasehold buildings	8,534,735	3,100,000
Leasehold land	2,584,131	1,939,504
	29,035,495	22,043,770

17. Investment in subsidiaries

	Company 2014 RM	Company 2013 RM
Unquoted shares in Malaysia, at cost	65,657,105	40,657,105
Share subscription monies	-	23,125,711
	65,657,105	63,782,816
Less: Accumulated impairment losses	(20,910,776)	(20,910,776)
	44,746,329	42,872,040

The Company has increased the paid-up share capital of its subsidiaries during the financial year, Sin Wee Seng Industries Sdn. Bhd. of RM9.4 million, U. D. Panelform Sdn. Bhd. of RM14.2.million and Syarikat U. D. Trading Sdn. Bhd. of RM1.4 million respectively by way of capitalisation of the amounts owing from the respective subsidiaries.

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014	Proportion (%) of ownership interest 2013
Held by the Company:				
Syarikat U.D. Trading Sdn. Bhd. ("UDT")	Malaysia	Dealing of furniture plywood, hardware, parts, equipment and construction materials	100	100
U.D. Panelform Sdn. Bhd. ("UDP")	Malaysia	Paper lamination	100	100
Sin Wee Seng Industries Sdn. Bhd. ("SWS")	Malaysia	Settee and sofa manufacturing	100	100
Poh Keong Industries Sdn. Bhd.	Malaysia	Furniture and parts manufacturing	51	51
SWS Industries Sdn. Bhd. (formerly known as U.D. Industries Sdn. Bhd.)	Malaysia	Temporary ceased operations	100	100

17. Investment in subsidiaries (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014	2013
Held through UDP:				
U.D. Wood Products Sdn. Bhd.	Malaysia	Veneer lamination	100	100
Held through SWS:				
Starlight Industry Sdn. Bhd.	Malaysia	Property investment	100	100
Oriena Industry Sdn. Bhd.	Malaysia	Property investment	100	100
SWS Homes (M) Sdn. Bhd.	Malaysia	Property investment	100	100
Held through UDT:				
Syarikat U.D. Trading Corporation Sdn. Bhd.	Malaysia	Under the process of striking off	100	100

18. Investment properties

	Group 2014 RM	2013 RM
At 1 September	3,130,000	7,679,000
Transfer from property, plant and equipment (Note16)	920,000	1,124,232
Fair value adjustments (Note 9)	160,000	151,583
Reclassified as assets held for sales (Note 25)	-	(1,394,815)
Transfer to property, plant and equipment (Note 16)	-	(4,430,000)
Disposals	(227,000)	-
At 31 August	3,983,000	3,130,000

18. Investment properties (continued)

(a) Investment properties with carrying amount of RM2,540,000 (2013: RM2,540,000) are pledged for banking facilities granted to the Group as disclosed in Note 26.

(b) The strata title of a freehold condominium with carrying amount of RM140,000 (2013: RM140,000) has yet to be issued by the relevant authorities.

(c) The fair values of the investment properties of the Group as at 31 August 2014 are determined based on valuations carried out by independent professional valuers, Asettz Sdn. Bhd., Jordan Lee & Jaafar (M'cca) Sdn. Bhd. and Henry Butcher Malaysia (Muar) Sdn. Bhd. respectively, using comparison basis to reflect the market value. The valuers have relevant recognised professional qualifications and have recent experiences in the locations and category of properties being valued.

19. Inventories

	Group	
	2014	**2013**
	RM	**RM**
At cost		
Raw materials	24,512,589	23,214,932
Work-in-progress	5,366,049	5,230,179
Finished goods	4,097,435	2,791,254
	33,976,073	31,236,365
At net realisable value		
Raw materials	25,721	386,134
	34,001,794	31,622,499

The Group has written off and written down its inventories by RM16,788 (2013: RM5,176) and RM326,290 (2013: RM109,350) respectively during the financial year.

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM106,230,738 (2013: RM89,858,515).

20. Trade and other receivables

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Trade receivables				
Third parties	12,665,472	14,939,797	-	-
Less: Allowance for impairment	(1,571,656)	(1,689,319)	-	-
	11,093,816	13,250,478	-	-
Other receivables				
Sundry receivables	3,166,141	3,736,745	1,000	1,000
Advances to workers	205,981	214,950	-	-
	3,372,122	3,951,695	1,000	1,000
Total trade and other receivables	14,465,938	17,202,173	1,000	1,000
Add: Cash and bank balances (Note 24)	5,430,262	4,640,552	63,447	12,054
Total loans and receivables	19,896,200	21,842,725	64,447	13,054

(a) Trade receivables

Trade receivables are non-interest bearing and are generally ranges from 30 to 120 day (2013: 30 to 120 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing anaylsis of the Group's trade receivables is as follows:

	Group 2014 RM	Group 2013 RM
Neither past due nor impaired	5,763,768	7,445,700
1 to 30 days past due not impaired	2,858,627	2,467,948
31 to 60 days past due not impaired	928,658	1,407,521
61 to 90 days past due not impaired	818,484	880,080
91 to 120 days past due not impaired	257,098	259,136
More than 121 days past due not impaired	467,181	236,649
	5,330,048	5,251,334
Impaired	1,571,656	2,242,763
	12,665,472	14,939,797

20. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are neither past due nor impaired

Trade and other 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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM5,330,048 (2013: RM5,251,334) that are past due at the reporting date but not impaired. The directors are of the opinion that these receivables are collectible in view of the long term business relationships with the customers. These receivables are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2014	**2013**
	RM	**RM**
Trade receivable - nominal amounts	1,571,656	2,242,763
Less: Allowance for impairment	(1,571,656)	(1,689,319)
	-	553,444

Movement in allowance accounts:

	Group	
	2014	**2013**
	RM	**RM**
At beginning of year	1,689,319	2,189,781
Charge for the year (Note 11)	772,464	656,531
Reversal of impairment loss (Note 9)	(88,365)	(66,777)
Written off	(801,762)	(1,090,216)
At end of year	1,571,656	1,689,319

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

21. Other current assets

	Group 2014 RM	Group 2013 RM
Prepaid operating expenses	648,739	961,598
Advances to raw material suppliers	2,702,763	1,023,731
Advances to sub-contractors	-	351,945
Deposits to suppliers of property, plant and equipment	1,104,305	-
	4,455,807	2,337,274

22. Due from/to subsidiaries

Amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand.

23. Derivatives

Group	2014 Contract/ Notional Amount	2014 Assets	2013 Contract/ Notional Amount	2013 Liabilities
Non-hedging derivatives:				
Foreign currency forward contracts	1,445,475	18,759	3,432,105	(206,848)

The Group uses forward currency contracts to manage some of the transaction exposures. These contracts are not designated as cash flow hedge.

The Group determines the fair value of the foreign currency forward contracts by using the prices quoted by the counterparty bank, which is under Level 2 of the fair value hierarchy.

24. Cash and bank balances

	Group 2014 RM	Group 2013 RM
Cash on hand and at banks	4,906,467	4,192,940
Deposits with licensed banks	523,795	447,612
Cash and bank balances	5,430,262	4,640,552

24. Cash and bank balances (continued)

For the purpose of the statements of cash flows, cash equivalents comprise the followings at 31 August:

	Group 2014 RM	Group 2013 RM
Cash on hand and at banks	4,906,467	4,192,940
Less: Bank overdrafts (Note 26)	(1,274,587)	(1,190,822)
Cash and cash equivalents	3,631,880	3,002,118

	Company 2014 RM	Company 2013 RM
Cash on hand and at banks	63,447	12,054

Deposits with licensed banks are pledged for banking facilities granted to the Group as disclosed in Note 26 and are held in trust by certain directors of the Company.

The weighted average effective interest rate and average maturities of deposits at the reporting date were 3.13% (2013: 3.14%) per annum and 365 days (2013: 365 days) respectively.

25. Assets classified as held for sale

	Group 2014 RM	Group 2013 RM
At carrying amount		
Transfer from investment properties (Note 18)	-	1,394,815
Transfer from property, plant and equipment (Note 16)	618,332	325,000
	618,332	1,719,815

There is no liability associated with the above assets held for sale.

26. Loans and borrowings

	Maturity	Group 2014 RM	Group 2013 RM
Current			
Unsecured:			
Bank overdrafts	On demand	912,216	530,717
Bankers' acceptances	2015	12,622,464	10,697,746
		13,534,680	11,228,463
Secured:			
Bank overdrafts	On demand	362,371	660,105
Bankers' acceptances	2015	3,813,000	9,342,218
Obligations under finance leases (Note 31)	2015	506,888	484,833
Term loans:			
- RM loan at BLR + 0.8% p.a.	2015	240,749	240,882
- RM loan at BFR p.a.	2015	181,250	181,250
- RM loan at BLR + 0.3% p.a.	2015	143,600	266,083
		5,247,858	11,175,371
		18,782,538	22,403,834
Non-current			
Secured:			
Obligations under finance leases (Note 31)	2016-2019	689,948	632,023
Term loans:			
- RM loan at BLR + 0.8% p.a.	2016-2017	230,623	471,237
- RM loan at BFR p.a.	2016-2019	781,641	948,717
- RM loan at BLR + 0.3% p.a.		-	165,037
		1,702,212	2,217,014
Total loans and borrowings		20,484,750	24,620,848

The remaining maturities of the loans and borrowings as at reporting date are as follows:

	Group 2014 RM	Group 2013 RM
On demand or within 1 year	18,782,538	22,403,834
More than 1 year and less than 2 years	751,354	1,062,818
More than 2 years and less than 5 years	894,217	930,479
5 years or more	56,641	223,717
	20,484,750	24,620,848

The loans and borrowings (except obligations under finance leases) of the Group are secured by:

(i) debenture incorporating legal charges over the properties of certain subsidiaries as disclosed in Note 16 and 18, and floating charges over all the present and future assets of certain subsidiaries;

26. Loans and borrowings (continued)

(ii) corporate guarantee by the Company; and

(iiI) deposits with licensed banks as disclosed in Note 24.

Obligations under finance leases

These obligations are denominated in RM and the discount rates implicit in the leases range from 2.35% to 6.80% (2013: 2.35% to 6.60%) per annum. These obligations are secured by charges over the respective leased assets.

Bank overdrafts

Bank overdrafts are denominated in RM, bear interests range from BLR + 1.0% to BLR + 1.25% (2013: BLR + 1.0% to BLR + 1.25%) per annum.

Banker's acceptances

These are used to finance purchases of the Group denominated in USD and RM and are short term in nature. The weighted average effective interest rate is 4.06% (2013: 3.84%) per annum.

27. Trade and other payables

	Group		Company	
	2014 RM	2003 RM	2014 RM	2003 RM
Trade payables				
Third parties	8,693,285	8,923,432	-	-
Other payables				
Sundry payables	3,537,928	2,489,132	1,146	-
Accrued operating expenses	1,692,003	1,367,958	33,000	30,000
	5,229,931	3,857,090	34,146	30,000
Total trade and other payables	13,923,216	12,780,522	34,146	30,000
Add: Loans and borrowings (Note 26)	20,484,750	24,620,848	-	-
Total financial liabilities carried at amortised cost	34,407,966	37,401,370	34,146	30,000

27. Trade and other payables (continued)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 14 to 90 day (2013: 14 to 90 day) terms.

(b) Other payables

These amounts are non-interest bearing. Credit terms for other payables are negotiated on a case-by-case basis.

28. Deferred tax

Deferred income tax as at reporting dates relates to the following:

	Deferred tax liabilities	Deferred tax assets		
	Property, plant and equipment RM	Unused tax losses and unabsorbed capital allowances RM	Unutilised reinvestment allowances RM	Total RM
At 1 September 2012	1,544,054	(216,536)	(986,858)	340,660
Recognised in profit or loss	54,498	283,534	33,431	371,463
At 31 August 2013	1,598,552	66,998	(953,427)	712,123
Recognised in profit or loss	100,874	(74,119)	(396,782)	(370,027)
At 31 August 2014	1,699,426	(7,121)	(1,350,209)	342,096

	Group	
	2014 RM	2003 RM
Presenting after appropriate offsetting as follows:		
Deferred tax assets	646,000	-
Deferred tax liabilities	(988,096)	(712,123)
	(342,096)	(712,123)

28. Deferred tax (continued)

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

	Group 2014 RM	Group 2013 RM
Unused tax losses	16,954,000	16,377,000
Unabsorbed capital allowances	2,151,303	2,821,000
Unutilised reinvestment allowances	2,168,000	2,168,000
Unutilised allowances for increased exports	-	3,857,000

At the reporting date, the Group has above unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances that are available to offset against future taxable profits of the respective subsidiaries in which the unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances arose.

The availability of the unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances to offset against future taxable profits of the respective subsidiaries of the Group are subject to no substantial changes in the shareholdings of these subsidiaries under Section 44(5A) and (5B) of the Income Tax Act, 1967 and guidelines issued by tax authority.

29. Share capital and share premium

(a) Share capital

	Number of ordinary shares of RM0.50 each		Amount	
	2014	2013	2014 RM	2013 RM
Authorised	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid	126,505,500	126,505,500	63,252,750	63,252,750

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company.

Warrants

The Company had issued 21,084,250 warrants which were listed on Bursa Malaysia Securities Berhad on 2 December 2005 in conjunction with the rights issue on the basis of one (1) warrant attached to one (1) rights share subscribed.

The warrants are constituted by a Deed Poll dated 8 September 2005 executed by the Company.

29. Share capital and share premium (continued)

(a) Share capital (continued)

The main features of the warrants are as follows:

(i) Each warrant entitles the registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price of RM0.80 per share, subject to adjustment in accordance with the provisions of the Deed Poll.

(ii) The warrants may be exercised at any time on or before the expiry date of ten (10) years from the issue date of the warrants on 2 December 2005. The warrants which are not exercised during the exercise period will thereafter become lapse and void.

(iii) All the new ordinary shares in the Company to be issued upon the exercise of the warrants shall, on allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to any dividends, that may be declared prior to the date of allotment and issue of the new shares, nor shall they be entitled to any distributions or entitlements for which the record date is prior to the date of exercise of the warrants.

The summary of movements of warrants are as follows:

	Exercise price per warrant	Number of warrants		
Date of issue	RM	1.9.2013	Exercised	31.8.2014
2.12.2005	0.80	21,084,250	-	21,084,250

(b) Share premium

This is a non-distributable reserve which arose from the issue of the Company's shares at a premium.

(c) Revaluation reserve

The revaluation reserve represents the difference between the carrying amount and fair value of a property at the date of transfer from property, plant and equipment to investment property. This reserve will be subsequently transferred to retained earnings upon disposal of that property.

30. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

30. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

Subsidiaries:
(i) Syarikat U.D. Trading Sdn. Bhd. ("UDT")
(ii) Sin Wee Seng Industries Sdn. Bhd. ("SWS")
(iii) Poh Keong Industries Sdn. Bhd. ("PKI")
(iv) SWS Industries Sdn. Bhd. (formerly known as U.D. Industries Sdn. Bhd.) ("SWS Industries")

Other related parties:
(i) Dee Sin Agency (Sole proprietorship of Gan Poh Keong, a director of PKI
(ii) Envision Enterprise (Sole proprietorship of Gan Poh Keong, a director of PKI)
(iii) RTA Components Corp. (Sole proprietorship of Yeo Siew Gek, a director of PKI)

	Group	
	2014	**2013**
	RM	**RM**
Transactions with other related parties		
Foreign workers' expenses paid/payable to Dee Sin Agency	146,033	208,337
Purchase of raw materials from Envision Enterprise	165,570	191,587
Sale of goods to RTA Components Corp.	23,631	69,466
Transaction with director of PKI:		
Rental of factory paid/payable to Lee Geok Kim	-	31,640

	Company	
	2014	**2013**
	RM	**RM**
Transactions with subsidiaries:		
Management fee received from:		
- PKI	72,000	72,000
Dividend income received from:		
- UDT	-	120,000
- SWS	213,333	221,333
- SWS Industries	1,600,000	-

(b) Compensation of key management personnel

There is no other key management personnel other than the directors of the Group. The remuneration of the directors are disclosed in Note 13.

31. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2014	**2013**
	RM	**RM**
Approved and contracted for:		
Prepaid land lease payments	475,000	-
Property, plant and equipment	184,000	-

(b) Finance lease commitments

The Group has finance leases for certain items of plant and machinery and motor vehicles (Note 16). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2014	**2013**
	RM	**RM**
Minimum lease payments:		
Not later than 1 year	554,674	535,808
Later than 1 year but not later than 2 years	365,868	388,390
Later than 2 years but not later than 5 years	378,758	291,392
Total minimum lease payments	1,299,300	1,215,590
Less: Amounts representing finance charges	(102,464)	(98,734)
Present value of minimum lease payments	1,196,836	1,116,856
Present value of payments:		
Not later than 1 year	506,888	484,833
Later than 1 year and not later than 2 years	339,481	360,104
Later than 2 years and not later than 5 years	350,467	271,919
Present value of minimum lease payments	1,196,836	1,116,856
Less: Amount due within 12 months (Note 26)	(506,888)	(484,833)
Amount due after 12 months (Note 26)	689,948	632,023

32. Fair value measurement

(a) Fair value of financial instrument that is carried at fair value

The fair value of the derivatives was measured under the Level 2 of fair value hierarchy.

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financal years ended 31 August 2014 and 2013.

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	20
Trade and other payables	27
Loans and borrowings (current and non-current)	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(c) Fair value of non-financial instrument that is carried at fair value

The fair value of the investment properties was measured under the Level 3 of fair value hierarchy. The details are disclosed in Note 18(c) to the financial statements.

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 August 2014 and 2013.

33. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections provide details regarding the Group exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

- At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position, with positive fair values.
- Total nominal amount of RM42,307,000 (2013: RM42,023,000) relating to corporate guarantees provided by the Company to financial institutions for banking facilities granted to its subsidiaries.

<u>Credit risk concentration profile</u>

At the reporting date, the Group has no significant concentration of credit risk that may arise from exposure to the Group's trade receivables.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20(a). Derivatives and deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 20(a).

33. Financial risk management objectives and policies (continued)

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group strives to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group maintains available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 August 2014				
Group				
Trade and other payables	13,923,216	-	-	13,923,216
Loans and borrowings	18,915,113	1,867,887	66,609	20,849,609
Total undiscounted financial liabilities	32,838,329	1,867,887	66,609	34,772,825
Company				
Other payables, excluding financial guarantees*	34,146	-	-	34,146
Total undiscounted financial liabilities	34,146	-	-	34,146

33. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 August 2013				
Group				
Trade and other payables	12,780,522	-	-	12,780,522
Loans and borrowings	22,535,875	2,667,118	465,680	25,668,673
Total undiscounted financial liabilities	35,316,397	2,667,118	465,680	38,449,195
Company				
Other payables, excluding financial guarantees*	30,000	-	-	30,000
Total undiscounted financial liabilities	30,000	-	-	30,000

* At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the defaults have not occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from its floating rate loans and borrowings. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate loans and borrowings.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis point lower/higher, with all other variables held constant, the Group's profit before tax would have been approximately RM23,000 (2013: RM27,000) higher/lower, as a result of lower/higher interest expense on floating rate loans and borrowings.

33. Financial risk management objectives and policies (continued)

d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency exposures primarily arising from sales and purchases that are denominated in currencies other than the functional currency of the Group. The foreign currencies in which these trasactions are denominated are primarily United States Dollars ("USD") and Euro Dollar ("EURO").

The Group holds cash and cash equivalents denominated in foreign currencies for working capital purposes. The other financial instruments denominated in foreign currencies includes trade receivables, trade payables and loans and borrowings.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD and EURO exchange rates at the reporting date against the functional currency of the Group, assuming all other variables remain unchanged. Material foreign currency transactions exposures are hedged, mainly with the derivative financial instruments such as forward foreign exchange contracts.

		2014 RM	2013 RM
		Profit before tax	
USD/RM	- strengthened 5% (2013: 5%)	(134,000)	(131,000)
	- weakened 5% (2013: 5%)	134,000	131,000
EURO/RM	- strengthened 5% (2013: 5%)	400	400
	- weakened 5% (2013: 5%)	(400)	(400)

34. Capital management

The primary objective of the Group’s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximises shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 August 2014 and 31 August 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances.

34. Capital management (continued)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Loans and borrowings	20,484,750	24,620,848	-	-
Trade and other payables	13,923,216	12,780,522	34,146	30,000
Less: - Cash and bank balances	(5,430,262)	(4,640,552)	(63,447)	(12,054)
Net debt	28,977,704	32,760,818	(29,301)	17,946
Equity attributable to owners of the parent, total capital	63,399,021	59,789,062	45,177,396	43,652,856
Capital and net debt	92,376,725	92,549,880	45,148,095	43,670,802
Gearing ratio	31%	35%	N/A	0.04%

35. Segment information

The Group has only one reportable operating segment, which is the business of design, manufacture and sales of leather upholstery and wodden furniture products.

Geographical information

Revenue of the Group based on the geographical location of customers is as follows:

	2014	**2013**
	RM	**RM**
Asia Pacific	26,890,041	27,090,163
Australia	2,265,172	1,215,332
Europe	53,510,462	34,360,896
Malaysia	34,138,146	35,579,708
Middle East	6,765,249	6,496,162
Others	3,049,980	2,137,754
	126,619,050	106,880,015

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 August 2014 were authorised for issue in accordance with a resolution of the directors on 23 December 2014.

37. Supplementary information - Breakdown of realised and unrealised losses

The breakdown of the accumulated losses of the Group and of the Company into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with 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.

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(12,839,454)	(14,983,285)	(30,569,890)	(32,094,430)
- Unrealised	252,189	(974,939)	-	-
	(12,587,265)	(15,958,224)	(30,569,890)	(32,094,430)