Company No: 317805 V

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

REPORTS AND FINANCIAL STATEMENTS

31 OCTOBER 2015

SJ GRANT THORNTON
CHARTERED ACCOUNTANTS
Member of Grant Thornton International Ltd

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

REPORTS AND FINANCIAL STATEMENTS

31 OCTOBER 2015

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KUMPULAN H & L HIGH-TECH BERHAD

(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS	Tan Lye Huat (Group Executive Chairman and Managing Director) Tan Sook Yee (Executive Director) Chu Kan (Independent Non-Executive Director) Rita Tai Lai Ling (Independent Non-Executive Director) Hau Hock Khun (Independent Non-Executive Director) Chew Yock Fat (Independent Non-Executive Director) (Appointed on 4.2.2015)
AUDIT COMMITTEE	Chew Yock Fat (Appointed as Independent Non-Executive Director on 4.2.2015, Re-designated from Member of Audit Committee to Chairman of Audit Committee on 22.6.2015) Chu Kan (Re-designated from Chairman of Audit Committee to Member of Audit Committee on 22.6.2015, Independent Non-Executive Director) Rita Tai Lai Ling (Independent Non-Executive Director) Hau Hock Khun (Independent Non-Executive Director)
SECRETARY	Ng Bee Lian
AUDITORS	SJ Grant Thornton (Member of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
REGISTERED OFFICE	Chamber E, Lian Seng Courts 275, Jalan Haruan 1 Oakland Industrial Park 70200 Seremban Negeri Sembilan Darul Khusus

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION (CONT'D)

PRINCIPAL PLACE OF BUSINESS	No. 6, Jalan TSB 1 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor Darul Ehsan
REGISTRAR	Symphony Share Registrars Sdn. Bhd. Level 6, Symphony House Pusat Dagangan Dana 1, Jalan PJU1A/46 47301 Petaling Jaya Selangor Darul Ehsan.
BANKERS	CIMB Bank Berhad Standard Chartered Bank Berhad United Overseas Bank (Malaysia) Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 October 2015.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are disclosed in Note 24 to the Financial Statements.

There were no significant changes in the nature of activities of the Company and of its subsidiary companies during the financial year.

RESULTS

	Group RM	**Company** RM
Profit for the financial year	6,971,027	1,762,231

DIVIDENDS

The amount of dividends paid and declared since the end of the last financial year were as follows:-

	RM
In respect of the financial year ended 31 October 2014:-	
First interim single tier dividend of 1.5 sen per ordinary share of RM1.00 each for total ordinary shares of 36,576,525 paid on 4 February 2015	548,648
Final single tier dividend of 2.0 sen per ordinary share of RM1.00 each for total ordinary shares of 36,576,525 paid on 28 May 2015	731,531
In respect of the financial year ended 31 October 2015:-	
First interim single tier dividend of 1.5 sen per ordinary share of RM1.00 each for total ordinary shares of 36,576,525 paid on 2 November 2015	548,648

DIVIDENDS (CONT'D)

In addition, a final single tier dividend in respect of the financial year ended 31 October 2015 of 2 sen per share of RM1.00 each for total ordinary shares of 36,576,525 amounted to RM731,531 will be proposed for shareholders' approval at the upcoming annual general meeting. This proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 October 2016.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except for those disclosed in the financial statements.

DIRECTORS

The Directors in office since the date of the last report are:-

Tan Lye Huat
Tan Sook Yee
Chu Kan
Rita Tai Lai Ling
Hau Hock Khun
Chew Yock Fat (Appointed on 4.2.2015)

In accordance with Article 63 of the Company's Articles of Association, Ms. Rita Tai Lai Ling and Mr. Hau Hock Khun will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Mr. Chu Kan will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the Directors who held office at the end of the financial year and who have interest in shares of the Company and its related corporations were as follows:-

	-------------- Ordinary share of RM1.00 each		--------------
	At 1.11.2014	Bought	Sold	At 31.10.2015
Company				
Direct interest				
Tan Lye Huat	1,739,272	-	-	1,739,272
Tan Sook Yee	804,756	-	-	804,756

DIRECTORS' INTERESTS (CONT'D)

According to the register of Directors' shareholdings, the Directors who held office at the end of the financial year and who have interest in shares of the Company and its related corporations were as follows (cont'd):-

	-------------- Ordinary share of RM1.00 each --------------			
	At 1.11.2014	Bought	Sold	At 31.10.2015
Company (cont'd)				
Indirect interest				
Tan Lye Huat	24,488,869	-	-	24,488,869
Tan Sook Yee	20,887,124	-	-	20,887,124

By virtue of their interest in shares of the Company, Tan Lye Huat and Tan Sook Yee are deemed to have interest in the shares of all the subsidiary companies under Section 6A of the Companies Act, 1965 to the extent that the Company has an interest.

Other than abovementioned, no other Directors at the end of the financial year held any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

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

Since the end of previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the notes to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in the Note 26 and 30 to the Financial Statements.

AUDIT COMMITTEE

The members of the Audit Committee are as follows:-

Chew Yock Fat (Appointed as Independent Non-Executive Director on 4.2.2015, Re-designated from Member of Audit Committee to Chairman of Audit Committee on 22.6.2015)
Chu Kan (Re-designated from Chairman of Audit Committee to Member of Audit Committee on 22.6.2015, Independent Non-Executive Director)
Rita Tai Lai Ling (Independent Non-Executive Director)
Hau Hock Khun (Independent Non-Executive Director)

The functions of the Audit Committee are to review accounting policies, internal controls, financial results and annual financial statements of the Group and of the Company on behalf of the Board of Directors.

AUDIT COMMITTEE (CONT'D)

In performing its functions, the Committee reviewed the overall scope of external audit. It met with the Group's auditors to discuss the results of their examinations and their evaluation of the system of internal controls of the Group and of the Company.

The Committee also reviewed the assistance given by the officers of the Group and of the Company to the auditors.

The Committee reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as of the auditors' report thereon.

ISSUE OF SHARES AND DEBENTURES

There were no new shares or debentures issued during the financial year.

TREASURY SHARES

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 28 April 2015. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The Company has the right to cancel or to resell these shares and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased during the financial year had been sold as at the reporting date.

As at the reporting date, the number of ordinary shares in issue after deducting treasury shares against equity is 36,576,525 ordinary shares of RM1.00 each.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

(a) any charge on the assets of the Group and of the Company which have arisen since the end of the financial year which secure the liability of any other person; or

(b) any contingent liability of the Group and of the Company which have arisen since the end of the financial year.

In the opinion of the Directors:-

(a) 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, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of 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; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS

The Auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

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

....…	)	
TAN LYE HUAT	)	
	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
	)	
	)	
……………………………………...….	)	
TAN SOOK YEE	)	

Kuala Lumpur
2 February 2016

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 14 to 86 are drawn up in accordance with 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 October 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 87 had been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....	……......................……............................
TAN LYE HUAT	TAN SOOK YEE

Kuala Lumpur
2 February 2016

STATUTORY DECLARATION

I, Chong Kong Hui, being the Officer primarily responsible for the financial management of Kumpulan H & L High-Tech Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 14 to 86 and the supplementary information set out on page 87 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Kuala Lumpur)
in the Federal Territory this day of)
2 February 2016) ....……............

CHONG KONG HUI

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)
Company No: 317805 V

Report on the Financial Statements

We have audited the financial statements of Kumpulan H & L High-Tech Berhad, which comprise statements of financial position of the Group and of the Company as at 31 October 2015, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as enumerated in Notes 1 to 36 and set out on pages 14 to 86.

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

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

Company No: 317805 V

Report on the Financial Statements (cont'd)

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 October 2015 and of their financial performance and cash flows for the financial year then ended in accordance with 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 subsidiary companies have been properly kept in accordance with the provisions of the Act.

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

(c) Our auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 37 to the Financial Statements and set out on page 87 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.

Other Matter

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.

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

OOI POH LIM
(NO: 3087/10/17(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
2 February 2016

KUMPULAN H & L HIGH-TECH BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2015

Group	Note	2015 RM	2014 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	15,220,110	15,337,402
Investment properties	5	46,410,000	42,060,000
Biological assets	6	4,983,780	4,447,439
Land held for property development	7	739,829	1,200,711
Prepaid land lease payments	8	1,863,064	1,887,904
Other investments	9	165,000	165,000
Total non-current assets		69,381,783	65,098,456
CURRENT ASSETS			
Property development costs	10	443,686	535,369
Inventories	11	3,463,731	3,224,367
Trade receivables	12	3,944,523	3,666,504
Other receivables	13	1,343,532	1,114,533
Other investments	9	557,440	809,650
Tax recoverable		54,141	51,542
Deposits with licensed financial institutions	14	11,230,127	11,595,842
Cash and bank balances		4,931,091	3,346,074
Total current assets		25,968,271	24,343,881
TOTAL ASSETS		95,350,054	89,442,337
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	40,612,085	40,612,085
Treasury shares	16	(3,554,493)	(3,554,493)
Revaluation reserve	17	5,786,262	5,395,622
Retained earnings	18	37,976,784	32,834,584
Total equity		80,820,638	75,287,798
LIABILITIES			
Non-current liabilities			
Borrowings	19	5,880,695	6,953,544
Deferred tax liabilities	20	3,326,301	3,029,265
Government grants	21	179,569	-
Total non-current liabilities		9,386,565	9,982,809
Current liabilities			
Trade payables	22	735,487	643,208
Other payables	23	1,920,985	2,183,169
Borrowings	19	1,070,729	1,020,999
Government grants	21	59,856	-
Dividend payable		548,648	-
Tax payable		807,146	324,354
Total current liabilities		5,142,851	4,171,730
Total liabilities		14,529,416	14,154,539
TOTAL EQUITY AND LIABILITIES		95,350,054	89,442,337

KUMPULAN H & L HIGH-TECH BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2015 (CONT'D)

Company	Note	2015 RM	2014 RM
ASSETS			
NON-CURRENT ASSET			
Investment in subsidiary companies	24	23,416,971	23,416,971
Total non-current asset		23,416,971	23,416,971
CURRENT ASSETS			
Other receivables	13	1,453	3,818
Amount due from subsidiary companies	24	10,834,597	10,770,494
Deposits with licensed financial institutions	14	3,237,296	3,773,182
Cash and bank balances		1,260,996	294,874
Total current assets		15,334,342	14,842,368
TOTAL ASSETS		38,751,313	38,259,339
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	40,612,085	40,612,085
Treasury shares	16	(3,554,493)	(3,554,493)
Retained earnings	18	1,064,598	1,131,194
Total equity		38,122,190	38,188,786
LIABILITIES			
Current liabilities			
Other payables	23	80,379	70,542
Dividend payable		548,648	-
Tax payable		96	11
Total current liabilities/Total liabilities		629,123	70,553
TOTAL EQUITY AND LIABILITIES		38,751,313	38,259,339

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

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Revenue	25	21,504,516	21,194,379	1,884,000	-
Cost of sales		(13,926,664)	(14,188,972)	-	-
Gross profit		7,577,852	7,005,407	1,884,000	-
Other income		6,292,038	5,855,597	115,739	107,033
Selling and distribution expenses		(605,617)	(671,138)	-	-
Administration expenses		(3,194,469)	(3,336,200)	(123,278)	(116,182)
Other expenses		(1,223,810)	(1,123,784)	(114,189)	(132,325)
Finance costs		(360,517)	(382,347)	-	-
Profit/(Loss) before tax	26	8,485,477	7,347,535	1,762,272	(141,474)
Tax expense	27	(1,514,450)	(1,149,134)	(41)	(317)
Profit/(Loss) for the financial year		6,971,027	6,198,401	1,762,231	(141,791)
Other comprehensive income, net of tax					
Item that will not be subsequently reclassified to profit or loss					
- Revaluation of buildings		390,640	873,439	-	-
Total comprehensive income/(loss) for the financial year		7,361,667	7,071,840	1,762,231	(141,791)
Profit/(Loss) for the financial year attributable to:-					
Owners of the Company		6,971,027	6,198,401	1,762,231	(141,791)
Total comprehensive income/(loss) attributable to:-					
Owners of the Company		7,361,667	7,071,840	1,762,231	(141,791)
Earnings per share attributable to the owners of the Company (sen)					
- Basic	28	19.06	16.95		
- Diluted	28	-	-		

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

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2015

	← Non-distributable		→	Distributable	
	Share capital RM	Revaluation reserve RM	Treasury shares RM	Retained earnings RM	Total RM
Group					
Balance at 1 November 2013	40,612,085	4,522,183	(3,554,493)	27,916,362	69,496,137
Total comprehensive income:-					
Profit for the financial year	-	-	-	6,198,401	6,198,401
Revaluation during the financial year	-	873,439	-	-	873,439
Transaction with owners:-					
Dividends paid (Note 29)	-	-	-	(1,280,179)	(1,280,179)
Balance at 31 October 2014	40,612,085	5,395,622	(3,554,493)	32,834,584	75,287,798
Total comprehensive income:-					
Profit for the financial year	-	-	-	6,971,027	6,971,027
Revaluation during the financial year	-	390,640	-	-	390,640
Transaction with owners:-					
Dividends paid (Note 29)	-	-	-	(1,828,827)	(1,828,827)
Balance at 31 October 2015	40,612,085	5,786,262	(3,554,493)	37,976,784	80,820,638
Company					
Balance at 1 November 2013	40,612,085	-	(3,554,493)	2,553,164	39,610,756
Total comprehensive loss	-	-	-	(141,791)	(141,791)
Transaction with owners:-					
Dividends paid (Note 29)	-	-	-	(1,280,179)	(1,280,179)
Balance at 31 October 2014	40,612,085	-	(3,554,493)	1,131,194	38,188,786
Total comprehensive income	-	-	-	1,762,231	1,762,231
Transaction with owners:-					
Dividends paid (Note 29)	-	-	-	(1,828,827)	(1,828,827)
Balance at 31 October 2015	40,612,085	-	(3,554,493)	1,064,598	38,122,190

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

KUMPULAN H & L HIGH-TECH BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2015

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
OPERATING ACTIVITIES				
Profit/(Loss) before tax	8,485,477	7,347,535	1,762,272	(141,474)
Adjustments for:-				
Inventories written down to net realisable value	-	5,331	-	-
Amortisation of biological assets	58,230	-	-	-
Amortisation of prepaid land lease payments	24,840	24,840	-	-
Amortisation on government grants	(59,856)	-	-	-
Depreciation of property, plant and equipment	1,676,066	1,995,797	-	-
Gross dividend income from other investments	(27,210)	(21,370)	-	-
Fair value gain on investment properties	(4,350,000)	(4,616,020)	-	-
Interest income	(378,915)	(346,425)	(115,739)	(107,033)
Interest expenses	360,517	382,347	-	-
Net unrealised (gain)/loss on foreign exchange	(302,737)	10,663	-	-
Gain on disposal of property, plant and equipment	(5,998)	(63,997)	-	-
Gain on disposal of other investments	(44,897)	(3,598)	-	-
Net fair value loss/(gain) on other investments	101,350	(90,588)	-	-
Reversal of inventories written down to net realisable value	-	(87,297)	-	-
Property, plant and equipment written off	4,431	-	-	-
	5,541,298	4,537,218	1,646,533	(248,507)
Changes in working capital:-				
Inventories	(239,364)	(194,128)	-	-
Receivables	(367,605)	(639,761)	2,365	15,651
Payables	(176,690)	32,224	9,837	2,300
Property development costs	552,565	562,904	-	-
Cash from/(used in) operations	5,310,204	4,298,457	1,658,735	(230,556)
Tax refund	76,034	116,290	336	115
Tax paid	(936,615)	(609,345)	(292)	(342)
Net cash from/(used in) operating activities	4,449,623	3,805,402	1,658,779	(230,783)

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2015 (CONT'D)

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
INVESTING ACTIVITIES					
Dividend received from other investments		27,210	20,620	-	-
(Advances to)/Repayment from subsidiary companies		-	-	(64,103)	1,646,324
Biological assets expenditure		(594,571)	(697,688)	-	-
Interest received		378,915	346,425	115,739	107,033
Proceeds from disposal of property, plant and equipment		6,001	64,000	-	-
Proceeds from disposal of other investments		697,635	729,002	-	-
Proceeds from government grants		299,281	-	-	-
Purchase of property, plant and equipments		(1,049,208)	(1,339,707)	-	-
Purchase of other investments		(501,878)	(675,246)	-	-
Purchase of investment properties		-	(361,018)	-	-
Net cash (used in)/from investing activities		(736,615)	(1,913,612)	51,636	1,753,357
FINANCING ACTIVITIES					
Repayment of hire purchase		-	(79,084)	-	-
Interest paid		(360,517)	(382,347)	-	-
Dividend paid		(1,280,179)	(1,280,179)	(1,280,179)	(1,280,179)
Repayment of borrowings		(1,023,119)	(1,003,339)	-	-
Drawndown of borrowings		-	38,419	-	-
Net cash used in financing activities		(2,663,815)	(2,706,530)	(1,280,179)	(1,280,179)
CASH AND CASH EQUIVALENTS					
Net changes		1,049,193	(814,740)	430,236	242,395
Effect of exchange rate changes		170,109	(19,073)	-	-
Brought forward		14,941,916	15,775,729	4,068,056	3,825,661
Carried forward	A	16,161,218	14,941,916	4,498,292	4,068,056

NOTE TO THE STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:-

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash and bank balances	4,931,091	3,346,074	1,260,996	294,874
Deposits with licensed financial institutions (Note 14)	11,230,127	11,595,842	3,237,296	3,773,182
	16,161,218	14,941,916	4,498,292	4,068,056

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS – 31 OCTOBER 2015

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Chamber E, Lian Seng Courts, 275 Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus. The principal place of business of the Company is located at No. 6, Jalan TSB 1, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are disclosed in Note 24 to the Financial Statements.

There were no significant changes in the nature of activities of the Company and of its subsidiary companies during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 February 2016.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain properties that are measured at revalued amounts or fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

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

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

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

The Group has established control framework in respect to the measurement of fair values of financial instruments. This includes a certified independent valuer that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The certified independent valuer will review significant unobservable inputs and valuation adjustments.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement (cont'd)

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

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 Financial Reporting Standards ("FRSs")

2.4.1 Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int")

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the Financial Statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs and amendments/improvements to FRSs and IC Int which are mandatory for the financial periods beginning on or after 1 November 2014.

Initial application of the new and revised FRSs and amendments/ improvements to FRSs and IC Int did not have material impact on the financial statements of the Group and of the Company.

2.4.2 Standards Issued but Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by MASB but are not yet effective, and have not been early adopted by the Group and the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's and the Company's financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 9 Financial Instruments

The MASB recently released FRS 9 'Financial Instruments' (2014), representing the completion of its project to replace FRS 139 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to FRS 139's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. FRS 9 also provides new guidance on the application of hedge accounting.

The Group's management has yet to assess the impact of FRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

2.4.3 Malaysian Financial Reporting Standards ("MFRSs")

To converge with International Financial Reporting Standards in 2012, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the MFRSs, which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141, Agriculture and IC Interpretation 15, Agreements for Construction of Real Estate, including its parent, significant investor and venture ("Transitioning Entities").

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.3 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

Transitioning Entities will be allowed to defer adoption of the new MFRSs for an additional one year. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for annual financial periods beginning on or after 1 January 2013. On 4 July 2012, the MASB has decided to allow Transitioning Entities to defer the adoption of the MFRS Framework for another year. On 7 August 2013, the MASB has again decided to allow Transitioning Entities to defer the adoption of the MFRS Framework for another year. On 2 September 2014, the MASB had announced that the Transitioning Entities shall be required to apply the MFRS Framework for annual financial periods beginning on or after 1 January 2017. On 8 September 2015, MASB announced that the effective date of MFRS 15 will be deferred to annual financial periods beginning on or after 1 January 2018, following the recent press release by the International Accounting Standards Board confirming a one-year deferral of IFRS 15- Revenue from Contracts with Customers. Consequently, the effective date for Transitioning Entities to apply the MFRS will also be deferred to annual financial period beginning on or after 1 January 2018.

A subsidiary company of the Company falls within the scope of definition of Transitioning Entities and has opted to defer the adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare its first set of financial statements using the MFRS Framework for the financial year ending 31 October 2019.

The subsidiary companies which are not Transitioning Entities had adopted MFRS on 1 November 2012.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1.

Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is completed.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management and will seldom equal the estimated result.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Key Sources of Estimation Uncertainty

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

<u>Income Taxes/Deferred Tax Liabilities</u>

Significant judgement is involved in determining the Group provision for income taxes. There are certain transactions and computations for which the ultimate tax determation is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

<u>Deferred Tax Assets</u>

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Key Sources of Estimation Uncertainty (cont'd)

Deferred Tax Assets (cont'd)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and 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 statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The recognised and unrecognised deferred tax assets during the financial year of the Group have been fully described in Note 20 to the Financial Statements.

Fair Value Measurement and Valuation Processes

Some of the Group's assets are measured at fair value for financial reporting. Significant judgment is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date. For the valuation of land and buildings, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in the Notes 4 and 5 to the Financial Statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Significant Management Judgement in Applying Accounting Policies

The significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements are as follow:-

<u>Deferred Tax Assets</u>

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

<u>Leases</u>

In applying the classification of leases in FRS 117, management considers some of its leases of leasehold land as operating lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with FRS 117 Leases.

<u>Classification between Investment Properties and Owner-Occupied Properties</u>

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Significant Management Judgement in Applying Accounting Policies (cont'd)

<u>Classification between Investment Properties and Owner-Occupied Properties (cont'd)</u>

Judgement is made on an individual property basis to determine whether ancillilary services are so significant that a property does not qualify as an investment property.

<u>Available-for-sale Investment</u>

The Group reviews its available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No further impairment loss has been provided for available-for-sale investment during the financial year.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Basis of Consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and of its subsidiary companies are all drawn up to the same reporting period.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

Changes in the Company owners' ownership interest in a subsidiary company 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 company. 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 Company.

Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received (for all the acquisition took place after 1 November 2009).

All the subsidiary companies within the Group are acquired before 1 November 2009. Thus, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

If business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. For instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

3.2 Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Subsidiary Companies (cont'd)

Investment in subsidiary companies are stated at cost less impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiary company is assessed and written down immediately to its recoverable amount.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.3 Loss of Control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.4 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, to ensure that the carrying amount does not differ materially from the fair value of the buildings at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, Plant and Equipment (cont'd)

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of buildings is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Factory and buildings	2%
Plant and machinery	10% - 20%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 20%
Warehouse	10%
Renovations	10%
Tools and utensils	10% - 14%
Electrical installation	10%

Capital work-in-progress consists of tools and utensils under construction/installation for intended use as production facilities. The amount is stated at cost until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and ready for their intended use.

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 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 fulfillment 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 specific in an arrangement.

Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

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

Leasehold land which is substance is a finance lease is classified as a property, plant and equipment.

Operating Lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

The Group had previously revalued its leasehold land in year 2002 and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117. The Group's prepaid lease payment are amortised on a straight line basis over the lease term of 94 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Investment Properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group.

Investment properties are initially measured at cost. The cost of investment properties includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, investment properties are stated at fair value and are revalued annually, which is determined by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and supported with by market evidence. Gain or losses arising from changes in the fair value of investment properties are included in the profit or loss in the financial year in which they arise.

Investment properties are derecognised when either they are disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year in which they arise.

3.7 Biological Assets

<u>Plantation Development Expenditure – Oil Palm Plantation</u>

Planting expenditure of new oil palm plantations and leasehold land rental attributable to the plantation incurred up to the time of maturity have been capitalised as biological assets.

Any other costs related to the development of new plantation are included as part of the capitalisation of immature planting cost.

As and when the new oil palm plantation mature, the planting expenditure will be taken to the profit or loss as revenue expenditure.

The capitalised pre-cropping cost is not amortised, which represents costs incurred in planting in the original estates, as their values are maintained through replanting programmes.

The capitalised costs will be amortised to the profit or loss and the amortisation is on a straight-line basis over the economic useful lives of the trees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost plus incidental costs directly attributable to acquisition less any accumulated impairment losses.

Land held for property development is classified as property development cost at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

3.9 Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in the profit or loss by using the percentage of completion method. The percentage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on development units sold are recognised as an expense in the period in which they are incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings within trade payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost is determined on a first-in-first-out method. The costs of raw materials comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The costs of work-in-progress and finished goods comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in the profit or loss in the period in which it occurs.

3.11 Financial Instruments

3.11.1 Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3.11.2 Financial Assets - Categorisation and Subsequent Measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

a) financial assets at fair value through profit or loss;
b) held-to-maturity investments;
c) loans and receivables; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Instruments (cont'd)

3.11.2 Financial Assets - Categorisation and Subsequent Measurement (cont'd)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

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

The Group does not have held-to-maturity investments and the Company does not have financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Other categories of financial assets are described below:-

<u>Financial Assets at Fair Value through Profit or Loss</u>

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.11 **Financial Instruments (cont'd)**

3.11.2 **Financial Assets - Categorisation and Subsequent Measurement (cont'd)**

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 recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most of the other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include the equity instruments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Instruments (cont'd)

3.11.3 Financial Liabilities - Categorisation and Subsequent Measurement

After the initial recognition, financial liability is classified as:-

a) financial liability at fair value through profit or loss;
b) other liabilities measured at amortised cost using the effective interest method; and
c) financial guarantee contracts.

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

The Group and the Company do not have financial liability at fair value through profit or loss.

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

<u>Other Liabilities Measured at Amortised Cost</u>

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

<u>Financial Guarantee Contracts</u>

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific 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.

3.11.4 Offsetting of Financial Instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Unquoted Equity Securities Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Financial Assets (cont'd)

Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3.13 Impairment of Non-Financial Assets

At each reporting date, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Non-financial asset is tested for impairment annually at financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of Non-Financial Assets (cont'd)

An impairment loss is recognised as an expense in profit and loss immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years.

All reversals of impairment losses are recognised as income immediately in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

3.14 Foreign Currency Transactions and Balances

Transactions in foreign currencies are recorded in the respective functional currency of the Company and its subsidiary companies at exchange rates approximating those ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date. Non-monetary items that are measured at historical cost are translated at the dates of the initial transactions and those items measured at fair value in foreign currency are translated at the date when the fair value was determined.

Gains and losses resulting from settlement of such transactions and conversion of short term assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

3.15 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and deposits pledged to licensed financial institutions which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date is classified as non-current asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Income Tax

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

Current Tax

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

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.6 to the Financial Statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Income Tax (cont'd)

Deferred Tax (cont'd)

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.17 Government Grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grant used for financial support, assistance or to reimburse costs incurred by the Group are recognised in the profit or loss on the straight line basis over the expected lives of 5 years of the related products.

3.18 Revenue Recognition

Revenue is recognised when it is probable that the economic benefits with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

(a) Revenue from joint property development project is recognised when the right to receive distribution is established.

(b) Revenue from sale of goods is recognised in the profit or loss upon delivery of goods and customers' acceptance, net of discounts and sales returns.

(c) Rental income is recognised on accrual basis unless collectibility is in doubt.

(d) Dividend income is recognised when the right to receive payment is established.

(e) Interest income is recognised in the profit or loss on time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.19 **Employee Benefits**

Short-term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which the associated services are rendered by employees of the Group. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

3.20 **Equity, Reserves and Dividend Payments**

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

Share capital represents the nominal value of shares that have been issued.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings include all current and prior period retained earnings.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognsied as a liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Equity, Reserves and Dividend Payments (cont'd)

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Company settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the Company are recorded separately within equity.

3.21 Treasury Shares

When issued shares of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classify as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

3.22 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 36 to the Financial Statements.

3.24 Earnings per Ordinary Share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group based on the weighted average number of ordinary shares in issue during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group based on the weighted average number of shares in issue, for the effects of all dilutive potential ordinary shares during the period.

3.25 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.26 Provision for Liabilities

Provision for liabilities are recognised when the Group and Company have present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.27 Goods and Services Tax

The Group's revenue may subject to goods and services tax ("GST") in accordance with rules applicable in Malaysia.

The net amount of such taxes recoverable from, or payable to the authority is included as part of "other receivables" or "other payables" in the statements of financial position.

Revenues, expenses, assets and liabilities are recognised net of the amount of taxes except:-

(i) where the taxes incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the tax incurred is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables stated is inclusive of the tax elements.

3.28 Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:-

    (i) Has control or joint control over the reporting entity;
    (ii) Has significant influence over the reporting entity; or
    (iii) Is a member of the key management personnel of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:-

    (i) The entity and the reporting entity are members of the same group;
    (ii) One entity is an associate or joint venture of the reporting entity;
    (iii) Both the entities are joint ventures of the same third party;
    (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
    (v) The entity is controlled or jointly-controlled by a person identified in the preceding paragraph above; or
    (vi) A person who has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity.

4. PROPERTY, PLANT AND EQUIPMENT

Group	-At valuation- Factory and buildings	---- At cost ---- Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Warehouse	Renovations	Electrical installation	Tools and utensils	Tools and utensils under construction	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost or valuation										
At 1.11.2013	10,278,067	33,639,582	4,071,104	5,461,813	685,292	1,184,831	1,090,388	4,779,755	4,633	61,195,465
Revaluation adjustment	660,000	-	-	-	-	-	-	-	-	660,000
Additions	16,000	695,769	416,000	115,574	10,236	69,400	-	16,728	-	1,339,707
Disposals	-	(811,987)	(462,476)	-	-	-	-	-	-	(1,274,463)
Written off	-	-	-	(2,780)	-	-	-	-	-	(2,780)
At 31.10.2014	10,954,067	33,523,364	4,024,628	5,574,607	695,528	1,254,231	1,090,388	4,796,483	4,633	61,917,929
Revaluation adjustment	290,000	-	-	-	-	-	-	-	-	290,000
Additions	81,338	45,278	590,205	94,849	171,672	32,500	-	33,366	-	1,049,208
Disposals	-	(273,258)	(103,579)	-	-	-	-	-	-	(376,837)
Written off	-	(3,950)	-	(5,487)	-	-	-	-	-	(9,437)
At 31.10.2015	11,325,405	33,291,434	4,511,254	5,663,969	867,200	1,286,731	1,090,388	4,829,849	4,633	62,870,863

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	-At valuation-	---------- At cost ----------								
Group (cont'd)	**Factory and buildings**	**Plant and machinery**	**Motor vehicles**	**Office equipment, furniture and fittings**	**Warehouse**	**Renovations**	**Electrical installation**	**Tools and utensils**	**Tools and utensils under construction**	**Total**
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation										
At 1.11.2013	213,388	31,136,855	3,455,192	5,136,376	432,964	786,131	1,067,667	4,043,397	-	46,271,970
Charge for the financial year	218,784	1,056,778	272,981	102,334	50,225	103,386	15,401	175,908	-	1,995,797
Revaluation adjustment	(410,000)	-	-	-	-	-	-	-	-	(410,000)
Disposals	-	(811,985)	(462,475)	-	-	-	-	-	-	(1,274,460)
Written off	-	-	-	(2,780)	-	-	-	-	-	(2,780)
At 31.10.2014	22,172	31,381,648	3,265,698	5,235,930	483,189	889,517	1,083,068	4,219,305	-	46,580,527
Charge for the financial year	252,292	719,574	322,765	104,322	61,892	76,284	5,208	133,729	-	1,676,066
Revaluation adjustment	(224,000)	-	-	-	-	-	-	-	-	(224,000)
Disposals	-	(273,257)	(103,577)	-	-	-	-	-	-	(376,834)
Written off	-	(3,950)	-	(1,056)	-	-	-	-	-	(5,006)
At 31.10.2015	50,464	31,824,015	3,484,886	5,339,196	545,081	965,801	1,088,276	4,353,034	-	47,650,753
Net carrying amount										
31.10.2015	11,274,941	1,467,419	1,026,368	324,773	322,119	320,930	2,112	476,815	4,633	15,220,110
31.10.2014	10,931,895	2,141,716	758,930	338,677	212,339	364,714	7,320	577,178	4,633	15,337,402

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The buildings were revalued in the financial year 2015, based on valuation carried out by an independent professional valuer, Wan Malik Mohamed MIS (M), FRICS, Chartered Valuation Surveyor and Registered Valuer (V014) of W.M. Malik & Kamaruzaman, on an open market value basis to reflect the market value of existing use. The comparison method was adopted in arriving at the market value of the buildings. There have been no changes to the valuation technique during the financial year.

Buildings at valuation are categorised at Level 2 fair value.

Level 2 Fair Value

Level 2 fair values of factory and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

At the reporting date, had the revalued factory and buildings of the Group carried under the cost model, the carrying amount would have been at RM3,451,781 (2014: RM3,586,817).

(b) The motor vehicles of the Group with cost and net carrying amount amounted to RM510,451 (2014: RM510,451) and RMNil (2014: RMNil) respectively are held in trust in the name of Directors of the Company.

5. INVESTMENT PROPERTIES

Group	Freehold land RM	Leasehold lands RM	Freehold buildings RM	Leasehold buildings RM	Total RM
Fair value					
At 1 November 2013	17,200,000	6,037,599	13,600,000	245,363	37,082,962
Addition	-	361,018	-	-	361,018
Fair value adjustment	3,240,000	1,231,383	120,000	24,637	4,616,020
At 31 October 2014	20,440,000	7,630,000	13,720,000	270,000	42,060,000
Fair value adjustment	3,030,000	1,190,000	130,000	-	4,350,000
At 31 October 2015	23,470,000	8,820,000	13,850,000	270,000	46,410,000

5. INVESTMENT PROPERTIES (CONT'D)

	Group 2015 RM	Group 2014 RM
Rental income from investment properties	1,972,440	1,868,607
Direct operating expenses for investment properties	111,679	111,411

Freehold land and building and leasehold land and building of a subsidiary company with net carrying amount of RM29,500,000 (2014: RM26,500,000) and RM940,000 (2014: RM900,000) respectively have been charged to a bank for credit facility granted to the subsidiary company as disclosed in Note 19 to the Financial Statements.

Fair value basis of investment properties

Investment properties are stated at fair value, which has been determined based on valuations at the end of the reporting period. As at 31 October 2015, the fair values of the investment properties are based on valuations performed by an accredited independent valuers with recent experience in the location and category of properties being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

Fair value measurement of the investment properties were categorised as follows:-

	Group 2015 Level 2 RM	Group 2014 Level 2 RM
Recurring fair value measurements:-		
Freehold land	23,470,000	20,440,000
Leasehold lands	8,820,000	7,630,000
Freehold buildings	13,850,000	13,720,000
Leasehold buildings	270,000	270,000

Level 2 Fair Value

Level 2 fair values of freehold land and buildings, leasehold land and buildings have generally derived using the sales comparison approach. Sales price comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

6. BIOLOGICAL ASSETS

Group

Biological assets consist of plantation development expenditure in relation to oil palm plantations.

	2015 RM	2014 RM
Cost		
At 1 November	4,447,439	3,749,751
Additions	594,571	697,688
At 31 October	5,042,010	4,447,439
Accumulated amortisation		
At 1 November 2014/2013	-	-
Amortisation changed to profit or loss	58,230	-
At 31 October	58,230	-
Net carrying amount		
At 31 October	4,983,780	4,447,439

Biological assets incurred during the financial year includes:-

	2015 RM	2014 RM
Personnel expenses		
- wages and salaries	143,372	149,082
- staff welfare	18,659	19,138
	162,031	168,220

7. LAND HELD FOR PROPERTY DEVELOPMENT

Group

	2015 RM	2014 RM
Freehold land		
Cost		
At 1 November	1,200,711	1,200,711
Transferred to property development costs	(460,882)	-
At 31 October	739,829	1,200,711

Title deeds of the freehold land are currently surrendered to Perak state authority as part of the conditions for the property development project entered by the subsidiary company.

8. PREPAID LAND LEASE PAYMENTS

Group	**Long leasehold land**	
	2015	2014
Cost	RM	RM
At 1 November 2014/2013/31 October	2,136,309	2,136,309
Accumulated amortisation		
At 1 November 2014/2013	248,405	223,565
Amortisation charged to profit or loss	24,840	24,840
At 31 October	273,245	248,405
Net carrying amount		
At 31 October	1,863,064	1,887,904

	2015 RM	2014 RM
Amount to be amortised		
Not later than one year	24,840	24,840
Later than one year but not later than five years	99,360	99,360
Later than five years	1,738,864	1,763,704
	1,863,064	1,887,904

Long leasehold land represents leasehold land with unexpired lease period of more than 50 years.

9. OTHER INVESTMENTS

Group

	Golf club membership RM	Unquoted shares in Malaysia RM	Quoted shares in Malaysia RM	Total RM
2015				
Non-current				
Available-for-sale financial assets	180,000	50,000	-	230,000
Less: Impairment loss	(65,000)	-	-	(65,000)
	115,000	50,000	-	165,000
Current				
Financial assets at fair value through profit or loss	-	-	557,440	557,440
	-	-	557,440	557,440

9. OTHER INVESTMENTS (CONT'D)

Group (cont'd)

	Golf club membership RM	Unquoted shares in Malaysia RM	Quoted shares in Malaysia RM	Total RM
2015 (cont'd)				
Representing items:-				
At cost	115,000	50,000	-	165,000
At fair value	-	-	557,440	557,440
	115,000	50,000	557,440	722,440
Market value of quoted investments	-	-	557,440	557,440
2014				
Non-current				
Available-for-sale financial assets	180,000	50,000	-	230,000
Less: Impairment loss	(65,000)	-	-	(65,000)
	115,000	50,000	-	165,000
Current				
Financial assets at fair value through profit or loss	-	-	809,650	809,650
	-	-	809,650	809,650
Representing items:-				
At cost	115,000	50,000	-	165,000
At fair value	-	-	809,650	809,650
	115,000	50,000	809,650	974,650
Market value of quoted investments	-	-	809,650	809,650

10. PROPERTY DEVELOPMENT COSTS

Group	Freehold land RM
At 1 November 2013	1,098,273
Transferred to profit and loss	(562,904)
At 31 October 2014	535,369
Transferred from land held for property development	460,882
Transferred to profit and loss	(552,565)
At 31 October 2015	443,686

10. PROPERTY DEVELOPMENT COSTS (CONT'D)

Title deeds of the freehold land are currently surrendered to Perak state authority as part of the conditions for the property development project entered by a subsidiary company.

11. INVENTORIES

Group

	2015 RM	2014 RM
Raw materials	1,604,839	1,171,558
Work-in-progress	175,291	275,629
Finished goods	1,683,601	1,777,180
	3,463,731	3,224,367
Recognised in profit or loss:-		
Inventories written down to net realisable value	-	5,331
Reversal of inventories written down to net realisable value	-	(87,297)

The reversal of inventories written-down to net realisable value was made during the previous financial year when related inventories were sold above their net realisable value.

12. TRADE RECEIVABLES

Group

	2015 RM	2014 RM
Trade receivables	3,944,523	3,666,504

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represents their fair values on initial recognition.

12. TRADE RECEIVABLES (CONT'D)

The ageing analysis of trade receivables are as follows:-

	Gross RM	Individually impaired RM	Net RM
2015			
Within credit terms	2,141,427	-	2,141,427
Past due 1-30 days but not impaired	865,069	-	865,069
Past due 31-120 days but not impaired	684,390	-	684,390
Past due more than 120 days but not impaired	253,637	-	253,637
	3,944,523	-	3,944,523
2014			
Within credit terms	1,437,360	-	1,437,360
Past due 1-30 days but not impaired	1,268,737	-	1,268,737
Past due 31-120 days but not impaired	671,324	-	671,324
Past due more than 120 days but not impaired	289,083	-	289,083
	3,666,504	-	3,666,504

The normal credit terms given to the customers range from 30 to 75 days (2014: 30 to 75 days). Other credit terms are assessed and approved on a case-by-case basis.

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

As at 31 October 2015, trade receivables of RM1,803,096 (2014: RM2,229,144) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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.

13. OTHER RECEIVABLES

Group

	2015 RM	2014 RM
Non-trade receivables	73,393	94,893
Deposits	1,021,370	787,370
Prepayments	134,132	232,270
GST receivable	114,637	-
	1,343,532	1,114,533

Company

	2015 RM	2014 RM
Deposits	1,000	1,000
Prepayments	453	2,818
	1,453	3,818

Included in the deposits of the Group is an amount of RM709,100 (2014: RM709,100) represents the partial payment made on the purchase of a vacant bungalow land at Miri, Sarawak for a total consideration of RM1,174,888 by a subsidiary company. This transaction has not completed as at the reporting date.

14. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Group and Company

The interest rates for deposits with licensed financial institutions of the Group and of the Company ranged from 1.29% to 4.07% (2014: 2.14% to 3.52%) and 1.29% to 3.97% (2014: 2.18% to 3.50%) per annum respectively.

Group

Included in deposits with licensed financial institutions is an amount of RM80,687 (2014: RM78,253) which has been pledged for banking facilities granted to the subsidiary companies.

During the previous reporting date, included in deposits with licensed financial institutions was an amount of RM78,932 held in trust by certain Directors and an employee of the Group.

15. SHARE CAPITAL

Group/Company

	2015 RM	2014 RM
Authorised:-		
50,000,000 ordinary shares of RM1.00 each	50,000,000	50,000,000
Issued and fully paid-up:-		
40,612,085 ordinary shares of RM1.00 each	40,612,085	40,612,085

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's residual assets.

16. TREASURY SHARES

Group/Company	2015		2014	
	Number of treasury shares	RM	Number of treasury shares	RM
At beginning of financial year/At end of financial year	4,035,560	3,554,493	4,035,560	3,554,493

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 28 April 2015. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The shares purchased were retained as treasury shares. The Company has the right to re-issue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended.

As at the reporting date, the Company held 4,035,560 (2014: 4,035,560) of the Company's shares and the number of ordinary shares in issue after setting off against treasury shares is 36,576,525 (2014: 36,576,525).

No treasury shares were sold during the current and previous financial year.

17. REVALUATION RESERVE

Group

	2015 RM	2014 RM
At 1 November 2014/2013	5,395,622	4,522,183
Revaluation surplus during the financial year	514,000	1,070,000
Transferred to deferred tax liability	(123,360)	(196,561)
At 31 October	5,786,262	5,395,622

The revaluation reserve is not available for distribution.

18. RETAINED EARNINGS

Company

The Company adopted the Single Tier Income Tax system in which the Company may declare the payment of the dividends out of its entire retained earnings.

19. BORROWINGS

Group

	2015 RM	2014 RM
Current		
Secured:-		
Term loans	1,070,729	1,020,999
Non-current		
Secured:-		
Term loans	5,880,695	6,953,544
	6,951,424	7,974,543
Repayment terms		
- not later than 1 year	1,070,729	1,020,999
- between 1 to 5 years	4,897,058	4,615,032
- later than 5 years	983,637	2,338,512
	6,951,424	7,974,543

The effective interest rate of term loans is at rates of 4.60% to 4.85% (2014: 4.60% to 4.85%) per annum.

19. BORROWINGS (CONT'D)

The term loans are secured by way of:-

(i) Fixed charge against freehold land and building and leasehold land and building of a subsidiary company as disclosed in Note 5 to the Financial Statements;
(ii) Assignment of rental proceeds; and
(iii) Corporate guarantee by the Company.

20. DEFERRED TAX LIABILITIES

Group

(a) The deferred tax liabilities is made up of the following:-

	2015			2014		
	Assets RM	Liabilities RM	Net RM	Assets RM	Liabilities RM	Net RM
At 1 November 2014/2013	(447,696)	3,476,961	3,029,265	(601,312)	3,125,355	2,524,043
Recognised in profit or loss	(11,999)	219,829	207,830	153,616	192,608	346,224
Crystalisation of deferred tax upon depreciation of revalued assets	-	(34,154)	(34,154)	-	(37,563)	(37,563)
Revaluation reserve	-	123,360	123,360	-	196,561	196,561
At 31 October	(459,695)	3,785,996	3,326,301	(447,696)	3,476,961	3,029,265

The components of deferred tax liabilities/(assets) are made up of temporary difference arising from:-

	2015 RM	2014 RM
Carrying amount of qualifying property, plant and equipment and investment properties in excess of their tax base	959,587	957,258
Inventories written down	(1,279)	(1,279)
Revaluation surplus	1,607,002	1,517,796
Unabsorbed capital allowances	(248,828)	(236,829)
Unutilised business losses	(11,714)	(11,714)
Unutilised industrial building allowance	(197,874)	(197,874)
Fair value gain on investment properties	1,219,407	1,001,907
	3,326,301	3,029,265

20. **DEFERRED TAX LIABILITIES (CONT'D)**

Group (cont'd)

(b) As at reporting date, deferred tax benefits for the following temporary differences have not been recognised in the financial statements:-

	2015 RM	2014 RM
Carrying amount of qualifying property, plant and equipment and biological assets in excess of their tax base	(3,718,736)	(3,309,636)
Unabsorbed agriculture allowance	4,590,400	3,963,300
Unutilised business losses	1,157,788	819,188
Unabsorbed capital allowances	34,396	34,396
	2,063,848	1,507,248

Potential deferred tax assets are not recognised in financial statements as it is anticipated that the tax effects of such deferrals will not reverse in the near future.

21. **GOVERNMENT GRANTS**

Group

	2015 RM	2014 RM
At 1 November 2014/2013	-	-
Granted during the financial year	299,281	-
Amortised during the financial year	(59,856)	-
At 31 October	239,425	-
Current		
- amortised within the next 12 months	59,856	-
Non-current		
- amortised after the next 12 months	179,569	-
	239,425	-

The government grant received is in respect of the purchase of a asset under the scheme of Malaysia Investment Development Authority (MIDA) by the government principal agency for promotion of the manufacturing and services sectors in Malaysia.

22. TRADE PAYABLES

Group

The trade payables of the Group are non-interest bearing and the normal credit term granted by suppliers of the Group ranges from 30 to 60 days (2014: 30 to 60 days).

23. OTHER PAYABLES

Group

	2015 RM	2014 RM
Sundry deposits	770,530	1,074,979
Non-trade payables	249,236	269,210
Accrual of expenses	866,463	838,980
GST payable	34,756	-
	1,920,985	2,183,169

Company

	2015 RM	2014 RM
Accrual of expenses	80,379	70,542

Deposit of RM300,000 (2014: RM600,000) is received in relation with a subsidiary company entering into an arrangement with PYHomes Realty Sdn. Bhd. for the purpose of developing the subsidiary company's lands into a mixed residential project with the usual amenities.

24. INVESTMENT IN SUBSIDIARY COMPANIES/AMOUNT DUE FROM SUBSIDIARY COMPANIES

Company

	2015 RM	2014 RM
Investment in subsidiary companies		
Unquoted shares, at cost	23,416,971	23,416,971

Name of company	Place of incorporation	Effective interest 2015 %	Effective interest 2014 %	Principal activities
1. H & L High-Tech Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of precision engineering moulds, dies, jigs, fixtures, tools and other precision machine parts.

24. **INVESTMENT IN SUBSIDIARY COMPANIES/AMOUNT DUE FROM SUBSIDIARY COMPANIES (CONT'D)**

Company (cont'd)

Name of company	Place of incorporation	Effective interest 2015 %	Effective interest 2014 %	Principal activities
2. Plastik STC Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of customised precision engineering plastic injection moulded thermoplastic and thermosett parts and components for electrical and electronic industry.
3. H & L High-Tech Deco Sdn. Bhd.	Malaysia	100	100	Oil palm plantation.
4. H & L High-Tech Properties Sdn. Bhd.	Malaysia	100	100	Letting of properties and property investment.
5. H & L High-Tech Properties Development Sdn. Bhd.	Malaysia	100	100	Property development.
6. H & L Mould Solution Sdn. Bhd.	Malaysia	100	100	Dormant.
7. STC Technology Sdn. Bhd.	Malaysia	100	100	Dormant.

Amount due from subsidiary companies

The amount due from subsidiary companies is non-trade related, unsecured, bears no interest and is repayable on demand.

25. **REVENUE**

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Dividend income	-	-	1,884,000	-
Sales of goods	17,484,313	17,811,425	-	-
Rental income	1,838,040	1,735,865	-	-
Distribution from joint property development project	2,182,163	1,647,089	-	-
	21,504,516	21,194,379	1,884,000	-

26. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging/(crediting), amongst other items, the following:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Inventories written down to net realisable value	-	5,331	-	-
Amortisation of biological assets	58,230	-	-	-
Amortisation of prepaid land lease payments	24,840	24,840	-	-
Amortisation on government grants	(59,856)	-	-	-
Auditors'remuneration				
- statutory audit	91,100	86,800	21,800	21,500
- other services	5,000	5,000	5,000	5,000
Depreciation of property, plant and equipment	1,676,066	1,995,797	-	-
Fair value gain on investment properties	(4,350,000)	(4,616,020)	-	-
Interest expenses				
- hire purchase	-	1,498	-	-
- term loans	360,517	380,849	-	-
Rental expenses	77,824	18,750	-	-
Gain on disposal of property, plant and equipment	(5,998)	(63,997)	-	-
Unrealised foreign exchange				
- gain	(302,737)	(43,045)	-	-
- loss	-	53,708	-	-
Realised foreign exchange				
- gain	(390,800)	-	-	-
- loss	-	43,737	-	-
Property, plant and equipment written off	4,431	-	-	-
Interest income	(378,915)	(346,425)	(115,739)	(107,033)
Gain on disposal of other investments	(44,897)	(3,598)	-	-
Gross dividend income from other investments	(27,210)	(21,370)	-	-
Rental income	(145,080)	(139,092)	-	-
Reversal of inventories written down to net realisable value	-	(87,297)	-	-
Net fair value loss/(gain) on other investments	101,350	(90,588)	-	-

26. PROFIT/(LOSS) BEFORE TAX (CONT'D)

The details of remuneration received and receivable by Directors of the Group and of the Company during the financial year are as follows:-

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Executive:-				
Defined contribution plans	83,440	81,803	-	-
Salaries and others emoluments	846,461	856,122	-	-
Non-executive:-				
Fee	46,500	39,000	46,500	39,000
Others	40,300	28,970	40,300	28,970

The estimated monetary value of benefit-in-kind received by the Directors other than cash from the Group amounted to RM16,325 (2014: RM16,325).

27. TAX EXPENSE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Current year's tax provision	1,392,401	802,138	401	360
(Over)/Under provision of tax expense in prior financial years	(51,627)	38,335	(360)	(43)
Transferred from deferred tax liabilities (Note 20)	173,676	308,661	-	-
	1,514,450	1,149,134	41	317

Malaysian income tax is calculated at the statutory tax rate of 25% of the estimated taxable profit for the financial year.

27. TAX EXPENSE (CONT'D)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before tax	8,485,477	7,347,535	1,762,272	(141,474)
Tax at statutory tax rate of 25%	2,121,369	1,836,884	440,568	(35,368)
Tax effects in respect of:-				
Income not subject to tax	(1,210,034)	(1,255,779)	(499,529)	(26,317)
Expenses not deductible for tax purposes	334,325	262,561	59,362	62,045
Crystallisation of deferred tax upon depreciation charged for revalued asset	(34,154)	(37,563)	-	-
Addition deferred tax liabilities on real property gain	217,500	230,801	-	-
Under provision of deferred tax in prior financial year	7,418	58,486	-	-
(Over)/Under provision of tax expense in prior financial years	(51,627)	38,335	(360)	(43)
Deferred tax assets not recognised	139,150	63,196	-	-
Double deduction expenses	(9,497)	(13,475)	-	-
Effect of changes in tax rate	-	(34,312)	-	-
	1,514,450	1,149,134	41	317

The Group unutilised business losses, unabsorbed capital allowance, unabsorbed agriculture allowance and unutilised industrial building allowance which can be carried forward to offset against future taxable profit amounted to approximately RM1,206,596 (2014: RM867,996), RM1,071,179 (2014: RM1,021,184), RM4,590,400 (2014: RM3,963,300) and RM824,475 (2014: RM824,475) respectively.

The availability of the unutilised business losses, unabsorbed capital allowance, unabsorbed agriculture allowance and unutilised industrial building allowance which can be carried forward to offset against future taxable profit on the respective subsidiary companies are subject to no substantial changes in shareholdings of the respective subsidiary companies under Section 44(5A) & (5B) of Income Tax Act, 1967.

27. TAX EXPENSE (CONT'D)

However, the above amounts are subject to the approval of the Inland Revenue Board of Malaysia.

The corporate tax rate will be reduced to 24% for the year of assessment 2016 as announced in Malaysia Budget 2014. Consequently, deferred tax assets and liabilities are measured using this tax rate.

28. EARNINGS PER SHARE

Group

(a) The basic earnings per share has been calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company of RM6,971,027 (2014: RM6,198,401) to the weighted average number of shares issued during the financial year of 36,576,525 (2014: 36,576,525), excluding treasury shares held by the Company.

(b) There is no diluted earnings per share as the Company does not have any convertible financial instruments as at reporting date.

29. DIVIDENDS

	Group and Company	
	2015 RM	2014 RM
In respect of the financial year ended 31 October 2013:-		
First interim single tier dividend of 1.5 sen per ordinary share for total ordinary shares of 36,576,525 paid on 28 January 2014	-	548,648
Final single tier dividend of 2.0 sen per ordinary share for total ordinary shares of 36,576,525 paid on 23 April 2014	-	731,531
In respect of the financial year ended 31 October 2014:-		
First interim single tier dividend of 1.5 sen per ordinary share for total ordinary shares of 36,576,525 paid on 4 February 2015	548,648	-
Final single tier dividend of 2.0 sen per ordinary share for total ordinary shares of 36,576,525 paid on 28 May 2015	731,531	-
In respect of the financial year ended 31 October 2015:-		
First interim single tier dividend of 1.5 sen per ordinary share for total ordinary shares of 36,576,525 paid on 2 November 2015	548,648	-
	1,828,827	1,280,179

29. **DIVIDENDS (CONT'D)**

In addition, a final single tier dividend in respect of the financial year ended 31 October 2015 of 2.0 sen per share of RM1.00 each for total ordinary shares of 36,576,525 amounted to RM731,531 will be proposed for shareholders' approval at the upcoming annual general meeting. This proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 October 2016.

30. **EMPLOYEE BENEFITS EXPENSE**

	Group	
	2015 RM	2014 RM
Staff costs:-		
- Directors	929,901	937,925
- Other staff	5,686,991	5,536,782
	6,616,892	6,474,707

Included in staff costs is defined contribution plans as follows:-

	Group	
	2015 RM	2014 RM
- Directors	83,440	81,803
- Other staff	370,966	396,255
	454,406	478,058

31. **CONTINGENT LIABILITY**

	Company	
	2015 RM	2014 RM
Unsecured:-		
Corporate guarantee given to financial institutions for credit facilities granted to subsidiary companies		
- Limit	11,500,000	11,500,000
- Utilised	6,951,424	7,974,543

32. COMMITMENTS

Capital commitment

	Group	
	2015	2014
	RM	RM
Capital expenditure		
Authorised and contracted for:-		
- Property, plant and equipment	469,955	469,955
- Land held for property development	2,160,000	-

Lease commitment

The Group had entered into a total of six non-cancellable Renting Agreements with various parties to lease the land for venturing into business of the oil palm plantation, comprising an area of approximately 1,110 acres for a renting period of sixty years.

The payment terms of the leasing are as follows:-

i) For the first six months, no rental charges for tenor to land mobilisation.
ii) After the first six months, no rental charges for tenor on oil palm plantation process for three years.
iii) After the three years and six months, RM0.50 of rental charges will be apply on each oil palm tree planted on monthly basis for a period of two years.
iv) After the five years and six months, RM0.60 of rental charges will be apply on each oil palm tree planted on monthly basis until the end of the tenancy period.
v) If the oil palm tree plant is infected by disease, rental charges will be exempted for three years.

As at the reporting date, the lease commitments are as follows:-

	2015	2014
	RM	RM
Within one year	281,700	-
Between one to five year	1,314,600	-
More than five years	17,296,380	-
	18,892,680	-

33. RELATED PARTY DISCLOSURES

(a) The significant related party transactions during the financial year were as follows:-

	2015 RM	2014 RM
Company		
Subsidiary companies:-		
- Dividend income	1,884,000	-

(b) The outstanding balances arising from the related party transactions as at the reporting date are disclosed in Note 24 to the Financial Statements.

(c) The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Note 26 to the Financial Statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

34. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

(i) Loans and receivables ("L & R");
(ii) Fair value through profit or loss ("FVTPL");
(iii) Available - for - sale financial assets ("AFS"); and
(iv) Other liabilities measured at amortised cost ("AC").

	Carrying Amount RM	L & R RM	FVTPL RM	AFS RM	AC RM
Group					
2015					
Financial assets					
Other investments	722,440	-	557,440	165,000	-
Trade receivables	3,944,523	3,944,523	-	-	-
Other receivables	1,094,763	1,094,763	-	-	-
Deposits with licensed financial institutions	11,230,127	11,230,127	-	-	-
Cash and bank balances	4,931,091	4,931,091	-	-	-
	21,922,944	21,200,504	557,440	165,000	-
Financial liabilities					
Trade payables	735,487	-	-	-	735,487
Other payables	1,886,229	-	-	-	1,886,229
Borrowings	6,951,424	-	-	-	6,951,424
Dividend payable	548,648	-	-	-	548,648
	10,121,788	-	-	-	10,121,788

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

Group (cont'd)	Carrying Amount RM	L & R RM	FVTPL RM	AFS RM	AC RM
2014					
Financial assets					
Other investments	974,650	-	809,650	165,000	-
Trade receivables	3,666,504	3,666,504	-	-	-
Other receivables	882,263	882,263	-	-	-
Deposits with licensed financial institutions	11,595,842	11,595,842	-	-	-
Cash and bank balances	3,346,074	3,346,074	-	-	-
	20,465,333	19,490,683	809,650	165,000	-
Financial liabilities					
Trade payables	643,208	-	-	-	643,208
Other payables	2,183,169	-	-	-	2,183,169
Borrowings	7,974,543	-	-	-	7,974,543
	10,800,920	-	-	-	10,800,920

Company	Carrying Amount RM	L & R RM	FVTPL RM	AFS RM	AC RM
2015					
Financial assets					
Other receivables	1,000	1,000	-	-	-
Amount due from subsidiary companies	10,834,597	10,834,597	-	-	-
Deposits with licensed financial institutions	3,237,296	3,237,296	-	-	-
Cash and bank balances	1,260,996	1,260,996	-	-	-
	15,333,889	15,333,889	-	-	-
Financial liabilities					
Other payables	80,379	-	-	-	80,379
Dividend payable	548,648	-	-	-	548,648
	629,027	-	-	-	629,027
2014					
Financial assets					
Other receivables	1,000	1,000	-	-	-
Amount due from subsidiary companies	10,770,494	10,770,494	-	-	-
Deposits with licensed financial institutions	3,773,182	3,773,182	-	-	-
Cash and bank balances	294,874	294,874	-	-	-
	14,839,550	14,839,550	-	-	-
Financial liability					
Other payables	70,542	-	-	-	70,542

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risks Management Objective and Policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the policy of the Group in respect of the major areas of treasury activity are set out as follows:-

(a) **Credit Risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

The areas where the Group is exposed to credit risk are as follows:-

<u>Receivables</u>

As at reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risks Management Objective and Policies (cont'd)

(a) **Credit Risk (cont'd)**

Receivables (cont'd)

The ageing analysis for trade receivables is disclosed in Note 12 to the Financial Statements.

The credit risk concentration profile by geographical on trade receivables of the Group as at reporting date is as follow:-

	2015		2014	
	RM	**%**	**RM**	**%**
By country				
Malaysia	806,842	20	975,878	27
European countries	2,627,753	67	2,009,416	55
Taiwan	193,116	5	114,253	3
China	29,886	1	1,472	*
Others **	286,926	7	565,485	15
	3,944,523	100	3,666,504	100

* Less than 1%.
** Less than 1% for each of the country.

In respect of trade and other receivables, the Group has no significant concentration of credit risk with any single counterparty except as disclosed below:-

2015

(i) 26% of trade receivables at reporting date were due from two receivables.

2014

(i) 25% of trade receivables at reporting date were due from two receivables.

Investments and Other Financial Assets

As at reporting date, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risks Management Objective and Policies (cont'd)

(a) **Credit Risk (cont'd)**

Investments and Other Financial Assets (cont'd)

Investments are mostly in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of unquoted investments as disclosed in Note 9 to the Financial Statements.

Financial Guarantee/Corporate Guarantee

The maximum exposure to credit risk as disclosed in Note 31 to Financial Statements representing the outstanding banking facilities of the subsidiary companies as at end of the reporting period.

The Company provide unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary company. The Company monitors on an ongoing basis the results of the subsidiary company and repayments made by the subsidiary company. As at end of the reporting period, there was no indication that the subsidiary company would default on repayment.

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to the subsidiary company. The actual terms of credit facilities are likely to be the best indicator of "at market" term and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiary company. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risks Management Objective and Policies (cont'd)

(a) **Credit Risk (cont'd)**

Intercompany Balances

The maximum exposure to credit risk of the Company is represented by their carrying amounts in the statements of financial position.

The Company provides unsecured loans and advances to subsidiary companies and monitors the results of the subsidiary companies regularly.

As at the end of the reporting period, there was no indication that the carrying amount of loans and advances to the subsidiary companies are not recoverable.

(b) **Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

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

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The liquidity risks arise principally from its payables and loans. The repayment term of loans is disclosed in Note 19 to the Financial Statements respectively.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

	Current	←	Non-current	→	
	On demand/less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
Group					
2015					
Non-derivative financial liabilities					
Secured:-					
Borrowings	1,384,188	1,384,188	3,791,496	1,051,611	7,611,483
Unsecured:-					
Trade payables	735,487	-	-	-	735,487
Other payables	1,886,229	-	-	-	1,886,229
Dividend payable	548,648	-	-	-	548,648
Total undiscounted financial liabilities	4,554,442	1,384,188	3,791,496	1,051,611	10,781,847

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risks Management Objective and Policies (cont'd)

(b) **Liquidity Risk (cont'd)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

	Current	←	Non-current	→	
	On demand/less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
Group (cont'd)					
2014					
Non-derivative financial liabilities					
Secured:-					
Borrowings	1,384,188	1,384,188	4,152,564	2,704,731	9,625,671
Unsecured:-					
Trade payables	643,208	-	-	-	643,208
Other payables	2,183,169	-	-	-	2,183,169
Total undiscounted financial liabilities	4,210,565	1,384,188	4,152,564	2,704,731	12,452,048
Company					
2015					
Non-derivative financial liabilities					
Unsecured:-					
Other payables	80,379	-	-	-	80,379
Dividend payable	548,648	-	-	-	548,648
Total undiscounted financial liabilities	629,027	-	-	-	629,027
2014					
Non-derivative financial liability					
Unsecured:-					
Other payables	70,542	-	-	-	70,542

The above amounts reflect the contractual undiscounted cash flows, which differ from the carrying values of financial liabilities at the reporting date.

(c) **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 foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the subsidiary companies. The currencies giving rise to this risk are primarily EURO, US Dollar (USD), Singapore Dollar (SGD), Thai Baht and British Pound Sterling (GBP).

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risks Management Objective and Policies (cont'd)

(c) **Foreign Currency Risk (cont'd)**

The Group's exposure to foreign currency risk, based on carrying amounts as at the reporting date are as follows (foreign currency balances are unhedged):-

	Denominated in				
	EURO RM	**USD RM**	**SGD RM**	**Thai Baht RM**	**GBP RM**
2015					
Trade receivables	1,019,688	1,482,182	635,792	-	-
Cash and bank balances	143,314	553,237	304,266	-	-
Other receivables	-	664	-	-	-
Trade payables	-	(413,576)	-	-	-
Other payables	(7,001)	-	-	-	-
	1,156,001	1,622,507	940,058	-	-
2014					
Trade receivables	866,802	1,284,726	539,098	-	-
Cash and bank balances	889,568	430,878	231,219	3,450	263
Other receivables	-	26,000	-	-	-
Trade payables	-	(160,164)	(504)	-	-
Other payables	-	-	(1,282)	-	-
	1,756,370	1,581,440	768,531	3,450	263

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the EURO, USD, SGD, Thai Baht and GBP exchange rates against the functional currency of the Company, with all other variables held constant.

	Increase/(Decrease) on profit for the financial years	
	2015 RM	**2014 RM**
EURO/RM		
- Strengthened 3%/1%	34,680	17,564
- Weakened 3%/1%	(34,680)	(17,564)
USD/RM		
- Strengthened 3%/1%	48,675	15,814
- Weakened 3%/1%	(48,675)	(15,814)
SGD/RM		
- Strengthened 2%/1%	18,801	7,685
- Weakened 2%/1%	(18,801)	(7,685)
Thai Baht/RM		
- Strengthened 1%/1%	-	35
- Weakened 1%/1%	-	(35)
GBP/RM		
- Strengthened 1%/2%	-	5
- Weakened 1%/2%	-	(5)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(c) Foreign Currency Risk (cont'd)

The assumed movement in the above foreign currency exchange rate for the foreign currency exchange rate sensitivity analysis is based on the prudent estimate of the current market environment.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposures to foreign currency risk.

(d) Interest Rate Risk

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

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

The Group's interest rate management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

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

	Group		**Company**	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Fixed rate instruments				
Financial asset				
Deposits with licensed financial institutions	11,230,127	11,595,842	3,237,296	3,773,182
Floating rate instruments				
Financial liability				
Term loans	6,951,424	7,974,543	-	-

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(d) Interest Rate Risk (cont'd)

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

Fair Value Sensitivity Analysis for Floating Rate Instruments

At the reporting date, if interest rate had been 50 (2014: 50) basis points lower/higher, with all the other variable held constant, the Group's profit for the financial year would have been RM34,757 (2014: RM39,873) higher/lower, arising mainly from lower/higher interest expense on floating rate borrowings.

(e) Market Price Risk

Market price 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 prices (other than foreign exchange or interest rates). Equity price risk arises from the Group's investments in equity securities quoted in Bursa Malaysia Securities Berhad.

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the authorised person of the Group.

Equity Price Risk Sensitivity Analysis

This analysis assumes that all other variables remain constant and all the Group's equity investments moved in percentage of the share price.

A 5% (2014: 3%) increase in share price of each counter at the reporting date would have increase the Group's profit for the financial year by RM27,872 (2014: RM24,290). A 5% (2014: 3%) weakening in the share price of each counter would have equal but opposite effect on the Group's profit for the financial year.

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Fair Value of Financial Instruments

The carrying amounts of short term receivables and payable, cash and cash equivalents and borrowings approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Group does not intend to dispose of these investments in the near future.

The following summarises the methods used in determining the fair value of financial instruments reflected above:-

<u>Investment in Equity Instruments</u>

The fair value of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the reporting period.

<u>Non-derivatives Financial Liabilities</u>

Fair value, which is determined for disclosures purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The interest rates used to discount estimated cash flows, where applicable, are as follows:-

	2015 %	2014 %
Term loans	4.60 - 4.85	4.60 - 4.85

Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

34. FINANCIAL INSTRUMENTS (CONT'D)

Fair Value Hierarchy (cont'd)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (cont'd).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2015				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	557,440	-	-	557,440
Available-for-sale financial assets				
Unquoted shares and golf club membership	-	165,000	-	165,000
Total	557,440	165,000	-	722,440
2014				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	809,650	-	-	809,650
Available-for-sale financial assets				
Unquoted shares and golf club membership	-	165,000	-	165,000
Total	809,650	165,000	-	974,650

There were no transfers between Level 1 and 2 in the reporting period.

35. CAPITAL MANAGEMENT

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

35. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using a gearing ratio, which are the total interest bearing borrowings over owners' equity. The Group's policy is to keep the gearing ratio below 0.50. The borrowings include hire purchase creditors, term loan and other loan while owners' equity refers to the equity attributable to the owners of the Company.

	Group	
	2015 **RM**	**2014** **RM**
Total borrowings		
- term loans	6,951,424	7,974,543
Owners' equity	80,820,638	75,287,798
Debt-to-equity ratio	0.09	0.11

There were no changes in the Group's approach to capital management during the financial year.

36. OPERATING SEGMENT

(i) Business segment

For management purposes, the Group is organised into four major business units based on their products and services which comprises the following:-

(a)	Manufacturing and trading	-	Manufacturing and sales of precision engineering moulds and other precision
(b)	Investment	-	Investment holding, letting of properties and properties investment
(c)	Plantation	-	Cultivation of oil palm
(d)	Joint property development	-	Property development

Management monitors the operating results to its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

36. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

Transfer prices between operating segments are on negotiated basis.

	Note	Manufacturing and trading RM	Investment RM	Plantation RM	Joint property development RM	Elimination RM	Total RM
2015							
Revenue:-							
External revenue		17,276,765	1,816,440	229,148	2,182,163	-	21,504,516
Inter-segment revenue		318,576	1,905,600	-	-	(2,224,176)	-
Total revenue		17,595,341	3,722,040	229,148	2,182,163	(2,224,176)	21,504,516
Results:-							
Interest income		250,368	118,173	-	10,374	-	378,915
Finance costs		-	(360,517)	-	-	-	(360,517)
Depreciation and amortisation		(1,484,239)	-	(248,896)	(26,001)	-	(1,759,136)
Other non-cash income/(expenses)	(a)	417,851	4,180,000	-	-	-	4,597,851
Tax expense		(778,029)	(493,507)	-	(242,914)	-	(1,514,450)
Segment profit		436,128	6,424,745	(597,315)	707,469	-	6,971,027
Assets:-							
Additions to non-current assets	(b)	676,365	-	967,414	-	-	1,643,779
Segment assets		38,378,611	48,230,136	6,609,197	2,240,109	(107,999)	95,350,054
Liabilities:-							
Segment liabilities		4,341,640	9,634,613	109,697	443,466	-	14,529,416

36. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

	Note	Manufacturing and trading RM	Investment RM	Plantation RM	Joint property development RM	Elimination RM	Total RM
2014							
Revenue:-							
External revenue		17,833,025	1,714,265	-	1,647,089	-	21,194,379
Inter-segment revenue		9,498	21,600	-	-	(31,098)	-
Total revenue		17,842,523	1,735,865	-	1,647,089	(31,098)	21,194,379
Results:-							
Interest income		236,036	109,383	-	1,006	-	346,425
Finance costs		(1,498)	(380,849)	-	-	-	(382,347)
Depreciation and amortisation		(1,901,809)	-	(105,829)	(12,999)	-	(2,020,637)
Other non-cash income/(expenses)	(a)	609,486	4,236,020	-	-	-	4,845,506
Tax expense		(529,220)	(433,549)	-	(186,365)	-	(1,149,134)
Segment profit		1,453,199	4,497,433	(255,428)	503,197	-	6,198,401
Assets:-							
Additions to non-current assets	(b)	907,707	361,018	999,688	130,000	-	2,398,413
Segment assets		37,732,446	43,806,642	5,909,899	1,993,350	-	89,442,337
Liabilities:-							
Segment liabilities		3,646,048	9,845,701	8,614	654,176	-	14,154,539

36. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

Notes:-

(a) Notes to other non-cash income/(expenses) consist of the following items:-

	2015 RM	2014 RM
Fair value gain on investment properties	4,350,000	4,616,020
Reversal of written down of inventories	-	87,297
Gain on disposal of property, plant and equipment	5,998	63,997
Gain on disposal of other investments	44,897	3,598
Net fair value (loss)/gain on other investments	(101,350)	90,588
Net unrealised gain/(loss) on foreign exchange	302,737	(10,663)
Inventories written down to net realisable value	-	(5,331)
Property, plant and equipment written off	(4,431)	-
	4,597,851	4,845,506

(b) Additions to non-current assets consist of:-

	2015 RM	2014 RM
Property, plant and equipment	1,049,208	1,339,707
Investment properties	-	361,018
Biological assets	594,571	697,688
	1,643,779	2,398,413

(ii) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

	2015		2014	
	Revenue RM	Non-current Assets RM	Revenue RM	Non-current Assets RM
Malaysia*	7,846,149	69,381,783	4,288,454	65,098,456
South East Asia	104,091	-	4,676,468	-
European countries	11,645,589	-	8,426,157	-
Others	1,908,687	-	3,803,300	-
	21,504,516	69,381,783	21,194,379	65,098,456

* The Company's home country

36. **OPERATING SEGMENT (CONT'D)**

(iii) Information about major customers

Revenue from 4 (2014: 4) customers amounted to RM7,148,391 (2014: RM6,782,143) arising from sales by the manufacturing and trading segment and no major customers arising from investment segment.

37. DISCLOSURES OF REALISED AND UNREALISED PROFITS

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of retained earnings or accumulated losses into realised and unrealised on Group and Company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdown of retained earnings as at the reporting date, which has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants, are as follows:-

	Group		**Company**	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total retained earnings of the Company and its subsidiary companies				
- Realised	36,193,531	35,124,947	1,064,598	1,131,194
- Unrealised	21,258,284	17,085,148	-	-
	57,451,815	52,210,095	1,064,598	1,131,194
Less: Consolidation adjustments	(19,475,031)	(19,375,511)	-	-
Total retained earnings	37,976,784	32,834,584	1,064,598	1,131,194

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