SWS Capital Berhad
(502246-P)
(Incorporated in Malaysia)

Directors' Report and
Audited Financial Statements
31 August 2013

502246-P

SWS Capital Berhad
(Incorporated in Malaysia)

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SWS Capital Berhad
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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 2013.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 14 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	2,842,320	1,578,260
Profit attributable to:		
Owners of the parent	2,542,617	1,578,260
Non-controlling interests	299,703	-
	2,842,320	1,578,260

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. The directors do not recommend the payment of any dividend for the current financial year.

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

Directors (continued)

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 9 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 27 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			
	1.9.2012	**Bought**	**Sold**	**31.8.2013**
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			
	1.9.2012	**Bought**	**Sold**	**31.8.2013**
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 interest in shares in the Company, Neo Tiam Hock and Neo Chee Kiat are also deemed interested in shares in all the subsidiaries 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 all known bad debts had been written off 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) the amount written off for 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 their 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 27 DEC 2013

Neo Tiam Hock

Neo Chee Kiat

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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 78 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 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 34 on page 79 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 27 DEC 2013

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 79 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 27 DEC 2013
at Muar in the State of Johor

Neo Chee Kiat

Before me,

PESURUHJAYA SUMPAH
No: J208
TAN BEE TEN
MALAYSIA

NO. 19, (1ST FLOOR),
JALAN BAKRI MULIA 1,
TAMAN BAKRI MULIA,
84200 BAKRI, MUAR, JOHOR.

EY
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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 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 78.

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 the 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.

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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 2013 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 material to the consolidated financial statements 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 34 to the financial statements on page 79 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.

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

Other matters

1. As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 August 2012 and 1 September 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 August 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the year then ended.

2. 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: 27 DEC 2013

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SWS Capital Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 August 2013

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Revenue	4	106,880,015	112,254,913	413,333	345,283
Cost of sales	5	(89,858,515)	(96,314,484)	-	-
Gross profit		17,021,500	15,940,429	413,333	345,283
Other income	6	2,099,670	4,633,343	1,594,423	-
Other items of expense					
Administrative expenses		(8,871,796)	(10,099,133)	(427,746)	(375,557)
Selling and distribution expenses		(5,081,845)	(5,149,580)	-	-
Other expenses		(1,025,935)	(446,323)	(1,750)	(3,608,130)
Finance costs	7	(925,764)	(1,207,464)	-	-
Profit/(loss) before tax	8	3,215,830	3,671,272	1,578,260	(3,638,404)
Income tax expense	11	(373,510)	(291,653)	-	-
Profit/(loss) net of tax, representing total comprehensive income/(loss) for the year		2,842,320	3,379,619	1,578,260	(3,638,404)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		2,542,617	3,133,144	1,578,260	(3,638,404)
Non-controlling interests		299,703	246,475	-	-
		2,842,320	3,379,619	1,578,260	(3,638,404)
Earnings per share attributable to owners of the parent (sen per share)					
Basic	12	2.0	2.5		
Diluted	12	2.0	2.5		

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 2013

	Note	Group 2013 RM	Group 2012 RM	Group As at 1.9.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	13	39,664,749	38,473,495	43,662,755
Investment properties	15	3,130,000	7,679,000	4,149,000
		42,794,749	46,152,495	47,811,755
Current assets				
Inventories	16	31,622,499	27,525,980	25,335,234
Trade and other receivables	17	17,202,173	18,920,132	14,213,452
Other current assets	18	2,337,274	3,334,493	920,601
Due from customers on contracts		-	-	690,217
Derivatives	20	-	5,495	48,770
Tax recoverable		761,030	927,580	992,945
Cash and bank balances	21	4,640,552	3,483,950	6,994,407
		56,563,528	54,197,630	49,195,626
Assets classified as held for sale	22	1,719,815	650,000	-
		58,283,343	54,847,630	49,195,626
Total assets		101,078,092	101,000,125	97,007,381
Equity and liabilities				
Current liabilities				
Loans and borrowings	23	22,403,834	24,958,871	25,751,688
Trade and other payables	24	12,780,522	12,581,217	11,455,420
Derivatives	20	206,848	5,230	-
		35,391,204	37,545,318	37,207,108
Net current assets		22,892,139	17,302,312	11,988,518
Non-current liabilities				
Loans and borrowings	23	2,217,014	3,198,716	3,181,048
Deferred tax liabilities	25	712,123	340,660	63,413
		2,929,137	3,539,376	3,244,461
Total liabilities		38,320,341	41,084,694	40,451,569
Net assets		62,757,751	59,915,431	56,555,812

SWS Capital Berhad
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Statements of financial position
As at 31 August 2013 (continued)

		Group		
	Note	**2013**	**2012**	**As at 1.9.2011**
		RM	**RM**	**RM**
Equity attributable to owners of the parent				
Share capital	26	63,252,750	63,252,750	63,252,750
Share premium	26	12,494,536	12,494,536	12,494,536
Accumulated losses		(15,958,224)	(18,500,841)	(21,633,985)
Shareholders' equity		59,789,062	57,246,445	54,113,301
Non-controlling interests		2,968,689	2,668,986	2,442,511
Total equity		62,757,751	59,915,431	56,555,812
Total equity and liabilities		101,078,092	101,000,125	97,007,381

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

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SWS Capital Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 August 2013

		Company		
	Note	**2013** **RM**	**2012** **RM**	**As at 1.9.2011** **RM**
Assets				
Non-current assets				
Investment in subsidiaries	14	42,872,040	41,375,530	44,958,014
		42,872,040	41,375,530	44,958,014
Current assets				
Other receivables	17	1,000	1,000	1,000
Other current assets	18	-	12,000	-
Due from a subsidiary	19	704,953	704,953	704,953
Tax recoverable		162,859	77,526	43,298
Cash and bank balances	21	12,054	10,780	48,877
		880,866	806,259	798,128
Total assets		43,752,906	42,181,789	45,756,142
Equity and liabilities				
Current liabilities				
Other payables	24	30,000	25,193	43,142
Due to subsidiaries	19	70,050	82,000	-
Total liabilities		100,050	107,193	43,142
Net current assets		780,816	699,066	754,986
Net assets		43,652,856	42,074,596	45,713,000
Equity attributable to owners of the parent				
Share capital	26	63,252,750	63,252,750	63,252,750
Share premium	26	12,494,536	12,494,536	12,494,536
Accumulated losses		(32,094,430)	(33,672,690)	(30,034,286)
Total equity		43,652,856	42,074,596	45,713,000
Total equity and liabilities		43,752,906	42,181,789	45,756,142

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

SWS Capital Berhad
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Statements of changes in equity
For the financial year ended 31 August 2013

			|-Attributable to owners of the parent-|			
			|-----------Non-distributable----------|			
Group	**Equity, total RM**	**Equity attributable to owners of the parent, total RM**	**Share capital RM**	**Share premium 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

SWS Capital Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 August 2013 (continued)

Group	Equity, total RM	Equity attributable to owners of the parent, total RM	Share capital RM	Share premium RM	Accumulated losses RM	Non-controlling interests RM
			|-Attributable to owners of the parent-|			
			|-----------Non-distributable----------|			
2012						
Opening balance at 1 September 2011	56,555,812	54,113,301	63,252,750	12,494,536	(21,633,985)	2,442,511
Total comprehensive income	3,379,619	3,133,144	-	-	3,133,144	246,475
Transactions with owners						
Acquisition of non-controlling interest	(20,000)	-	-	-	-	(20,000)
Closing balance at 31 August 2012	59,915,431	57,246,445	63,252,750	12,494,536	(18,500,841)	2,668,986

SWS Capital Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 August 2013 (continued)

		|------------Non-distributable---------------|		
Company	**Equity, total RM**	**Share capital RM**	**Share premium RM**	**Accumulated losses RM**
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)
2012				
Opening balance at 1 September 2011	45,713,000	63,252,750	12,494,536	(30,034,286)
Total comprehensive loss	(3,638,404)	-	-	(3,638,404)
Closing balance at 31 August 2012	42,074,596	63,252,750	12,494,536	(33,672,690)

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

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SWS Capital Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 August 2013

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Profit/(loss) before taxation	3,215,830	3,671,272	1,578,260	(3,638,404)
Adjustments for:				
Impairment loss on receivables	656,531	1,891,978	-	-
Impairment loss on investment in subsidiaries	-	-	-	3,476,484
Depreciation of property, plant and equipment	2,305,238	2,265,316	-	-
Impairment loss on property, plant and equipment	350,000	-	-	-
Inventories written off	5,176	283,462	-	-
Inventories written down	109,350	697,555	-	-
Interest expense	925,764	1,207,464	-	-
Property, plant an equipment written off	73,027	100,887	-	-
Reversal for foreseeable loss	-	(400,000)	-	-
Reversal of impairment loss on receivables	(66,777)	(111,888)	-	-
Reversal of impairment loss on investment in sudsidiaries	-	-	(1,496,510)	-
Dividend income	-	-	(341,333)	(285,283)
Fair value adjustment on investment properties	(151,583)	(1,490,674)	-	-
Gain on disposal of property, plant and equipment	(194,720)	(1,515,263)	-	-
Unrealised loss on foreign exchange	207,288	1,004	-	-
Interest income	(11,489)	(18,489)	-	-
Waiver of management fee	-	-	-	126,000
Net fair value loss on derivatives	207,113	48,505	-	-
Total adjustments	4,414,918	2,959,857	(1,837,843)	3,317,201
Operating cash flows before changes in working capital	7,630,748	6,631,129	(259,583)	(321,203)

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Statements of cash flows
For the financial year ended 31 August 2013 (continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Changes in working capital				
Increase in inventories	(4,211,045)	(3,171,763)	-	-
Decrease/(increase) in receivables	920,917	(6,087,774)	-	-
Decrease/(increase) in other current assets	997,219	(2,413,892)	12,000	(12,000)
Decrease in amount due from customers on contracts	-	690,217	-	-
Increase/(decrease) in payables	199,305	1,125,797	4,807	(17,949)
Total changes in working capital	(2,093,604)	(9,857,415)	16,807	(29,949)
Cash flows from/(used in) operations	5,537,144	(3,226,286)	(242,776)	(351,152)
Interest paid	(925,764)	(1,207,464)	-	-
Income tax refunded	164,503	50,959	-	37,093
	(761,261)	(1,156,505)	-	37,093
Net cash flows from/(used in) operating activities	4,775,883	(4,382,791)	(242,776)	(314,059)
Investing activities				
Advances (to)/from subsidiaries	-	-	(11,950)	82,000
Purchase of property, plant and equipment	(741,729)	(1,694,469)	-	-
Interest received	11,489	18,489	-	-
Acquisition of non-controlling interest	-	(20,000)	-	(20,000)
Dividend received	-	-	256,000	213,962
Proceeds from disposal of property, plant and equipment	875,698	4,884,843	-	-
(Increase)/decrease in deposits with a licensed bank	(11,442)	4,866	-	-
Net cash flows from investing activities	134,016	3,193,729	244,050	275,962

SWS Capital Berhad
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Statements of cash flows
For the financial year ended 31 August 2013 (continued)

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Financing activities				
Repayment of term loans	(670,271)	(656,416)	-	-
Decrease in short term borrowings	(1,200,651)	(2,579,540)	-	-
Repayment of obligations under finance lease	(559,297)	(663,266)	-	-
Net cash flows used in financing activities	(2,430,219)	(3,899,222)	-	-
Net increase/(decrease) in cash and cash equivalents	2,479,680	(5,088,284)	1,274	(38,097)
Cash and cash equivalents at beginning of the financial year	522,438	5,610,722	10,780	48,877
Cash and cash equivalents at end of the financial year (Note 21)	3,002,118	522,438	12,054	10,780

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

Notes to the financial statements
For the financial year ended 31 August 2013

1. Corporate information

SWS Capital Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia. It 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 14 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements 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. Refer to Note 2.2 for detailed information on how the Group and the Company adopted MFRS.

The financial statements have been prepared on the historical basis except as disclosed in the accounting policies below.

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

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

For periods up to and including the period ended 31 August 2012, the Group and the Company had previously prepared financial statements in accordance with Financial Reporting Standards ("FRS").

These financial statements are the first the Group and the Company has prepared in accordance with MFRS. Accordingly, the Group and the Company have prepared financial statements which comply with MFRS together with the comparative period data as at, and for the year ended, 31 August 2012, as described in the accounting policies. In preparing these financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 September 2011, being the date of transition to MFRS. No adjustments were required to be made to the FRS statements of financial position as at 1 September 2011 and the previously published FRS financial statements as at, and for the year ended, 31 August 2012. Hence, the following are not presented:

2. Summary of significant accounting policies (continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (continued)

(a) Reconciliations of equity reported under FRS to equity reported under MFRS as at 1 September 2011 and 31 August 2012; and

(b) Reconciliations of profit or loss reported under FRS for the financial year ended 31 August 2012 to profit or loss reported under MFRS for the same period.

There are no adjustments arising for the transition to MFRS, except for those disclosed in Note 21. Accordingly, notes related to the statements of financial position as at 1 September 2011 are only presented for cash and bank balances.

MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain MFRS and the Group and the Company have applied the following exemptions:

(a) MFRS 1 provides the option to apply MFRS 3 Business Combinations prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition. The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

   (i) The classification of former business combinations under FRS is maintained; and

   (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition).

(b) Property, plant and equipment were carried in the statements of financial position prepared in accordance with FRS on the cost basis. The Group continues to regard those values as cost at the date of the transition to MFRS.

(c) The estimates at 1 September 2011 and at 31 August 2012 are consistent with those made for the same dates in accordance with FRS and the estimates used by the Group and the Company to present these amounts in accordance with MFRS reflect conditions at 1 September 2011, and as of 31 August 2012.

2.3 Standards issued but not yet effective

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

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
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
MFRS 9 Financial Instruments	1 January 2015

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 discussed below:

(a) MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(b) Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)

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 (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group’s financial position and performance.

(c) Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle)

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The directors do not anticipate that the amendments to MFRS 116 will have a significant effect on the Group's financial statements.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at the reporting date. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- 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
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

2.5 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 and included in administrative expenses.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resultant gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

2. Summary of significant accounting policies (continued)

2.5 Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference 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.

Business combinations involving entities under common control are accounted for by applying the pooling on interest 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 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.

2.6 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, 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 Company.

Changes in the Company owners’ ownership 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.

2. Summary of significant accounting policies (continued)

2.7 Foreign currencies

(a) Functional and presentation currency

The Group's and the Company's financial statements are presented in Ringgit Malaysia which is also the Company'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 entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or 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.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

Freehold land has an unlimited 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 - 50 years
- Freehold and leasehold buildings: 50 years
- Furniture and fittings: 5 to 10 years
- Leasehold land: 84 - 97 years
- Motor vehicles: 5 years
- Office equipment: 10 years
- Plant, machinery and equipment: 5 - 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.

2.9 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 income statement 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 income statement 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. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and 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.

Where 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 to sell, recent market transactions are taken into account, if available. 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 subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 the profit or loss.

2.11 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments

(a) Financial assets

(i) Initial recognition and measurement

Financial assets within the scope of MFRS 139 are classified 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. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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.

The Group's financial assets include cash and bank balances, trade and other receivables.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss includes 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. 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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the profit or loss.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

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

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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 the profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 method (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 in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

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 ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest 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 the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Available-for-sale financial investments

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that 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 expected cash flows 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 the profit or loss.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(a) Financial assets (continued)

(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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises 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 and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(b) Impairment of financial assets (continued)

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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income 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. The interest income is recorded as part of finance income in the profit or 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 future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Available-for-sale investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Available-for-sale investments (continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities within the scope of MFRS 139 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, carried at amortised cost. This includes directly attributable transaction costs.

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

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(c) Financial liabilities (continued)

(ii) Subsequent measurement (continued)

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.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

The Group’s and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and 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.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(c) Financial liabilities (continued)

(ii) Subsequent measurement (continued)

<u>Financial guarantee contracts</u>

Financial guarantee contracts issued by the Group 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 consolidated statement 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.

(e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(e) Fair value of financial instruments (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

2.13 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 three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

2.14 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.

2.15 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 income statement net of any reimbursement.

2. Summary of significant accounting policies (continued)

2.15 Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 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.

2.17 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

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

2.18 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 which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, 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.

2. Summary of significant accounting policies (continued)

2.18 Leases (continued)

(a) Group as lessee (continued)

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.

2.19 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, if any, once classified as held for sale are not depreciated or amortised.

2.20 Revenue

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 Company and its subsidiaries assess their revenue arrangements against specific criteria in order to determine if the Company and its subsidiaries are acting as principal or agent. The Group and its subsidiaries have concluded that they are acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue and other income are recognised:

2. Summary of significant accounting policies (continued)

2.20 Revenue (continued)

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the profit or loss.

(c) Management fees

Management fees are recognised when services are rendered.

(d) Dividend income

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

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.21 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 authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group and the Company operate and 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.

2. Summary of significant accounting policies (continued)

2.21 Taxes (continued)

(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.

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.

2. Summary of significant accounting policies (continued)

2.21 Taxes (continued)

(b) Deferred tax (continued)

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.

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

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

- Where the sales tax incurred in 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

- Receivables and payables that 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.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. Summary of significant accounting policies (continued)

2.23 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.

3. Significant accounting judgments and estimates

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

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any critical judgments, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements.

3.2 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.

(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 in a range of 5 to 10 years. These are common life expectancies applied in the 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.

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(b) Deferred tax assets

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

Assumptions about generation of future taxable profits depend on management’s estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgment is also required about application of income tax legislation. These judgments and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences. Further details are provided for in Note 25.

(c) Inventories obsolescence review

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of committed sales prices.

Inventories are reviewed on a regular basis and the Group will make allowance for excess or obsolete inventories and write down to net realisable value based on primarily on historical trends and management estimates of expected and future product demand and related pricing.

Demand levels, exchange rates, technological advances and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group will reduce the value of its inventories and additional allowance for slow moving inventories may be required. Further details are provided for in Note 16.

(d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group’s loans and receivables at the reporting date is disclosed in Note 17.

4. Revenue

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Management fee	-	-	72,000	60,000
Sale of goods	106,880,015	112,254,913	-	-
Dividend income	-	-	341,333	285,283
	106,880,015	112,254,913	413,333	345,283

5. Cost of sales

Cost of sales of the Group representing cost of goods sold.

6. Other income

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Reversal of impairment loss on receivables (Note 17(a))	66,777	111,888	-	-
Reversal of impairment loss on investment in subsidiaries (Note 14)	-	-	1,496,510	-
Fair value adjustment on investment properties (Note 15)	151,583	1,490,674	-	-
Net foreign exchange gain	998,554	174,655	-	-
Gain on disposal of property plant and equipment	194,720	1,515,263	-	-
Insurance claimed	75,000	910	-	-
Interest income	11,489	18,489	-	-
Reversal for foreseeable loss	-	400,000	-	-
Rental income	330,940	550,950	-	-
Sundry income	270,607	370,514	97,913	-
	2,099,670	4,633,343	1,594,423	-

7. Finance costs

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Interest expense on:				
- Bankers' acceptances	544,902	811,285	-	-
- Bank overdrafts	143,293	145,883	-	-
- Obligations under finance lease	73,139	52,088	-	-
- Term loans	164,430	198,208	-	-
Total finance costs	925,764	1,207,464	-	-

8. Profit/(loss) before tax

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

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Impairment loss on receivables (Note 17)	656,531	1,891,978	-	-
Impairment loss on investment in subsidiaries (Note 14)	-	-	-	3,476,484
Auditors' remuneration:				
- Statutory audits				
- Current year	121,000	115,000	23,000	21,000
- Underprovision in prior year	-	1,900	-	-
- Other services	29,144	6,396	9,394	6,396
Depreciation of property, plant and equipment (Note 13)	2,305,238	2,265,316	-	-
Employee benefits expense (Note 9)	8,681,308	11,000,581	180,000	167,000
Net fair value loss on derivatives	207,113	48,505	-	-
Impairment loss on property, plant and equipment (Note 13)	350,000	-	-	-
Inventories written off	5,176	283,462	-	-
Inventories written down	109,350	697,555	-	-
Non-executive directors' emoluments (Note 10)	60,000	29,000	60,000	29,000
Property, plant and equipment written off	73,027	100,887	-	-
Unrealised loss on foreign exchange	207,288	1,004	-	-
Waiver of management fee	-	-	-	126,000
Rental of:				
- factory	371,640	438,170	-	-
- hostel	147,900	125,900	-	-
- machinery	-	84,672	-	-

9. Employee benefits expense

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Executive directors (Note 10)				
Executive directors of the Company	1,054,463	1,020,674	180,000	167,000
Executive directors of subsidiaries	557,699	541,640	-	-
	1,612,162	1,562,314	180,000	167,000

9. Employee benefits expense (continued)

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Other staffs				
Wages and salaries	6,038,525	8,396,216	-	-
Defined contribution plan	531,047	514,826	-	-
Other employee benefits	499,574	527,225	-	-
	7,069,146	9,438,267	-	-
	8,681,308	11,000,581	180,000	167,000

10. Directors' remuneration

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Directors of the Company				
Executive:				
- Fee	225,000	207,000	-	-
- Salaries and other emoluments	760,000	748,000	180,000	167,000
- Defined contribution plan	68,400	64,560	-	-
- Estimated monetary value of benefits-in-kind	178,682	196,213	-	-
- Other employee benefits	1,063	1,114	-	-
	1,233,145	1,216,887	180,000	167,000
Non-Executive:				
- Allowances	60,000	29,000	60,000	29,000
- Estimated monetary value of benefits-in-kind	6,300	5,500	-	-
	66,300	34,500	60,000	29,000
Directors of Subsidiaries				
Executive:				
- Fee	25,000	8,000	-	-
- Salaries and other emoluments	475,500	482,000	-	-
- Defined contribution plan	54,720	49,160	-	-
- Estimated monetary value of benefits-in-kind	58,328	63,043	-	-
- Other employee benefits	2,479	2,480	-	-
	616,027	604,683	-	-
Total excluding benefits-in-kind	1,672,162	1,591,314	240,000	196,000
Estimated monetary value of benefits-in-kind	243,310	264,756	-	-
Total including benefits-in-kind	1,915,472	1,856,070	240,000	196,000

10. Directors' remuneration (continued)

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Analysis of directors' remuneration:				
Executive directors (Note 9)	1,612,162	1,562,314	180,000	167,000
Non-executive directors (Note 8)	60,000	29,000	60,000	29,000
Total excluding benefits-in-kind	1,672,162	1,591,314	240,000	196,000

The number of directors of the Company whose total remuneration during the financial year fell within the following band is analysed below:

	Number of directors	
	2013	2012
Executive directors:		
Below RM50,000	-	-
RM100,001 - RM150,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	-
Above RM350,000	2	2
Non-Executive directors:		
Below RM50,000	3	4
	5	6

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 August 2013 and 2012 are:

	Group	
	2013	2012
	RM	RM
Statement of comprehensive income:		
Current income tax	81,816	45,286
Overprovision in prior years	(79,769)	(30,880)
	2,047	14,406
Deferred income tax (Note 25):		
- Origination and reversal of temporary difference	829,556	273,386
- (Over)/under provision in prior years	(458,093)	3,861
	371,463	277,247
Income tax expense recognised in profit or loss	373,510	291,653

11. Income tax expense (continued)

Reconciliation between tax expense and accounting profit/(loss)

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 August 2013 and 2012 are as follows:

	2013 RM	2012 RM
Group		
Profit before taxation	3,215,830	3,671,272
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	803,958	917,816
Tax effects of:		
- income not subject to income tax	(41,096)	(160,850)
- double deduction expenses	(167,361)	(599,638)
- non-deductible expenses	297,475	795,938
Adjustments:		
Deferred tax assets not recognised on unused tax losses	638,613	213,154
Deferred tax assets recognised on unused tax losses and unabsorbed capital allowances	(328,500)	(241,823)
Deferred tax assets recognised on export allowances	(137,937)	(50,213)
Utilisation of previously unrecognised unabsorbed capital allowances and reinvestment allowances	(100,166)	(555,712)
Utilisation of current year's reinvestment allowances	(53,614)	-
(Over)/underprovision in prior years		
- income tax	(79,769)	(30,880)
- deferred tax	(458,093)	3,861
Income tax expense recognised in profit or loss	373,510	291,653
Company		
Profit/(loss) before taxation	1,578,260	(3,638,404)
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	394,565	(909,601)
Income not subject to income tax	(410,004)	-
Tax effects of non-deductible expenses	15,439	882,330
Adjustments:		
Deferred tax assets not recognised in respect of current year's unused tax losses	-	27,271
Income tax expense recognised in profit or loss	-	-

12. Earnings per share

Basic 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	
	2013	**2012**
	RM	**RM**
Profit net of tax attributable to owners of the Company	2,542,617	3,133,144
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)	2.0	2.5
Diluted earnings per share (sen)	2.0	2.5

The fully diluted earnings per share is the same as the basic earnings per ordinary share, as the effects of warrants are anti-dilutive.

13. 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 2011	42,283,792	13,754,920	5,576,290	5,075,291	66,690,293
Additions	71,475	1,876,826	1,120,146	167,402	3,235,849
Disposals	(4,545,721)	(493,479)	(1,523,623)	(84,783)	(6,647,606)
Transfer to investment properties (Note 15)	(3,448,219)	-	-	-	(3,448,219)
Reclassifications	81,640	-	-	(81,640)	-
Written off	-	(166,707)	-	(40,176)	(206,883)
At 31 August 2012 and 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	4,430,000	-	-	-	4,430,000
Transfer to investment properties (Note 15)	(1,562,379)	-	-	-	(1,562,379)
Transfer to assets classified as held for sale (Note 22)	(675,000)	-	-	-	(675,000)
At 31 August 2013	36,588,175	15,269,200	5,285,425	5,164,660	62,307,460

13. 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 2011	7,199,719	8,474,802	4,735,131	2,617,886	23,027,538
Depreciation charge for the year (Note 8)	556,473	1,002,511	391,291	315,041	2,265,316
Disposals	(1,349,220)	(383,045)	(1,482,623)	(63,138)	(3,278,026)
Transfer to investment properties (Note 15)	(758,893)	-	-	-	(758,893)
Reclassification	4,626	-	-	(4,626)	-
Writen off	-	(70,732)	-	(35,264)	(105,996)
At 31 August 2012 and 1 September 2012	5,652,705	9,023,536	3,643,799	2,829,899	21,149,939
Depreciation charge for the year (Note 8)	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 8)	350,000	-	-	-	350,000
Transfer to investment properties (Note 15)	(438,147)	-	-	-	(438,147)
Transfer to assets classified as held for sale (Note 22)	(350,000)	-	-	-	(350,000)
Reclassifications	4,626	-	-	(4,626)	-
At 31 August 2013	5,662,721	10,001,892	3,944,850	3,033,248	22,642,711

13. 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 2013	30,925,454	5,267,308	1,340,575	2,131,412	39,664,749
At 31 August 2012	28,790,262	5,948,024	1,529,014	2,206,195	38,473,495

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

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(Incorporated in Malaysia)

13. 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 2011	2,490,005	11,627,297	10,606,747	15,901,989	794,956	584,387	278,411	42,283,792
Additions	-	-	20,500	31,000	-	19,975	-	71,475
Disposals	(284,079)	(2,853,910)	(1,170,811)	(55,200)	(64,261)	(117,460)	-	(4,545,721)
Transfer to investment properties	(733,514)	-	(2,435,777)	-	(170,272)	(108,656)	-	(3,448,219)
Reclassification	-	-	-	81,640	-	-	-	81,640
At 31 August 2012 and 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)
Transfer to assets classified as held for sale	-	(675,000)	-	-	-	-	-	(675,000)
At 31 August 2013	2,802,412	7,169,008	10,120,659	15,250,716	560,423	406,546	278,411	36,588,175

13. 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 2011	222,865	1,328,020	1,923,446	2,536,377	638,633	537,089	13,289	7,199,719
Depreciation charge for the year	21,223	-	132,515	349,785	32,699	14,683	5,568	556,473
Disposals	(29,842)	(914,432)	(197,971)	(25,254)	(64,261)	(117,460)	-	(1,349,220)
Transfer to investment properties	(43,316)	-	(436,649)	-	(170,272)	(108,656)	-	(758,893)
Reclassification	-	-	-	4,626	-	-	-	4,626
At 31 August 2012 and 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	-	350,000	-	-	-	-	-	350,000
Written off	-	-	-	(48,885)	-	-	-	(48,885)
Transfer to investment properties	-	-	-	(438,147)	-	-	-	(438,147)
Transfer to assets classified as held for sale	-	(350,000)	-	-	-	-	-	(350,000)
Reclassification	-	-	-	4,626	-	-	-	4,626
At 31 August 2013	186,293	413,588	1,443,971	2,791,526	463,882	339,036	24,425	5,662,721

13. 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 2013	2,616,119	6,755,420	8,676,688	12,459,190	96,541	67,510	253,986	30,925,454
At 31 August 2012	1,301,482	8,359,799	5,599,318	13,093,895	123,624	52,590	259,554	28,790,262

13. Property, plant and equipment (continued)

	Company 2013 RM	Company 2012 RM
Signboard		
At cost		
At beginning and end of year	10,797	10,797
Accumulated depreciation		
At beginning and end of the year	10,797	10,797
Net carrying amount		
At end of year	-	-

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

	Group 2013 RM	Group 2012 RM
Cash outflows	741,729	1,694,469
Finance lease arrangements	228,000	1,541,380
	969,729	3,235,849

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

	Group 2013 RM	Group 2012 RM
Motor vehicles	1,154,575	1,415,083
Plant and machinery	925,205	1,037,403
	2,079,780	2,452,486

(c) As disclosed in Note 23, net carrying amount of the property, plant and equipment pledged as securities for banking facilities granted to the Group are as follow:

	Group 2013 RM	Group 2012 RM
Freehold buildings	11,384,547	12,134,402
Freehold land	5,619,719	7,585,096
Leasehold buildings	3,100,000	3,482,881
Leasehold land	1,939,504	925,915
	22,043,770	24,128,294

14. Investment in subsidiaries

	Company 2013 RM	Company 2012 RM
Unquoted shares, at cost		
At beginning of year	63,782,816	63,888,816
Additions during the year	-	20,000
Reversal of capital contribution	-	(126,000)
At end of year	63,782,816	63,782,816
Accumulated impairment losses		
At beginning of year	22,407,286	18,930,802
Addition (Note 8)	-	3,476,484
Reversal (Note 6)	(1,496,510)	-
At end of year	20,910,776	22,407,286
Net carrying amount	42,872,040	41,375,530

Impairment loss on investment in subsidiaries

Impairment loss was recognised in the profit or loss in respect of loss making subsidiaries which generate minimal value in use for impairment test purposes.

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	Proportion (%) of ownership interest 2012
Subsidiaries of the Company				
Syarikat U.D. Trading Sdn. Bhd. ("UDT")	Malaysia	Dealing of furniture plywood, hardware, parts, equipment and construction materials	100.00	100.00
U.D. Industries Sdn. Bhd.	Malaysia	Temporary ceased operations	100.00	100.00
U.D. Panelform Sdn. Bhd. ("UDP")	Malaysia	Paper lamination	100.00	100.00
Sin Wee Seng Industries Sdn. Bhd. ("SWS")	Malaysia	Settee and sofa manufacturing	100.00	100.00
Poh Keong Industries Sdn. Bhd.	Malaysia	Furniture and parts manufacturing	51.00	51.00

14. Investment in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	2012
Subsidiary of UDP				
U.D. Wood Products Sdn. Bhd.	Malaysia	Veneer lamination	100.00	100.00
Subsidiaries of SWS				
Starlight Industry Sdn. Bhd.	Malaysia	Property investment	100.00	100.00
Oriena Industry Sdn. Bhd.	Malaysia	Property investment	100.00	100.00
SWS Homes (M) Sdn. Bhd.	Malaysia	Property investment	100.00	100.00
Subsidiary of UDT				
Syarikat U.D. Trading Corporation Sdn. Bhd.	Malaysia	Temporary ceased operations	100.00	100.00

15. Investment properties

	Group 2013 RM	2012 RM
At fair value		
At beginning of year	7,679,000	4,149,000
Transfer from property, plant and equipment (Note13)	1,124,232	2,689,326
Fair value adjustments (Note 6)	151,583	1,490,674
Transfer to assets held for sales (Note 22)	(1,394,815)	(650,000)
Transfer to property, plant and equipment	(4,430,000)	-
At end of year	3,130,000	7,679,000

15. Investment properties (continued)

	Group	
	2013	**2012**
	RM	**RM**
At fair value		
- Freehold land and building	2,763,000	1,767,000
- Freehold shophouse	-	700,000
- Freehold condominium	140,000	140,000
- Leasehold land and buildings	227,000	5,072,000
	3,130,000	7,679,000

(a) Investment properties with carrying amount of RM2,763,000 (2012: RM7,110,000) are pledged for banking facilities granted to the Group as disclosed in Note 23.

(b) Leasehold land with carrying amount of RM227,000 (2012: RM227,000) is yet to be transferred into the name of a subsidiary.

(c) The strata title of a freehold condominium with a carrying value of RM140,000 (2012: RM140,000) has yet to be issued by the relevant authorities.

(d) The fair value of the investment properties of the Group as at 31 August 2013 is determined by a valuation carried out by Asettz Sdn. Bhd. and Jordan Lee & Jaafar (M'cca) Sdn. Bhd., independent professional valuers, using comparison basis to reflect the market value, The valuers have relevant recognised professional qualification and have recent experience in valuing properties in the relevant locations.

16. Inventories

	Group	
	2013	**2012**
	RM	**RM**
At cost		
Raw materials	23,214,932	20,777,659
Work-in-progress	5,230,179	4,424,832
Finished goods	2,791,254	2,044,350
	31,236,365	27,246,841
At net realisable value		
Raw materials	386,134	279,139
	386,134	279,139
	31,622,499	27,525,980

The Group has written off and written down its inventories by RM5,176 (2012: RM283,462) and RM109,350 (2012: RM697,555) respectively.

17. Trade and other receivables

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables				
Third parties	14,939,797	17,773,919	-	-
Less: Allowance for impairment	(1,689,319)	(2,189,781)	-	-
	13,250,478	15,584,138	-	-
Other receivables				
Sundry receivables	3,736,745	3,279,742	1,000	1,000
Advances to workers	214,950	56,252	-	-
	3,951,695	3,335,994	1,000	1,000
Total trade and other receivables	17,202,173	18,920,132	1,000	1,000
Add: Cash and bank balances (Note 21)	4,640,552	3,483,950	12,054	10,780
Total loans and receivables	21,842,725	22,404,082	13,054	11,780

(a) Trade receivables

The receivables are non-interest bearing and are generally ranges from 30 to 120 day (2012: 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	
	2013 RM	2012 RM
Neither past due nor impaired	7,445,700	8,472,603
1 to 30 days past due not impaired	2,467,948	3,057,184
31 to 60 days past due not impaired	1,407,521	2,332,212
61 to 90 days past due not impaired	880,080	1,021,921
91 to 120 days past due not impaired	259,136	251,278
More than 121 days past due not impaired	236,649	372,649
	5,251,334	7,035,244
Impaired	2,242,763	2,266,072
	14,939,797	17,773,919

17. 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 RM5,251,334 (2012: RM7,035,244) that are past due at the reporting date but not impaired. The directors are of the opinion that the receivables are collectible in view of 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	
	2013	2012
	RM	RM
Trade receivable - nominal amounts	2,242,763	2,266,072
Less: Allowance for impairment	(1,689,319)	(2,189,781)
	553,444	76,291

Movement in allowance accounts:

	Group	
	2013	2012
	RM	RM
At beginning of year	2,189,781	1,767,145
Charge for the year (Note 8)	656,531	1,891,978
Reversal of impairment loss (Note 6)	(66,777)	(111,888)
Written off	(1,090,216)	(1,357,454)
At end of year	1,689,319	2,189,781

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.

17. Trade and other receivables (continued)

(b) Other receivables

Movement in allowance accounts:

	Group 2013 RM	Group 2012 RM
At beginning of year	-	1,197,160
Written off	-	(1,197,160)
At end of year	-	-

18. Other current assets

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Prepaid operating expenses	961,598	1,309,118	-	12,000
Advances to raw material suppliers	1,023,731	1,440,420	-	-
Advances to sub-contractors	351,945	584,955	-	-
	2,337,274	3,334,493	-	12,000

19. Due from/to subsidiaries

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

20. Derivatives

Group	2013 Contract/ Notional Amount	2013 Liabilities	2012 Contract/ Notional Amount	2012 Assets	2012 Liabilities
Non-hedging derivatives:					
Current					
Forward currency contracts	6,737,865	(206,848)	3,432,105	5,495	(5,230)
Total held for trading financial assets/liabilities		(206,848)		5,495	(5,230)

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

20. Derivatives (continued)

Forward currency contracts are used to hedge the Group's sales denominated in USD for which firm commitments existed at end of the reporting date, extending to April 2014 (2012: February 2013).

During the financial year, the Group recognised a loss of RM207,113 (2012: loss of RM48,505) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

The Group has disclosed the above derivatives as Level 3 in accordance with the fair value hierarchy as the inputs for the asset or liability are not based on observable market data (unobservable inputs).

21. Cash and cash equivalents

	Group		
			As at
	2013	**2012**	**1.9.2011**
	RM	**RM**	**RM**
Statement of financial position:			
Cash on hand and at banks	4,192,940	3,047,780	6,553,371
Deposits with a licensed bank	447,612	436,170	441,036
Cash and bank balances	4,640,552	3,483,950	6,994,407
Statement of cash flows:			
Cash on hand and at banks	4,192,940	3,047,780	6,553,371
Less: Bank overdrafts (Note 23)	(1,190,822)	(2,525,342)	(942,649)
Cash and cash equivalents	3,002,118	522,438	5,610,722

	Company	
	2013	**2012**
	RM	**RM**
Cash on hand and at banks	12,054	10,780

All the fixed deposits of the Group are pledged for credit facilities granted to the Group as disclosed in Note 23 and are held in trust and in the name of certain directors of the Company.

The weighted average effective interest rates and average maturities of deposits at the reporting date were 3.70% (2012: 3.14%) per annum and 365 days (2012: 365 days) respectively.

22. Assets classified as held for sale

As at 31 August 2013, assets held for sale is as follows:

	Group 2013 RM	Group 2012 RM
At carrying amount		
Transfer from investment properties (Note 15)	1,394,815	650,000
Transfer from property, plant and equipment (Note 13)	325,000	-
	1,719,815	650,000

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

The Group has presented the above assets as held for sale as certain subsidiaries have entered into a sale and purchase agreement with third party in current year. The disposal is to be completed within the next twelve months.

23. Loans and borrowings

	Maturity	Group 2013 RM	Group 2012 RM
Current			
Unsecured:			
Bank overdrafts	On demand	530,717	455,739
Bankers' acceptances	2014	10,697,746	2,004,622
		11,228,463	2,460,361
Secured:			
Bank overdrafts	On demand	660,105	2,069,603
Bankers' acceptances	2014	9,342,218	19,235,993
Obligations under finance lease (Note 28)	2014	484,833	540,431
Term loans:			
- RM loan at BLR + 0.8% p.a	2014	240,882	223,747
- RM loan at BFR p.a	2014	181,250	181,250
- RM loan at BLR + 0.3% p.a	2014	266,083	247,486
		11,175,371	22,498,510
		22,403,834	24,958,871
Non-current			
Secured:			
Obligations under finance lease (Note 28)	2015-2017	632,023	907,722
Term loans:			
- RM loan at BLR + 0.8% p.a	2015-2017	471,237	712,207
- RM loan at BFR p.a	2015-2019	948,717	1,107,634
- RM loan at BLR + 0.3% p.a	2015	165,037	471,153
		2,217,014	3,198,716
Total loans and borrowings		24,620,848	28,157,587

23. Loans and borrowings (continued)

The remaining maturities of the loans and borrowings as at 31 August 2013 are as follows:

	Group	
	2013	2012
	RM	RM
On demand or within 1 year	22,403,834	24,958,871
More than 1 year and less than 2 years	1,062,818	1,477,796
More than 2 years and less than 5 years	930,479	1,338,286
5 years or more	223,717	382,634
	24,620,848	28,157,587

Obligations under finance lease

These obligations are denominated in RM and the discount rate implicit in the leases is between 2.35% to 6.60% (2012: 2.36% to 6.60%) per annum.

Bank overdrafts

Bank overdrafts are denominated in RM, bear interest at range from BLR + 1.0% to BLR + 1.25% (2012: BLR + 1.25%) per annum.

Banker's acceptances

These are used to finance purchases of the Group denominated in USD and are short term in nature. The weighted average effective interest rate is 3.84% (2012: 3.36%) per annum.

The bank borrowings of the Group are secured by:

(i) debenture incorporating legal charges over the properties of certain subsidiaries as disclosed in Note 13 and 15, and floating charges over all the present and future assets of certain subsidiaries;

(ii) corporate guarantee by the Company; and

(iiI) deposits with a licensed bank as disclosed in Note 21.

24. Trade and other payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Current				
Trade payables				
Third parties	8,923,432	9,034,499	-	-
	8,923,432	9,034,499	-	-
Other payables				
Sundry payables	2,489,132	2,409,428	-	1,193
Accrued operating expenses	1,367,958	1,137,290	30,000	24,000
	3,857,090	3,546,718	30,000	25,193
Total trade and other payables	12,780,522	12,581,217	30,000	25,193
Add: Loans and borrowings (Note 23)	24,620,848	28,157,587	-	-
Total financial liabilities carried at amortised cost	37,401,370	40,738,804	30,000	25,193

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 14 to 90 days (2012: 14 to 90 days) terms.

(b) Other payables

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

25. Deferred tax liabilities

	Group	
	2013	**2012**
	RM	**RM**
At beginning of year	340,660	63,413
Recognised in profit or loss (Note 11)	371,463	277,247
At end of year	712,123	340,660

25. Deferred tax liabilities (continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities/(assets) of the Group:

	Property, plant and equipment RM	Unused tax losses and unabsorbed capital allowances RM	Unutilised reinvestment allowances RM	Total RM
At 1 September 2011	1,479,980	(829,787)	(586,780)	63,413
Recognised in the profit or loss	64,074	613,251	(400,078)	277,247
At 31 August 2012	1,544,054	(216,536)	(986,858)	340,660
Recognised in the profit or loss	54,498	283,534	33,431	371,463
At 31 August 2013	1,598,552	66,998	(953,427)	712,123

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

	Group	
	2013 RM	2012 RM
Unused tax losses	16,377,000	16,798,000
Unabsorbed capital allowances	2,821,000	3,057,000
Unutilised reinvestment allowances	2,168,000	2,168,000
Export allowances	3,857,000	2,767,000

At the reporting date, the Group has above unused tax losses that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

The availability of the unused tax losses and unabsorbed capital allowances for off-setting 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. Other temporary differences are available indefinitely for offset against future taxable profits of the respective subsidiaries.

26. Share capital and share premium

(a) Share capital

	Number of ordinary shares of RM0.50 each		Amount	
	2013	2012	2013 RM	2012 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. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

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.
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:

Date of issue	Exercise price per warrant RM	Number of warrants 1.9.2012	Bought/Sold/ Exercised	31.8.2013
2.12.2005	0.80	21,084,250	-	21,084,250

26. Share capital and share premium (continued)

(b) Share premium

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

27. 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:

Subsidiaries:
(i) Syarikat U.D. Trading Sdn. Bhd. ("UDT")
(ii) Sin Wee Seng Industries Sdn. Bhd. ("SWSI")
(iii) Poh Keong Industries Sdn. Bhd. ("PKI")

Company in which certain directors have interests:
(i) Nate Auto Trading
(A firm in which Anthony Na Hai Sir, is a sole proprietor)
(ii) Dee Sin Agency
(A firm in which Gan Poh Keong, a director of PKI, is sole proprietor)
(iii) Envision Enterprise
(A firm in which Gan Poh Keong, a director of PKI, is sole proprietor)
(iv) RTA Components Corp.
(A firm in which Yeo Siew Gek, a director of PKI, is sole proprietor)

	Group	
	2013 RM	2012 RM
Transactions with company in which certain directors have interests:		
Upkeep of motor vehicles paid to		
- Nate Auto Trading	-	112,544
Foreign workers' expenses paid/payable to		
- Dee Sin Agency	208,337	131,372
Purchase of raw materials from		
- Envision Enterprise	191,587	146,928
Sale of goods to		
- RTA Components Corp.	69,466	-
Transactions with directors of PKI:		
Rental of factory paid/payable to		
- Lee Geok Kim	31,640	94,920

27. Related party transactions (continued)

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

	Company	
	2013	2012
	RM	RM
Transactions with subsidiaries:		
Management fee received from:		
- PKI	72,000	60,000
Dividend income received from:		
- UDT	120,000	117,283
- SWSI	221,333	168,000

(b) Compensation of key management personnel

The remunerations of directors and other members of the key management during the year were as follows:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Compensation paid/payable to key management personnel				
- Short term employee benefits	1,677,186	1,628,757	240,000	196,000
- Post-employment benefits	123,120	113,720	-	-
	1,800,306	1,742,477	240,000	196,000

28. Commitments

Finance lease commitments

	Group	
	2013	2012
	RM	RM
Minimum lease payments:		
Not later than 1 year	535,808	610,667
Later than 1 year and not later than 2 years	388,390	464,629
Later than 2 years and not later than 5 years	291,392	515,812
	1,215,590	1,591,108
Less: Amounts representing finance charges	(98,734)	(142,955)
Present value of minimum lease payments	1,116,856	1,448,153

28. Commitments (continued)

Finance lease commitments (continued)

	Group 2013 RM	Group 2012 RM
Present value of payments:		
Not later than 1 year	484,833	540,431
Later than 1 year and not later than 2 years	360,104	419,634
Later than 2 years and not later than 5 years	271,919	488,088
Present value of minimum lease payments	1,116,856	1,448,153
Less: Amount due within 12 months (Note 23)	(484,833)	(540,431)
Amount due after 12 months (Note 23)	632,023	907,722

29. Fair value of financial instruments

Determination of fair value

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 (current)	17
Trade and other payables (current)	24
Loans and borrowings (current)	23

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 the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

29. Fair value of financial instruments (continued)

Determination of fair value (continued)

The fair values of current 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.

The fair value of forward exchange contracts is based on the quotations obtained from the counterparty bankers. These qoutes are tested for reasonableness by testing the contract forward price for the residual maturity of the contracts.

30. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their 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 and the Company's 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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise 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. The Group and the Company do not hold any collateral or other enhancement over their balances.

30. Financial risk management objectives and policies (continued)

a) Credit risk (continued)

Credit risk concentration profile

At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to 1 (2012: 1) customer which is located in Germany (2012: Germany) accounted for 7% (2012: 10%) of Group's trade receivables. The directors believe that this will not create significant concentration of credit risk for the Group in view of the length of relationship and the Group works closely with its customers to provide customer satisfaction through timely delivery and the provision of high quality products and services at competitive cost.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17(a). Derivatives financial instruments and fixed deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17(a).

b) Liquidity risk

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

The Group and the Company manage 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 and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

30. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

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 2013				
Group				
Financial liabilities:				
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				
Financial liabilities:				
Other payables, excluding financial guarantees*	30,000	-	-	30,000
Total undiscounted financial liabilities	30,000	-	-	30,000
At 31 August 2012				
Group				
Financial liabilities:				
Trade and other payables	12,581,217	-	-	12,581,217
Loans and borrowings	25,145,907	3,120,339	465,680	28,731,926
Total undiscounted financial liabilities	37,727,124	3,120,339	465,680	41,313,143
Company				
Financial liabilities:				
Other payables, excluding financial guarantees*	25,193	-	-	25,193
Total undiscounted financial liabilities	25,193	-	-	25,193

* 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.

30. Financial risk management objectives and policies (continued)

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 interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate 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 RM26,913 (2012: RM51,862) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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 risk primarily respective through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollars ("USD") and Euro Dollar ("EURO"). Such transactions are kept to an acceptable level.

The net unhedged financial assets/(liabilities) of the Group that are not denominated in their functional currencies are as follows:

	2013 **RM**	**2012** **RM**
United States Dollars	(736,207)	(1,005,560)
Euro Dollar	7,595	2,388,142

30. Financial risk management objectives and policies (continued)

d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of 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.

		2013 RM	2012 RM
		Profit before tax	
USD/RM	- strengthened 5% (2012: 5%)	677,120	144,491
	- weakened 5% (2012: 5%)	(677,120)	(144,491)
EURO/RM	- strengthened 5% (2012: 5%)	380	117,991
	- weakened 5% (2012: 5%)	(380)	(117,991)

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder 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. No changes were made in the objectives, policies or processes during the years ended 31 August 2013 and 31 August 2012.

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.

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Loans and borrowings	23	24,620,848	28,157,587	-	-
Trade and other payables	24	12,780,522	12,581,217	30,000	25,193
Less: - Cash and bank balances	21	(4,640,552)	(3,483,950)	(12,054)	(10,780)
Net debt		32,760,818	37,254,854	17,946	14,413
Total capital		59,789,062	57,246,445	43,652,856	42,074,596
Capital and net debt		92,549,880	94,501,299	43,670,802	42,089,009
Gearing ratio		35%	39%	0.04%	0.03%

32. Segment information

The Group operates principally within the business of design, manufacture and sale of leather upholstery and wooden furniture products in Malaysia. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

Geographical information

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

	2013 RM	2012 RM
Asia Pacific	27,090,163	27,647,958
Australia	1,215,332	1,538,085
Europe	34,360,896	37,135,624
Malaysia	35,579,708	37,836,437
Middle East	6,496,162	4,823,216
Others	2,137,754	3,273,593
	106,880,015	112,254,913

Information about a major customer

Revenue from one major customer amount to RM15,048,075 (2012: RM16,754,032), arising from sales by the leather upholstery and wooden furniture products segment.

33. Authorisation of financial statements for issue

The financial statements for the year ended 31 August 2013 were authorised for issue in accordance with a resolution of the directors on 27 December 2013.

34. Supplementary information - Breakdown of realised and unrealised accumulated 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(14,983,285)	(19,607,882)	(32,094,430)	(33,672,690)
- Unrealised	(974,939)	1,107,041	-	-
	(15,958,224)	(18,500,841)	(32,094,430)	(33,672,690)