Paos Holdings Berhad
(Company No. 452536-W)
(Incorporated in Malaysia)
and its subsidiaries

Financial statements for the year ended 31 May 2015

Paos Holdings Berhad

(Company No. 452536-W)
(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the year ended 31 May 2015

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

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year	1,748,851	3,191,701

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid:

i) a first interim tax exempt dividend of 1.25 sen per ordinary share totalling RM1,509,700 in respect of year ended 31 May 2015 on 28 November 2014; and

ii) a second interim single tier dividend of 1.25 sen per ordinary share totalling RM1,509,701 in respect of year ended 31 May 2015 on 29 May 2015.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Lim Chang Ching (Executive Chairman)
Wang Hak Tham @ Wong Hak Tham
Alice Boo Miau Li
Lim Poh Seong
Lim Zhen Qi
Yap Min Lee
Cheah Yee Leng

Directors' interest in shares

The interests and deemed interests in the ordinary shares of the Company of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.6.2014	**Bought**	**Sold**	**At 31.5.2015**
Shareholdings in which Directors have direct interest in the Company				
Lim Chang Ching	20,000	-	-	20,000
Wang Hak Tham @ Wong Hak Tham	20,000	-	-	20,000
Cheah Yee Leng	20,000	-	-	20,000

None of the other Directors holding office at 31 May 2015 had any interest in the ordinary shares of the Company and of its subsidiaries during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor 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 financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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 certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object 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.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) 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

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Other statutory information (continued)

No contingent liability or other liability of any company in the Group 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 May 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

…………………………………………………………

Lim Chang Ching

…………………………………………………………

Alice Boo Miau Li

Shah Alam, Malaysia

Date: 26 August 2015

Paos Holdings Berhad

(Company No. 452536-W)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 May 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Assets					
Property, plant and equipment	3	45,068,957	41,612,074	-	-
Investment properties	4	24,206,937	28,977,828	-	-
Investments in subsidiaries	5	-	-	90,788,173	90,788,173
Total non-current assets		69,275,894	70,589,902	90,788,173	90,788,173
Inventories	6	5,148,116	3,213,961	-	-
Other investments	7	1,012,400	-	-	-
Current tax assets		1,184,359	889,348	22,913	48,413
Trade and other receivables	8	8,604,442	4,534,111	-	-
Deposits and prepayments	9	335,650	281,675	2,000	2,000
Cash and cash equivalents		24,267,324	30,434,124	6,559	48,383
Total current assets		40,552,291	39,353,219	31,472	98,796
Total assets		109,828,185	109,943,121	90,819,645	90,886,969
Equity					
Share capital	10	60,388,000	60,388,000	60,388,000	60,388,000
Reserves		39,826,358	41,096,908	17,146,453	16,974,153
Total equity attributable to owners of the Company		100,214,358	101,484,908	77,534,453	77,362,153
Liabilities					
Deferred tax liabilities	11	2,011,413	1,786,975	-	-
Total non-current liabilities		2,011,413	1,786,975	-	-
Loans and borrowings	12	614,600	1,518,126	-	-
Provision for taxation		-	105,000	-	-
Trade and other payables	13	6,987,814	5,048,112	13,285,192	13,524,816
Total current liabilities		7,602,414	6,671,238	13,285,192	13,524,816
Total liabilities		9,613,827	8,458,213	13,285,192	13,524,816
Total equity and liabilities		109,828,185	109,943,121	90,819,645	90,886,969

The notes set out on pages 10 to 57 are an integral part of these financial statements.

Paos Holdings Berhad
(Company No. 452536-W)
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Statements of profit or loss and other comprehensive income for the year ended 31 May 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue	14	57,277,252	169,305,915	4,000,000	4,000,000
Cost of sales		(51,357,683)	(158,301,218)	-	-
Gross profit		5,919,569	11,004,697	4,000,000	4,000,000
Administrative expenses		(6,139,498)	(5,389,406)	(405,217)	(425,644)
Distribution expenses		(456,433)	(389,034)	-	-
Other expenses		(153,886)	(100)	-	-
Other income		3,688,093	1,847,224	-	-
Results from operating activities		2,857,845	7,073,381	3,594,783	3,574,356
Finance costs		(34,098)	(23,037)	(403,082)	(435,047)
Interest income		173,574	40,451	-	-
Profit before tax		2,997,321	7,090,795	3,191,701	3,139,309
Tax expense	17	(1,248,470)	(2,493,595)	-	-
Profit and total comprehensive income for the year	15	1,748,851	4,597,200	3,191,701	3,139,309
Basic earnings per ordinary share (sen)	18	1.45	3.81		

The notes set out on pages 10 to 57 are an integral part of these financial statements.

Paos Holdings Berhad
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Statements of changes in equity for the year ended 31 May 2015

Group	Note	Share capital RM	*Non-distributable* Share premium RM	*Distributable* Retained earnings RM	Total equity RM
At 1 June 2013		60,388,000	14,871,806	24,647,303	99,907,109
Profit and total comprehensive income for the year		-	-	4,597,200	4,597,200
Dividends	19	-	-	(3,019,401)	(3,019,401)
At 31 May 2014/1 June 2014		60,388,000	14,871,806	26,225,102	101,484,908
Profit and total comprehensive income for the year		-	-	1,748,851	1,748,851
Dividends	19	-	-	(3,019,401)	(3,019,401)
At 31 May 2015		60,388,000	14,871,806	24,954,552	100,214,358
		Note 10.1	Note 10.2		

Company	Note	Share capital RM	*Non-distributable* Share premium RM	*Distributable* Retained earnings RM	Total equity RM
At 1 June 2013		60,388,000	14,871,806	1,982,439	77,242,245
Profit and total comprehensive income for the year		-	-	3,139,309	3,139,309
Dividends	19	-	-	(3,019,401)	(3,019,401)
At 31 May 2014/1 June 2014		60,388,000	14,871,806	2,102,347	77,362,153
Profit and total comprehensive income for the year		-	-	3,191,701	3,191,701
Dividends	19	-	-	(3,019,401)	(3,019,401)
At 31 May 2015		60,388,000	14,871,806	2,274,647	77,534,453
		Note 10.1	Note 10.2		

The notes set out on pages 10 to 57 are an integral part of these financial statements.

Paos Holdings Berhad
(Company No. 452536-W)
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Statements of cash flows for the year ended 31 May 2015

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit before tax	2,997,321	7,090,795	3,191,701	3,139,309
Adjustments for:				
Depreciation of investment properties	589,197	828,093	-	-
Depreciation of property, plant and equipment	2,575,881	2,375,107	-	-
Dividend income	-	-	(4,000,000)	(4,000,000)
Fair value loss on other investments	83,565	-	-	-
Finance costs	34,098	23,037	403,082	435,047
Interest income	(173,574)	(40,451)	-	-
Gain on disposal of other investments	(66,904)	-	-	-
Gain on disposal of property, plant and equipment	(125,236)	(93,610)	-	-
Unrealised foreign exchange gain	(1,550,898)	(321,707)	-	-
Operating profit/(loss) before changes in working capital	4,363,450	9,861,264	(405,217)	(425,644)
Changes in working capital:				
Inventories	(1,934,155)	1,144,904	-	-
Trade and other receivables	(3,733,486)	13,949,412	-	1,410,028
Trade and other payables	1,937,343	(480,763)	(239,624)	(1,586,276)
Cash generated from/(used in) operations	633,152	24,474,817	(644,841)	(601,892)
Tax paid	(2,433,751)	(2,902,354)	(25,000)	(24,996)
Tax refund	1,009,708	122,497	50,500	72,496
Net cash (used in)/from operating activities	(790,891)	21,694,960	(619,341)	(554,392)
Cash flows from investing activities				
Acquisition of other investments	(2,684,753)	-	-	-
Acquisition of property, plant and equipment	(1,921,334)	(668,590)	-	-
Interest received	173,574	40,451	-	-
Proceeds from disposal of other investments	1,655,692	-	-	-

Company No. 452536-W

Statements of cash flows for the year ended 31 May 2015
(continued)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Cash flows from investing activities (continued)				
Proceeds from disposal of property, plant and equipment	195,500	93,610	-	-
Dividends received	-	-	4,000,000	4,000,000
Net cash (used in)/from investing activities	(2,581,321)	(534,529)	4,000,000	4,000,000
Cash flows from financing activities				
Dividends paid	(3,019,401)	(3,019,401)	(3,019,401)	(3,019,401)
Interest paid	(34,098)	(23,037)	(403,082)	(435,047)
Net cash used in financing activities	(3,053,499)	(3,042,438)	(3,422,483)	(3,454,448)
Net (decrease)/increase in cash and cash equivalents	(6,425,711)	18,117,993	(41,824)	(8,840)
Cash and cash equivalents at 1 June	28,915,998	10,574,553	48,383	57,223
Effect of exchange rate fluctuations on cash held	1,162,437	223,452	-	-
Cash and cash equivalents at 31 May (Note (i))	23,652,724	28,915,998	6,559	48,383

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Cash and bank balances	24,267,324	30,434,124	6,559	48,383
Bank overdrafts	(614,600)	(1,518,126)	-	-
	23,652,724	28,915,998	6,559	48,383

The notes set out on pages 10 to 57 are an integral part of these financial statements.

Paos Holdings Berhad
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Notes to the financial statements

Paos Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

Registered office
No. 308, Block A (3rd Floor)
Kelana Business Centre
97, Jalan SS7/2, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Principal place of business
No. 65, Persiaran Selangor
Section 15, 40200 Shah Alam
Selangor Darul Ehsan
Malaysia

The consolidated financial statements as at and for the financial year ended 31 May 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 May 2015 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 26 August 2015.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual period beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)**
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)**
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions**
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)**
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)***
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations***
- MFRS 14, *Regulatory Deferral Accounts***

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants***
- Amendments to MFRS 119, *Employee Benfits (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements***
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)***

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)

The Group and Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 June 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for those marked "*" which are not applicable to the Company.

- from the annual period beginning on 1 June 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for those marked "**" which are not applicable to the Company.

- from the annual period beginning on 1 June 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 June 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, *Revenue from Contracts with Customer*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact of adopting MFRS 15.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 4 – valuation of investment properties.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

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 profit or loss.

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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	74 - 99 years
Buildings	33 years
Plant and machineries	10 - 20 years
Motor vehicles	5 years
Renovation, office equipment and furniture and fittings	5 - 33 years
Hotel operating equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease

Leases, where the Group or the Company 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 statement 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 and measured using fair value model.

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.

(f) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of 33 years for buildings. Freehold land is not depreciated.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the financial year in which the item is derecognised.

2. Significant accounting policies (continued)

(f) Investment property (continued)

(i) Investment property carried at cost (continued)

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every three to five years.

The fair values are based on the open market value method, and an assessment of the prevailing property market rate. The Directors are of the opinion that there were no significant changes in fair value to that as appraised by the independent professional valuer since the last valuation.

(ii) Reclassification from investment property

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost at the date of reclassification becomes its cost for subsequent accounting.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average method, first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

2. Significant accounting policies (continued)

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial 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.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior years are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

2. Significant accounting policies (continued)

(k) Employee benefits (continued)

(i) Short-term employee benefits (continued)

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Statutory contributions

The Group's contributions to the Employees Provident Fund are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

2. Significant accounting policies (continued)

(m) Revenue (continued)

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to the work performed.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(v) Parking income

Parking income is recognised when the right to receive payment is established.

(vi) Hotel operations

Revenue from the provision of rooms, food and beverage, other department sales and laundry services are recognised in profit or loss when services are rendered.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(n) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the 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.

2. Significant accounting policies (continued)

(o) Income tax (continued)

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 temporary difference 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. Deferred tax assets and liabilities are not discounted.

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.

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.

(p) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. An operating segment’s operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(r) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of 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 liabilities unless the probability of outflow of economic benefits is remote.

(s) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Property, plant and equipment

Group	Freehold building RM	Leasehold land RM	Buildings RM	Plant and machineries RM	Motor vehicles RM	Renovation, office equipment and furniture and fittings RM	Hotel operating equipment RM	Total RM
Cost								
At 1 June 2013	6,661,284	13,329,580	26,058,232	45,309,366	959,936	8,811,269	766,923	101,896,590
Additions	-	-	-	421,693	-	240,397	6,500	668,590
Disposals	-	-	-	(104,060)	-	-	-	(104,060)
At 31 May 2014/1 June 2014	6,661,284	13,329,580	26,058,232	45,626,999	959,936	9,051,666	773,423	102,461,120
Additions	-	-	-	250,300	1,180,667	484,217	6,150	1,921,334
Disposals	-	-	-	(61,800)	(645,263)	-	-	(707,063)
Transfer from investment property	-	-	7,963,209	-	-	-	-	7,963,209
At 31 May 2015	6,661,284	13,329,580	34,021,441	45,815,499	1,495,340	9,535,883	779,573	111,638,600
Accumulated depreciation								
At 1 June 2013	-	2,566,364	6,885,268	43,176,196	761,689	4,562,656	625,826	58,577,999
Charge for the year	-	176,385	781,748	444,285	127,984	733,029	111,676	2,375,107
Disposals	-	-	-	(104,060)	-	-	-	(104,060)
At 31 May 2014/1 June 2014	-	2,742,749	7,667,016	43,516,421	889,673	5,295,685	737,502	60,849,046
Charge for the year	-	176,385	1,020,644	454,949	236,132	665,973	21,798	2,575,881
Disposals	-	-	-	(61,800)	(574,999)	-	-	(636,799)
Transfer from investment property	-	-	3,781,515	-	-	-	-	3,781,515
At 31 May 2015	-	2,919,134	12,469,175	43,909,570	550,806	5,961,658	759,300	66,569,643
Carrying amounts								
At 1 June 2013	6,661,284	10,763,216	19,172,964	2,133,170	198,247	4,248,613	141,097	43,318,591
At 31 May 2014/1 June 2014	6,661,284	10,586,831	18,391,216	2,110,578	70,263	3,755,981	35,921	41,612,074
At 31 May 2015	6,661,284	10,410,446	21,552,266	1,905,929	944,534	3,574,225	20,273	45,068,957

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4. Investment properties

Group	Freehold land RM	Buildings RM	Total RM
Cost			
At 1 June 2013/31 May 2014/1 June 2014	8,838,716	27,603,106	36,441,822
Transfer to property, plant and equipment	-	(7,963,209)	(7,963,209)
At 31 May 2015	8,838,716	19,639,897	28,478,613
Accumulated depreciation			
At 1 June 2013	-	6,635,901	6,635,901
Charge for the year	-	828,093	828,093
At 31 May 2014/1 June 2014	-	7,463,994	7,463,994
Charge for the year	-	589,197	589,197
Transfer to property, plant and equipment	-	(3,781,515)	(3,781,515)
At 31 May 2015	-	4,271,676	4,271,676
Carrying amounts			
At 1 June 2013	8,838,716	20,967,205	29,805,921
At 31 May 2014/1 June 2014	8,838,716	20,139,112	28,977,828
At 31 May 2015	8,838,716	15,368,221	24,206,937
Fair value			
At 1 June 2013/31 May 2014/1 June 2014	15,659,068	27,206,516	42,865,584
31 May 2015	15,659,068	21,406,516	37,065,584

Valuation

The Group engaged Henry Butcher Malaysia Sdn. Bhd., an independent professional valuation firm to perform the valuation of the investment properties for the current financial year. The last valuation was performed on 15 July 2015 for each of its properties respectively. The basis of the valuation was using the open market value method, and an assessment of the prevailing property market rate. The Directors are of the opinion that there were no significant changes in fair value to that as appraised by the independent professional valuer since the last valuation.

The following are recognised in profit or loss in respect of investment properties:

	2015 RM	2014 RM
Rental income	3,374,966	5,735,866
Direct operating expenses:		
- income generating investment properties	2,692,018	3,255,139

5. Investments in subsidiaries

	Cost of investment RM	Capital contribution RM	Total RM
At 31 May 2014/1 June 2014/ 31 May 2015	40,795,136	49,993,037	90,788,173
		Note 5.1	

The principal activities of the subsidiaries, their places of incorporation and the interest of Paos Holdings Berhad are as follows:

Name of company	Principal activities	Effective ownership interest 2015 %	2014 %
Paos Industries Sdn. Bhd.	Manufacture and trading of soap and its related products, trading in specialty fats produce from palm oil. The trading of marine gasoil was discontinued during the financial year.	100	100
Premier Oil Industries Sdn. Bhd.	During the financial year, the Company changed its principal activity from the rental of investment property to contract manufacturer of products from palm oil and manufacture of specialty fats.	100	100
Alpine Legacy (M) Sdn. Bhd.	Property investment holding	100	100
Subsidiary of Alpine Legacy (M) Sdn. Bhd.			
The 5 Elements Hotel Sdn. Bhd.	Operation and management of hotel and restaurant	100	100

All subsidiaries are incorporated in Malaysia.

5.1 Capital contributions relate to advances to the subsidiary as repayment of this amount from subsidiary is neither fixed nor expected in the short term.

6. Inventories

	Group 2015 RM	Group 2014 RM
At cost:		
Raw materials	3,114,628	1,886,486
Manufactured inventories	2,019,534	1,312,270
Food and beverage	13,954	15,205
	5,148,116	3,213,961
Recognised in profit or loss:		
Inventories recognised as cost of sales	37,554,998	141,269,220

7. Other investments

	Group 2015 RM	Group 2014 RM
Quoted shares		
Financial assets at fair value through profit or loss		
- Held for trading	1,012,400	-
Market value of quoted investment	1,012,400	-

8. Trade and other receivables

	Group 2015 RM	Group 2014 RM
Trade		
Trade receivables	8,239,037	4,315,868
Non-trade		
Other receivables	365,405	218,243
	8,604,442	4,534,111

9. Deposits and prepayments

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Deposits	98,066	96,359	2,000	2,000
Prepayments	237,584	185,316	-	-
	335,650	281,675	2,000	2,000

10. Capital and reserves

10.1 Share capital

	Group and Company			
	Amount 2015 RM	Number of shares 2015	Amount 2014 RM	Number of shares 2014
Authorised:				
Ordinary shares of RM0.50 each	100,000,000	200,000,000	100,000,000	200,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	60,388,000	120,776,000	60,388,000	120,776,000

10.2 Share premium

The share premium represents premium arising from the issuance of ordinary shares of the Company at issue price above par value.

11. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Group						
Property, plant and equipment	-	-	1,643,317	1,719,163	1,643,317	1,719,163
Provisions	(19,629)	(12,615)	-	-	(19,629)	(12,615)
Other items	-	-	387,725	80,427	387,725	80,427
Tax (assets) /liabilities	(19,629)	(12,615)	2,031,042	1,799,590	2,011,413	1,786,975
Set off of tax	19,629	12,615	(19,629)	(12,615)	-	-
Net tax liabilities	-	-	2,011,413	1,786,975	2,011,413	1,786,975

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11. Deferred tax liabilities (continued)

Movement in temporary differences during the year

	At 1.6.2013 RM	Recognised in profit or loss (Note 17) RM	At 31.5.2014 RM	Recognised in profit or loss (Note 17) RM	At 31.5.2015 RM
Group					
Property, plant and equipment	1,622,657	96,506	1,719,163	(75,846)	1,643,317
Provisions	(12,615)	-	(12,615)	(7,014)	(19,629)
Other items	115,236	(34,809)	80,427	307,298	387,725
Tax loss carry-forwards	(505,874)	505,874	-	-	-
	1,219,404	567,571	1,786,975	224,438	2,011,413

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority.

12. Loans and borrowings

	Group	
	2015 RM	2014 RM
Current		
Bank overdrafts – secured	614,600	1,518,126

Terms and debt repayment schedule

The bank overdrafts of the Group are subject to interest rates varying between 1.0% and 1.5% (2014: 1.0% and 1.5%) above the lender's base rate per annum.

The bank overdrafts of the subsidiaries are secured by way of a corporate guarantee from the Company.

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13. Trade and other payables

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Trade					
Trade payables		3,421,814	2,550,333	-	-
Non-trade					
Amount due to subsidiaries	13.1	-	-	13,001,852	13,268,436
Other payables	13.2	1,272,775	1,214,514	-	-
Accruals		2,293,225	1,283,265	283,340	256,380
		3,566,000	2,497,779	13,285,192	13,524,816
		6,987,814	5,048,112	13,285,192	13,524,816

13.1 The amount due to subsidiaries are unsecured, repayable on demand and subject to interest of 3% (2014: 3%) per annum, except for an amount due to a subsidiary of RM1,000,000 (2014: RM450,000) that is interest free.

13.2 Included in other payables of the Group are security deposits received from third party tenants amounting to RM772,348 (2014: RM798,848).

14. Revenue

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue				
Sale of goods	43,095,724	159,010,198	-	-
Services rendered	6,826,315	-	-	-
Dividends	-	-	4,000,000	4,000,000
Rental	4,074,978	5,171,866	-	-
Hotel operation	2,554,137	2,647,087	-	-
Management fee	-	1,787,188	-	-
Others	726,098	689,576	-	-
	57,277,252	169,305,915	4,000,000	4,000,000

15. Profit and total comprehensive income for the year

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Profit and total comprehensive income for the year is arrived at after charging:				
Auditors' remuneration				
Audit service				
- current	150,000	150,000	44,000	44,000
- other services	20,000	20,000	20,000	20,000
Depreciation of investment properties	589,197	828,093	-	-
Depreciation of property, plant and equipment	2,575,881	2,375,107	-	-
Fair value loss on other investments	83,565	-	-	-
Interest payable on:				
- bank overdrafts	34,098	23,037	-	-
- subsidiaries	-	-	403,082	435,047
Personnel expenses (including key management personnel):				
- contributions to Employees Provident Fund	671,332	515,069	-	-
- wages, salaries and others	7,303,656	5,599,419	201,000	202,500
and after crediting:				
Gain on disposal of other investments	66,904	-	-	-
Gain on disposal of property, plant and equipment	125,236	93,610	-	-
Interest income	173,574	40,451	-	-
Rental income	294,984	294,984	-	-
Realised gain on foreign exchange	1,283,340	996,335	-	-
Unrealised gain on foreign exchange	1,550,898	321,707	-	-

16. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Directors:				
- Fees	179,000	179,000	179,000	179,000
- Remuneration	1,680,078	1,644,340	-	-
	1,859,078	1,823,340	179,000	179,000
Other key management personnel:				
- Short-term employee benefits	1,444,491	1,011,833	-	-
	3,303,569	2,835,173	179,000	179,000

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

17. Tax expense

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Recognised in profit or loss				
Current tax expense				
- current year	988,884	1,895,492	-	-
- under provision in prior year	35,148	30,532	-	-
Total current tax	1,024,032	1,926,024	-	-
Deferred tax expense				
- origination and reversal of temporary differences	389,787	571,186	-	-
- over provision in prior year	(165,349)	(3,615)	-	-
Total deferred tax	224,438	567,571	-	-
Total tax expense	1,248,470	2,493,595	-	-

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17. Tax expense (continued)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Reconciliation of tax expense				
Profit for the year	1,748,851	4,597,200	3,191,701	3,139,309
Total tax expense	1,248,470	2,493,595	-	-
Profit excluding tax	2,997,321	7,090,795	3,191,701	3,139,309
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)	749,330	1,772,699	797,925	784,827
Non-taxable income	-	-	(1,000,000)	(1,000,000)
Non-deductible expenses	637,275	750,305	202,075	215,173
Tax incentives	(2,073)	(49,142)	-	-
Effect of changes in tax rate	(5,861)	(7,184)	-	-
	1,378,671	2,466,678	-	-
Under/(Over) provision in			-	-
- current tax expense	35,148	30,532	-	-
- deferred tax expense	(165,349)	(3,615)	-	-
Total tax expense	1,248,470	2,493,595	-	-

18. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 May 2015 was based on the profit attributable to ordinary shareholders of RM1,748,851 (2014: RM4,597,200) and a weighted average number of ordinary shares outstanding during the year of 120,776,000 (2014: 120,776,000).

19. Dividends

Dividends recognised by the Company:

	Sen per share (net of tax) RM	Total amount RM	Date of payment
2015			
Interim 2015 ordinary - tax exempt	1.25	1,509,700	28 November 2014
Interim 2015 ordinary - single tier	1.25	1,509,701	29 May 2015
Total amount		3,019,401	
2014			
Interim 2014 ordinary - tax exempt	1.25	1,509,700	29 November 2013
Interim 2014 ordinary - tax exempt	1.25	1,509,701	30 May 2014
Total amount		3,019,401	

The Directors do not recommend any final dividend to be paid for the year under review.

20. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive Chairman (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing : Income from manufacture of specialty fats, soap, and other palm oil related products and toll manufacturing.
- Trading : Trading of specialty fats from palm oil, soap chips and other palm oil related products and marine gasoil.
- Integrated hotel operation and property investment : Income from hotel operations and property investment.

The accounting policies of the reportable segments are the same as described in Note 2(q).

20. Operating segments (continued)

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, are included in the internal management reports that are reviewed by the Group's Executive Chairman (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Executive Chairman. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Executive Chairman. Hence no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

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20. Operating segments (continued)

Group	Manufacturing 2015 RM	Manufacturing 2014 RM	Trading 2015 RM	Trading 2014 RM	Integrated hotel operation and property investment 2015 RM	Integrated hotel operation and property investment 2014 RM	Total 2015 RM	Total 2014 RM
Segment profit	2,461,251	1,329,811	92,828	2,439,979	275,346	1,882,011	2,829,425	5,651,801
Included in the measure of segment profit are:								
Revenue from external customers	41,238,986	29,284,796	9,947,065	129,725,402	6,091,201	10,295,717	57,277,252	169,305,915
Depreciation and amortisation	1,271,895	716,686	236,132	120,454	1,657,051	2,366,060	3,165,078	3,203,200
Segment assets	49,803,206	30,176,527	22,304,972	27,577,094	141,699,289	158,022,777	213,807,467	215,776,398
Included in the measure of segment assets are:								
Additions to non-current assets other than financial instruments and deferred tax assets	1,456,924	132,224	-	-	464,410	536,366	1,921,334	668,590

20. Operating segments (continued)

Reconciliation of reportable segment profit or loss and assets

	Group	
	2015	**2014**
	RM	**RM**
Profit or loss		
Total profit or loss for reportable segments	2,829,425	5,651,801
Finance costs	(34,098)	(23,037)
Interest income	173,574	40,451
Unallocated expenses	(488,784)	(425,644)
Unallocated income	517,204	1,847,224
Consolidated profit before tax	2,997,321	7,090,795
Segment assets		
Total assets for reportable segments	213,807,467	215,776,398
Other non-reportable segments	2,196,759	889,348
Elimination of inter-segment balance	(106,176,041)	(106,722,625)
Consolidated total	109,828,185	109,943,121

Geographical segments

The manufacturing and trading segments are managed on a worldwide basis, but manufacturing facilities and sales offices are in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

20. Operating segments (continued)

	Group	
	Revenue RM	Non-current assets RM
Geographical information		
2015		
Domestic	25,733,343	69,275,894
South East Asia	31,543,909	-
	57,277,252	69,275,894
2014		
Domestic	25,300,370	70,589,902
South East Asia	136,968,464	-
Other countries	7,037,081	-
	169,305,915	70,589,902

Major customers

Approximately 71% (2014: 89%) of the Group's revenue are from 2 (2014: 3) major customers.

21. Financial instruments

21.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss – Held for trading ("FVTPL-HFT"); and
(c) Financial liabilities measured at amortised cost ("FL").

21. Financial instruments (continued)

21.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
2015			
Financial assets			
Group			
Other investments	1,012,400	-	1,012,400
Trade and other receivables	8,604,442	8,604,442	-
Deposits	98,066	98,066	-
Cash and cash equivalents	24,267,324	24,267,324	-
	33,982,232	32,969,832	1,012,400
Company			
Deposits	2,000	2,000	-
Cash and cash equivalents	6,559	6,559	-
	8,559	8,559	-
Financial liabilities			
Group			
Loans and borrowings	(614,600)	(614,600)	-
Trade and other payables	(6,987,814)	(6,987,814)	-
	(7,602,414)	(7,602,414)	-
Company			
Trade and other payables	(13,285,192)	(13,285,192)	-

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21. Financial instruments (continued)

21.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
2014			
Financial assets			
Group			
Other investments	-	-	-
Trade and other receivables	4,534,111	4,534,111	-
Deposits	96,359	96,359	-
Cash and cash equivalents	30,434,124	30,434,124	-
	35,064,594	35,064,594	-
Company			
Deposits	2,000	2,000	-
Cash and cash equivalents	48,383	48,383	-
	50,383	50,383	-
Financial liabilities			
Group			
Loans and borrowings	(1,518,126)	(1,518,126)	-
Trade and other payables	(5,048,112)	(5,048,112)	-
	(6,566,238)	(6,566,238)	-
Company			
Trade and other payables	(13,524,816)	(13,524,816)	-

21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	(16,661)	-	-	-
Loans and receivables	2,973,714	1,184,171	-	-
Financial liabilities measured at amortised cost	141,345	151,285	(403,082)	(435,047)
	3,098,398	1,335,456	(403,082)	(435,047)

21. Financial instruments (continued)

21.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.4 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. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from financial guarantees given to banks for credit facilities granted to subsidiaries.

21.4.1 Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2015	**2014**
	RM	**RM**
Domestic	3,133,515	1,287,323
South East Asia	5,105,522	3,028,545
	8,239,037	4,315,868

21. Financial instruments (continued)

21.4 Credit risk (continued)

21.4.1 Receivables (continued)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
2015				
Not past due	4,939,859	-	-	4,939,859
Past due 0 - 30 days	2,751,740	-	-	2,751,740
Past due 31 - 60 days	378,297	-	-	378,297
Past due more than 60 days	169,141	-	-	169,141
	8,239,037	-	-	8,239,037
2014				
Not past due	3,511,007	-	-	3,511,007
Past due 0 - 30 days	687,759	-	-	687,759
Past due 31 - 60 days	3,677	-	-	3,677
Past due more than 60 days	113,425	-	-	113,425
	4,315,868	-	-	4,315,868

There is no allowance for impairment losses of receivables during and at the end of the reporting period as a substantial amount has been collected subsequent to year end.

21.4.2 Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the performance of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM614,600 (2014: RM1,518,126) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

21. Financial instruments (continued)

21.4 Credit risk (continued)

21.4.2 Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral (continued)

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

21.4.3 Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

21.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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 when they fall due.

It is not expected that cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

21. Financial instruments (continued)

21.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	**Carrying amount RM**	**Contractual interest rate/coupon**	**Contractual cash flows RM**	**Under 1 year RM**
2015				
Non-derivative financial liabilities				
Bank overdrafts	614,600	7.60% - 8.10%	614,600	614,600
Trade and other payables	6,987,814	-	6,987,814	6,987,814
	7,602,414		7,602,414	7,602,414
2014				
Non-derivative financial liabilities				
Bank overdrafts	1,518,126	7.60% - 8.10%	1,518,126	1,518,126
Trade and other payables	5,048,112	-	5,048,112	5,048,112
	6,566,238		6,566,238	6,566,238
Company				
2015				
Non-derivative financial liabilities				
Amount due to subsidiaries	13,001,852	3.00%	13,001,852	13,001,852
Other payables and accruals	283,340	-	283,340	283,340
	13,285,192		13,285,192	13,285,192
2014				
Non-derivative financial liabilities				
Amount due to subsidiaries	13,268,436	3.00%	13,268,436	13,268,436
Other payables and accruals	256,380	-	256,380	256,380
	13,524,816		13,524,816	13,524,816

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21. Financial instruments (continued)

21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

21.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia ("RM"). The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group manages its foreign currency risk to an acceptable level by entering into forward contracts where necessary.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in	
	USD	***SGD***
	RM	**RM**
Group		
2015		
Trade and other receivables	233,632	4,871,897
Trade and other payables	(93,520)	-
Cash and bank balances	3,790,515	7,319,598
	3,930,627	12,191,495
2014		
Trade and other receivables	74,872	2,953,673
Trade and other payables	(154,387)	(266,333)
Cash and bank balances	22,523,104	6,165,832
	22,443,589	8,853,172

21. Financial instruments (continued)

21.6 Market risk (continued)

21.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2014: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	**Equity**		**Profit or loss**	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
USD	-	-	294,797	1,683,269
SGD	-	-	914,362	663,988

A 10% (2014: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

21.6.2 Interest rate risk

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. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arises from the Group's borrowings and deposits and is managed through effective negotiation with financial institutions for best available rates.

21. Financial instruments (continued)

21.6 Market risk (continued)

21.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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 period was:

	2015 RM	2014 RM
Group		
Floating rate instruments		
Financial liabilities	(614,600)	(1,518,126)
Company		
Fixed rate instruments		
Financial liabilities	(12,001,852)	(12,818,436)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does 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.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

21. Financial instruments (continued)

21.6 Market risk (continued)

21.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

(b) Cash flow sensitivity analysis for variable rate instruments (continued)

	Equity		Profit or loss	
	100 bp increase RM	**100 bp decrease RM**	**100 bp increase RM**	**100 bp decrease RM**
Group				
2015				
Cash flow sensitivity (net)	-	-	(4,610)	4,610
2014				
Cash flow sensitivity (net)	-	-	(11,386)	11,386

(c) Other price risk

Entity price risk arises from the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk
Management of the Group monitors the equity investments on a portfolio basis. Material investments within portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group.

Equity price sensitivity analysis
This analysis assumes that all other variables remain constant and the Company's equity investments moved in correlation within the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2014: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased equity by RM101,240 (2014: Nil) for investments classified as fair value through profit or loss. A 10% (2014: 10%) weakening in FBMKLCI would have had equal but opposite effect on profit or loss respectively.

21. Financial instruments (continued)

21.7 Fair value information

The table below analyses financial instruments carried at fair value, together with their fair values and carrying amounts shown in the statement of financial position.

2015	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets				
Quoted shares	1,012,400	-	-	1,012,400

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

22. Capital management

The Group's objectives 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.

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

23. Capital commitments

Outstanding commitments in respect of capital expenditure at the end of the reporting period not provided for in the financial statements are:

	Group	
	2015	2014
	RM	RM
Property, plant and equipment		
Approved, contracted for and payable within one year	55,000	-
Approved but not contracted for	183,562	150,000

24. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has a related party relationship with its subsidiaries, Directors and key management personnel.

Key management personnel compensation

Key management personnel compensation is disclosed in Note 16.

Transactions with Directors other than compensation

A number of Directors, or their related parties, hold positions in Group entities that result in them having control or significant influence over the financial or operating policies of these entities.

24. Related parties (continued)

Other related party transactions

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Company	
	2015	**2014**
	RM	**RM**
Subsidiaries		
Paos Industries Sdn. Bhd.		
Dividend income	4,000,000	4,000,000
Interest expense	(141,345)	(220,265)
Premier Oil Industries Sdn. Bhd.		
Interest expense	(261,737)	(214,782)

Related party transactions have been entered into in the normal course of business under negotiated trade terms. The outstanding amounts due to the subsidiaries as at 31 May 2014 and 2015 respectively are disclosed in Note 13.

25. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 May, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total retained earnings of the Company and its subsidiaries				
- realised	55,347	57,618	2,275	2,102
- unrealised	(461)	(1,465)	-	-
	54,886	56,153	2,275	2,102
Less: Consolidation adjustments	(29,931)	(29,928)	-	-
Total retained earnings	24,955	26,225	2,275	2,102

The determination of realised and unrealised profits is based on the Guidance of 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 on 20 December 2010.

Paos Holdings Berhad
(Company No. 452536-W)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 5 to 56 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 57 to the financial statements has been compiled in accordance with the Guidance of 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 Directors:

…………………………………………………………
Lim Chang Ching

…………………………………………………………
Alice Boo Miau Li

Shah Alam, Malaysia

Date: 26 August 2015

Paos Holdings Berhad
(Company No. 452536-W)
(Incorporated in Malaysia)
and its subsidiaries

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

I, **Alice Boo Miau Li**, the Director primarily responsible for the financial management of Paos Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 5 to 57 are, to the best of my knowledge and belief, 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 in Petaling Jaya on 26 August 2015.

………………………………………….
Alice Boo Miau Li

Before me: Raymond Cha Kar Siang (No. B362)

Independent Auditors' Report to the members of Paos Holdings Berhad

(Company No. 452536-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Paos Holdings Berhad, which comprise the statements of financial position as at 31 May 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 56.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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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 of 31 May 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes 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) The audit report on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 25 on page 57 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of 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.

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Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang
Approval Number: 2012/11/16(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 26 August 2015