

**PENSONIC HOLDINGS BERHAD**  
**(Company No 300426 - P)**  
**(Incorporated in Malaysia)**

**REPORTS AND FINANCIAL STATEMENTS**

**31 MAY 2015**

**Registered office:**  
**85, Muntri Street**  
**10200 Penang**

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

**PENSONIC HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**

**31 MAY 2015**

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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 2015.

**Principal Activities**

The principal activity of the Company is that of 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**

	<b>Group RM</b>	<b>Company RM</b>
Net profit for the financial year	<u>17,430,255</u>	<u>5,069,827</u>
Attributable to:		
Owners of the parent	17,726,188	5,069,827
Non-controlling interests	<u>(295,933)</u>	<u>-</u>
	<u>17,430,255</u>	<u>5,069,827</u>

**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:

	<b>RM</b>
A first and final single-tier dividend of RM0.02 per ordinary share in respect of the financial year ended 31 May 2014 on 31 December 2014	2,593,360
An interim single-tier dividend of RM0.015 per ordinary share in respect of the financial year ended 31 May 2015 on 21 August 2015	<u>1,945,020</u>
	<u>4,538,380</u>

The Directors recommend the payment of a final single-tier dividend of RM0.02 in respect of the current financial year ended 31 May 2015 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 2016.

**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

Loh Eng Wee

Khairilnuar Bin Tun Abdul Rahman

Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim

Tahir Jalaluddin Bin Hussain

Lee Hong Lim

(appointed on 24.10.2014)

**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:

	<b>Number of ordinary shares of RM0.50 each</b>			
	<b>At 1.6.2014</b>	<b>Bought</b>	<b>Sold</b>	<b>At 31.5.2015</b>
<b>Interest in the Company:</b>				
<b>Direct interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	20,454,000	-	6,554,000	13,900,000
Chew Chuon Jin	9,941,400	-	-	9,941,400
Chew Chuon Ghee	4,004,000	3,200,000	-	7,204,000
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	6,533,685	3,311,500	2,325,500	7,519,685
Khairilnuar Bin Tun Abdul Rahman	2	-	-	2
<b>Deemed interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
- Own	21,477,824	149,000	-	21,626,824
- Others*	16,885,400	5,354,000	-	22,239,400
Chew Chuon Jin				
- Own	21,477,824	149,000	-	21,626,824
- Others*	16,800	-	-	16,800
Chew Chuon Ghee	21,477,824	149,000	-	21,626,824
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai				
- Own	5,600	-	-	5,600
- Others*	1,788,000	1,579,900	409,500	2,958,400
<b>Interest in a subsidiary company: (Pensonic Parts &amp; Service Sdn. Bhd.)</b>				
<b>Direct interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	-	1	-
Chew Chuon Jin	50,001	-	50,001	-

**Directors' Interests (Cont'd)**

	<b>Number of warrants 2013/2023</b>			
	<b>At 1.6.2014</b>	<b>Allotted</b>	<b>Sold</b>	<b>At 31.5.2015</b>
<b>Interest in the Company:</b>				
<b>Direct interest</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	10,227,000	-	-	10,227,000
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	4,752,685	-	-	4,752,685
<b>Deemed interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
- Own	10,663,912	-	-	10,663,912
- Others*	8,957,700	427,000	-	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*	9,870	-	7,070	2,800

\* 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 interest 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 the Company's subsidiary companies to the extent that the Company has an interest.

None of the other Directors in office at the end of the financial year had any interest in the ordinary 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, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

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 31.5.2015
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 there were no bad debts to be written off and no allowance for doubtful debts was required; 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 to make any allowance for doubtful debts in the financial statements of the Group and of the Company; 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 and 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 and of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.
- (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 23 September 2015.

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

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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 99 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 2015 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 35 to the financial statements on page 100 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 23 September 2015.

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

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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 100 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 23 September 2015 )

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

Before me,

HAJI MOHAMED YUSOFF  
BIN MOHD. IBRAHIM  
(No: P.156)

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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 the statements of financial position as at 31 May 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, 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 99.

*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)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 May 2015 and of their financial performance and cash flows for the 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.

**Other Reporting Responsibilities**

The supplementary information set out in Note 35 on page 100 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
PENSONIC HOLDINGS BERHAD (CONT'D)**

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

**Other Matters**

1. 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.
2. The financial statements of the Group and of the Company for the financial year ended 31 May 2014 were audited by another auditor in which the audited report dated 26 September 2014 express an unqualified opinion on the financial statements.

UHY

Firm Number: AF 1411  
Chartered Accountants

NG WEE TEIK

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

KUALA LUMPUR

23 September 2015

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MAY 2015**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	4	98,302,268	81,105,685	52,480,449	33,189,747
Investment properties	5	489,326	497,588	-	-
Intangible assets	6	1,042,525	1,034,071	-	-
Investments in subsidiary companies	7	-	-	31,372,509	31,372,509
Investments in associate companies	8	259,448	248,395	-	-
Deferred tax assets	9	30,565	58,858	-	-
		<u>100,124,132</u>	<u>82,944,597</u>	<u>83,852,958</u>	<u>64,562,256</u>
<b>Current Assets</b>					
Inventories	10	61,171,531	81,072,651	-	-
Trade receivables	11	62,594,191	62,417,559	-	-
Other receivables	12	6,356,173	5,892,138	30,217,344	40,489,963
Tax recoverable		748,867	2,140,582	-	-
Fixed deposits with licensed banks	13	3,763,477	3,474,257	20,000	20,000
Cash and bank balances		<u>30,409,254</u>	<u>16,789,021</u>	<u>1,677,925</u>	<u>2,908,812</u>
		<u>165,043,493</u>	<u>171,786,208</u>	<u>31,915,269</u>	<u>43,418,775</u>
<b>Total assets</b>		<u>265,167,625</u>	<u>254,730,805</u>	<u>115,768,227</u>	<u>107,981,031</u>
<b>EQUITY</b>					
Share capital	14	64,834,000	64,834,000	64,834,000	64,834,000
Other reserves	15	13,752,000	14,188,546	9,320,293	9,320,293
Retained earnings		<u>29,737,520</u>	<u>16,549,712</u>	<u>7,132,404</u>	<u>6,600,957</u>
Equity attribute to owners of the Company		108,323,520	95,572,258	81,286,697	80,755,250
Non-controlling interests		<u>(6,984)</u>	<u>(299,841)</u>	-	-
<b>Total equity</b>		<u>108,316,536</u>	<u>95,272,417</u>	<u>81,286,697</u>	<u>80,755,250</u>

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Bank borrowings	16	27,978,722	7,590,154	16,664,743	4,607,676
Finance lease liabilities	17	628,832	499,430	-	-
Deferred tax liabilities	9	45,350	44,000	-	-
		<u>28,652,904</u>	<u>8,133,584</u>	<u>16,664,743</u>	<u>4,607,676</u>
<b>Current Liabilities</b>					
Trade payables	18	38,458,716	34,488,520	-	-
Other payables	19	22,651,267	27,047,660	8,876,787	12,577,398
Tax payable		47,412	546	-	-
Bank borrowings	16	66,765,352	89,518,158	8,940,000	10,040,707
Finance lease liabilities	17	275,438	269,920	-	-
		<u>128,198,185</u>	<u>151,324,804</u>	<u>17,816,787</u>	<u>22,618,105</u>
<b>Total Liabilities</b>		<u>156,851,089</u>	<u>159,458,388</u>	<u>34,481,530</u>	<u>27,225,781</u>
<b>Total Equity and Liabilities</b>		<u>265,167,625</u>	<u>254,730,805</u>	<u>115,768,227</u>	<u>107,981,031</u>

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

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	20	385,503,122	373,724,824	6,000,000	3,500,000
Costs of sales		(312,790,478)	(303,010,365)	-	-
<b>Gross profit</b>		<u>72,712,644</u>	<u>70,714,459</u>	<u>6,000,000</u>	<u>3,500,000</u>
Other income		12,017,823	3,465,642	743,273	160,817
Selling and distribution expenses		(37,522,663)	(40,625,690)	-	-
Administrative expenses		(24,894,794)	(27,186,174)	(814,236)	(1,332,396)
Share of results of associates		11,053	1,247	-	-
Finance costs	21	(4,473,419)	(4,523,229)	(891,428)	(630,317)
<b>Profit before taxation</b>	22	<u>17,850,644</u>	<u>1,846,255</u>	<u>5,037,609</u>	<u>1,698,104</u>
Tax expense	23	(420,389)	860,799	32,218	(1,921)
<b>Profit for the financial year</b>		<u>17,430,255</u>	<u>2,707,054</u>	<u>5,069,827</u>	<u>1,696,183</u>
<b>Other comprehensive income:</b>					
<b>Item that is or may be reclassified subsequently to profit or loss</b>					
Exchange translation differences for foreign operations		202,246	(12,706)	-	-
<b>Total comprehensive income for the financial year</b>		<u>17,632,501</u>	<u>2,694,348</u>	<u>5,069,827</u>	<u>1,696,183</u>

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015 (CONT'D)**

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Profit for the financial year attributable to:</b>					
Owners of the parent		17,726,188	2,870,424	5,069,827	1,696,183
Non-controlling interests		(295,933)	(163,370)	-	-
		<u>17,430,255</u>	<u>2,707,054</u>	<u>5,069,827</u>	<u>1,696,183</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		17,928,434	2,857,718	5,069,827	1,696,183
Non-controlling interests		(295,933)	(163,370)	-	-
		<u>17,632,501</u>	<u>2,694,348</u>	<u>5,069,827</u>	<u>1,696,183</u>
<b>Earning per share</b>					
	25				
Basic (sen)		13.67	2.21		
Diluted (sen)		N/A	N/A		

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

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015****Attributable to owners of the parent**

	<b>Non-distributable</b>						<b>Distributable</b>				
	<b>Share capital</b>	<b>Share premium</b>	<b>Foreign currency translation reserve</b>	<b>Warrant reserve</b>	<b>Capital reserve</b>	<b>Other reserve</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>	
<b>Note</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	
<b>Group</b>											
<b>At 1 June 2013</b>	46,310,000	21,360,893	393,419	-	4,487,540	-	15,381,176	87,933,028	(136,471)	87,796,557	
Profit for the financial year	-	-	-	-	-	-	2,870,424	2,870,424	(163,370)	2,707,054	
Other comprehensive loss for the financial year	-	-	(12,706)	-	-	-	-	(12,706)	-	(12,706)	
<b>Total comprehensive income for the financial year</b>	-	-	(12,706)	-	-	-	2,870,424	2,857,718	(163,370)	2,694,348	
<b>Transactions with owners:</b>											
Dividends to owners of the parent	26	-	-	-	-	-	(1,701,888)	(1,701,888)	-	(1,701,888)	
Issuance of warrants		-	-	6,483,400	-	-	-	6,483,400	-	6,483,400	
Issuances of bonus shares	14	18,524,000	(18,524,000)	-	-	-	-	-	-	-	
<b>Total transactions with owners</b>		18,524,000	(18,524,000)	6,483,400	-	-	(1,701,888)	4,781,512	-	4,781,512	
<b>At 31 May 2014</b>		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

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015 (CONT'D)**

## Attributable to owners of the parent

	Note	Non-distributable					Distributable				
		Share capital RM	Share premium RM	Foreign currency translation reserve RM	Warrant reserve RM	Capital reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non- controlling interests RM	Total equity RM
<b>Group</b>											
<b>At 1 June 2014</b>		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
<b>Total comprehensive income for the financial year</b>		-	-	202,246	-	-	-	17,726,188	17,928,434	(295,933)	17,632,501
<b>Transactions with owners:</b>											
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)
<b>Total transactions with owners</b>		-	-	-	-	-	(638,792)	(4,538,380)	(5,177,172)	588,790	(4,588,382)
<b>At 31 May 2015</b>		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 2015 (CONT'D)**

	Note	Non-distributable			Distributable	Total equity RM
		Share capital RM	Share premium RM	Warrant reserve RM	Retained earnings RM	
<b>Company</b>						
<b>At 1 June 2013</b>		46,310,000	21,360,893	-	6,606,662	74,277,555
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	1,696,183	1,696,183
<b>Transactions with owners:</b>						
Dividends to owners of the parent	26	-	-	-	(1,701,888)	(1,701,888)
Issuance of warrants		-	-	6,483,400	-	6,483,400
Issuance of bonus shares	14	18,524,000	(18,524,000)	-	-	-
<b>Total transactions with owners</b>		<b>18,524,000</b>	<b>(18,524,000)</b>	<b>6,483,400</b>	<b>(1,701,888)</b>	<b>4,781,512</b>
<b>At 31 May 2014</b>		<b>64,834,000</b>	<b>2,836,893</b>	<b>6,483,400</b>	<b>6,600,957</b>	<b>80,755,250</b>
<b>At 1 June 2014</b>		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
<b>Transactions with owners:</b>						
Dividends to owners of the parent	26	-	-	-	(4,538,380)	(4,538,380)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,538,380)</b>	<b>(4,538,380)</b>
<b>At 31 May 2015</b>		<b>64,834,000</b>	<b>2,836,893</b>	<b>6,483,400</b>	<b>7,132,404</b>	<b>81,286,697</b>

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

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash Flows From Operating Activities</b>					
Profit before taxation		17,850,644	1,846,255	5,037,609	1,698,104
<b>Adjustments for:</b>					
Bad debt written off		24,404	2,224,048	-	-
Bad debt recovered		-	(4,537)	-	-
Depreciation of property, plant and equipment		4,835,203	4,817,049	134,779	134,779
Depreciation of investment properties		8,262	8,263	-	-
Excess of fair value over purchase consideration of a subsidiary		-	(35,925)	-	-
Gain on disposal of property, plant and equipment		(8,487,457)	(31,016)	-	-
Unrealised foreign exchange gain		(1,182,388)	(940,020)	-	-
Impairment loss on:					
- trade receivables		136,074	2,374,047	-	-
- other receivables		-	1,500,000	-	-
Reversal of impairment loss on other receivables		(513,879)	-	-	-
Interest expenses		4,473,419	4,523,229	891,428	630,317
Interest income		(176,069)	(171,998)	(22,487)	(10,762)
Inventories written down		288,134	2,099,833	-	-
Inventories written back		-	(37,939)	-	-
Inventories written off		936,236	-	-	-
Dividend income from subsidiary companies		-	-	(6,000,000)	(3,500,000)
Property, plant and equipment written off		-	452,529	-	-
Share of results of associates		(11,053)	(1,247)	-	-
Operating profit/(loss) before working capital changes		18,181,530	18,622,571	41,329	(1,047,562)

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Changes in working capital:</b>					
Inventories		18,676,750	(4,708,426)	-	-
Receivables		269,196	415,031	12,772,619	(704,318)
Payables		(9,007,185)	(7,401,990)	(12,206,062)	2,183,293
		<u>9,938,761</u>	<u>(11,695,385)</u>	<u>566,557</u>	<u>1,478,975</u>
Cash generated from operations		28,120,291	6,927,186	607,886	431,413
Tax paid		(397,137)	-	-	-
Tax refund		1,444,972	695,206	32,218	125,963
Net cash from operating activities		<u>29,168,126</u>	<u>7,622,392</u>	<u>640,104</u>	<u>557,376</u>
<b>Cash Flows From Investing Activities</b>					
Acquisition of non-controlling interests	7(c)	(50,002)	-	-	-
Interest received		176,069	171,998	22,487	10,762
Net cash outflows arising from acquisition of a subsidiary company	7(a)	-	(2,476,279)	-	-
Dividend received		-	-	3,500,000	4,762,500
Proceeds from disposal of property, plant and equipment		9,418,555	96,193	-	-
Purchase of property, plant and equipment	4(a)	<u>(15,341,692)</u>	<u>(9,578,888)</u>	<u>(12,245,928)</u>	<u>(8,174,977)</u>
Net cash used in investing activities		<u>(5,797,070)</u>	<u>(11,786,976)</u>	<u>(8,723,441)</u>	<u>(3,401,715)</u>

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	Group		Company	
	2015	2014	2015	2014
Note	RM	RM	RM	RM
<b>Cash Flows From Financing Activities</b>				
Drawdown of term loans	30,372,067	3,345,710	20,372,067	3,345,710
Repayment of term loans	(8,242,253)	(3,340,364)	(7,015,000)	(1,460,000)
Proceeds from issuance of warrants	-	6,483,400	-	6,483,400
Repayment of finance lease liabilities	(305,080)	(271,371)	-	-
Dividends paid to owners of the parent	(2,593,360)	(1,701,888)	(2,593,360)	(1,701,888)
Net changes in bankers' acceptances and trust receipts	(17,377,003)	(2,125,583)	-	-
Increase in pledged fixed deposits	(501,616)	889,903	-	(20,000)
Increase in fixed deposits maturity for than three months	(23,028)	-	-	-
Interest paid	(5,092,541)	(4,701,342)	(1,510,550)	(808,430)
Net cash (used in)/from financing activities	<u>(3,762,814)</u>	<u>(1,421,535)</u>	<u>9,253,157</u>	<u>5,838,792</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	19,608,242	(5,586,119)	1,169,820	2,994,453
<b>Effects of exchange difference on cash and cash equivalents</b>	893,616	(23,060)	-	-
<b>Cash and cash equivalents at the beginning of the financial year</b>	<u>6,438,115</u>	<u>12,047,294</u>	<u>508,105</u>	<u>(2,486,348)</u>
<b>Cash and cash equivalents at end of the financial year</b>	<u>26,939,973</u>	<u>6,438,115</u>	<u>1,677,925</u>	<u>508,105</u>

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash and cash equivalents at the end of the financial year comprises:</b>				
Cash and bank balances	30,409,254	16,789,021	1,677,925	2,908,812
Fixed deposits with licensed banks	3,763,477	3,474,257	20,000	20,000
Bank overdrafts	(4,686,182)	(11,803,231)	-	(2,400,707)
	<u>29,486,549</u>	<u>8,460,047</u>	<u>1,697,925</u>	<u>528,105</u>
Less: Pledged fixed deposits with licensed banks	(2,523,548)	(2,021,932)	(20,000)	(20,000)
Fixed deposits with maturity more than three months	(23,028)	-	-	-
	<u>26,939,973</u>	<u>6,438,115</u>	<u>1,677,925</u>	<u>508,105</u>

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

**PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS****1. Corporate Information**

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

The principal activity of the Company is 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.

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

The principal place of business of the Company is 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 and IC Interpretation issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for current financial year:

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Adoption of above amendments to MFRSs and IC Interpretation 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 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:

	<b>Effective dates for financial periods beginning on or after</b>
Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions 1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014
MFRS 14	Regulatory Deferral Accounts 1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests In Joint Operations 1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation 1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants 1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements 1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture 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 15	Revenue from Contracts with Customers 1 January 2018
MFRS 9	Financial Instruments (IMFRS 9 issued By IASB in July 2014) 1 January 2018

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 not recycling. 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 Company is currently examining the financial impact of adopting MFRS 9.

#### MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 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. 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 standard 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.

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

### (b) **Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Group’s and the Company’s functional currency and all values have been rounded to the nearest RM.

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

The preparation of the Group’s and the Company’s financial statements requires management to make judgements, 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.

#### (i) **Judgments**

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

#### (ii) **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

The Group regularly review the estimated useful lives of property, plant and equipment 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 would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4.

##### 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 impairment assessment of intangible assets is disclosed in Note 6.

**2. Basis of Preparation (Cont'd)****(c) Significant accounting judgments, estimates and assumptions (Cont'd)****(ii) Key sources of estimation uncertainty (Cont'd)**Impairment of investment in subsidiary companies

The Company has recognised impairment loss in respect of its investments in subsidiary companies. The Company carried out the impairment test based on the estimation of the higher of the value-in-use or the fair value less cost to sell of the cash-generating units to which the investments in subsidiary companies belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 7.

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. Details of 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.

**2. Basis of Preparation (Cont'd)****(c) Significant accounting judgments, estimates and assumptions (Cont'd)****(ii) Key sources of estimation uncertainty (Cont'd)**Impairment on loan and receivables

The Company 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 Company 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.

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 expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 23.

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(d) 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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary 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.

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary 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.

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

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

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

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(1)(i) on impairment of non-financial assets.

##### (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.

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

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

##### (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(1)(i) to the financial statements on impairment of non-financial assets.

##### (v) 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, 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's profit or loss for the period in which the investment is acquired.

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

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

##### (v) Investments in associate companies (Cont'd)

An associate 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 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 after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate 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 associates and joint ventures 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 or joint venture. 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 to sell) 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.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate 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 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(1)(i) to the financial statements on impairment of non-financial assets.

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

#### (b) 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.

##### (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.

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

#### (b) **Foreign currency translation (Cont'd)**

##### (ii) **Foreign operations (Cont'd)**

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.

#### (c) **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(l)(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.

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.

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

#### (c) Property, plant and equipment (Cont'd)

##### (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 Company 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 lands	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)

#### (d) 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 asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

For arrangement entered into prior to 1 January 2012, the date of inception is deemed to be 1 January 2012 in accordance with the MFRS 1.

##### (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 statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

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

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

#### (e) 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.

Freehold land and buildings under construction are not depreciated. Other 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:

Buildings	50 years
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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(1)(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.

The Directors estimate the fair values of the Group's investment properties without involvement of independent valuers. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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

#### (f) Intangible assets

##### (i) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, 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 associates.

##### (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.

See accounting policy Note 3(1)(i) on impairment of non-financial assets for intangible assets.

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

#### (g) 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 the following categories:

#### **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. 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 purchase or sale of financial assets

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.

#### Derecognition of financial assets

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)

#### (h) 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)**

#### (h) **Financial liabilities (Cont'd)**

##### Derecognition of financial liabilities

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.

#### (i) **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.

#### (j) **Inventories**

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

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

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

#### (k) **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)

#### (l) Impairment of assets

##### (i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) 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).

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)

#### (1) 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, associates and joint ventures, 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)**

#### (m) **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.

#### (n) **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.

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.

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

#### (o) Employee Benefits

##### (i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees 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 make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). 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.

#### (p) 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)

#### (q) Revenue

##### (i) Goods sold

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

##### (ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### (iii) Rental income

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

##### (iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

##### (v) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

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

#### (r) 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 their 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.

#### (s) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is 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 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.

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

#### (s) Income taxes (Cont'd)

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)**

#### (t) **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 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.

#### (u) **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.

#### (v) **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**

	<b>Leasehold lands RM</b>	<b>Buildings RM</b>	<b>Computers RM</b>	<b>Renovation and electrical installation RM</b>	<b>Plant and machinery RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Motor vehicles RM</b>	<b>Signboard and showcase RM</b>	<b>Construction in progress RM</b>	<b>Total RM</b>
<b>Group 2015</b>										
<b>Cost</b>										
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)
Write-off	-	-	(3,142)	-	-	-	-	-	-	(3,142)
Exchange difference	-	-	6,608	-	-	12,175	-	-	-	18,783
At 31 May 2015	<u>17,156,530</u>	<u>20,811,427</u>	<u>4,531,591</u>	<u>9,710,757</u>	<u>29,720,442</u>	<u>6,854,415</u>	<u>6,128,251</u>	<u>308,969</u>	<u>43,912,540</u>	<u>139,134,922</u>
<b>Accumulated depreciation</b>										
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)
Write-off	-	-	(3,142)	-	-	-	-	-	-	(3,142)
Exchange difference	-	-	6,126	-	-	11,018	-	-	-	17,144
At 31 May 2015	<u>3,049,899</u>	<u>5,498,500</u>	<u>3,758,080</u>	<u>6,123,111</u>	<u>15,066,240</u>	<u>2,653,704</u>	<u>4,408,718</u>	<u>274,402</u>	<u>-</u>	<u>40,832,654</u>
<b>Carrying amount</b>										
At 31 May 2015	<u>14,106,631</u>	<u>15,312,927</u>	<u>773,511</u>	<u>3,587,646</u>	<u>14,654,202</u>	<u>4,200,711</u>	<u>1,719,533</u>	<u>34,567</u>	<u>43,912,540</u>	<u>98,302,268</u>

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

	<b>Leasehold lands RM</b>	<b>Buildings RM</b>	<b>Computers RM</b>	<b>Renovation and electrical installation RM</b>	<b>Plant and machinery RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Motor vehicles RM</b>	<b>Signboard and showcase RM</b>	<b>Construction in progress RM</b>	<b>Total RM</b>
<b>Group</b>										
<b>2014</b>										
<b>Cost</b>										
At 1 June 2013	18,046,530	23,196,765	3,806,690	8,216,419	27,818,142	3,073,563	6,025,402	279,719	10,030,401	100,493,631
Additions	-	-	305,799	28,000	809,849	253,178	435,335	-	17,128,005	18,960,166
Acquisition through business combination	-	-	3,155	46,191	1,950,267	4,812	-	-	-	2,004,425
Disposal	-	-	(23,373)	-	(17,540)	(6,786)	(673,294)	-	-	(720,993)
Write-off	-	-	-	-	(809,156)	-	-	-	-	(809,156)
Exchange difference	-	-	7,025	-	-	9,885	-	-	-	16,910
At 31 May 2014	<u>18,046,530</u>	<u>23,196,765</u>	<u>4,099,296</u>	<u>8,290,610</u>	<u>29,751,562</u>	<u>3,334,652</u>	<u>5,787,443</u>	<u>279,719</u>	<u>27,158,406</u>	<u>119,944,983</u>
<b>Accumulated depreciation</b>										
At 1 June 2013	2,785,857	6,647,714	3,287,853	4,953,152	10,456,890	2,085,946	4,542,853	258,432	-	35,018,697
Charge for the financial year	310,020	490,276	224,182	590,656	2,565,333	249,387	378,708	8,487	-	4,817,049
Disposals	-	-	(23,373)	-	-	(4,336)	(628,107)	-	-	(655,816)
Write-off	-	-	-	-	(356,627)	-	-	-	-	(356,627)
Exchange difference	-	-	7,154	-	-	8,841	-	-	-	15,995
At 31 May 2014	<u>3,095,877</u>	<u>7,137,990</u>	<u>3,495,816</u>	<u>5,543,808</u>	<u>12,665,596</u>	<u>2,339,838</u>	<u>4,293,454</u>	<u>266,919</u>	<u>-</u>	<u>38,839,298</u>
<b>Carrying amount</b>										
At 31 May 2014	<u>14,950,653</u>	<u>16,058,775</u>	<u>603,480</u>	<u>2,746,802</u>	<u>17,085,966</u>	<u>994,814</u>	<u>1,493,989</u>	<u>12,800</u>	<u>27,158,406</u>	<u>81,105,685</u>

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

	<b>Leasehold land RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Construction in progress RM</b>	<b>Total RM</b>
<b>Company</b>				
<b>2015</b>				
<b>Cost</b>				
At 1 June 2014	6,300,899	-	27,158,406	33,459,305
Additions	-	2,671,347	16,754,134	19,425,481
At 31 May 2015	<u>6,300,899</u>	<u>2,671,347</u>	<u>43,912,540</u>	<u>52,884,786</u>
<b>Accumulated depreciation</b>				
At 1 June 2014	269,558	-	-	269,558
Charge for the financial year	134,779	-	-	134,779
At 31 May 2015	<u>404,337</u>	<u>-</u>	<u>-</u>	<u>404,337</u>
<b>Carrying amount</b>				
At 31 May 2015	<u>5,896,562</u>	<u>2,671,347</u>	<u>43,912,540</u>	<u>52,480,449</u>
<b>2014</b>				
<b>Cost</b>				
At 1 June 2013	6,300,899	-	10,030,401	16,331,300
Additions	-	-	17,128,005	17,128,005
At 31 May 2014	<u>6,300,899</u>	<u>-</u>	<u>27,158,406</u>	<u>33,459,305</u>
<b>Accumulated depreciation</b>				
At 1 June 2013	134,779	-	-	134,779
Charge for the financial year	134,779	-	-	134,779
At 31 May 2014	<u>269,558</u>	<u>-</u>	<u>-</u>	<u>269,558</u>
<b>Carrying amount</b>				
At 31 May 2014	<u>6,031,341</u>	<u>-</u>	<u>27,158,406</u>	<u>33,189,747</u>

**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:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Aggregate costs	22,961,245	18,960,166	19,425,481	17,128,005
Less: Other payables	(6,560,431)	(8,774,915)	(6,560,431)	(8,774,915)
Less: Finance leases	(440,000)	(428,250)	-	-
Less: Interest expense capitalisation	(619,122)	(178,113)	(619,122)	(178,113)
Cash payments	<u>15,341,692</u>	<u>9,578,888</u>	<u>12,245,928</u>	<u>8,174,977</u>

- (b) Assets held under finance leases

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Motor vehicles	1,306,586	1,191,956
Furniture, fitting and office equipment	-	8,708
	<u>1,306,586</u>	<u>1,200,664</u>

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:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Leasehold lands	8,209,228	8,946,025	5,896,562	6,031,341
Buildings	11,741,548	12,380,962	-	-
Plant and machinery	5,576,326	6,456,547	-	-
Construction in progress	43,912,540	27,158,406	43,912,540	27,158,406
	<u>69,439,642</u>	<u>54,941,940</u>	<u>49,809,102</u>	<u>33,189,747</u>

**(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 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 RM619,122 (2014: RM178,113).

**(e) The remaining lease period of the leasehold lands of the Group and of the Company is range from 37 to 67 (2014: 38 to 68) years and 56 (2014: 57) years respectively.****(f) Leasehold lands**

Included in the carrying amount of leasehold lands are:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Leasehold lands with unexpired lease period of more than 50 years	6,984,536	7,119,550	-	-
Leasehold lands with unexpired lease period of less than 50 years	7,122,097	7,831,103	5,896,562	6,031,341
	<u>14,106,633</u>	<u>14,950,653</u>	<u>5,896,562</u>	<u>6,031,341</u>

**5. Investment Properties**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>Shoplots</b>		
<b>Cost</b>		
At 1 June/31 May	630,000	630,000
<b>Accumulated depreciation</b>		
At 1 June	132,412	124,149
Charge for the financial year	8,262	8,263
At 31 May	140,674	132,412
<b>Carrying amount</b>		
At 31 May	489,326	497,588
<b>Fair value of investment properties</b>		
At 31 May	724,286	612,053

- (a) The lease period of the investment properties of the Group is ranging 60 to 61 (2014: 61 to 62) years.
- (b) Assets pledged as securities to licensed banks

The carrying amount of investment properties of the Group amounted to RM364,869 (2014: RM371,053) 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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Rental income	30,600	29,750
Direct expenses:		
- Income generating investment property	(14,169)	(13,959)

- (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 as at 31 May 2015 is classified as 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**

	<b>Goodwill RM</b>	<b>Trademark RM</b>	<b>Total RM</b>
<b>Group</b>			
<b>Cost</b>			
At 1 June 2013	154,632	870,000	1,024,632
Exchange difference	9,439	-	9,439
At 31 May 2014	<u>164,071</u>	<u>870,000</u>	<u>1,034,071</u>
At 1 June 2014	164,071	870,000	1,034,071
Exchange difference	8,454	-	8,454
At 31 May 2015	<u>172,525</u>	<u>870,000</u>	<u>1,042,525</u>

The trademark for the “Cornell” brand name that 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 5 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% (2014: 11%) is used. The Directors have relied on past experience and all external evidence available in determining the assumptions.

**7. Investments in Subsidiary Companies**

	<b>Company</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
<b>At Cost</b>		
<b>In Malaysia:</b>		
Unquoted shares	31,382,958	31,382,958
Less: Accumulated impairment loss	(1,020,000)	(1,020,000)
	<u>30,362,958</u>	<u>30,362,958</u>
<b>Outside Malaysia:</b>		
Unquoted shares	1,009,551	1,009,551
	<u>31,372,509</u>	<u>31,372,509</u>

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

Details of the subsidiary companies are as follows:

Name of company	Country of Incorporation	Effective interest		Principal activities
		2015 %	2014 %	
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sales of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sales of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sales of electrical and electronic appliances
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):

<b>Name of company</b>	<b>Country of Incorporation</b>	<b>Effective interest</b>		<b>Principal activities</b>
		<b>2015</b>	<b>2014</b>	
		<b>%</b>	<b>%</b>	
<b>Held through Keat Radio Co. Sdn. Bhd.</b>				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited*	Hong Kong	100	100	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	100	60	Trading and service of parts for electrical and electronic appliances
Pensia Plastic Industries Sdn. Bhd.*	Malaysia	100	100	Manufacture and sales of plastic injection and moulding
<b>Held through Pensonic (H.K.) Corporation Limited</b>				
Pensonic Trading (Shenzhen) Co. Ltd.* #	People's Republic of China	-	-	Distribution of home appliances
<b>Held through Pensonic Sales &amp; Service Sdn. Bhd.</b>				
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		Principal activities
		2015	2014	
		%	%	
<b>Held through</b>				
<b>Kollektion</b>				
<b>Distribution Sdn.</b>				
<b>Bhd.</b>				
Kollektion Haus (Austin) Sdn. Bhd.	Malaysia	60	60	Distribution of home appliances

\* Subsidiary companies not audited by UHY

# On 5 October 2012, the registration of Pensonic Trading (Shenzhen) Co. Ltd., a wholly-owned subsidiary company of the Company, had been revoked by the Registrar in the People's Republic of China. Liquidation process of the subsidiary company had been completed during the financial year.

(a) Acquisition of subsidiary company

On 27 September 2013, Keat Radio Co. Sdn. Bhd., a wholly-owned subsidiary of the Company acquired the entire equity interest in Pensia Plastic Industries Sdn. Bhd. ("PPI") for a total purchase consideration of RM2,000,000. In the eight months to 31 May 2014, the subsidiary contributed a revenue of RM230,518 and loss of RM49,502. If the acquisition had occurred on 1 June 2013, management estimates that consolidated revenue would have been RM373,724,824 and consolidated profit for the financial year would have been RM2,608,380.

The following summarises the recognised amounts of assets acquired and liabilities assumed, and the major classes of consideration transferred at the acquisition date:

**Identifiable assets acquired and liabilities assumed**

	<b>2014</b>
	<b>RM</b>
Property, plant and equipment	2,004,425
Inventories	3,366,290
Trade and other receivables	3,704,361
Trade and other payables	(5,567,372)
Bank borrowings	(1,471,779)
Total identifiable net assets	<u>2,035,925</u>
Negative goodwill consolidation	(35,925)
Purchase consideration paid, settled in cash	<u>2,000,000</u>

**7. Investments in Subsidiary Companies (Cont'd)****(a) Acquisition of subsidiary company (Cont'd)****Fair value of consideration transferred****2014  
RM**Cash and cash equivalents 2,000,000**Net cash outflow arising from acquisition of subsidiary****2014  
RM**

Purchase consideration settled in cash and cash equivalents	(2,000,000)
Bank overdraft assumed	(476,279)
Purchase consideration paid, settled in cash	<u>(2,476,279)</u>

**Acquisition-related costs**

The Group incurred acquisition-related costs of RM6,627 related to external legal fees. The legal fees had been included in other operating expenses in the Group's statements of profit or loss and other comprehensive income.

**(b) 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 interest acquired	(588,790)
Consideration paid to non-controlling interest	(50,002)
Decrease in parent's equity	<u>(638,792)</u>

There were no acquisition of non-controlling interests in previous financial years.

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

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**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>At Cost</b>		
Unquoted shares in Malaysia	20,000	20,000
Unquoted shares in outside Malaysia	184,610	184,610
	<u>204,610</u>	<u>204,610</u>
Share of post-acquisition reserves	54,838	43,785
	<u>259,448</u>	<u>248,395</u>

Details of the associate companies are as follows:

<b>Name of company</b>	<b>Country of Incorporation</b>	<b>Effective interest</b>		<b>Principal activities</b>
		<b>2015</b>	<b>2014</b>	
		<b>%</b>	<b>%</b>	
<b>Held through</b>				
<b>Pensonic Corporation Sdn. Bhd.</b>				
Pensonic (B) Sdn. Bhd.*	Brunei	40	40	Trading of electrical and electronic appliances
<b>Held through</b>				
<b>Microtag Engineering Sdn. Bhd.</b>				
Microtag System Sdn. Bhd.*	Malaysia	10	10	Dormant

\* Associate companies not audited by UHY

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

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
At 1 June	14,858	176,930
Recognised in profit or loss	(29,643)	(162,413)
Exchange difference	-	341
At 31 May	<u>(14,785)</u>	<u>14,858</u>

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Deferred tax assets	716,165	716,165
Deferred tax liabilities	<u>(730,950)</u>	<u>(701,307)</u>
	<u>(14,785)</u>	<u>14,858</u>

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

	<b>Accelerated capital allowances</b>	<b>Other temporary differences</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Group</b>			
<b>Deferred tax liabilities</b>			
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	<u>(395,850)</u>	<u>(335,100)</u>	<u>(730,950)</u>
At 1 June 2013	(384,750)	(84,599)	(469,349)
Recognised in profit or loss	(9,750)	(222,549)	(232,299)
Exchange difference	-	341	341
At 31 May 2014	<u>(394,500)</u>	<u>(306,807)</u>	<u>(701,307)</u>

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

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

	<b>Unutilised tax losses RM</b>	<b>Unutilised capital allowance RM</b>	<b>Total RM</b>
<b>Group</b>			
<b>Deferred tax assets</b>			
At 1 June 2014/31 May 2015	438,548	277,617	716,165
At 1 June 2013	518,750	127,529	646,279
Recognised in profit or loss	(80,202)	150,088	69,886
At 31 May 2014	438,548	277,617	716,165

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	<b>Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Unutilised capital allowances	77,872	68,000
Unutilised tax losses	16,049,599	15,519,066
Unutilised reinvestment allowance	10,182,312	10,182,312
	<u>26,309,783</u>	<u>25,769,378</u>

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**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>At costs</b>		
Raw materials	8,496,367	11,686,617
Manufactured and trading goods	20,378,954	21,624,293
Good-in-transits	633,433	571,418
	<u>29,508,754</u>	<u>33,882,328</u>
<b>At net realisable value</b>		
Manufactured and trading goods	31,662,777	47,190,323
	<u>61,171,531</u>	<u>81,072,651</u>
<b>Recognised in profit or loss:</b>		
Inventories written down	288,134	2,099,833
Inventories written back	-	(37,939)
Inventories written off	936,236	-
	<u>936,236</u>	<u>-</u>

The inventories written back was made in previous financial year when the related inventories were sold above their carrying amounts.

**11. Trade Receivables**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Trade receivables		
- Third parties	63,171,952	61,838,570
- Amount due from associate companies	378,578	1,468,650
	<u>63,550,530</u>	<u>63,307,220</u>
Less: Accumulated impairment loss		
Third parties	(956,339)	(889,661)
	<u>62,594,191</u>	<u>62,417,559</u>

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's normal trade credit terms are 30 to 60 days (2014: 30 to 60 days). Other credit terms are assessed and approved on a case to case basis.

## 11. Trade Receivables (Cont'd)

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
At 1 June	889,661	378,000
Impairment recognised in profit or loss	136,074	2,374,047
Written off	(69,396)	(1,862,386)
At 31 May	956,339	889,661

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	54,074,790	50,366,000
Past due not impaired:		
Less than 60 days	3,811,741	9,861,000
60 to 120 days	132,515	1,564,000
More than 120 days	4,575,145	626,559
	8,519,401	12,051,559
	62,594,191	62,417,559
Impaired	956,339	889,661
	63,550,530	63,307,220

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

As at 31 May 2015, the Group's trade receivables of RM8,519,401 (2014: RM12,051,559) 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 RM956,339 (2014: RM889,661), 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 is repayable on demand.

**12. Other Receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	819,773	1,811,508	547,747	418,012
Deposits	405,936	489,468	750	750
Prepayment	2,006,693	876,381	2,282	-
Dividend receivables	-	-	6,000,000	3,500,000
Amounts due from subsidiary companies	-	-	23,666,565	36,571,201
Amounts due from associate companies	108,505	104,081	-	-
Amounts due from a company in which certain Directors of the Company has substantial financial interests	4,099,230	4,208,543	-	-
	<u>7,440,137</u>	<u>7,489,981</u>	<u>30,217,344</u>	<u>40,489,963</u>
Less: Accumulated impairment loss				
Amount due from a associate company	(97,843)	(97,843)	-	-
Amount due from a company in which certain Directors of the Company has substantial financial interests	(986,121)	(1,500,000)	-	-
	<u>6,356,173</u>	<u>5,892,138</u>	<u>30,217,344</u>	<u>40,489,963</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 June	1,597,843	97,843	-	-
Impairment recognised in profit or loss	-	1,500,000	-	-
Reversals of impairment	(513,879)	-	-	-
At 31 May	<u>1,083,964</u>	<u>1,597,843</u>	<u>-</u>	<u>-</u>

This balance is expected to be recovered through the debts recovery process.

**12. Other Receivables (Cont'd)**Related party balances

Amounts due from subsidiary companies, associate companies and a company in which certain Directors of the Company has substantial financial interest are unsecured, non-interest bearing and are repayable on demand.

**13. Fixed Deposits with Licensed Banks**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed deposits with licensed banks	1,216,901	1,452,325	-	-
Pledged fixed deposits with licensed banks	2,523,548	2,021,932	20,000	20,000
Fixed deposits with licensed banks maturity more than three months	23,028	-	-	-
	<u>3,763,477</u>	<u>3,474,257</u>	<u>20,000</u>	<u>20,000</u>

The interest rate of fixed deposits with licensed banks of the Group and of the Company are range from 3.10% to 3.30% (2014: 3.00% to 3.15%) per annum and the maturity of deposits are 30 to 365 days (2014: 30 to 365 days).

The fixed deposits with licensed banks of the Group are amounted to RM3,763,477 (2014: RM3,474,257) of which RM2,503,548 (2014: RM2,001,932) is pledged to licensed banks as securities for credit facilities granted to the subsidiary companies of the Company as disclosed in Note 16 and RM20,000 (2014: 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 (2014: RM32,000) and RM20,000 (2014: RM20,000) respectively are held in trust by a Director on behalf of the Group's subsidiary company and the Company.

14. **Share Capital**

	<b>Group and Company</b>			
	<b>Number of Ordinary Shares of RM0.50 each</b>		<b>Amount</b>	
	<b>2015 Units</b>	<b>2014 Units</b>	<b>2015 RM</b>	<b>2014 RM</b>
<b>Authorised share capital</b>	<u>200,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid share capital:</b>				
At 1 June	129,668,000	92,620,000	64,834,000	46,310,000
Bonus issue	-	<u>37,048,000</u>	-	<u>18,524,000</u>
At 31 May	<u>129,668,000</u>	<u>129,668,000</u>	<u>64,834,000</u>	<u>64,834,000</u>

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.

In previous financial year, the Company had increased its issued and paid-up ordinary shares from RM46,310,000 to RM64,834,000 by way of bonus issue of 37,048,000 ordinary shares of RM0.50 each on the basis of two bonus shares for every five existing ordinary shares held. The new ordinary shares issued in previous financial year rank pari passu in all respects with the existing ordinary shares of the Company.

15. **Other Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2015 RM</b>	<b>2014 RM</b>	<b>2015 RM</b>	<b>2014 RM</b>
<b>Non-distributable:</b>				
Share premium	2,836,893	2,836,893	2,836,893	2,836,893
Foreign currency translation reserve	582,959	380,713	-	-
Warrant reserve	6,483,400	6,483,400	6,483,400	6,483,400
Capital reserve	4,487,540	4,487,540	-	-
Other reserve	(638,792)	-	-	-
	<u>13,752,000</u>	<u>14,188,546</u>	<u>9,320,293</u>	<u>9,320,293</u>

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

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. In previous financial year, the Company issued 37,048,000 new ordinary shares of RM0.50 each via a bonus issue exercise capitalised entirely from the share premium account.

(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 expire, the warrants reserve remains in equity, although it maybe be transferred to another reserve account within equity.

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

<b>Warrants</b>	<b>Exercise price per ordinary share</b>	<b>Expire date</b>	<b>Number of warrants outstanding as at 31.5.2015</b>
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.

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Current</b>				
<b>Unsecured</b>				
Bank overdrafts	4,445,517	7,149,277	-	-
Bankers' acceptances	49,829,426	61,753,270	-	-
Term loan	-	2,049,407	-	2,000,000
	<u>54,274,943</u>	<u>70,951,954</u>	<u>-</u>	<u>2,000,000</u>
<b>Secured</b>				
Bank overdrafts	240,665	4,653,954	-	2,400,707
Bankers' acceptances	1,670,384	5,997,652	-	-
Trust receipts	-	1,125,891	-	-
Term loans	10,579,360	6,788,707	8,940,000	5,640,000
	<u>66,765,352</u>	<u>89,518,158</u>	<u>8,940,000</u>	<u>10,040,707</u>
<b>Non-Current</b>				
<b>Secured</b>				
Term loans	27,978,722	7,590,154	16,664,743	4,607,676
	<u>27,978,722</u>	<u>7,590,154</u>	<u>16,664,743</u>	<u>4,607,676</u>
	<u>94,744,074</u>	<u>97,108,312</u>	<u>25,604,743</u>	<u>14,648,383</u>

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

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

- (i) legal charge over certain leasehold lands, buildings, 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**

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	%	%	%	%
Bank overdrafts	8.10 - 8.60	7.85 - 8.35	-	7.10
Bankers' acceptance	1.50 - 5.50	1.67 - 5.20	-	-
Trust receipts	-	6.75	-	-
Term loans	5.45 - 7.70	3.00 - 7.85	6.60	6.60

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Within one year	66,765,352	89,518,158	8,940,000	10,040,707
Later than one year but not later than two years	10,383,051	6,396,674	8,940,000	4,607,676
Later than two year but not later than five years	10,929,031	1,193,480	7,724,743	-
Later than five years	6,666,640	-	-	-
	<u>94,744,074</u>	<u>97,108,312</u>	<u>25,604,743</u>	<u>14,648,383</u>

17. **Finance Lease Liabilities**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>Minimum lease payments:</b>		
Within one year	317,691	305,832
Later than one year and not later than two years	251,647	217,503
Later than two year and not later than five years	430,242	325,283
	<u>999,580</u>	<u>848,618</u>
Less: Future finance charges	(95,310)	(79,268)
Present value of minimum lease payments	<u>904,270</u>	<u>769,350</u>
 <b>Present value of minimum lease payments</b>		
Within one year	275,438	269,920
Later than one year and not later than two years	223,782	499,430
Later than two year and not later than five years	405,050	-
	<u>904,270</u>	<u>769,350</u>
 <b>Analyses as:</b>		
Repayable within twelve months	275,438	269,920
Repayable after twelve months	628,832	499,430
	<u>904,270</u>	<u>769,350</u>

Obligations under finance leases

These obligations are secured by a charge over the leased assets as disclosed in Note 4. The effective interest rate for the leases is range from 2.46% to 3.75% (2014: 2.46% to 7.60%) per annum.

**18. Trade Payables**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Trade payables		
- Third parties	<u>38,458,716</u>	<u>34,488,520</u>

The normal trade credit terms granted to the Group is 30 to 60 days (2014: 30 to 60 days). Other credit terms are assessed and approved on a case to case basis.

**19. Other Payables**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other payables	10,220,568	17,382,266	3,716,932	10,277,363
Deposit received	29,195	-	-	-
Accruals	10,456,484	9,665,394	137,742	132,742
Dividend payable	1,945,020	-	1,945,020	-
Amounts due to subsidiary companies	-	-	<u>3,077,093</u>	<u>2,167,293</u>
	<u>22,651,267</u>	<u>27,047,660</u>	<u>8,876,787</u>	<u>12,577,398</u>

Included in other payables of the Group and of the Company amounted to RM3,716,932 (2014: RM10,277,363) and RM3,716,932 (2014: RM10,277,363) respectively are amount due to a contractor for construction of a new building.

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

**20. Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sale of goods	385,503,122	373,724,824	-	-
Dividends income from subsidiary companies	-	-	6,000,000	3,500,000
	<u>385,503,122</u>	<u>373,724,824</u>	<u>6,000,000</u>	<u>3,500,000</u>

**21. Finance Costs**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest expense on:				
- Bank overdrafts	883,158	819,619	107,939	198,118
- Bankers' acceptances	2,648,849	2,730,887	-	-
- Term loans	1,451,086	975,415	1,402,611	610,312
- Finance leases	46,901	24,919	-	-
- Trust receipts	59,719	148,979	-	-
- Others	2,828	1,523	-	-
	<u>5,092,541</u>	<u>4,701,342</u>	<u>1,510,550</u>	<u>808,430</u>
Less:				
Capitalised under property, plant and equipment	<u>(619,122)</u>	<u>(178,113)</u>	<u>(619,122)</u>	<u>(178,113)</u>
	<u>4,473,419</u>	<u>4,523,229</u>	<u>891,428</u>	<u>630,317</u>

**22. Profit before Taxation**

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration:				
- Statutory audit:				
- Current year	176,400	175,000	26,000	26,000
- Under provision for prior years	3,000	-	2,000	2,000
- Other auditors	42,928	39,635	-	-
- Non-audit services:				
- Current year	-	46,528	-	9,500
- Other auditors	10,200	13,000	-	13,000
Bad debt written off	24,404	2,224,048	-	-
Director's remuneration				
- Fee	105,000	100,000	105,000	100,000
- Defined contribution plan	111,660	101,680	-	-
- Other emoluments	1,570,741	1,509,212	-	-
Depreciation of investment properties	8,262	8,263	-	-
Depreciation of property, plant and equipment	4,835,203	4,817,049	134,779	134,779
Impairment loss on:				
- Trade receivables	136,074	2,374,047	-	-
- Other receivables	-	1,500,000	-	-
Inventories written down	288,134	2,099,833	-	-
Inventories written back	-	(37,939)	-	-
Inventories written off	936,236	-	-	-
Foreign exchange loss:				
- Realised	174,188	752,959	-	-
Property, plant and equipment written off	-	452,529	-	-
Rental expenses on:				
- Equipment	167,612	268,043	-	-
- Premises	6,101,962	6,138,881	-	-
- Exhibition booths	242,551	223,211	-	-
Research and development expense	844,316	779,314	-	-

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Bad debt recovered	-	(4,537)	-	-
Excess of fair value over purchase consideration of a subsidiary	-	(35,925)	-	-
Gain on disposal of property, plant and equipment	(8,487,457)	(31,016)	-	-
Government grants*	(889,722)	(436,888)	(570,786)	(150,055)
Interest income	(176,069)	(171,998)	(22,487)	(10,762)
Foreign exchange gain				
- Realised	(311,751)	-	-	-
- Unrealised	(1,182,388)	(940,020)	-	-
Rental income on:				
- Investment properties	(30,600)	(29,750)	-	-
- Sublet of factory premises	(648,948)	(201,839)	-	-
- Warehouse	-	-	(150,000)	-
Reversal of impairment loss on other receivables	(513,879)	-	-	-
	<u>(513,879)</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* 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**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Tax expense recognised in profit or loss</b>				
Malaysia statutory tax:				
- Current tax provision	301,916	74,135	-	-
- Under/(Over) provision in respect of previous years	74,906	(1,110,360)	(32,218)	1,921
Foreign statutory tax:				
- Current tax provision	22,027	18,702	-	-
- Under provision in respect of previous years	(8,103)	(5,689)	-	-
	<u>390,746</u>	<u>(1,023,212)</u>	<u>(32,218)</u>	<u>1,921</u>
<b>Deferred tax</b>				
- Original and reversal of temporary differences	27,990	(15,587)	-	-
- Under provision in prior years	1,653	178,000	-	-
	<u>29,643</u>	<u>162,413</u>	<u>-</u>	<u>-</u>
	<u>420,389</u>	<u>(860,799)</u>	<u>(32,218)</u>	<u>1,921</u>

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before taxation	<u>17,850,644</u>	<u>1,846,255</u>	<u>5,037,609</u>	<u>1,698,104</u>
At Malaysian statutory tax rate of 25% (2014: 25%)	4,462,661	461,564	1,259,402	424,526
Effect of different tax rates in foreign jurisdictions	(63,866)	(30,251)	-	-
Income not subject to tax	(1,700,559)	(77,333)	(1,543,122)	(912,514)
Expenses not deductible for tax purpose	1,887,913	1,288,894	283,720	487,988
Tax incentive	(4,322,042)	(2,002,727)	-	-
Deferred tax assets not recognised	103,385	467,582	-	-
Utilisation of previously unrecognised deferred tax and tax losses	(20,854)	-	-	-
Other items	5,295	(30,479)	-	-
Under provision of deferred tax in respect of previous years	1,653	178,000	-	-
Under/(Over) provision of income tax in respect of of previous years	<u>66,803</u>	<u>(1,116,049)</u>	<u>(32,218)</u>	<u>1,921</u>
	<u>420,389</u>	<u>(860,799)</u>	<u>(32,218)</u>	<u>1,921</u>

Certain of the subsidiary companies of the Company have been granted 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 being obtained. Under the pioneer status, the Company's statutory income is exempted from income tax.

**24. Employee Benefits Expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries, bonuses and allowances	17,338,465	16,691,271	-	-
Defined contribution plan	2,183,652	2,068,630	-	-
Social security contribution	257,655	236,567	-	-
Other employee benefits	1,367,854	1,215,129	-	-
Employee benefits expenses (excluding Directors)	<u>21,147,626</u>	<u>20,211,597</u>	<u>-</u>	<u>-</u>

**25. Earnings per Share**Earnings per shares

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Profit attributable to owners of the parent	<u>17,726,188</u>	<u>2,870,424</u>
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 June	129,668,000	92,620,000
Effect of bonus shares issued during the financial year	-	<u>37,048,000</u>
Weighted average number of ordinary shares at 31 May	<u>129,668,000</u>	<u>129,668,000</u>
Basic earnings per ordinary shares (in sen)	<u>13.67</u>	<u>2.21</u>

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**

	<b>Group and Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Dividends recognised as distribution to ordinary shareholders of the Company:		
Final dividends paid in respect of the financial year ended:		
- 31 May 2013 (single tier dividend of RM0.0175 per ordinary share)	-	1,701,888
- 31 May 2014 (single tier dividend of RM0.02 per ordinary share)	2,593,360	-
Interim dividend paid in respect of the financial year ended:		
- 31 May 2014 (single tier dividend of RM0.015 per ordinary share)	<u>1,945,020</u>	-
	<u>4,538,380</u>	<u>1,701,888</u>

The Directors recommend the payment of a final single-tier dividend of RM0.02 in respect of the current financial year ended 31 May 2015 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 2016.

**27. Related Party Disclosures****(a) Identifying of related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if 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. The Group has a related party relationship with the following:

- (i) Significant investors, subsidiaries and associates.
- (ii) Pensonic Technology Sdn. Bhd. in which Chew Chuon Jin has a substantial financial interest.
- (iii) Pensia Plastic Industries Sdn. Bhd. (“PPI”), a company in which certain Directors namely, Y. Bhg. Dato’ Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee are deemed to have a substantial financial interest. PPI became a subsidiary of the Company on 27 September 2013 (Note 7).

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

The Company has related party relationship with its subsidiary companies, associate companies, a company in which the Director has substantial financial interests and key management personnel.

**(b) Related party transactions**

Information regarding related party balances as at 31 May 2015 is disclosed in Notes 11, 12, 18 and 19.

There were no transactions with the key management personnel other than the rental expense charged by Directors to the Group amounting to RM56,000 (2014 : RM119,000) and the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 27(c).

**27. Related Party Disclosures (Cont'd)****(b) Related party transactions (Cont'd)**

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>Transactions with subsidiary companies</b>		
<b>Company</b>		
- Dividend income	6,000,000	3,500,000
	<hr/>	<hr/>
<b>Transactions with associates</b>		
<b>Group</b>		
- Sales	1,030,695	1,286,188
	<hr/>	<hr/>
<b>Transactions with related party</b>		
<b>Group</b>		
- Purchases	-	(2,850,670)
- Acquisition of a subsidiary	-	(2,000,000)
- Rental charged for sub-letting of factory premises	-	72,000
- Subcon and service charge income	-	212,495
	<hr/>	<hr/>

Related party:

This was a Company in which certain Directors of the Company has substantial financial interest.

**(c) Compensation of key management personnel**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fee	105,000	100,000	105,000	100,000
Defined contribution plan	111,660	101,680	-	-
Other emoluments	1,570,741	1,509,212	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,787,401	1,710,892	105,000	100,000

## 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 taxation, 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.

### **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 liability.

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

	<b>Manufacturing RM</b>	<b>Trading RM</b>	<b>Others RM</b>	<b>Total Segments RM</b>	<b>Adjustment and eliminations RM</b>	<b>Note</b>	<b>Consolidated RM</b>
<b>Group</b>							
<b>2015</b>							
<b>Revenue</b>							
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	<u>71,006,654</u>	<u>394,233,281</u>	<u>10,998,000</u>	<u>476,237,935</u>	<u>(90,734,813)</u>		<u>385,503,122</u>
<b>Results</b>							
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 associates	-	-	11,053	11,053	-		11,053
Other non-cash items	8,936,259	(137,383)	-	8,798,876	-	A	8,798,876
Segment profit	<u>9,809,162</u>	<u>12,312,964</u>	<u>4,104,294</u>	<u>26,226,420</u>	<u>(8,375,776)</u>		<u>17,850,644</u>
<b>Segment assets</b>							
Included in the measurement of segment assets are:							
Additions to non-current assets other than financial instruments and deferred tax assets							
	<u>1,199,220</u>	<u>2,289,586</u>	<u>19,472,439</u>	<u>22,961,245</u>	-		<u>22,961,245</u>

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

	<b>Manufacturing RM</b>	<b>Trading RM</b>	<b>Others RM</b>	<b>Total Segments RM</b>	<b>Adjustment and eliminations RM</b>	<b>Note</b>	<b>Consolidated RM</b>
<b>Group</b>							
<b>2014</b>							
<b>Revenue</b>							
External customers	11,786,302	361,938,522	-	373,724,824	-		373,724,824
Inter-segment	95,406,184	11,154,278	7,052,000	113,612,462	(113,612,462)		-
Total revenue	<u>107,192,486</u>	<u>373,092,800</u>	<u>7,052,000</u>	<u>487,337,286</u>	<u>(113,612,462)</u>		<u>373,724,824</u>
<b>Results</b>							
Interest income	-	160,902	11,096	171,998	-		171,998
Finance costs	(1,043,926)	(2,848,973)	(630,330)	(4,523,229)	-		(4,523,229)
Depreciation	(3,183,272)	(1,459,669)	(182,371)	(4,825,312)	-		(4,825,312)
Share of results of associates	-	-	1,247	1,247	-		1,247
Other non-cash items	(3,326,051)	(4,312,665)	37,696	(7,601,020)	-	A	(7,601,020)
Segment profit	<u>(1,215,466)</u>	<u>8,336,212</u>	<u>(468,007)</u>	<u>6,652,739</u>	<u>(4,806,484)</u>		<u>1,846,255</u>
<b>Segment assets</b>							
<i>Included in the measurement of segment assets are:</i>							
Additions to non-current assets other than financial instruments and deferred tax assets	<u>2,852,080</u>	<u>984,506</u>	<u>17,128,005</u>	<u>20,964,591</u>	-		<u>20,964,591</u>

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

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

	<b>2015</b>	<b>Group</b>	<b>2014</b>
	<b>RM</b>		<b>RM</b>
Bad debt written off	24,404		2,224,048
Impairment loss on trade receivables	136,074		2,374,047
Impairment loss on other receivables	-		1,500,000
Inventories written down	288,134		2,099,833
Inventories written back	-		(37,939)
Inventories written off	936,236		-
Property, plant and equipment written off	-		452,529
Bad debt recovered	-		(4,537)
Excess of fair value over purchase consideration of a subsidiary company	-		(35,925)
Gain on disposal of property, plant and equipment	(8,487,457)		(31,016)
Reversal of impairment loss on other receivables	(513,879)		-
Unrealised foreign exchange gain	(1,182,388)		(940,020)
	<u>(8,798,876)</u>		<u>7,601,020</u>

**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:

<b>Group</b>	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Malaysia	256,358,422	268,171,424	100,100,076	82,915,850
Other Asian countries	103,321,606	80,722,706	24,056	28,747
Middle East	24,706,605	24,467,952	-	-
Others	1,116,489	362,742	-	-
	<u>385,503,122</u>	<u>373,724,824</u>	<u>100,124,132</u>	<u>82,944,597</u>

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.

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

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

	<b>Loans and receivables RM</b>	<b>Other financial liabilities at amortised cost RM</b>	<b>Total carrying amount RM</b>
<b>Group</b>			
<b>2015</b>			
<b>Financial Assets</b>			
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
	<u>101,116,402</u>	<u>-</u>	<u>101,116,402</u>
<b>Financial Liabilities</b>			
Trade payables	-	38,458,716	38,458,716
Other payables	-	22,651,267	22,651,267
Finance lease liabilities	-	904,270	904,270
Bank borrowings	-	94,744,074	94,744,074
	<u>-</u>	<u>156,758,327</u>	<u>156,758,327</u>
<b>2014</b>			
<b>Financial Assets</b>			
Trade receivables	62,417,559	-	62,417,559
Other receivables	5,015,757	-	5,015,757
Fixed deposits with licensed banks	3,474,257	-	3,474,257
Cash and bank balances	16,789,021	-	16,789,021
	<u>87,696,594</u>	<u>-</u>	<u>87,696,594</u>
<b>Financial Liabilities</b>			
Trade payables	-	34,488,520	34,488,520
Other payables	-	27,047,660	27,047,660
Finance lease liabilities	-	769,350	769,350
Bank borrowings	-	97,108,312	97,108,312
	<u>-</u>	<u>159,413,842</u>	<u>159,413,842</u>

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

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

	<b>Loans and receivables RM</b>	<b>Other financial liabilities at amortised cost RM</b>	<b>Total carrying amount RM</b>
<b>Company</b>			
<b>2015</b>			
<b>Financial Assets</b>			
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
	<u>31,912,987</u>	<u>-</u>	<u>31,912,987</u>
<b>Financial Liabilities</b>			
Other payables	-	8,876,787	8,876,787
Bank borrowings	-	25,604,743	25,604,743
	<u>-</u>	<u>34,481,530</u>	<u>34,481,530</u>
<b>2014</b>			
<b>Financial Assets</b>			
Other receivables	40,489,963	-	40,489,963
Fixed deposits with licensed banks	20,000	-	20,000
Cash and bank balances	2,908,812	-	2,908,812
	<u>43,418,775</u>	<u>-</u>	<u>43,418,775</u>
<b>Financial Liabilities</b>			
Other payables	-	12,577,398	12,577,398
Bank borrowings	-	14,648,383	14,648,383
	<u>-</u>	<u>27,225,781</u>	<u>27,225,781</u>

## (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 risk, liquidity risk, foreign currency exchange risk and interest rate risk. 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 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 financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM78.42 million (2014: RM99.63 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.

#### (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)**

	<b>On demand or within 1 year RM</b>	<b>1 to 2 years RM</b>	<b>2 to 5 years RM</b>	<b>After 5 years RM</b>	<b>Total contractual cash flows RM</b>	<b>Total carrying amount RM</b>
<b>Group</b>						
<b>2015</b>						
<b>Financial liabilities</b>						
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
Trade payables	38,458,716	-	-	-	38,458,716	38,458,716
Other payables	22,651,267	-	-	-	22,651,267	22,651,267
	<u>129,523,515</u>	<u>11,412,827</u>	<u>11,698,744</u>	<u>6,666,640</u>	<u>159,301,726</u>	<u>156,758,327</u>
<b>2014</b>						
<b>Financial liabilities</b>						
Bank borrowings	90,183,032	5,294,525	3,348,194	-	98,825,751	97,108,312
Finance lease liabilities	305,832	217,503	325,283	-	848,618	769,350
Trade payables	34,488,520	-	-	-	34,488,520	34,488,520
Other payables	27,047,660	-	-	-	27,047,660	27,047,660
	<u>152,025,044</u>	<u>5,512,028</u>	<u>3,673,477</u>	<u>-</u>	<u>161,210,549</u>	<u>159,413,842</u>

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

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

(ii) Liquidity risk (Cont'd)

	<b>On demand or within 1 year RM</b>	<b>1 to 2 years RM</b>	<b>2 to 5 years RM</b>	<b>After 5 years RM</b>	<b>Total contractual cash flows RM</b>	<b>Total carrying amount RM</b>
<b>Company</b>						
<b>2015</b>						
<b>Financial liabilities</b>						
Bank borrowings	10,270,489	9,718,129	8,064,214	-	28,052,832	25,604,743
Other payables	8,876,787	-	-	-	8,876,787	8,876,787
	<u>19,147,276</u>	<u>9,718,129</u>	<u>8,064,214</u>	<u>-</u>	<u>36,929,619</u>	<u>34,481,530</u>
<b>2014</b>						
<b>Financial liabilities</b>						
Bank borrowings	10,412,947	4,145,058	1,162,901	-	15,720,906	14,648,383
Other payables	12,577,398	-	-	-	12,577,398	14,648,383
	<u>22,990,345</u>	<u>4,145,058</u>	<u>1,162,901</u>	<u>-</u>	<u>28,298,304</u>	<u>29,296,766</u>

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

## (c) 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:

	<b>Denominated in</b>	
	<b>USD RM</b>	<b>HKD RM</b>
<b>Group</b>		
<b>2015</b>		
Trade receivables	2,473,842	29,930
Cash and bank balances	8,595,678	65,140
Trade payables	(12,729,501)	(101,835)
	<u>(1,659,980)</u>	<u>(6,765)</u>
<b>2014</b>		
Trade receivables	1,260,000	26,000
Cash and bank balances	8,457,000	271,000
Trade payables	(5,729,000)	(59,000)
	<u>3,988,000</u>	<u>238,000</u>

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.

	<b>2015</b>		<b>2014</b>	
	<b>Change in currency rate</b>	<b>Effect on profit before taxation RM</b>	<b>Change in currency rate</b>	<b>Effect on profit before taxation RM</b>
<b>Group</b>				
USD	10%	(165,998)	10%	398,800
HKD	10%	(677)	10%	23,800

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

## (c) Market risk (Cont'd)

## (ii) Interest rate risk (Cont'd)

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 financial institutions 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:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Fixed Rate</b>				
<b>Instrument</b>				
<b>Financial Asset:</b>				
Fixed deposits with licensed banks	3,763,477	3,474,257	20,000	20,000
<b>Financial Liabilities:</b>				
Bankers' acceptances	51,499,810	67,750,922	-	-
Finance lease liabilities	904,270	769,350	-	-
	<u>52,404,080</u>	<u>68,520,272</u>	<u>-</u>	<u>-</u>
<b>Floating Rate</b>				
<b>Instrument</b>				
<b>Financial Liabilities:</b>				
Bank overdrafts	4,686,182	11,803,231	-	2,400,707
Trust receipts	-	1,125,891	-	-
Term loans	38,558,082	16,428,268	25,604,743	12,247,676
	<u>43,244,264</u>	<u>29,357,390</u>	<u>25,604,743</u>	<u>14,648,383</u>

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

## (c) Market risk

## (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.

	<b>Effect to profit or loss</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
Interest rate increased by 1%	432,443	293,574
Interest rate decreased by 1%	<u>(432,443)</u>	<u>(293,574)</u>
<b>Company</b>		
Interest rate increased by 1%	256,047	146,484
Interest rate decreased by 1%	<u>(256,047)</u>	<u>(146,484)</u>

## (d) 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.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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

## (d) 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			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>Group</b>					
<b>2015</b>					
<b>Financial liabilities</b>					
<b>(Non-current)</b>					
Finance lease liabilities	-	637,741	-	637,741	628,832
Term loans	-	27,978,722	-	27,978,722	27,978,722
	-	28,616,463	-	28,616,463	28,607,554
<b>2014</b>					
<b>Financial liabilities</b>					
<b>(Non-current)</b>					
Finance lease liabilities	-	511,885	-	511,885	499,430
Term loans	-	7,590,154	-	7,590,154	7,590,154
	-	7,590,154	-	7,590,154	7,590,154
<b>Company</b>					
<b>2015</b>					
<b>Financial liability</b>					
<b>(Non-current)</b>					
Term loans	-	16,664,743	-	16,664,743	16,664,743
	-	16,664,743	-	16,664,743	16,664,743
<b>2014</b>					
<b>Financial liability</b>					
<b>(Non-current)</b>					
Term loans	-	4,607,676	-	4,607,676	4,607,676
	-	4,607,676	-	4,607,676	4,607,676

**29. Financial Instruments (Cont'd)****(d) Fair value of financial instruments (Cont'd)****(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).

**(iv) Level 3 fair value**

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

**30. Capital Commitments**

	<b>Group and Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<b>Authorised and contracted for</b>		
Purchase of property, plant and equipment	-	14,904,000

**31. 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.

**31. Capital Management (Cont'd)**

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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Total loans and borrowings	95,648,344	97,877,662
Less: Cash and cash equivalents	<u>(34,172,731)</u>	<u>(20,263,278)</u>
Net debts	<u>61,475,613</u>	<u>77,614,384</u>
Total equity	<u>108,323,520</u>	<u>95,572,258</u>
Gearing ratio (%)	<u>57%</u>	<u>81%</u>

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

**32. Operating Leases****Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Less than one year	4,173,076	4,123,476
Between one and five years	<u>2,663,184</u>	<u>6,587,360</u>
	<u>6,836,260</u>	<u>10,710,836</u>

The Group leases a warehouse 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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Less than one year	112,140	192,240
Between one and five years	<u>-</u>	<u>112,140</u>
	<u>112,140</u>	<u>304,380</u>

### 33. Comparative Figures

The financial statements for the financial year ended 31 May 2014 was audited by a firm of auditors other than UHY.

Classification of certain comparative were rectified to conform to the current financial year's presentation. There was no significant impact to the financial performance in relation to the financial year ended 31 May 2014.

	As previously stated RM	Reclassification RM	As restated RM
<b>Group</b>			
<b>Statements of financial position</b>			
Trade receivables	65,126,102	(2,708,543)	62,417,559
Other receivables	3,183,595	2,708,543	5,892,138
<b>Statements of cash flows</b>			
Pledged fixed deposits with licensed banks	2,001,932	20,000	2,021,932
Cash and cash equivalents at the end of financial year	<u>6,458,115</u>	<u>(20,000)</u>	<u>6,438,115</u>
<b>Company</b>			
<b>Statements of cash flows</b>			
Pledged fixed deposits with licensed banks	-	20,000	20,000
Cash and cash equivalents at the end of financial year	<u>528,105</u>	<u>(20,000)</u>	<u>508,105</u>

### 34. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 May 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 23 September 2015.

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

The following analysis of realised and unrealised retained earnings/(accumulated losses) 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.

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total retained earnings of the Company and its subsidiaries				
- realised	30,518,395	18,175,229	7,132,404	6,600,957
- unrealised	1,167,603	954,878	-	-
Total retained earnings from associates				
- realised	54,838	43,785	-	-
	<u>31,740,836</u>	<u>19,173,892</u>	<u>7,132,404</u>	<u>6,600,957</u>
Less : Consolidation adjustments	<u>(2,003,316)</u>	<u>(2,624,180)</u>	<u>-</u>	<u>-</u>
Total retained earnings	<u>29,737,520</u>	<u>16,549,712</u>	<u>7,132,404</u>	<u>6,600,957</u>

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.