PENSONIC HOLDINGS BERHAD

(Company No 300426 - P)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 MAY 2016

Registered office:
85, Muntri Street
10200 Penang

Principal place of business:
1165, Lorong Perindustrian Bukit Minyak 16
Taman Perindustrian Bukit Minyak
14100 Simpang Ampat
Penang

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(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 MAY 2016

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PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2016.

Principal Activities

The principal activities of the Company is that of properties owner and investment holding. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Profit for the financial year	11,230,009	4,426,452
Attributable to:		
Owners of the parent	11,250,226	4,426,452
Non-controlling interests	(20,217)	-
	11,230,009	4,426,452

Reserves and Provisions

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

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Dividends

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

	RM
A final single-tier dividend of RM0.020 per ordinary share in respect of the financial year ended 31 May 2015 on 31 December 2015	2,593,360
An interim single-tier dividend of RM0.010 per ordinary share in respect of the financial year ended 31 May 2016 on 15 September 2016	1,296,680
	3,890,040

The Directors recommend the payment of a final single-tier dividend of RM0.020 in respect of the current financial year ended 31 May 2016 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2017.

Options Granted Over Unissued Shares

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

Directors

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

Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak
Chew Chuon Jin
Chew Chuon Ghee
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Khairilanuar Bin Tun Abdul Rahman
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim
Tahir Jalaluddin Bin Hussain
Lee Hong Lim
Loh Eng Wee (resigned on 17.11.2015)

Directors' Interests

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.6.2015	**Bought**	**Sold**	**At 31.5.2016**
Interests in the Company:				
Direct interests				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,900,000	-	-	13,900,000
Chew Chuon Jin	9,941,400	-	1,043,000	8,898,400
Chew Chuon Ghee	7,204,000	-	-	7,204,000
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	7,519,685	-	1,211,200	6,308,485
Khairilanuar Bin Tun Abdul Rahman	2	-	-	2
Deemed interests				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
- Own	21,626,824	-	-	21,626,824
- Others*	22,239,400	110,000	1,043,000	21,306,400
Chew Chuon Jin				
- Own	21,626,824	-	-	21,626,824
- Others*	16,800	-	-	16,800
Chew Chuon Ghee	21,626,824	-	-	21,626,824
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai				
- Own	5,600	-	-	5,600
- Others*	2,958,400	647,700	2,665,400	940,700

Directors' Interests (Cont'd)

	Number of warrants 2013/2023			
	At 1.6.2015	**Allotted**	**Sold**	**At 31.5.2016**
Interests in the Company:				
Direct interests				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	9,800,000	-	-	9,800,000
Chew Chuon Jin	5,485,700	-	-	5,485,700
Chew Chuon Ghee	2,002,000	-	-	2,002,000
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,759,728	24,800	3,827,370	957,158
Deemed interests				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
- Own	10,663,912	-	-	10,663,912
- Others*	9,384,700	-	-	9,384,700
Chew Chuon Jin		-	-	
- Own	10,663,912	-	-	10,663,912
- Others*	10,000	-	-	10,000
Chew Chuon Ghee	10,663,912	-	-	10,663,912
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai				
- Others*	2,800	40,000	-	42,800

* Shares and warrants held via the spouse and/or children and are treated as the interest of the Director in accordance with Section 134(12)(c) of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee are also deemed to be interested in the shares of all the subsidiary companies to the extent that the Company has an interest under the Companies Act, 1965.

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a 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) by reason of a contract made by the Company or a related corporations 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Warrants

As at the end of the financial year, the Company has the following outstanding warrants:

Warrants	Exercise price per ordinary share	Expire date	Number of warrants outstanding at 31.5.2016
Warrants 2013/2023	RM0.60	19 December 2023	64,834,000

Warrants 2013/2023 were issued on 20 December 2013 at an issue price of RM0.10 per warrant in conjunction with the right issue of warrants to shareholders on the basis of one warrant for every two ordinary shares held in the Company. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one ordinary share of RM0.50 each for every warrant held at an exercise price of RM0.60 per share within ten years from the date of issue of the warrants. The exercise price of the warrants is subject to adjustment from time to time in accordance with the condition stipulated in the Deed Poll created on 18 November 2013.

Other Statutory Information

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

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

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

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

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

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

(iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

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

Other Statutory Information

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

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

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

(d) In the opinion of Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the result of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 September 2016.

Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK	CHEW CHUON GHEE

PENANG

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 96 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 of 31 May 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 34 to the financial statements on page 97 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 September 2016.

Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK	CHEW CHUON GHEE

PENANG

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

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

I, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, being the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 97 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Georgetown in the State of)
Penang on 13 September 2016)

Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK

Before me,

COMMISSIONER OF OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD
(Company No.: 300426-P)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Pensonic Holdings Berhad, which comprise statements of financial position as at 31 May 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 96.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD (CONT'D)
(Company No.: 300426-P)
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Basis for Qualified Opinion

Included in the Group's other receivables is an amount of RM3,460,279 due from a company in which certain Directors of the Company has substantial financial interests as disclosed in Note 12 to the financial statements that has been long outstanding and was not impaired. Minimal payment was received from this receivable as at the date of this report. In the absence of any documentary evidence and alternative audit procedures, we are unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the abovementioned long outstanding balance.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2016 and of their financial performance and cash flows for the financial 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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the 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.

(d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD (CONT'D)
(Company No.: 300426-P)
(Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out in Note 34 on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other 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.

UHY
Firm Number: AF 1411
Chartered Accountants

NG WEE TEIK
Approved Number: 1817/12/16 (J)
Chartered Accountant

KUALA LUMPUR

13 September 2016

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	95,193,974	98,302,268	51,020,919	52,480,449
Investment properties	5	481,063	489,326	-	-
Intangible assets	6	1,061,043	1,042,525	-	-
Investments in subsidiary companies	7	-	-	31,372,509	31,372,509
Investments in associate companies	8	296,373	259,448	-	-
		97,032,453	100,093,567	82,393,428	83,852,958
Current Assets					
Inventories	10	70,705,494	61,171,531	-	-
Trade receivables	11	65,093,813	62,594,191	-	-
Other receivables	12	6,556,008	6,356,173	22,695,486	30,217,344
Tax recoverable		565,382	748,867	1,500	-
Fixed deposits with licensed banks	13	2,426,470	3,763,477	20,000	20,000
Cash and bank balances		24,553,221	30,409,254	1,320,372	1,677,925
		169,900,388	165,043,493	24,037,358	31,915,269
Total Assets		266,932,841	265,137,060	106,430,786	115,768,227
EQUITY					
Share capital	14	64,834,000	64,834,000	64,834,000	64,834,000
Reserves	15	13,939,200	13,752,000	9,320,293	9,320,293
Retained earnings		37,097,706	29,737,520	7,668,816	7,132,404
Equity attributable to owners of the parent		115,870,906	108,323,520	81,823,109	81,286,697
Non-controlling interests		(27,201)	(6,984)	-	-
Total Equity		115,843,705	108,316,536	81,823,109	81,286,697

PENSONIC HOLDINGS BERHAD
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STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2016 (CONT'D)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
LIABILITIES					
Non-Current Liabilities					
Bank borrowings	16	17,595,672	27,978,722	7,724,743	16,664,743
Finance lease liabilities	17	1,202,007	628,832	-	-
Deferred tax liabilities	9	6,681	14,785	-	-
		18,804,360	28,622,339	7,724,743	16,664,743
Current Liabilities					
Trade payables	18	38,340,863	38,458,716	-	-
Other payables	19	15,942,994	22,651,267	7,942,934	8,876,787
Tax payable		-	47,412	-	-
Bank borrowings	16	77,605,889	66,765,352	8,940,000	8,940,000
Finance lease liabilities	17	395,030	275,438	-	-
		132,284,776	128,198,185	16,882,934	17,816,787
Total Liabilities		151,089,136	156,820,524	24,607,677	34,481,530
Total Equity and Liabilities		266,932,841	265,137,060	106,430,786	115,768,227

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

PENSONIC HOLDINGS BERHAD
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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

		Group		**Company**	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	20	386,258,254	385,503,122	6,600,000	6,000,000
Cost of sales		(309,119,621)	(312,790,478)	-	-
Gross profit		77,138,633	72,712,644	6,600,000	6,000,000
Other income		5,458,211	12,017,823	1,568,044	743,273
Selling and distribution expenses		(39,054,459)	(37,522,663)	-	-
Administrative expenses		(26,676,773)	(24,894,794)	(2,361,076)	(814,236)
Share of results of associate companies		36,925	11,053	-	-
Finance costs	21	(5,148,037)	(4,473,419)	(1,379,404)	(891,428)
Profit before tax	22	11,754,500	17,850,644	4,427,564	5,037,609
Taxation	23	(524,491)	(420,389)	(1,112)	32,218
Profit for the financial year		11,230,009	17,430,255	4,426,452	5,069,827
Other comprehensive income:					
Item that is or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operations		187,200	202,246	-	-
Total comprehensive income for the financial year		11,417,209	17,632,501	4,426,452	5,069,827

PENSONIC HOLDINGS BERHAD
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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Profit for the financial year attributable to:					
Owners of the parent		11,250,226	17,726,188	4,426,452	5,069,827
Non-controlling interests		(20,217)	(295,933)	-	-
		11,230,009	17,430,255	4,426,452	5,069,827
Total comprehensive income attributable to:					
Owners of the parent		11,437,426	17,928,434	4,426,452	5,069,827
Non-controlling interests		(20,217)	(295,933)	-	-
		11,417,209	17,632,501	4,426,452	5,069,827
Earnings per share	25				
Basic (sen)		8.68	13.67		
Diluted (sen)		N/A	N/A		

PENSONIC HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

		Attributable to owners of the parent									
		Non-distributable									
	Note	Share capital RM	Share premium RM	Foreign currrency translation reserve RM	Warrant reserve RM	Capital reserve RM	Other reserve RM	Distributable Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group											
At 1 June 2014		64,834,000	2,836,893	380,713	6,483,400	4,487,540	-	16,549,712	95,572,258	(299,841)	95,272,417
Profit for the financial year		-	-	-	-	-	-	17,726,188	17,726,188	(295,933)	17,430,255
Other comprehensive income for the financial year		-	-	202,246	-	-	-	-	202,246	-	202,246
Total comprehensive income for the financial year		-	-	202,246	-	-	-	17,726,188	17,928,434	(295,933)	17,632,501
Transactions with owners:											
Dividends to owners of the parent	26	-	-	-	-	-	-	(4,538,380)	(4,538,380)	-	(4,538,380)
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	588,790	588,790
Premium paid on acquisition of non-controlling interests		-	-	-	-	-	(638,792)	-	(638,792)	-	(638,792)
Total transactions with owners		-	-	-	-	-	(638,792)	(4,538,380)	(5,177,172)	588,790	(4,588,382)
At 31 May 2015		64,834,000	2,836,893	582,959	6,483,400	4,487,540	(638,792)	29,737,520	108,323,520	(6,984)	108,316,536

PENSONIC HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

		Attributable to owners of the parent									
		Non-distributable						Distributable			
	Note	Share capital RM	Share premium RM	Foreign currrency translation reserve RM	Warrant reserve RM	Capital reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group											
At 1 June 2015		64,834,000	2,836,893	582,959	6,483,400	4,487,540	(638,792)	29,737,520	108,323,520	(6,984)	108,316,536
Profit for the financial year		-	-	-	-	-	-	11,250,226	11,250,226	(20,217)	11,230,009
Other comprehensive income for the financial year		-	-	187,200	-	-	-	-	187,200	-	187,200
Total comprehensive income for the financial year		-	-	187,200	-	-	-	11,250,226	11,437,426	(20,217)	11,417,209
Transaction with owners:											
Dividends to owners of the parent	26	-	-	-	-	-	-	(3,890,040)	(3,890,040)	-	(3,890,040)
Total transaction with owners		-	-	-	-	-	-	(3,890,040)	(3,890,040)	-	(3,890,040)
At 31 May 2016		64,834,000	2,836,893	770,159	6,483,400	4,487,540	(638,792)	37,097,706	115,870,906	(27,201)	115,843,705

PENSONIC HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

		Non-distributable			Distributable	
	Note	Share capital RM	Share premium RM	Warrant reserve RM	Retained earnings RM	Total equity RM
Company						
At 1 June 2014		64,834,000	2,836,893	6,483,400	6,600,957	80,755,250
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	5,069,827	5,069,827
Transaction with owners:						
Dividends to owners of the parent	26	-	-	-	(4,538,380)	(4,538,380)
At 31 May 2015		64,834,000	2,836,893	6,483,400	7,132,404	81,286,697
At 1 June 2015		64,834,000	2,836,893	6,483,400	7,132,404	81,286,697
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	4,426,452	4,426,452
Transaction with owners:						
Dividends to owners of the parent	26	-	-	-	(3,890,040)	(3,890,040)
At 31 May 2016		64,834,000	2,836,893	6,483,400	7,668,816	81,823,109

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash Flows From Operating Activities				
Profit before tax	11,754,500	17,850,644	4,427,564	5,037,609
Adjustments for:				
Bad debt written off	-	24,404	-	-
Depreciation of property, plant and equipment	6,142,279	4,835,203	1,282,751	134,779
Depreciation of investment properties	8,263	8,262	-	-
Gain on disposal of property, plant and equipment	(56,630)	(8,487,457)	-	-
Unrealised foreign exchange gain	(883,978)	(1,182,388)	-	-
Impairment losses on trade receivables	208,035	136,074		
Reversal of impairment losses on:				
- trade receivables	(7,047)	-	-	-
- other receivables	(986,121)	(513,879)	-	-
Finance costs	5,148,037	4,473,419	1,379,404	891,428
Interest income	(102,273)	(176,069)	(19,810)	(22,487)
Inventories written down	317,901	288,134	-	-
Inventories written back	(25,309)	-	-	-
Inventories written off	299,038	936,236	-	-
Dividend income from subsidiary companies	-	-	(6,600,000)	(6,000,000)
Provision for slow-moving inventories	400,978	-	-	-
Property, plant and equipment written off	630,210	-	-	-
Share of results of associate companies	(36,925)	(11,053)	-	-
Operating profit before working capital changes	22,810,958	18,181,530	469,909	41,329

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Changes in working capital:					
Inventories		(9,952,744)	18,676,750	-	-
Receivables		(723,764)	269,196	8,121,858	12,772,619
Payables		(8,010,067)	(9,007,185)	(285,513)	(12,206,062)
		(18,686,575)	9,938,761	7,836,345	566,557
Cash generated from operations		4,124,383	28,120,291	8,306,254	607,886
Tax paid		(412,054)	(397,137)	(2,612)	-
Tax refund		15,532	1,444,972	-	32,218
Net cash from operating activities		3,727,861	29,168,126	8,303,642	640,104
Cash Flows From Investing Activities					
Acquisition of non-controling interests	7(a)	-	(50,002)	-	-
Interest received		102,273	176,069	19,810	22,487
Dividends received		-	-	6,000,000	3,500,000
Proceeds from disposal of property, plant and equipment		372,405	9,418,555	423,786	-
Purchase of property, plant and equipment	4(a)	(2,674,234)	(15,341,692)	(247,007)	(12,245,928)
Net cash (used in)/from investing activities		(2,199,556)	(5,797,070)	6,196,589	(8,723,441)

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

		Group		**Company**	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Cash Flows From Financing Activities					
Drawdown of term loans		-	30,372,067	-	20,372,067
Repayment of term loans		(10,562,554)	(8,242,253)	(8,940,000)	(7,015,000)
Repayment of finance lease liabilities		(610,133)	(305,080)	-	-
Dividends paid		(4,538,380)	(2,593,360)	(4,538,380)	(2,593,360)
Net changes in bankers' acceptances		7,110,455	(17,377,003)	-	-
Decrease/(Increase) in pledged fixed deposits		1,518,840	(266,192)	-	-
Increase in fixed deposits with maturity more than three months		(769)	(23,028)	-	-
Interest paid		(5,148,037)	(5,092,541)	(1,379,404)	(1,510,550)
Net cash (used in)/from financing activities		(12,230,578)	(3,527,390)	(14,857,784)	9,253,157
Net (decrease)/increase in cash and cash equivalents		(10,702,273)	19,843,666	(357,553)	1,169,820
Effects of exchange translation differences on cash and cash equivalents		919,849	893,616	-	-
Cash and cash equivalents at the beginning of the financial year		25,723,072	4,985,790	1,677,925	508,105
Cash and cash equivalents at the end of the financial year		15,940,648	25,723,072	1,320,372	1,677,925

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016 (CONT'D)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	24,553,221	30,409,254	1,320,372	1,677,925
Fixed deposits with licensed banks	2,426,470	3,763,477	20,000	20,000
Bank overdrafts	(8,612,573)	(4,686,182)	-	-
	18,367,118	29,486,549	1,340,372	1,697,925
Less: Pledged fixed deposits with licensed banks	(2,402,673)	(3,740,449)	(20,000)	(20,000)
Fixed deposits with maturity more than three months	(23,797)	(23,028)	-	-
	15,940,648	25,723,072	1,320,372	1,677,925

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2016

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are properties owner and investment holding. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The registered office of the Company is located at 85, Muntri Street, 10200 Penang.

The principal place of business of the Company is located at 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.

2. 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 Standard ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies.

Adoption of new and amended standards and IC Interpretation

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 19 Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective

The Group and the Company has not applied the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 11	Accounting for Acquisitions of Interests In Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments of MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9	Financial Instruments (IMFRS 9 issued By IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS12	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group and the Company intend to adopt the above MFRSs when they become effective.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company is currently examining the financial impact of adopting MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

MFRS 15 *Revenue from Contracts with Customers* (Cont'd)

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company is currently examining the impact of the application of MFRS 16.

(b) **Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting judgments, estimates and assumptions**

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

Judgments

There are no significant areas of critical judgment in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and investment properties

The Group regularly review the estimated useful lives of property, plant and equipment and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment and investment properties. The carrying amount at the reporting date for property, plant and equipment and investment properties and disclosed in Notes 4 and 5 respectively.

Impairment of intangible assets

The Group determines whether intangible assets is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 6.

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting judgments, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies of the carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 9.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10.

Impairment on loan and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the end of the reporting period for loans and receivables are disclosed in Notes 11 and 12 respectively.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 May 2016, the Group and the Company have tax recoverable of RM565,382 and RM1,500 (2015: RM748,867 and RMNil) respectively and tax payable of RMNil and RMNil (2015: RM47,412 and RMNil) respectively. .

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting judgments, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 29(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. **Significant Accounting Policies**

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

(a) **Basis of consolidation**

(i) **Subsidiary companies**

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(i) **Subsidiary companies (Cont'd)**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) on impairment of non-financial assets.

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(ii) **Changes in ownership interests in subsidiary companies without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) **Disposal of subsidiary companies**

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) **Goodwill on consolidation**

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(m)(i) on impairment of non-financial assets.

3. **Significant Accounting Policies (Cont'd)**

(b) **Investments in associate companies**

An associate company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate company, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate company's profit or loss for the period in which the investment is acquired.

An associate company is equity accounted for from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate company or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate company after the date of acquisition. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate company.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate company are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred

The financial statements of the associate company are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate company. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single assets, by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

3. **Significant Accounting Policies (Cont'd)**

(b) **Investments in associate companies (Cont'd)**

Upon loss of significant influence over the associate company, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate company upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associate company is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) on impairment of non-financial assets.

(c) **Foreign currency translation**

(i) **Foreign currency transactions and balances**

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

3. **Significant Accounting Policies (Cont'd)**

(c) **Foreign currency translation (Cont'd)**

(ii) **Foreign operations**

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss

(d) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i).

(i) **Recognition and measurement**

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

3. **Significant Accounting Policies (Cont'd)**

(d) **Property, plant and equipment (Cont'd)**

(i) **Recognition and measurement (Cont'd)**

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.

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

Capital work-in-progress consists of buildings under construction for intended use as office. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction until the property, plant and equipment are ready for their intended use.

(ii) **Subsequent costs**

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) **Depreciation**

Depreciation of property, plant and equipment is recognised in the profit or loss on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	Over the remaining lease period
Buildings	50 years
Computers	2 to 10 years
Renovation and electrical installation	8 to 10 years
Plant and machinery	8 to 10 years
Furniture, fittings and office equipment	3 to 20 years
Motor vehicles	5 to 10 years
Signboard and showcase	10 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. **Significant Accounting Policies (Cont'd)**

(e) **Leases**

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

As lessee

(i) **Finance lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. 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 finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. 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 a property, plant and equipment.

(ii) **Operating lease**

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the 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.

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

3. **Significant Accounting Policies (Cont'd)**

(e) **Leases (Cont'd)**

<u>As lessor</u>
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) **Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Shoplots	50 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) its on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(g) **Intangible assets**

(i) **Goodwill**

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted associate companies, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associate companies.

3. **Significant Accounting Policies (Cont'd)**

(g) **Intangible assets (Cont')**

(ii) **Trademarks**

Trademarks are measured at cost less any accumulated impairment losses.

(iii) **Amortisation**

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(iv) **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(v) **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(m)(i) on impairment of non-financial assets for intangible assets.

3. **Significant Accounting Policies (Cont'd)**

(h) **Financial assets**

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(i) **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) **Financial liabilities measured at amortised cost**

The Group's and the Company's financial liabilities comprise trade and other payables and loans and borrowings.

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

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3. **Significant Accounting Policies (Cont'd)**

(i) **Financial liabilities (Cont'd)**

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

(j) **Offsetting of financial instruments**

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

(k) **Inventories**

Raw materials and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on a weighted average basis. Cost of finished goods consists of direct material, direct labour and an appropriate proportion 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.

(l) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. **Significant Accounting Policies (Cont'd)**

(m) **Impairment of assets**

(i) **Non-financial assets**

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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 cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units).

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods 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 only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(m) **Impairment of assets (Cont'd)**

(ii) **Financial assets**

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies and associate companies, 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.

Financial assets carried at amortised cost

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset 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 reversal is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(n) **Provisions**

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

(o) **Share capital**

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

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. **Significant Accounting Policies (Cont'd)**

(p) **Employee Benefits**

(i) **Short term employee benefits**

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) **Defined contribution plans**

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contribution to their respective countries statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(q) **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

3. **Significant Accounting Policies (Cont'd)**

(r) **Revenue**

(i) **Sale of goods**

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods 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.

(ii) **Dividend income**

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

(iii) **Rental income**

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

(iv) **Interest income**

Interest income is recognised on accruals basis using the effective interest method.

(s) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. **Significant Accounting Policies (Cont'd)**

(t) **Income taxes**

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

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

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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are 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.

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

3. **Significant Accounting Policies (Cont'd)**

(u) **Earnings per 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 reporting period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise warrants granted to shareholders.

(v) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(w) **Contingencies**

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

4. Property, Plant and Equipment

	Leasehold land RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Group										
2016										
Cost										
At 1 June 2015	17,156,530	20,811,427	4,531,591	9,710,757	29,720,442	6,854,415	6,128,251	308,969	43,912,540	139,134,922
Additions	-	60,475	274,952	303,352	186,475	538,836	1,518,485	1,094,559	-	3,977,134
Disposals	-	-	-	(3,600)	(89,127)	(73,610)	(1,101,584)	-	-	(1,267,921)
Writen off	-	-	(373,049)	(993,310)	(3,292,973)	(335,757)	(6,850)	(30,500)	-	(5,032,439)
Exchange differences	-	-	17,002	-	-	19,411	-	-	-	36,413
Reclassification	-	43,912,540	-	-	-	-	-	-	(43,912,540)	-
At 31 May 2016	17,156,530	64,784,442	4,450,496	9,017,199	26,524,817	7,003,295	6,538,302	1,373,028	-	136,848,109
Accumulated depreciation										
At 1 June 2015	3,049,899	5,498,500	3,758,080	6,123,111	15,066,240	2,653,704	4,408,718	274,402	-	40,832,654
Charge for the financial year	295,188	1,246,708	293,771	634,709	2,457,188	620,352	531,151	63,212	-	6,142,279
Disposals	-	-	-	(1,464)	(90,041)	(64,569)	(796,072)	-	-	(952,146)
Writen off	-	-	(370,475)	(961,405)	(2,789,472)	(243,532)	(6,849)	(30,496)	-	(4,402,229)
Exchange differences	-	-	15,977	-	-	17,600	-	-	-	33,577
At 31 May 2016	3,345,087	6,745,208	3,697,353	5,794,951	14,643,915	2,983,555	4,136,948	307,118	-	41,654,135
Carrying amount										
At 31 May 2016	13,811,443	58,039,234	753,143	3,222,248	11,880,902	4,019,740	2,401,354	1,065,910	-	95,193,974

4. Property, Plant and Equipment (Cont'd)

	Leasehold land RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Group										
2015										
Cost										
At 1 June 2014	18,046,530	23,196,765	4,099,296	8,290,610	29,751,562	3,334,652	5,787,443	279,719	27,158,406	119,944,983
Additions	-	-	428,829	1,420,147	183,017	3,522,238	623,630	29,250	16,754,134	22,961,245
Disposals	(890,000)	(2,385,338)	-	-	(214,137)	(14,650)	(282,822)	-	-	(3,786,947)
Writen off	-	-	(3,142)	-	-	-	-	-	-	(3,142)
Exchange differences	-	-	6,608	-	-	12,175	-	-	-	18,783
At 31 May 2015	17,156,530	20,811,427	4,531,591	9,710,757	29,720,442	6,854,415	6,128,251	308,969	43,912,540	139,134,922
Accumulated depreciation										
At 1 June 2014	3,095,877	7,137,990	3,495,816	5,543,808	12,665,596	2,339,838	4,293,454	266,919	-	38,839,298
Charge for the financial year	307,549	471,157	259,280	579,303	2,516,278	314,072	380,081	7,483	-	4,835,203
Disposals	(353,527)	(2,110,647)	-	-	(115,634)	(11,224)	(264,817)	-	-	(2,855,849)
Writen off	-	-	(3,142)	-	-	-	-	-	-	(3,142)
Exchange differences	-	-	6,126	-	-	11,018	-	-	-	17,144
At 31 May 2015	3,049,899	5,498,500	3,758,080	6,123,111	15,066,240	2,653,704	4,408,718	274,402	-	40,832,654
Carrying amount										
At 31 May 2015	14,106,631	15,312,927	773,511	3,587,646	14,654,202	4,200,711	1,719,533	34,567	43,912,540	98,302,268

4. Property, Plant and Equipment (Cont'd)

	Leasehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Computers RM	Construction in progress RM	Total RM
Company						
2016						
Cost						
At 1 June 2015	6,300,899	-	2,578,778	92,569	43,912,540	52,884,786
Additions	-	60,475	186,532	-	-	247,007
Disposals	-	(415,652)	(8,134)	-	-	(423,786)
Reclassification	-	43,912,540			(43,912,540)	-
At 31 May 2016	6,300,899	43,557,363	2,757,176	92,569	-	52,708,007
Accumulated depreciation						
At 1 June 2015	404,337	-	-	-	-	404,337
Charge for the financial year	134,779	871,148	267,567	9,257	-	1,282,751
At 31 May 2016	539,116	871,148	267,567	9,257	-	1,687,088
Carrying amount						
At 31 May 2016	5,761,783	42,686,215	2,489,609	83,312	-	51,020,919
2015						
Cost						
At 1 June 2014	6,300,899	-	-	-	27,158,406	33,459,305
Additions	-	-	2,578,778	92,569	16,754,134	19,425,481
At 31 May 2015	6,300,899	-	2,578,778	92,569	43,912,540	52,884,786
Accumulated depreciation						
At 1 June 2014	269,558	-	-	-	-	269,558
Charge for the financial year	134,779	-	-	-	-	134,779
At 31 May 2015	404,337	-	-	-	-	404,337
Carrying amount						
At 31 May 2015	5,896,562	-	2,578,778	92,569	43,912,540	52,480,449

4. **Property, Plant and Equipment (Cont'd)**

(a) The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year acquired under finance leases, remained unpaid at year end, through capitalisation of interest expense and cash payments are as follows:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Aggregate costs	3,977,134	22,961,245	247,007	19,425,481
Less: Other payables	-	(6,560,431)	-	(6,560,431)
Less: Finance leases	(1,302,900)	(440,000)	-	-
Less: Interest expense capitalisation	-	(619,122)	-	(619,122)
Cash payments	2,674,234	15,341,692	247,007	12,245,928

(b) Assets held under finance leases

The carrying amount of property, plant and equipment of the Group held under finance leases are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Motor vehicles	2,076,022	1,306,586

The leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 17.

4. Property, Plant and Equipment (Cont'd)

(c) Assets pledged as securities to licensed banks

The carrying amount of property, plant and equipment of the Group and of the Company pledged as securities for bank borrowings as disclosed in Note 16 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Leasehold land	6,726,689	8,209,228	5,761,783	5,896,562
Buildings	46,295,703	11,741,548	42,686,215	-
Plant and machinery	3,194,221	5,576,326	-	-
Construction in progress	-	43,912,540	-	43,912,540
	56,216,613	69,439,642	48,447,998	49,809,102

(d) Capitalisation of borrowing costs

The construction in progress of the Group and of the Company is the construction of a new building commenced in year 2013. The project was completed in June 2015. The construction is financed by a banking facility from a licensed bank.

The amount of borrowing costs capitalised during the financial year was Nil (2015: RM619,122).

(e) The remaining lease period of the leasehold land of the Group and of the Company is range from 36 to 66 (2015: 37 to 67) years and 44 (2015: 45) years respectively.

(f) Leasehold land

Included in the carrying amount of leasehold land are:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Leasehold land with unexpired lease period of more than 50 years	5,790,177	5,897,403	-	-
Leasehold land with unexpired lease period of less than 50 years	8,021,266	8,209,228	5,761,783	5,896,562
	13,811,443	14,106,631	5,761,783	5,896,562

5. Investment Properties

	Group	
	2016	**2015**
	RM	**RM**
Shoplots		
Cost		
At 1 June/31 May	630,000	630,000
Accumulated depreciation		
At 1 June	140,674	132,412
Charge for the financial year	8,263	8,262
At 31 May	148,937	140,674
Carrying amount	481,063	489,326
Fair value of investment properties	724,286	724,286

(a) The lease period of the investment properties of the Group is ranging from 59 to 60 (2015: 60 to 61) years.

(b) Assets pledged as securities to licensed banks

The carrying amount of investment properties of the Group amounted to RM358,684 (2015: RM364,869) pledged as securities for banking facilities granted to the subsidiary companies as disclosed in Note 16.

(c) Income and expenses recognised in profit or loss

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

	Group	
	2016	**2015**
	RM	**RM**
Rental income	29,324	30,600
Direct expenses:		
- Income generating investment property	(13,837)	(14,169)

(d) Fair value information

The fair value was based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued. The fair value of the investment properties are within level 3 of the fair value hierarchy. The Directors estimate the fair values of the Group's investment properties based on comparison of the Group's investment properties with similar properties that were listed for sales within the same locality or other comparable localities.

6. Intangible Assets

	Goodwill RM	Trademark RM	Total RM
Group			
Cost			
At 1 June 2015	172,525	870,000	1,042,525
Exchange difference	18,518	-	18,518
At 31 May 2016	191,043	870,000	1,061,043
At 1 June 2014	164,071	870,000	1,034,071
Exchange difference	8,454	-	8,454
At 31 May 2015	172,525	870,000	1,042,525

The trademark for the "Cornell" brand name was acquired in a business combination by way of an assignment of full and absolute rights from the registered proprietor. As those rights were assigned without any specified time frame and management believes that there is no foreseeable limit to the period over which the brand is expected to generate cash inflows for the Company, the trademark was assessed as having an indefinite useful live subject to use in good faith.

The recoverable amounts of the goodwill and trademark are determined based on value in use calculations using cash flows projections based on financial budget approved by the Directors covering a period of 3 to 4 years. The projection is based on management's assessment of future trends and market developments. The value in use calculation is determined by discounting the future cash flows using a pre-tax discount rate of 11% (2015: 11%). The Directors have relied on past experience and all external evidence available in determining the assumptions.

7. Investments in Subsidiary Companies

	Company	
	2016 RM	2015 RM
At cost		
In Malaysia:		
Unquoted shares	31,382,958	31,382,958
Less: Accumulated impairment losses	(1,020,000)	(1,020,000)
	30,362,958	30,362,958
Outside Malaysia:		
Unquoted shares	1,009,551	1,009,551
	31,372,509	31,372,509

7. **Investments in Subsidiary Companies (Cont'd)**

Details of the subsidiary companies are as follows:

Name of company	**Country of incorporation**	**Effective interest 2016 %**	**2015 %**	**Principal activities**
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sales of electrical products
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sales of electrical products
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd.*	Singapore	100	100	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Microtag Engineering Sdn. Bhd.*	Malaysia	51	51	Dormant

7. **Investments in Subsidiary Companies (Cont'd)**

Details of the subsidiary companies are as follows (Cont'd):

Name of company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Held through Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical products
Pensonic (H.K.) Corporation Limited*	Hong Kong	100	100	Trading of home electrical appliances and investment holding
Pensonic Parts & Service Sdn. Bhd.	Malaysia	100	100	Trading and services of parts for electrical and electronic appliances
Pensia Plastic Industries Sdn. Bhd.*	Malaysia	100	100	Plastic injection and moulding
Held through Pensonic Sales & Service Sdn. Bhd.				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances

7. **Investments in Subsidiary Companies (Cont'd)**

Details of the subsidiary companies are as follows (Cont'd):

Name of company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Held through Kollektion Distribution Sdn. Bhd.				
Kollektion Haus (Austin) Sdn. Bhd.	Malaysia	60	60	Distribution of home appliances

** Subsidiary companies not audited by UHY*

(a) Acquisition of non-controlling interests

On 27 January 2015, Keat Radio Co. Sdn. Bhd. ("KRC"), a wholly-owned subsidiary company of the Company, acquired additional 40% equity interest in Pensonic Parts & Service Sdn. Bhd. ("PPS") for a cash consideration of RM50,002. As a result of this acquisition, PPS became a wholly-owned subsidiary company of KRC.

The carrying amount of PPS's net liabilities in the Group's financial statements on the date of acquisition was RM588,790. The Group recognised an increase in non-controlling interests of RM588,790 and a decrease in other reserve of RM638,792.

The effect of changes in the equity interest in PPS that is attributable to owners of the Company:

	2015 RM
Carrying amount of non-controlling interests acquired	(588,790)
Consideration paid to non-controlling interests	(50,002)
Decrease in parent's equity	(638,792)

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

8. Investments in Associate Companies

	Group 2016 RM	Group 2015 RM
At Cost		
Unquoted shares in Malaysia	20,000	20,000
Unquoted shares in outside Malaysia	184,610	184,610
	204,610	204,610
Share of post-acquisition reserves	91,763	54,838
	296,373	259,448

Details of the associate companies are as follows:

Name of company	Country of Incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Held through Pensonic Corporation Sdn. Bhd.				
Pensonic (B) Sdn. Bhd.*	Brunei	40	40	Trading of electrical and electronic appliances
Held through Microtag Engineering Sdn. Bhd.				
Microtag System Sdn. Bhd.*	Malaysia	10	10	Dormant

** Associate companies not audited by UHY*

The Group's associate companies are not material individually to the financial position, financial performance and cash flows of the Group.

9. **Deferred Tax Assets/(Liabilities)**

	Group	
	2016	**2015**
	RM	**RM**
At 1 June	(14,785)	14,858
Recognised in profit or loss	8,104	(29,643)
At 31 May	(6,681)	(14,785)

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Deferred tax assets	716,165	716,165
Deferred tax liabilities	(722,846)	(730,950)
	(6,681)	(14,785)

The components and movements of deferred tax liabilities and assets are as follows:

	Accelerated capital allowances RM	**Other temporary differences RM**	**Total RM**
Group			
Deferred tax liabilities			
At 1 June 2015	(395,850)	(335,100)	(730,950)
Recognised in profit or loss	1,350	6,754	8,104
At 31 May 2016	(394,500)	(328,346)	(722,846)
At 1 June 2014	(394,500)	(306,807)	(701,307)
Recognised in profit or loss	(1,350)	(28,293)	(29,643)
At 31 May 2015	(395,850)	(335,100)	(730,950)

9. **Deferred Tax Assets/(Liabilities) (Cont'd)**

The components and movements of deferred tax liabilities and assets are as follows: (Cont'd)

	Unutilised capital allowances RM	Unutilised tax losses RM	Total RM
Group			
Deferred tax assets			
At 1 June 2015/31 May 2016	277,617	438,548	716,165
At 1 June 2014/31 May 2015	277,617	438,548	716,165

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

	Group 2016 RM	Group 2015 RM
Other deductible temporary differences	61,756	76,928
Unutilised capital allowances	303,283	83,902
Unutilised tax losses	21,255,295	18,917,300
Unutilised reinvestment allowances	10,182,312	10,182,312
	31,802,646	29,260,442

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

10. **Inventories**

	Group	
	2016	**2015**
	RM	**RM**
At cost		
Raw materials	6,757,367	8,496,367
Manufactured and trading goods	17,302,758	20,378,954
Good-in-transits	677,994	633,433
	24,738,119	29,508,754
At net realisable value		
Manufactured and trading goods	45,967,375	31,662,777
	70,705,494	61,171,531
Recognised in profit or loss:		
Inventories recognised in cost of sales	288,127,730	290,398,981
Provision for slow-moving inventories	400,978	-
Inventories written back	(25,309)	-
Inventories written down	317,901	288,134
Inventories written off	299,038	936,236

The reversal of inventories written back was made during the financial year when the related inventories were sold above their carrying amounts.

11. **Trade Receivables**

	Group	
	2016	**2015**
	RM	**RM**
Trade receivables:		
- Third parties	64,678,969	62,272,397
- Amount due from associate companies	1,563,325	1,278,133
	66,242,294	63,550,530
Less: Accumulated impairment losses		
Third parties	(1,148,481)	(956,339)
	65,093,813	62,594,191

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2015: 30 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

11. **Trade Receivables (Cont'd)**

Movements in the allowance for impairment losses of trade receivables of the Group are as follows:

	Group	
	2016	**2015**
	RM	**RM**
At 1 June	956,339	889,661
Impairment losses recognised	208,035	136,074
Written off	(8,846)	(69,396)
Reversal	(7,047)	-
At 31 May	1,148,481	956,339

Analysis of the trade receivables ageing of the Group as at the end of the financial year is as follows:

	Group	
	2016	**2015**
	RM	**RM**
Neither past due nor impaired	55,960,607	53,003,888
Past due but not impaired:		
Less than 60 days	7,577,311	7,259,643
60 to 120 days	551,587	567,305
More than 120 days	1,004,308	1,763,355
	9,133,206	9,590,303
	65,093,813	62,594,191
Impaired	1,148,481	956,339
	66,242,294	63,550,530

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

As at 31 May 2016, the Group's trade receivables of RM9,133,206 (2015: RM9,590,303) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM1,148,481 (2015: RM956,339), related to customers that are in financial difficulties. This balance is expected to be recovered through the debts recovery process.

Related party balances

Amount due from associate companies is unsecured, non-interest bearing and are generally on 30 to 60 days (2015: 30 to 60 days) term.

12. **Other Receivables**

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Other receivables	765,001	819,773	89,974	547,747
Deposits	1,086,504	405,936	860	750
Prepayments	1,231,307	2,006,693	-	2,282
Dividend receivables	-	-	6,600,000	6,000,000
Amounts due from subsidiary companies	-	-	16,004,652	23,666,565
Amounts due from associate companies	110,760	108,505	-	-
Amounts due from a company in which certain Directors of the Company has substantial financial interests	3,460,279	4,099,230	-	-
	6,653,851	7,440,137	22,695,486	30,217,344
Less: Accumulated impairment losses				
Amount due from an associate company	(97,843)	(97,843)	-	-
Amount due from a company in which certain Directors of the Company has substantial financial interests	-	(986,121)	-	-
	(97,843)	(1,083,964)	-	-
	6,556,008	6,356,173	22,695,486	30,217,344

Movements in the allowance for impairment losses of other receivables are as follows:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
At 1 June	1,083,964	1,597,843	-	-
Reversal of impairment	(986,121)	(513,879)	-	-
At 31 May	97,843	1,083,964	-	-

12. Other Receivables (Cont'd)

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Reversal of impairment of the Group were made during the financial year when the related amounts were collected amounting to RM986,121 (2015: RM513,879).

Related party balances

Amounts due from subsidiary companies and associate companies are unsecured, non-interest bearing and repayable on demand.

The amount due from a company in which certain Directors of the Company has substantial financial interest amounting to RM3,460,279 has been long outstanding and was not impaired as the Directors are of the opinion that this amount is recoverable. As at the date of this report, the Company has received payment approximately of RM320,000.

13. Fixed Deposits with Licensed Banks

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Pledged fixed deposits with licensed banks	2,402,673	3,740,449	20,000	20,000
Fixed deposits with licensed banks with maturity more than three months	23,797	23,028	-	-
	2,426,470	3,763,477	20,000	20,000

The interest rate of fixed deposits with licensed banks of the Group is range from 0.18% to 3.30% (2015: 0.18% to 3.30%) per annum and the maturity of deposits are 30 to 365 days (2015: 30 to 365 days).

The fixed deposits with licensed banks of the Group are amounted to RM2,426,470 (2015: RM3,763,477) of which RM2,402,673 (2015: RM3,740,449) is pledged to licensed banks as securities for credit facilities granted to the subsidiary companies as disclosed in Note 16 and RM20,000 (2015: RM20,000) is held under lien to secure bank guarantees made in favour of Tenaga Nasional Berhad.

Included in the fixed deposits with licensed banks of the Group and of the Company amounted to RM32,000 (2015: RM32,000) and RM20,000 (2015: RM20,000) respectively are held in trust by a Director on behalf of the Group's subsidiary company and the Company.

14. Share Capital

	Group and Company			
	Number of Ordinary Shares of RM0.50 each		Amount	
	2016 Units	2015 Units	2016 RM	2015 RM
Authorised share capital				
At 1 June/31 May	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid shares				
At 1 June/31 May	129,668,000	129,668,000	64,834,000	64,834,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

15. Reserves

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable:					
Share premium	(a)	2,836,893	2,836,893	2,836,893	2,836,893
Foreign currency translation reserve	(b)	770,159	582,959	-	-
Warrant reserve	(c)	6,483,400	6,483,400	6,483,400	6,483,400
Capital reserve	(d)	4,487,540	4,487,540	-	-
Other reserve	(e)	(638,792)	(638,792)	-	-
		13,939,200	13,752,000	9,320,293	9,320,293

The nature of the reserve of the Group and of the Company is as follows:

(a) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

15. **Reserves (Cont'd)**

The nature of the reserve of the Group and of the Company is as follows: (Cont'd)

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Warrant reserve

The warrants reserve represents the consideration of the Warrants 2013/2023 at the date of issue. When the warrants are exercised or expired, the warrants reserve remains in equity, although it maybe be transferred to another reserve account within equity.

As at 31 May 2016, the Company has the following outstanding warrants:

Warrants	**Exercise price per ordinary share**	**Expiry date**	**Number of warrants outstanding as at 31.5.2016**
Warrants 2013/2023	RM0.60	19.12.2023	64,834,000

Warrants 2013/2023 were issued on 20 December 2013 at an issue price of RM0.10 per warrant in conjunction with the right issue of warrants to shareholders on the basis of one warrant for every two ordinary shares held in the Company. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one ordinary share of RM0.50 each for every warrant held at an exercise price of RM0.60 per share within ten years from the date of issue of the warrants. The exercise price of the warrants is subject to adjustment from time to time in accordance with the condition stipulated in the Deed Poll created on 18 November 2013.

(d) Capital reserve

The capital reserve of the Group represents the statutory reserve of foreign subsidiary companies as required by foreign legislations.

(e) Other reserve

The premium paid on acquisition of non-controlling interests of the Group represents the difference between the consideration paid and the carrying value of interest acquired from the non-controlling interests.

16. **Bank Borrowings**

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current				
Unsecured				
Bank overdrafts	5,640,028	4,445,517	-	-
Bankers' acceptances	56,520,163	49,829,426	-	-
	62,160,191	54,274,943	-	-
Secured				
Bank overdrafts	2,972,545	240,665	-	-
Bankers' acceptances	2,090,102	1,670,384	-	-
Term loans	10,383,051	10,579,360	8,940,000	8,940,000
	15,445,698	12,490,409	8,940,000	8,940,000
	77,605,889	66,765,352	8,940,000	8,940,000
Non-Current				
Secured				
Term loans	17,595,672	27,978,722	7,724,743	16,664,743
	17,595,672	27,978,722	7,724,743	16,664,743
	95,201,561	94,744,074	16,664,743	25,604,743

(a) Secured bank overdrafts, bankers' acceptances and term loans

These bank overdrafts, bankers' acceptances and term loans are secured by the following:

(i) legal charge over certain leasehold land, building, and plant and machinery and construction in progress as disclosed in Note 4;

(ii) legal charge over investment properties as disclosed in Note 5; and

(iii) legal charge on fixed deposits with licensed banks as disclosed in Note 13.

16. **Bank Borrowings (Cont'd)**

The effective interest rate of the Group and of the Company for the above facilities as at reporting date are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	%	**%**	**%**	**%**
Bank overdrafts	8.10 - 8.60	8.10 - 8.60	-	-
Bankers' acceptance	1.50 - 5.50	1.50 - 5.50	-	-
Term loans	5.45 - 7.70	5.45 - 7.70	6.35	6.60

The maturity of bank borrowings of the Group and of the Company are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Within one year	77,605,889	66,765,352	8,940,000	8,940,000
Later than one year but not later than two years	7,129,715	10,383,051	5,625,000	8,940,000
Later than two years but not later than five years	4,465,989	10,929,031	2,099,743	7,724,743
Later than five years	5,999,968	6,666,640	-	-
	95,201,561	94,744,074	16,664,743	25,604,743

17. Finance Lease Liabilities

	Group	
	2016	**2015**
	RM	**RM**
Minimum lease payments:		
Within one year	467,407	317,691
Later than one year and not later than two years	408,632	251,647
Later than two years and not later than five years	904,509	430,242
	1,780,548	999,580
Less: Future finance charges	(183,511)	(95,310)
Present value of minimum lease payments	1,597,037	904,270
Present value of minimum lease payments		
Within one year	395,030	275,438
Later than one year and not later than two years	357,164	223,782
Later than two years and not later than five years	844,843	405,050
	1,597,037	904,270
Analysed as:		
Repayable within twelve months	395,030	275,438
Repayable after twelve months	1,202,007	628,832
	1,597,037	904,270

Obligations under finance leases

These obligations are secured by a charge over the leased assets as disclosed in Note 4(b). The effective interest rate for the leases is range from 2.38% to 3.36% (2015: 2.46% to 3.75%) per annum.

18. Trade Payables

	Group	
	2016	**2015**
	RM	**RM**
Trade payables		
- Third parties	38,340,863	38,458,716

The normal trade credit terms granted to the Group is 30 to 60 days (2015: 30 to 60 days). Other credit terms are assessed and approved on a case to case basis.

19. Other Payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Other payables	4,696,905	10,220,568	1,514,434	3,716,932
Deposit received	79,835	29,195	-	-
Accruals	9,869,574	10,456,484	151,000	137,742
Dividends payable	1,296,680	1,945,020	1,296,680	1,945,020
Amounts due to subsidiary companies	-	-	4,980,820	3,077,093
	15,942,994	22,651,267	7,942,934	8,876,787

Included in other payables of the Group and of the Company amounted to RM1,444,338 (2015: RM3,716,932) and RM1,444,338 (2015: RM3,716,932) respectively are amount due to a contractor for construction of a new building.

Amounts due to subsidiary companies is unsecured, non-interest bearing and repayable on demand.

20. Revenue

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Sale of goods	386,258,254	385,503,122	-	-
Dividend income from subsidiary companies	-	-	6,600,000	6,000,000
	386,258,254	385,503,122	6,600,000	6,000,000

21. **Finance Costs**

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interests expense on:				
- Bank overdrafts	408,460	883,158	-	107,939
- Bankers' acceptances	2,388,569	2,648,849	-	-
- Term loans	2,205,337	1,451,086	1,379,404	1,402,611
- Finance leases	81,333	46,901	-	-
- Trust receipts	55,344	59,719	-	-
- Others	8,994	2,828	-	-
	5,148,037	5,092,541	1,379,404	1,510,550
Less:				
Capitalised under property, plant and equipment	-	(619,122)	-	(619,122)
	5,148,037	4,473,419	1,379,404	891,428

22. **Profit before Tax**

Profit before tax is derived after charging/(crediting):

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Auditors' remuneration:				
- Statutory audit:				
- Current year	181,253	176,400	26,000	26,000
- Under provision for prior years	5,996	3,000	2,000	2,000
- Other auditors	48,051	42,928	-	-
- Non-audit services:				
- Current year	16,000	-	-	-
- Other auditors	-	10,200	-	-
Bad debt written off	-	24,404	-	-
Non-executive Director's remuneration:				
- Fee	45,000	50,000	45,000	50,000
- Other emoluments	122,000	96,000	-	-

22. **Profit before Tax (Cont'd)**

Profit before tax is derived after charging/(crediting):

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Depreciation of investment properties	8,263	8,262	-	-
Depreciation of property, plant and equipment	6,142,279	4,835,203	1,282,751	134,779
Impairment losses on trade receivables	208,035	136,074	-	-
Inventories written down	317,901	288,134	-	-
Inventories written back	(25,309)	-	-	-
Inventories written off	299,038	936,236	-	-
Provision for slow-moving inventories	400,978	-	-	-
Property, plant and equipment written off	630,210	-	-	-
Rental expenses on:				
- Equipment	275,138	167,612	-	-
- Premises	6,255,335	6,101,962	-	-
- Exhibition booths	157,376	242,551	-	-
Research and development expense	934,946	844,316	-	-
Bad debt recovered	(2,250)	-	-	-
Gain on disposal of property, plant and equipment	(56,630)	(8,487,457)	-	-
Government grants*	(938,945)	(889,722)	(573,235)	(570,786)
Interest income	(102,273)	(176,069)	(19,810)	(22,487)
Foreign exchange (gain)/loss				
- Realised	1,670,600	(137,563)	-	-
- Unrealised	(883,978)	(1,182,388)	-	-

22. Profit before Tax (Cont'd)

Profit before tax is derived after charging/(crediting):

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Rental income on:				
- Investment properties	(29,324)	(30,600)	-	-
- Sublet of factory premises	(244,773)	(224,640)	-	-
- Warehouse and office	-	-	(975,000)	(150,000)
Reversal of impairment losses on:				
- Trade receivables	(7,047)	-	-	-
- Other receivables	(986,121)	(513,879)	-	-

* The Group and the Company received matching government grants for research and development activities and training expenses incurred. There were no significant unfulfilled conditions and contingencies attached to the government grants that have been recognised in profit or loss.

23. Taxation

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Tax expenses recognised in profit or loss				
Malaysian statutory tax:				
- Current tax provision	402,038	301,916	-	-
- Under/(Over) provision in prior years	130,557	74,906	1,112	(32,218)
Foreign statutory tax:				
- Current tax provision	-	22,027	-	-
- Over provision in prior years	-	(8,103)	-	-
	532,595	390,746	1,112	(32,218)

23. Taxation (Cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Deferred tax				
- Origination and reversal of temporary differences	(6,754)	27,990	-	-
- (Over)/Under provision in prior years	(1,350)	1,653	-	-
	(8,104)	29,643	-	-
	524,491	420,389	1,112	(32,218)

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax of the Group and of the Company are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Profit before tax	11,754,500	17,850,644	4,427,564	5,037,609
At Malaysian statutory tax rate of 24% (2015: 25%)	2,821,080	4,462,661	1,062,615	1,259,402
Effect of different tax rates in foreign jurisdictions	(120,577)	(63,866)	-	-
Income not subject to tax	(2,244,467)	(1,700,559)	(1,415,026)	(1,543,122)
Expenses not deductible for tax purposes	3,227,530	1,887,913	352,411	283,720
Tax incentive	(3,837,552)	(4,322,042)	-	-
Defered tax assets not recognised	549,241	82,531	-	-
Other items	29	5,295	-	-
(Over)/Under provision of deferred tax in prior years	(1,350)	1,653	-	-
Under/(Over) provision of income tax in prior years	130,557	66,803	1,112	(32,218)
	524,491	420,389	1,112	(32,218)

23. **Taxation (Cont'd)**

Certain subsidiary companies of the Company have been granted with pioneer status for a period of five years commencing 1 June 2012 under Section 127(3)(b) of the Income Tax Act, 1967, with an option to extend for a period of another five years upon expiry of the initial tax exemption period subject to the authority's approval. Under the pioneer status, the subsidiary companies' statutory income is exempted from income tax.

The Group has unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances of RM21,423,819, RM9,678,848 and RM10,182,312 (2015: RM19,415,351, RM7,289,766 and RM10,182,312) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

24. **Staff costs**

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Salaries, wages and other emoluments	21,055,599	19,628,229	-	-
Defined contribution plans	2,566,723	2,348,342	-	-
Social security contributions	279,256	260,016	-	-
Other employees benefits	1,723,152	1,367,854	-	-
	25,624,730	23,604,441	-	-

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Group and of the subsidiary companies during the financial year as below:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Fee	80,000	55,000	80,000	55,000
Salaries, wages and other emoluments	1,806,025	1,582,389	-	-
Defined contribution plans	129,390	111,660	-	-
Social security contributions	1,859	1,741	-	-
	2,017,274	1,750,790	80,000	55,000

25. Earnings per Share

Earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group 2016 RM	Group 2015 RM
Profit attributable to owners of the parent	11,250,226	17,726,188
Weighted average number of ordinary shares used in the calculation of basic earnings per share		
Issued ordinary shares at 1 June/31 May	129,668,000	129,668,000
Basic earnings per ordinary shares (in sen)	8.68	13.67

Diluted earnings per share

Diluted earnings per share is not applicable as the exercise price of the warrants is higher than the average market price of the Company's ordinary shares during the financial year.

26. Dividends

	Group and Company 2016 RM	Group and Company 2015 RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Final dividend paid in respect of the financial year ended:		
- 31 May 2014 (single tier dividend of RM0.020 per ordinary share)	-	2,593,360
Interim dividend paid in respect of the financial year ended:		
- 31 May 2015 (single tier dividend of RM0.015 per ordinary share)	-	1,945,020

26. **Dividends (Cont'd)**

	Group and Company 2016 RM	2015 RM
Final dividend paid in respect of the financial year ended:		
- 31 May 2015 (single tier dividend of RM0.020 per ordinary share)	2,593,360	-
Interim dividend paid in respect of the financial year ended:		
- 31 May 2016 (single tier dividend of RM0.010 per ordinary share)	1,296,680	-
	3,890,040	4,538,380

The Directors recommend the payment of a final single-tier dividend of RM0.020 in respect of the current financial year ended 31 May 2016 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2017.

27. **Related Party Disclosures**

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group and the Company has the ability, directly or indirectly, to control or joint 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 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 comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

27. **Related Party Disclosures (Cont'd)**

(b) Related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	2016 RM	**2015 RM**
Company		
Transactions with subsidiary companies		
- Dividend income	6,600,000	6,000,000
Group		
Transactions with associate companies		
- Sales	2,643,667	1,395,050
Transactions with Director		
- Rental expenses	-	56,000

(c) Compensation of key management personnel

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Fee	80,000	55,000	80,000	55,000
Salaries, wages and other emoluments	1,806,025	1,582,389	-	-
Defined contribution plans	129,390	111,660	-	-
Social security contributions	1,859	1,741	-	-
	2,017,274	1,750,790	80,000	55,000

28. **Segment Information**

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Group's Chief Executive Officer and Managing Director review internal management reports at least on a quarterly basis.

The following summary describes the main business segments and respective business activity of each segment of the Group's reportable segments:

Manufacturing	Manufacture, assembly and sales of electrical and electronic appliances
Trading	Sales and distribution of electrical and electronic appliances
Others	Investment holding, provision of management services and leases offices

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer and Managing Director, who are the Group's operating decision makers. 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.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

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 Chief Executive Officer and Managing Director.

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 Chief Executive Officer and Managing Director. Hence, no disclosure is made on segment liabilities.

28. Segment Information (Cont'd)

	Manufacturing RM	Trading RM	Others RM	Total segments RM	Adjustment and eliminations RM	Note	Consolidated RM
Group							
2016							
Revenue							
External customers	466,808	385,791,446	-	386,258,254	-		386,258,254
Inter-segment	113,848,109	8,679,293	12,454,800	134,982,202	(134,982,202)		-
Total revenue	114,314,917	394,470,739	12,454,800	521,240,456	(134,982,202)		386,258,254
Results							
Interest income	13,620	149,655	20,193	183,468	(81,195)		102,273
Finance costs	(1,373,198)	(2,476,590)	(1,379,444)	(5,229,232)	81,195		(5,148,037)
Depreciation	(3,089,388)	(1,711,748)	(1,349,406)	(6,150,542)	-		(6,150,542)
Share of results of associate companies	-	-	36,925	36,925	-		36,925
Other non-cash items	(248,674)	350,868	729	102,923	-	A	102,923
Segment profit	3,963,945	13,207,476	3,674,295	20,845,716	(9,091,216)		11,754,500
Segment assets							
Included in the measurement of segment assets are:							
Additions to non-current assets other than financial instruments and deferred tax assets	1,185,783	3,215,388	399,427	4,800,598	(823,464)		3,977,134

28. **Segment Information (Cont'd)**

	Manufacturing RM	Trading RM	Others RM	Total segments RM	Adjustment and eliminations RM	Note	Consolidated RM
Group							
2015							
Revenue							
External customers	1,096,296	384,406,826	-	385,503,122	-		385,503,122
Inter-segment	69,910,358	9,826,455	10,998,000	90,734,813	(90,734,813)		-
Total revenue	71,006,654	394,233,281	10,998,000	476,237,935	(90,734,813)		385,503,122
Results							
Interest income	60,467	92,769	22,833	176,069	-		176,069
Finance costs	(844,076)	(2,737,862)	(891,481)	(4,473,419)	-		(4,473,419)
Depreciation	(3,137,354)	(1,519,870)	(186,241)	(4,843,465)	-		(4,843,465)
Share of results of associate companies	-	-	11,053	11,053	-		11,053
Other non-cash items	8,936,259	(137,383)	-	8,798,876	-	A	8,798,876
Segment profit	9,809,162	12,312,964	4,104,294	26,226,420	(8,375,776)		17,850,644
Segment assets							
Included in the measurement of segment assets are:							
Additions to non-current assets other than financial instruments and deferred tax assets	1,199,220	2,289,586	19,472,439	22,961,245	-		22,961,245

28. **Segment Information (Cont'd)**

Adjustments and eliminations

Interest income, finance costs, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiary companies.

Inter-segment revenues are eliminated on consolidation.

Note A
Other non-cash items consist of the following as presented in the respective notes to the financial statements:

	Group	
	2016	**2015**
	RM	**RM**
Bad debt written off	-	24,404
Impairment loss on trade receivables	208,035	136,074
Inventories written down	317,901	288,134
Inventories written back	(25,309)	-
Inventories written off	299,038	936,236
Property, plant and equipment written off	630,210	-
Provision for slow-moving inventories	400,978	-
Gain on disposal of property, plant and equipment	(56,630)	(8,487,457)
Reversal of impairment losses on:		
- trade receivables	(7,047)	-
- other receivables	(986,121)	(513,879)
Unrealised foreign exchange gain	(883,978)	(1,182,388)
	(102,923)	(8,798,876)

28. **Segment Information (Cont'd)**

Geographic information

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

Group	Revenue 2016 RM	Revenue 2015 RM	Non-current assets 2016 RM	Non-current assets 2015 RM
Malaysia	258,158,977	256,358,422	96,989,910	100,069,511
Other Asian countries	104,610,215	103,321,606	42,543	24,056
Middle East	22,189,097	24,706,605	-	-
Others	1,299,965	1,116,489	-	-
	386,258,254	385,503,122	97,032,453	100,093,567

Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets.

29. **Financial Instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis.

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total carrying amount RM
Group			
2016			
Financial Assets			
Trade receivables	65,093,813	-	65,093,813
Other receivables	5,324,701	-	5,324,701
Fixed deposits with licensed banks	2,426,470	-	2,426,470
Cash and bank balances	24,553,221	-	24,553,221
	97,398,205	-	97,398,205

29. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total carrying amount RM
Group			
2016			
Financial Liabilities			
Trade payables	-	38,340,863	38,340,863
Other payables	-	15,942,994	15,942,994
Bank borrowings	-	95,201,561	95,201,561
Finance lease liabilities	-	1,597,037	1,597,037
	-	151,082,455	151,082,455
2015			
Financial Assets			
Trade receivables	62,594,191	-	62,594,191
Other receivables	4,349,480	-	4,349,480
Fixed deposits with licensed banks	3,763,477	-	3,763,477
Cash and bank balances	30,409,254	-	30,409,254
	101,116,402	-	101,116,402
Financial Liabilities			
Trade payables	-	38,458,716	38,458,716
Other payables	-	22,651,267	22,651,267
Bank borrowings	-	94,744,074	94,744,074
Finance lease liabilities	-	904,270	904,270
	-	156,758,327	156,758,327

29. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total carrying amount RM
Company			
2016			
Financial Assets			
Other receivables	22,695,486	-	22,695,486
Fixed deposits with licensed banks	20,000	-	20,000
Cash and bank balances	1,320,372	-	1,320,372
	24,035,858	-	24,035,858
Financial Liabilities			
Other payables	-	7,942,934	7,942,934
Bank borrowings	-	16,664,743	16,664,743
	-	24,607,677	24,607,677
2015			
Financial Assets			
Other receivables	30,215,062	-	30,215,062
Fixed deposits with licensed banks	20,000	-	20,000
Cash and bank balances	1,677,925	-	1,677,925
	31,912,987	-	31,912,987
Financial Liabilities			
Other payables	-	8,876,787	8,876,787
Bank borrowings	-	25,604,743	25,604,743
	-	34,481,530	34,481,530

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group operations whilst managing its financial risks, including credit, liquidity, foreign currency exchange and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) 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 and deposits with licensed banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to licensed banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM78.42 million (2015: RM78.42 million), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Group has no significant concentration of credits risks except for loans to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**After 5 years RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
Group						
2016						
<u>Non-derivative financial liabilities</u>						
Trade payables	38,340,863	-	-	-	38,340,863	38,340,863
Other payables	15,942,994	-	-	-	15,942,994	15,942,994
Bank borrowings	79,007,248	7,844,720	5,626,095	7,485,066	99,963,129	95,201,561
Finance lease liabilities	467,407	408,632	904,509	-	1,780,548	1,597,037
	133,758,512	8,253,352	6,530,604	7,485,066	156,027,534	151,082,455
2015						
<u>Non-derivative financial liabilities</u>						
Trade payables	38,458,716	-	-	-	38,458,716	38,458,716
Other payables	22,651,267	-	-	-	22,651,267	22,651,267
Bank borrowings	68,095,841	11,161,180	11,268,502	6,666,640	97,192,163	94,744,074
Finance lease liabilities	317,691	251,647	430,242	-	999,580	904,270
	129,523,515	11,412,827	11,698,744	6,666,640	159,301,726	156,758,327

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**After 5 years RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
Company						
2016						
Non-derivative financial liabilities						
Other payables	7,942,934	-	-	-	7,942,934	7,942,934
Bank borrowings	9,718,129	5,901,969	2,162,245	-	17,782,343	16,664,743
	17,661,063	5,901,969	2,162,245	-	25,725,277	24,607,677
2015						
Non-derivative financial liabilities						
Other payables	8,876,787	-	-	-	8,876,787	8,876,787
Bank borrowings	10,270,489	9,718,129	8,064,214	-	28,052,832	25,604,743
	19,147,276	9,718,129	8,064,214	-	36,929,619	34,481,530

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD) and Hong Kong Dollar (HKD).

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in	
	USD	**HKD**
	RM	**RM**
Group		
2016		
Trade receivables	6,238,410	33,865
Cash and bank balances	6,216,404	-
Trade payables	(6,322,669)	-
	6,132,145	33,865
2015		
Trade receivables	2,473,842	29,930
Cash and bank balances	8,595,678	65,140
Trade payables	(12,729,501)	(101,835)
	(1,659,980)	(6,765)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before taxation for the financial year to a reasonably possible change in the USD and HKD exchange rates against the functional currencies of the Group, with all other variables held constant.

	2016		**2015**	
	Change in currency rate	**Effect on profit before tax**	**Change in currency rate**	**Effect on profit before tax**
		RM		**RM**
Group				
USD	Strengthened 10%	613,215	Strengthened 10%	(165,998)
	Weakened 10%	(613,215)	Weakened 10%	165,998
HKD	Strengthened 10%	3,387	Strengthened 10%	(677)
	Weakened 10%	(3,387)	Weakened 10%	677

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(ii) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Fixed Rate Instruments				
Financial Asset:				
Fixed deposits with licensed banks	2,426,470	3,763,477	20,000	20,000
Financial Liabilities:				
Bankers' acceptances	58,610,265	51,499,810	-	-
Finance lease liabilities	1,597,037	904,270	-	-
	60,207,302	52,404,080	-	-
Floating Rate Instruments				
Financial Liabilities:				
Bank overdrafts	8,612,573	4,686,182	-	-
Term loans	27,978,723	38,558,082	16,664,743	25,604,743
	36,591,296	43,244,264	16,664,743	25,604,743

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	Effect to profit or loss	
	2016	**2015**
	RM	**RM**
Group		
Interest rate increased by 1%	365,913	432,443
Interest rate decreased by 1%	(365,913)	(432,443)
Company		
Interest rate increased by 1%	166,647	256,047
Interest rate decreased by 1%	(166,647)	(256,047)

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long term floating rate loans approximate their fair value on the loans will be re-priced to market interest rate on or near reporting date.

29. **Financial Instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Carrying amount RM**
Group				
2016				
Financial liabilities (Non-current)				
Finance lease liabilities	-	1,067,019	-	1,202,007
2015				
Financial liabilities (Non-current)				
Finance lease liabilities	-	637,741	-	628,832

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

<u>Non-derivative financial instruments</u>
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

29. **Financial Instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

30. **Capital Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at end of the reporting period are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Total loans and borrowings	88,186,025	90,962,162
Less: Cash and cash equivalents	(15,940,648)	(25,723,072)
Net debts	72,245,377	65,239,090
Total equity	115,870,906	108,323,520
Gearing ratio (%)	62%	60%

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

The Group is not subject to any externally imposed capital requirements.

31. Operating Leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

	Group	
	2016	**2015**
	RM	**RM**
Less than one year	116,900	181,600
Between one and three years	61,200	178,100
	178,100	359,700

The Group leases premises under operating leases. The lease was for an initial period of 3 years with an option to renew the lease on an annual basis upon the expiry of the initial lease period.

Lease as lessor
The Group subleases out one of its properties to a third party. The future minimum lease receivables under the non-cancellable lease are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Less than one year	10,200	112,140

32. Comparative Information

Certain comparatives were restated to conform with current financial year's presentation. There was no significant impact to the financial performance in relation to the financial year ended 31 May 2015.

The following reclassifications were made to the statements of cash flows of previous financial year to be consistent with current year presentation.

	As previously stated RM	**Reclassification RM**	**As restated RM**
Group			
Statements of cash flows			
Pledged fixed deposits with licensed banks	2,523,548	1,216,901	3,740,449
Cash and cash equivalents at the end of the financial year	26,939,973	(1,216,901)	25,723,072

33. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 September 2016.

34. Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained earnings of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiary companies				
- realised	38,096,207	30,518,395	7,668,816	7,132,404
- unrealised	877,297	1,167,603	-	-
	38,973,504	31,685,998	7,668,816	7,132,404
Total retained earnings from associates				
- realised	91,763	54,838	-	-
	39,065,267	31,740,836	7,668,816	7,132,404
Less : Consolidation adjustments	(1,967,561)	(2,003,316)	-	-
Total retained earnings	37,097,706	29,737,520	7,668,816	7,132,404

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