Pensonic Holdings Berhad

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

and its subsidiaries

Financial statements for the year ended 31 May 2013

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 May 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 May 2013.

Principal activities

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year attributable to :		
Owners of the Company	3,626,913	3,921,265
Non-controlling interests	(64,711)	-
	3,562,202	3,921,265

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 1.75 sen per share less 25% tax, totalling approximately RM1,215,632 in respect of the financial year ended 31 May 2012 on 31 December 2012.

Dividends (continued)

A first and final dividend of 1.75 sen per share less 25% tax totalling approximately RM1,701,893 in respect of the financial year ended 31 May 2013 will be proposed for shareholders' approval 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 shareholders' equity as an appropriation of retained earnings in the financial year ending 31 May 2014.

Directors of the Company

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

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	
Khairilanuar Bin Abdul Rahman	(Appointed on 28.6.2013)
Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	(Appointed on 16.8.2013)
Tahir Jalaluddin Bin Hussain	(Appointed on 16.8.2013)
Y. Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	(Resigned on 4.6.2013)

Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares of RM0.50 each			
	Balance at 1.6.2012	**Bought**	**(Sold)**	**Balance at 31.5.2013**
<u>The Company</u>				
- Direct interest				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	14,517,188	-	-	14,517,188
Chew Chuon Jin	7,080,100	-	-	7,080,100
Chew Chuon Ghee	2,700,200	-	-	2,700,200
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3,537,618	192,300	-	3,729,918

Directors' interests in shares (continued)

	Number of ordinary shares of RM1 each			
	Balance at 1.6.2012	Bought	(Sold)	Balance at 31.5.2013
- Deemed interest				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	15,022,794	-	-	15,022,794
Chew Chuon Jin	15,022,794	-	-	15,022,794
Chew Chuon Ghee	15,022,794	-	-	15,022,794
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,000	-	-	4,000
Subsidiary				
Pensonic Parts & Services Sdn. Bhd.				
- Direct interest				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	-	-	1
Chew Chuon Jin	50,001	-	-	50,001

Based on the Register of Directors' Shareholdings, none of the other Directors holding office at 31 May 2013 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 nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those transactions entered in the ordinary course of business between the Company and certain related corporations with companies in which certain Directors are deemed to have a substantial financial interest as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

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

Options granted over unissued shares

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

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

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

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

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

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

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

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

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

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the gain on disposal of non-current assets held for sale as disclosed in Note 19 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 May 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent events

Details of the subsequent events are as disclosed in Note 31 to the financial statements.

Auditors

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

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

………………………………………..…..
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak

………………………………………..…..
Chew Chuon Jin

Penang,

Date : 25 September 2013

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of financial position as at 31 May 2013

	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Assets				
Property, plant and equipment	3	65,474,934	56,994,718	43,497,547
Investment properties	4	505,851	514,115	1,177,875
Investment in associates	6	247,148	226,924	162,580
Intangible assets	7	1,024,632	1,026,033	1,024,146
Deferred tax assets	8	183,184	1,245,261	1,353,832
Total non-current assets		67,435,749	60,007,051	47,215,980
Inventories	10	75,059,829	88,860,507	86,154,197
Trade and other receivables	11	71,113,925	70,393,226	74,089,207
Current tax assets		1,812,371	1,516,833	562,687
Cash and cash equivalents	12	24,595,577	20,092,475	15,399,034
		172,581,702	180,863,041	176,205,125
Non-current assets held for sale	9	-	653,151	-
Total current assets		172,581,702	181,516,192	176,205,125
Total assets		240,017,451	241,523,243	223,421,105
Equity				
Share capital	13	46,310,000	46,310,000	46,310,000
Reserves	14	41,623,028	39,181,305	50,649,123
Total equity attributable to owners of the Company		87,933,028	85,491,305	96,959,123
Non-controlling interests		(136,471)	(191,720)	180,420
Total equity		87,796,557	85,299,585	97,139,543

Consolidated statement of financial position as at 31 May 2013 (continued)

	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Liabilities				
Loans and borrowings	15	13,114,425	10,481,862	3,443,439
Deferred tax liabilities	8	6,254	704,596	1,042,466
Total non-current liabilities		13,120,679	11,186,458	4,485,905
Loans and borrowings	15	83,564,312	95,655,490	80,880,096
Trade and other payables	16	55,535,903	49,368,624	40,263,042
Current tax payables		-	13,086	652,519
Total current liabilities		139,100,215	145,037,200	121,795,657
Total liabilities		152,220,894	156,223,658	126,281,562
Total equity and liabilities		240,017,451	241,523,243	223,421,105

The notes on pages 20 to 88 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of comprehensive income for the year ended 31 May 2013

	Note	2013 RM	2012 RM
Continuing operations			
Revenue	17	362,515,382	348,642,601
Cost of sales		(297,752,561)	(293,184,705)
Gross profit		64,762,821	55,457,896
Administrative and general expenses		(24,639,828)	(24,398,918)
Selling and distribution expenses		(35,324,151)	(41,050,081)
Other operating income		3,694,274	2,655,047
Other operating expenses		(158,641)	-
Results from operating activities		8,334,475	(7,336,056)
Finance costs	18	(4,411,569)	(3,792,282)
Operating profit/(loss)		3,922,906	(11,128,338)
Share of profit of equity accounted associates, net of tax		20,224	64,344
Profit/(Loss) before tax	19	3,943,130	(11,063,994)
Income tax expense	21	(380,928)	76,651
Profit/(Loss) for the year		3,562,202	(10,987,343)
Other comprehensive income, net of tax			
Foreign currency translation differences of foreign operations		30,442	362,977
Total comprehensive income/(expense) for the year		3,592,644	(10,624,366)

Consolidated statement of comprehensive income for the year ended 31 May 2013 (continued)

	Note	2013 RM	2012 RM
Profit/(Loss) for the year attributable to :			
Owners of the Company		3,626,913	(10,615,163)
Non-controlling interests		(64,711)	(372,180)
Profit/(Loss) for the year		3,562,202	(10,987,343)
Total comprehensive income/(expense) attributable to :			
Owners of the Company		3,657,355	(10,252,186)
Non-controlling interests		(64,711)	(372,180)
Total comprehensive income/(expense) for the year		3,592,644	(10,624,366)
Basic earnings/(loss) per ordinary share (sen)	22	3.92	(11.46)

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 May 2013

		Attributable to owners of the Company							
		Non-distributable			Distributable				
	Note	Share capital RM	Share premium RM	Translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 June 2011		46,310,000	21,360,893	-	4,487,540	24,800,690	96,959,123	180,420	97,139,543
Other comprehensive expense for the year									
- Foreign currency translation differences of foreign operations		-	-	362,977	-	-	362,977	-	362,977
Loss for the year		-	-	-	-	(10,615,163)	(10,615,163)	(372,180)	(10,987,343)
Total comprehensive income/(expense) for the year		-	-	362,977	-	(10,615,163)	(10,252,186)	(372,180)	(10,624,366)
Shares issued to non-controlling interests		-	-	-	-	-	-	40	40
Dividend to owners of the Company	23	-	-	-	-	(1,215,632)	(1,215,632)	-	(1,215,632)
At 31 May 2012		46,310,000	21,360,893	362,977	4,487,540	12,969,895	85,491,305	(191,720)	85,299,585
		Note 13	Note 14	Note 14	Note 14	Note 14			

Consolidated statement of changes in equity for the year ended 31 May 2013 (continued)

		Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	Share capital RM	Share premium RM	Translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 June 2012		46,310,000	21,360,893	362,977	4,487,540	12,969,895	85,491,305	(191,720)	85,299,585
Other comprehensive income for the year									
- Foreign currency translation differences of foreign operations		-	-	30,442	-	-	30,442	-	30,442
Profit for the year		-	-	-	-	3,626,913	3,626,913	(64,711)	3,562,202
Total comprehensive income for the year		-	-	30,442	-	3,626,913	3,657,355	(64,711)	3,592,644
Shares issued to non-controlling interests		-	-	-	-	-	-	119,960	119,960
Dividend to owners of the Company	23	-	-	-	-	(1,215,632)	(1,215,632)	-	(1,215,632)
At 31 May 2013		46,310,000	21,360,893	393,419	4,487,540	15,381,176	87,933,028	(136,471)	87,796,557
		Note 13	Note 14	Note 14	Note 14	Note 14			

The notes on pages 20 to 88 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of cash flows for the year ended 31 May 2013

	Note	2013 RM	2012 RM
Cash flows from operating activities			
Profit/(Loss) before tax from continuing operations		3,943,130	(11,063,994)
Adjustments for :			
Depreciation of property, plant and equipment	3	4,599,973	3,920,488
Depreciation of investment properties	4	8,264	10,609
Gain on disposal of a subsidiary	C	(56,763)	-
Gain on disposal of non-current assets held for sale	19	(1,637,827)	-
Gain on disposal of plant and equipment	19	(22,999)	(66,740)
Interest expense	18	4,411,569	3,792,282
Interest income	19	(37,048)	(53,621)
Plant and equipment written off	19	93,714	84,318
Share of profit of equity accounted associates, net of tax		(20,224)	(64,344)
Operating profit/(loss) before changes in working capital		11,281,789	(3,441,002)
Changes in working capital :			
Inventories		13,742,078	(2,601,793)
Trade and other receivables		(1,005,386)	4,423,322
Trade and other payables		7,023,242	8,461,281
Cash generated from operations		31,041,723	6,841,808
Income tax paid		(673,540)	(1,746,472)
Net cash from operating activities		30,368,183	5,095,336

Consolidated statement of cash flows for the year ended 31 May 2013 (continued)

	Note	2013 RM	2012 RM
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		23,000	67,032
Purchase of property, plant and equipment	A	(12,965,149)	(17,262,926)
Proceeds from disposal of non-current assets held for sale		2,290,978	-
Interest received		37,048	53,621
Proceeds from issuance of shares to non-controlling interests		119,960	40
Net cash used in investing activities		(10,494,163)	(17,142,233)
Cash flows from financing activities			
Drawdown of term loans		3,180,121	7,763,962
Repayment of finance lease liabilities		(207,740)	(149,129)
Dividend paid to owners of the Company		(1,215,632)	(1,215,632)
(Repayment)/Drawdown of borrowings, net		(10,386,837)	11,014,621
Withdrawal/(Placement) of pledged fixed deposits		59,194	(86,771)
Interest paid		(4,442,597)	(3,792,282)
Net cash (used in)/from financing activities		(13,013,491)	13,534,769
Net increase in cash and cash equivalents		6,860,529	1,487,872
Cash and cash equivalents at 1 June		5,284,163	3,582,528
Effects of exchange differences on cash and cash equivalents		(97,398)	213,763
Cash and cash equivalents at 31 May	B	12,047,294	5,284,163

Consolidated statement of cash flows for the year ended 31 May 2013 (continued)

NOTES

A. *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM13,143,199 (2012 : RM17,500,926) of which RM 178,050 (2012 : RM238,000) was acquired by means of finance lease. The balance of RM12,965,149 (2012 : RM17,262,926) was settled in cash. Included in the cost of the property, plant and equipment acquired is interest expense capitalised of RM31,028 (2012 : RM Nil).

B. *Cash and cash equivalents*

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

	Note	**31.5.2013 RM**	**31.5.2012 RM**
Short term deposits with licensed banks (excluding pledged deposits)	12	321,308	25,424
Cash and bank balances	12	21,362,434	17,096,022
Bank overdrafts	15	(9,636,448)	(11,837,283)
		12,047,294	5,284,163

C. *Disposal of a subsidiary*

During the financial year, the Company disposed of its wholly-owned subsidiary, Pensia Air Conditioners Sdn. Bhd. for a total cash consideration of RM2. The carrying value of assets disposed and liabilities relieved is as follows:

	Note	**RM**
Current tax asset		347,690
Cash on hand		2
Other payables		(404,453)
Net liabilities		(56,761)
Gain on disposal of a subsidiary	19	56,763
Consideration received, satisfied in cash		2
Cash on hand disposed of		(2)
Net cash inflow		-

The notes on pages 20 to 88 are an integral part of these financial statements.

Pensonic Holdings Berhad

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

Statement of financial position as at 31 May 2013

	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Assets				
Property, plant and equipment	3	16,196,521	6,300,899	-
Investment in subsidiaries	5	31,372,509	31,372,511	31,515,311
Total non-current asset		47,569,030	37,673,410	31,515,311
Trade and other receivables	11	41,048,145	38,851,683	40,493,706
Current tax assets		127,884	67,609	110,980
Cash and cash equivalents	12	83,990	23,493	24,037
Total current assets		41,260,019	38,942,785	40,628,723
Total assets		88,829,049	76,616,195	72,144,034
Equity				
Share capital	13	46,310,000	46,310,000	46,310,000
Reserves	14	27,967,555	25,261,922	25,585,380
Total equity		74,277,555	71,571,922	71,895,380
Liabilities				
Loans and borrowings	15	8,511,966	4,051,379	-
Total non-current liabilities		8,511,966	4,051,379	-
Loans and borrowings	15	4,420,338	508,621	-
Trade and other payables	16	1,619,190	484,273	248,654
Total current liabilities		6,039,528	992,894	248,654
Total liabilities		14,551,494	5,044,273	248,654
Total equity and liabilities		88,829,049	76,616,195	72,144,034

The notes on pages 20 to 88 are an integral part of these financial statements.

Pensonic Holdings Berhad

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

Statement of comprehensive income for the year ended 31 May 2013

	Note	2013 RM	2012 RM
Continuing operations			
Revenue	17	6,350,000	2,400,000
Administrative and general expenses		(520,169)	(1,178,391)
Other operating income		42,686	315,938
Operating profit		5,872,517	1,537,547
Finance cost	18	(424,027)	(22,535)
Profit before tax	19	5,448,490	1,515,012
Income tax expense	21	(1,527,225)	(622,838)
Profit for the year/Total comprehensive income for the year		3,921,265	892,174

The notes on pages 20 to 88 are an integral part of these financial statements.

Pensonic Holdings Berhad

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

Statement of changes in equity for the year ended 31 May 2013

	Note	Share capital RM	*Non-distributable* Share premium RM	*Distributable* Retained earnings RM	Total equity RM
At 1 June 2011		46,310,000	21,360,893	4,224,487	71,895,380
Profit for the year representing total comprehensive income for the year		-	-	892,174	892,174
Dividend to owners of the Company	23	-	-	(1,215,632)	(1,215,632)
At 31 May 2012/1 June 2012		46,310,000	21,360,893	3,901,029	71,571,922
Profit for the year representing total comprehensive income for the year		-	-	3,921,265	3,921,265
Dividend to owners of the Company	23	-	-	(1,215,632)	(1,215,632)
At 31 May 2013		46,310,000	21,360,893	6,606,662	74,277,555
		Note 13	Note 14	Note 14	

The notes on pages 20 to 88 are an integral part of these financial statements.

Pensonic Holdings Berhad

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

Statement of cash flows for the year ended 31 May 2013

	Note	2013 RM	2012 RM
Cash flows from operating activities			
Profit before tax from continuing operations		5,448,490	1,515,012
Adjustments for :			
Amortisation of short term leasehold land	3	134,779	-
Impairment of investment in a subsidiary	5	-	142,800
Interest expense	18	424,027	22,535
Interest income	19	(3,349)	-
Dividend income	19	(6,350,000)	(2,400,000)
Operating loss before changes in working capital		(346,053)	(719,653)
Changes in working capital :			
Trade and other receivables		2,566,038	1,642,023
Trade and other payables		1,134,917	235,619
Cash generated from operations		3,354,902	1,157,989
Income tax refunded		-	20,533
Dividend received		-	1,800,000
Net cash from operating activities		3,354,902	2,978,522
Cash flows from investing activities			
Purchase of property, plant and equipment	A	(9,999,373)	(6,300,899)
Proceed from disposal of a subsidiary		2	-
Interest received		3,349	-
Net cash used in investing activities		(9,996,022)	(6,300,899)

Statement of cash flows for the year ended 31 May 2013 (continued)

	Note	2013 RM	2012 RM
Cash flows from financing activities			
Dividend paid to owners of the Company		(1,215,632)	(1,215,632)
Interest paid		(455,055)	(22,535)
Drawdown of term loan		6,521,966	4,560,000
Repayment of term loan		(720,000)	-
Net cash from financing activities		4,131,279	3,321,833
Net decrease in cash and cash equivalents		(2,509,841)	(544)
Cash and cash equivalents at 1 June		23,493	24,037
Cash and cash equivalents at 31 May	B	(2,486,348)	23,493

NOTES

A. Purchase of property, plant and equipment

Included in the cost of the property, plant and equipment acquired is interest expense capitalised of RM31,028 (2012 : RM Nil).

B. Cash and cash equivalents

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

	Note	2013 RM	2012 RM
Cash and bank balances	12	83,990	23,493
Bank overdraft	15	(2,570,338)	-
		(2,486,348)	23,493

The notes on pages 20 to 88 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

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

Principal place of business

Plot 98, Perusahaan Maju 8
Bukit Tengah Industrial Park
13600 Prai
Penang

Registered office

87 Muntri Street
10200 Penang

The consolidated financial statements of the Company as at and for the year ended 31 May 2013 comprise the Company and its subsidiaries (together referred to as “the Group” and individually referred to as “Group entities”) and the Group’s interest in associates.

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

These financial statements were authorised for issue by the Board of Directors on 25 September 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These are the Group’s first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The financial impacts of transition to MFRS are disclosed in Note 32 to the financial statements.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine**
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans**
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*
- Amendments to MFRS 132, *Financial Instruments: Presentation – 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#*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 June 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for those indicated with "*" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 June 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for those indicated with "#" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 June 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the above standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Company upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the financial statements.

1. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 June 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

Acquisitions on or after 1 June 2011

For acquisitions on or after 1 June 2011, the Group measures the cost of goodwill at the acquisition date as :

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

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

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

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

Acquisitions before 1 June 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 June 2011. Goodwill arising from acquisitions before 1 June 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 June 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations 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, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, 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 remaining influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

All financial assets are subject to review for impairment (see Note 2(i)(*i*)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Financial guarantee contracts

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

Financial guarantee contracts are classified as financial liability and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The depreciation rates used for the current and comparative periods are as follows :

	%
Buildings	2 - 5
Furniture, fittings and office equipment	5 - 33
Plant and machinery	8 - 10
Renovation and electrical installation	10
Signboard and showcase	10
Motor vehicles	10 - 20
Computer	20

Leasehold land is depreciated over the lease period ranging from 48 to 84 years.

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

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

(ii) Operating lease

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

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 lease payments.

(f) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use, if any.

2. Significant accounting policies (continued)

(f) Investment property (continued)

(i) Investment property carried at cost (continued)

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

Freehold land is not depreciated. Buildings are depreciated on a straight line basis over the estimated useful life of the assets using an annual rate of 2%.

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

(ii) Reclassification to/from investment property

Transfers between investment property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

(iii) Determination of fair value

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.

(g) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

2. Significant accounting policies (continued)

(g) Non-current assets held for sale (continued)

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity, accounted in investment ceases once classified as held for sale or distribution.

(h) Intangible assets

Goodwill

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

Trademarks

Trademarks acquired on business combinations are measured at cost less any accumulated impairment losses. Trademarks with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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.

(i) Impairment

(i) Financial assets

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

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

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and non-current assets 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, then 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 an 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 group of cash-generating units that are expected to benefit from the synergies of the combination.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

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

(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 and 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.

2. Significant accounting policies (continued)

(k) Cash and cash equivalents

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

(l) Provisions

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

(m) Revenue and other income

(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 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.

2. Significant accounting policies (continued)

(m) Revenue and other income (continued)

(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 when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Government 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.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying 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.

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.

2. Significant accounting policies (continued)

(o) Income tax

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

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

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

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 taxation 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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that are 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.

2. Significant accounting policies (continued)

(p) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contribution to statutory pension funds is charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(q) Earnings per share

The Group presents basic 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.

(r) Operating segments

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

(s) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

2. Significant accounting policies (continued)

(s) Equity instruments (continued)

(ii) Ordinary shares

Ordinary shares are classified as equity.

(t) Contingencies liabilities

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

3. Property, plant and equipment

Group	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Cost										
At 1 June 2011	11,745,631	23,196,765	3,407,742	5,867,588	17,140,962	2,879,934	5,788,166	278,619	-	70,305,407
Additions	6,300,899	-	185,706	2,039,311	8,566,267	141,265	267,478	-	-	17,500,926
Disposals	-	-	-	-	-	(4,518)	(149,750)	-	-	(154,268)
Write-off	-	-	-	-	(30,350)	(118,189)	-	-	-	(148,539)
Exchange difference	-	-	1,366	-	-	5,751	-	-	-	7,117
At 31 May 2012/ 1 June 2012	18,046,530	23,196,765	3,594,814	7,906,899	25,676,879	2,904,243	5,905,894	278,619	-	87,510,643
Additions	-	-	212,890	309,520	2,141,263	291,619	187,434	1,100	10,030,401	13,174,227
Disposals	-	-	-	-	-	-	(67,926)	-	-	(67,926)
Write-off	-	-	-	-	-	(119,425)	-	-	-	(119,425)
Exchange difference	-	-	(1,014)	-	-	(2,874)	-	-	-	(3,888)
At 31 May 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

3. Property, plant and equipment (continued)

Group	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Accumulated depreciation										
At 1 June 2011	2,300,593	5,667,163	2,918,844	3,716,761	6,219,272	1,793,150	3,953,626	238,451	-	26,807,860
Depreciation for the year	175,243	490,275	183,136	601,837	1,873,010	175,420	411,203	10,364	-	3,920,488
Disposals	-	-	-	-	-	(4,227)	(149,749)	-	-	(153,976)
Write-off	-	-	-	-	(15,543)	(48,678)	-	-	-	(64,221)
Exchange difference	-	-	1,310	-	-	4,464	-	-	-	5,774
At 31 May 2012/ 1 June 2012	2,475,836	6,157,438	3,103,290	4,318,598	8,076,739	1,920,129	4,215,080	248,815	-	30,515,925
Depreciation for the year	310,021	490,276	185,559	634,554	2,380,151	194,097	395,698	9,617	-	4,599,973
Disposals	-	-	-	-	-	-	(67,925)	-	-	(67,925)
Write-off	-	-	-	-	-	(25,711)	-	-	-	(25,711)
Exchange difference	-	-	(996)	-	-	(2,569)	-	-	-	(3,565)
At 31 May 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

3. Property, plant and equipment (continued)

Group	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Carrying amounts										
At 1 June 2011	9,445,038	17,529,602	488,898	2,150,827	10,921,690	1,086,784	1,834,540	40,168	-	43,497,547
At 31 May 2012/ 1 June 2012	15,570,694	17,039,327	491,524	3,588,301	17,600,140	984,114	1,690,814	29,804	-	56,994,718
At 31 May 2013	15,260,673	16,549,051	518,837	3,263,267	17,361,252	987,617	1,482,549	21,287	10,030,401	65,474,934

3. Property, plant and equipment (continued)

Company	Short term leasehold land RM	Construction in progress RM	Total RM
Cost			
At 1 June 2011	-	-	-
Additions	6,300,899	-	6,300,899
At 31 May 2012/1 June 2012	6,300,899	-	6,300,899
Additions	-	10,030,401	10,030,401
At 31 May 2013	6,300,899	10,030,401	16,331,300
Accumulated amortisation			
At 1 June 2011/31 May 2012/1 June 2012	-	-	-
Amortisation for the year	134,779	-	134,779
At 31 May 2013	134,779	-	134,779
Carrying amounts			
At 1 June 2011	-	-	-
At 31 May 2012/1 June 2012	6,300,899	-	6,300,899
At 31 May 2013	6,166,120	10,030,401	16,196,521

3.1 Assets under finance lease - Group

Included in the carrying amount of property, plant and equipment are the following assets acquired under finance lease :

	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Motor vehicles	883,787	813,738	781,664
Furniture, fittings and office equipment	10,679	27,343	41,356
	894,466	841,081	823,020

3. Property, plant and equipment (continued)

3.2 Security

Group

Included in the carrying amount of property, plant and equipment are the following assets pledged as securities for borrowings granted to the Group :

	31.5.2013 RM	**31.5.2012 RM**	**1.6.2011 RM**
Leasehold land	9,148,819	9,351,613	3,118,731
Buildings	12,764,805	13,148,648	13,533,692
Plant and machinery	7,336,767	8,216,988	1,526,038
Construction in progress	10,030,401	-	-
	39,280,792	30,717,249	18,178,461

Company

The short term leasehold land and construction in progress of the Company have been pledged as security for the term loan granted to the Company (Note 15).

3.3 Motor vehicles held in trust

Included in property, plant and equipment of the Group are motor vehicles held in trust by certain Directors of the Company amounting to RM422,131 (31.5.2012 : RM560,430; 1.6.2011 : RM718,658).

3.4 Leasehold land - Group

Included in the carrying amount of leasehold land are :

	31.5.2013 RM	**31.5.2012 RM**	**1.6.2011 RM**
Leasehold land with unexpired lease period of more than 50 years	7,254,567	7,389,584	7,515,553
Leasehold land with unexpired lease period of less than 50 years	8,006,106	8,181,110	1,929,485
	15,260,673	15,570,694	9,445,038

3.5 Capitalisation of borrowing costs

Included in construction in progress of the Group and of the Company is interest expense capitalised amounting to RM31,028 (31.5.2012 and 1.6.2011 : RM Nil).

4. Investment properties - Group

	Freehold land RM	Buildings RM	Total RM
Cost			
At 1 June 2011	564,287	747,379	1,311,666
Reclassified to non-current assets held for sale	(564,287)	(117,379)	(681,666)
At 31 May 2012/1 June 2012/31 May 2013	-	630,000	630,000
Accumulated depreciation			
At 1 June 2011	-	133,791	133,791
Depreciation	-	10,609	10,609
Reclassified to non-current assets held for sale	-	(28,515)	(28,515)
At 31 May 2012/1 June 2012	-	115,885	115,885
Depreciation	-	8,264	8,264
At 31 May 2013	-	124,149	124,149
Carrying amounts			
At 1 June 2011	564,287	613,588	1,177,875
At 31 May 2012/1 June 2012	-	514,115	514,115
At 31 May 2013	-	505,851	505,851
Estimated fair value			
At 1 June 2011	663,000	717,000	1,380,000
At 31 May 2012/1 June 2012	-	757,000	757,000
At 31 May 2013	-	876,000	876,000

The fair value of investment properties is determined based on Directors' estimate by reference to market information.

4. Investment properties - Group (continued)

The carrying amounts of investment properties pledged as security for borrowings granted to the Group are as follows :

	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Freehold land	-	-	273,886
Buildings	377,237	383,422	480,818
	377,237	383,422	754,704

5. Investment in subsidiaries - Company

	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Unquoted shares, at cost	32,392,511	32,392,511	31,292,513
Subscription of shares in existing subsidiaries	-	-	1,100,000
Written off (subsidiary striked-off)	-	-	(2)
Disposed of	(2)	-	-
Accumulated impairment	(1,020,000)	(1,020,000)	(877,200)
	31,372,509	31,372,511	31,515,311

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Effective ownership interest			Principal activities
		31.5.2013 %	31.5.2012 %	1.6.2011 %	
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100	100	100	Manufacture, assembly and sale of electrical and electronic appliances

5. Investment in subsidiaries - Company (continued)

Name of subsidiaries	Country of incorporation	Effective ownership interest			Principal activities
		31.5.2013 %	31.5.2012 %	1.6.2011 %	
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd. *	Singapore	100	100	100	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	100	Provision of management services
Pensia Air Conditioners Sdn. Bhd.#	Malaysia	-	100	100	Dormant
Microtag Engineering Sdn. Bhd.	Malaysia	51	51	51	Dormant
Subsidiaries of Keat Radio Co. Sdn. Bhd.					
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	100	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited *	Hong Kong	100	100	100	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60	60	60	Trading and service of parts for electrical and electronic appliances

5. Investment in subsidiaries - Company (continued)

Name of subsidiaries	Country of incorporation	Effective ownership interest 31.5.2013 %	31.5.2012 %	1.6.2011 %	Principal activities
Subsidiary of Pensonic (H.K.) Corporation Limited					
Pensonic Trading (Shenzhen) Co. Ltd. * ^	People's Republic of China	100	100	100	Dormant
Subsidiary of Pensonic Sales & Service Sdn. Bhd.					
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	100	Distribution of home appliances
Subsidiary of Kollektion Distribution Sdn. Bhd.					
Kollektion Haus (Austin) Sdn. Bhd.	Malaysia	60	60	-	Distribution home appliances

* Not audited by KPMG
^ The unaudited management accounts were consolidated in the Group financial statements
# Disposed of on 12 July 2012

6. Investment in associates - Group

	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Unquoted shares, at cost	204,610	204,610	205,549
Less : Written off	-	-	(939)
	204,610	204,610	204,610
Share of post acquisition reserves	42,538	22,314	(42,030)
	247,148	226,924	162,580

6. Investment in associates - Group (continued)

Name of associates	Country of incorporation	Effective ownership interest 31.5.2013 %	31.5.2012 %	1.6.2011 %	Principal activities
Pensonic (B) Sdn. Bhd. *	Brunei	40	40	40	Trading of electrical and electronic appliances
Microtag System Sdn. Bhd. **	Malaysia	10	10	10	Dormant

* Interest held through a subsidiary, Pensonic Corporation Sdn. Bhd.
** Interest held through a subsidiary, Microtag Engineering Sdn. Bhd.

Summary financial information for associates, not adjusted for the percentage ownership held by the Group :

	Revenue (100%) RM	Profit/(Loss) (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
31 May 2013				
Pensonic (B) Sdn. Bhd.	3,436,878	51,817	2,100,371	1,494,354
Microtag System Sdn. Bhd.	-	(5,030)	885	105,803
	3,436,878	46,787	2,101,256	1,600,157
31 May 2012				
Pensonic (B) Sdn. Bhd.	2,872,193	161,350	1,861,199	1,319,549
Microtag System Sdn. Bhd.	-	(1,960)	895	100,783
	2,872,193	159,390	1,862,094	1,420,332
1 June 2011				
Pensonic (B) Sdn. Bhd.	2,791,897	1,891	1,799,605	1,419,305
Microtag System Sdn. Bhd.	-	(3,153)	915	98,843
	2,791,897	(1,262)	1,800,520	1,518,148

7. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
Cost			
At 1 June 2011	154,146	870,000	1,024,146
Exchange difference	1,887	-	1,887
At 31 May 2012/1 June 2012	156,033	870,000	1,026,033
Exchange difference	(1,401)	-	(1,401)
At 31 May 2013	154,632	870,000	1,024,632

The trademark relates to 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 a 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 Group, the trademark was assessed as having an indefinite useful life subject to use in good faith.

7.1 Impairment testing on goodwill

Goodwill arising from business combinations have been allocated to the electrical and electronic appliances segment by geographical region for impairment testing purposes. The recoverable amount has been determined based on value in use calculations using cash flow projections from approved financial budgets and business plan covering a period of 3 years. The financial budget and business plan were based on management’s assessment of future trends and market developments. The calculations of value in use is not sensitive towards any particular assumption used.

For the purpose of impairment testing, a pre-tax discount rate of 11% (31.5.2012 : 11% and 1.6.2011 : 11%) was applied in determining the recoverable amount. Based on the impairment testing performed, the management is of the opinion that the recoverable amount of the goodwill exceeds the carrying amount.

8. Deferred tax - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Deferred tax assets			
Tax loss carry-forwards	178,000	992,000	1,105,832
Capital allowance carry-forwards	5,184	5,261	85,000
Other temporary differences	-	248,000	163,000
	183,184	1,245,261	1,353,832
Deferred tax liabilities			
Property, plant and equipment - capital allowances	(44,000)	(963,527)	(1,041,466)
Capital allowance carry-forwards	-	40,086	-
Unutilised reinvestment allowance	-	152,107	-
Other temporary differences	37,746	66,738	(1,000)
	(6,254)	(704,596)	(1,042,466)

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Movements in temporary differences during the year are as follows:

	At 1 June 2011 RM	Charged to profit or loss RM	Exchange difference RM	At 31 May 2012 RM	Charged to profit or loss RM	Exchange difference RM	At 31 May 2013 RM
Deferred tax assets	1,353,832	(108,859)	288	1,245,261	(1,061,917)	(160)	183,184
Deferred tax liabilities	(1,042,466)	337,870	-	(704,596)	698,342	-	(6,254)
	311,366	229,011	288	540,665	(363,575)	(160)	176,930
		(Note 21)			(Note 21)		

8. Deferred tax - Group (continued)

Unrecognised deferred tax assets - Group

No deferred tax assets have been recognised for the following items:

	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Tax loss carry-forwards	20,879,000	16,215,000	8,387,000
Capital allowance carry-forwards	1,062,000	728,000	76,000
Property, plant and equipment – capital allowances	(1,429,000)	(1,546,000)	-
Unutilised reinvestment allowance	10,276,000	9,574,000	5,127,000
Other temporary differences	(869,000)	(27,000)	(30,000)
	29,919,000	24,944,000	13,560,000

The tax loss carry-forwards, capital allowance carry-forwards, other temporary differences and unutilised reinvestment allowance do not expire under current tax legislation. No deferred tax assets have been recognised in respect of these items as these temporary differences are expected to reverse after the tax holiday period (Note 21).

The comparative figures have been restated to reflect the revised tax loss carry-forwards, capital allowances carry-forwards and other temporary differences available to the Group.

9. Non-current assets held for sale - Group

	2013 RM	2012 RM
Balance at 1 June	653,151	-
Disposal	(653,151)	-
Reclassified from investment properties	-	653,151
Balance at 31 May	-	653,151

The assets held for sale consisted of freehold land and building measured at the lower of their carrying amount and fair value less cost to sell. Arising from the disposal which was completed during the year, the Group recognised a gain of RM1,637,827.

10. Inventories - Group

	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Raw materials	4,758,640	5,531,631	6,131,777
Manufactured inventories	70,301,189	83,328,876	80,022,420
	75,059,829	88,860,507	86,154,197
Recognised in cost of sales :			
Write-down to net realisable value	127,689	368,948	127,887

11. Trade and other receivables

Group	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Trade				
Trade receivables		58,672,104	57,279,459	60,814,348
Amount due from :				
- Associate	11.1	1,454,370	956,644	1,286,542
- Companies in which certain Directors have a substantial financial interest	11.1	8,205,618	9,278,853	8,739,560
		68,332,092	67,514,956	70,840,450
Non-trade				
Other receivables		1,445,070	1,629,310	1,940,398
Deposits		534,970	419,300	399,633
Prepayments		801,793	829,660	908,726
		2,781,833	2,878,270	3,248,757
		71,113,925	70,393,226	74,089,207

11. Trade and other receivables (continued)

Company	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Non-trade				
Amount due from subsidiaries	11.1	35,840,384	36,320,680	38,610,706
Other receivables		444,511	730,253	83,000
Deposits		750	750	-
Dividend receivable from subsidiaries		4,762,500	1,800,000	1,800,000
		41,048,145	38,851,683	40,493,706

11.1 Amount due from an associate, companies in which certain Directors have a substantial financial interest and subsidiaries

The trade amount due from associate and companies in which certain Directors have a substantial financial interest is subject to normal trade terms.

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

12. Cash and cash equivalents

Group	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Short term deposits with licensed banks	3,233,143	2,996,453	3,469,153
Cash and bank balances	21,362,434	17,096,022	11,929,881
	24,595,577	20,092,475	15,399,034
Company			
Cash and bank balances	83,990	23,493	24,037

12.1 Short term deposits with licensed banks

Short term deposits amounting to RM2,911,835 (31.5.2012 : RM2,971,029 and 1.6.2011 : RM2,884,258) of the Group are held in lien for borrowings granted to the Group (Note 15).

13. Share capital - Group/ Company

	Amount RM	Number of shares
31.5.2013		
Ordinary shares of RM0.50 each		
Authorised	100,000,000	200,000,000
Issued and fully paid	46,310,000	92,620,000
31.5.2012		
Ordinary shares of RM0.50 each		
Authorised	100,000,000	200,000,000
Issued and fully paid	46,310,000	92,620,000
1.6.2011		
Ordinary shares of RM0.50 each		
Authorised	100,000,000	200,000,000
Issued and fully paid	46,310,000	92,620,000

14. Reserves

Group	**31.5.2013 RM**	**31.5.2012 RM**	**1.6.2011 RM**
Non-distributable :			
Share premium	21,360,893	21,360,893	21,360,893
Translation reserve	393,419	362,977	-
Capital reserve	4,487,540	4,487,540	4,487,540
	26,241,852	26,211,410	25,848,433
Distributable :			
Retained earnings	15,381,176	12,969,895	24,800,690
	41,623,028	39,181,305	50,649,123

14. Reserves (continued)

Company	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Non-distributable :			
Share premium	21,360,893	21,360,893	21,360,893
Distributable :			
Retained earnings	6,606,662	3,901,029	4,224,487
	27,967,555	25,261,922	25,585,380

The movements in the reserves are disclosed in the statements of changes in equity.

14.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of foreign operations.

14.2 Capital reserve

The capital reserve of the Group represents the statutory reserve of foreign subsidiaries as required by the respective foreign legislations.

14.3 Section 108 tax credit

Subject to agreement with the Inland Revenue Board, the Company has sufficiant Section 108 tax credit to frank its entire retained earnings at 31 May 2013 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution. The Company has not made this election. As such, the Section 108 tax credit as at 31 May 2013 will be available to the Company until such time the credit is fully utilised or upon expiry of the transitional period on 31 December 2013, whichever is earlier.

15. Loans and borrowings

Group	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Current			
Unsecured			
Bank overdrafts	3,909,648	6,191,639	4,764,021
Bankers' acceptances	61,027,978	61,893,745	51,782,886
Term loans	761,517	701,141	1,102,954
	65,699,143	68,786,525	57,649,861
Secured			
Bank overdrafts	5,726,800	5,645,644	4,168,227
Bankers' acceptances	8,978,918	17,840,000	16,882,967
Bills payable	-	-	156,874
Trust receipts	-	681,362	536,431
Term loans	2,956,795	2,530,671	1,352,385
Finance lease liabilities	202,656	171,288	133,351
	17,865,169	26,868,965	23,230,235
	83,564,312	95,655,490	80,880,096
Non-current			
Unsecured			
Term loans	2,045,115	120,595	786,513
Secured			
Term loans	10,659,495	9,890,394	2,236,987
Finance lease liabilities	409,815	470,873	419,939
	11,069,310	10,361,267	2,656,926
	13,114,425	10,481,862	3,443,439

15. Loans and borrowings (continued)

Company	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Current			
Unsecured			
Term loans	500,000	-	-
Secured			
Bank overdraft	2,570,338	-	-
Term loans	1,350,000	508,621	-
	3,920,338	508,621	-
	4,420,338	508,621	-
Non-current			
Unsecured			
Term loans	2,000,000	-	-
Secured			
Term loans	6,511,966	4,051,379	-
	8,511,966	4,051,379	-

15.1 Covenants

The term loans and bank overdrafts were subject to the fulfilment of the following covenants:

i) The Debt to Equity Ratio should not exceed 1.50 times; and
ii) The Debt Service Cover Ratio of the Group to be at least 1.25 times.

15.2 Securities

The unsecured borrowings of the Group are guaranteed by the Company. The secured borrowings are secured against certain leasehold land, buildings, investment properties and short term deposits of the Group as disclosed in Notes 3.2, 4 and 12.1 respectively to the financial statements.

Finance lease liabilities are secured as the rights to the assets under the finance lease that revert to the lessor in the event of default.

15. Loans and borrowings (continued)

15.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

	31.5.2013			31.5.2012			1.6.2011		
Group	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**
Less than 1 year	229,628	26,972	202,656	201,505	30,217	171,288	163,397	30,046	133,351
Between 1 and 5 years	434,406	24,591	409,815	506,490	35,617	470,873	462,996	43,057	419,939
	664,034	51,563	612,471	707,995	65,834	642,161	626,393	73,103	553,290

16. Trade and other payables

Group	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
Trade				
Trade payables	16.1	36,797,931	36,095,027	32,055,554
Company in which certain Directors have a substantial financial interest		1,511,295	1,312,178	-
		38,309,226	37,407,205	32,055,554
Non-trade				
Other payables		8,292,319	4,227,269	3,998,381
Accrued expenses		8,934,358	7,734,150	4,209,107
		17,226,677	11,961,419	8,207,488
		55,535,903	49,368,624	40,263,042
Company				
Non-trade				
Amount due to subsidiaries	16.2	-	156,694	137,612
Other payables	16.3	1,502,448	217,579	6,742
Accrued expenses		116,742	110,000	104,300
		1,619,190	484,273	248,654
		1,619,190	484,273	248,654

16.1 Trade payables

Included in trade payables of the Group is RM2,068,155 (31.5.2012 : RM1,283,238 and 1.6.2011 : RM6,101,391) being advance payments made to suppliers.

16.2 Amount due to subsidiaries

The non-trade amount due to subsidiaries was unsecured, interest-free and payable on demand.

16.3 Other payables

Included in other payables of the Group and of the Company are RM753,530 (31.5.2012 and 1.6.2011 : RM Nil) representing retention sum due to a building contractor for construction work carried.

17. Revenue

Revenue of the Group represents the invoiced value of goods sold less discounts and returns.

Revenue of the Company represents gross dividend income from subsidiaries.

18. Finance costs

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Interest expense on :				
Term loans	868,971	359,129	311,852	22,535
Bank overdrafts	667,826	582,077	143,203	-
Bankers' acceptances	2,843,311	2,772,762	-	-
Other borrowings	62,489	78,314	-	-
	4,442,597	3,792,282	455,055	22,535
Recognised in profit or loss	4,411,569	3,792,282	424,027	22,535
Capitalised under property, plant and equipment (Note 3.5)	31,028	-	31,028	-
	4,442,597	3,792,282	455,055	22,535

19. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at :

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
After charging :				
Auditors' remuneration :				
- Audit fees				
- KPMG Malaysia				
- current year	170,000	162,000	26,000	22,000
- prior year	4,100	12,600	3,000	1,000
- Other auditors	29,886	30,610	-	-

19. Profit/(Loss) before tax (continued)

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
After charging (continued) :				
Auditors' remuneration :				
- Non audit fees				
- KPMG Malaysia				
- current year	8,000	6,000	8,000	6,000
- Local affiliates of KPMG Malaysia	37,960	41,570	2,500	2,500
- Others	12,000	8,000	12,000	8,000
Bad debts written off	439,897	478,981	-	-
Directors' remuneration				
Directors of the Company :				
Current Directors				
- fees	70,000	80,000	70,000	80,000
- other emoluments	1,386,479	1,323,087	-	-
Past Director				
- fees	10,000	-	10,000	-
- other emoluments	29,790	-	-	-
Directors of subsidiaries :				
- other emoluments	519,088	528,172	-	-
Depreciation on investment properties (Note 4)	8,264	10,609	-	-
Depreciation on property, plant and equipment (Note 3)	4,599,973	3,920,488	134,779	-
Direct operating expenses of investment properties	8,506	8,844	-	-
Impairment of investment in a subsidiary	-	-	-	142,800
Impairment loss for receivables	61,559	2,856,177	-	-
Inventories written off	637,667	5,316,305	-	-
Inventories written down (Note 11)	127,689	368,948	-	-
Loss on foreign exchange, net	238,852	-	-	-
Plant and equipment written off	93,714	84,318	-	-
Rental expense				
- equipment	183,607	190,552	-	-
- premises	6,208,960	6,235,655	-	-
- booths	106,754	214,697	-	-

19. Profit/(Loss) before tax (continued)

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
and after crediting :				
Dividends (gross) receivable from subsidiaries	-	-	6,350,000	2,400,000
Gain on disposal of :				
- plant and equipment	22,999	66,740	-	-
- non-current assets held for sale	1,637,827	-	-	-
- a subsidiary	56,763	-	-	-
Interest income	37,048	53,621	3,349	-
Rental income				
- investment properties	28,300	43,800	-	-
- sublet of factory premises	312,300	132,000	-	-
Gain on foreign exchange, net	-	189,741	-	-
Bad debts recovered	32,674	118,534	-	-
Government grants	39,303	641,547	39,303	315,938

20. Employee information

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Staff costs (including Executive Directors)	21,350,365	19,805,129	-	-

Staff costs and Directors' emoluments of the Group include contributions to the Employees' Provident Fund of RM1,952,101 (2012 : RM1,915,283).

21. Income tax expense

Recognised in profit or loss

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Income tax expense on continuing operations	380,928	(76,651)	1,527,225	622,838

Major components of income tax expense include :

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Current tax expense				
Malaysian tax				
- current year	39,977	347,000	1,550,477	600,000
- prior years	(18,411)	(207,271)	(23,252)	22,838
	21,566	139,729	1,527,225	622,838
Foreign tax				
- current year	-	13,061	-	-
- prior years	(4,213)	(430)	-	-
	(4,213)	12,631	-	-
Total current tax	17,353	152,360	1,527,225	622,838
Deferred tax expense				
- origination and reversal of temporary differences	977,238	(495,063)	-	-
- prior years	(613,663)	266,052	-	-
Total deferred tax (Note 8)	363,575	(229,011)	-	-
Total income tax expense	380,928	(76,651)	1,527,225	622,838

21. Income tax expense (continued)

Reconciliation of effective income tax expense

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Profit/(Loss) for the year	3,562,202	(10,987,343)	3,921,265	892,174
Total income tax expense	380,928	(76,651)	1,527,225	622,838
Profit/(Loss) excluding tax	3,943,130	(11,063,994)	5,448,490	1,515,012
Tax calculated using Malaysian tax rate at 25% (2012 : 25%)	985,783	(2,765,999)	1,362,123	378,753
Effect of different tax rates in foreign jurisdictions *	31,012	57,856	-	-
Non deductible expenses	798,372	833,375	222,330	194,146
Non-taxable income	(493,819)	(18,187)	(33,976)	-
Tax incentives	(1,534,624)	(147,401)	-	-
Effect of deferred tax assets not recognised	1,245,403	1,868,023	-	-
Other items	(14,912)	37,331	-	27,101
(Over)/Under provision in prior years	(636,287)	58,351	(23,252)	22,838
Total income tax expense	380,928	(76,651)	1,527,225	622,838

* The tax rates in the foreign jurisdictions in which certain foreign subsidiaries operate are different from that of the Malaysian tax rate.

Certain subsidiaries of the Company have been granted tax exemption status for a period of five (5) years with an option to extend for a period of another five (5) years upon the expiring of the initial tax exemption period commencing 1 June 2012 under Section 127(3)(b) of the Income Tax Act, 1967. Under the tax exemption status, these subsidiaries' statutory income is exempted from income tax.

22. Earnings/(Loss) per ordinary share - Group

The calculation of basic earnings/(loss) per ordinary share is based on the profit for the year attributable to owners of the Company of RM3,626,913 (2012 : loss for the year attributable to owners of the Company of RM10,615,163) and the weighted average number of ordinary shares outstanding during the year of 92,620,000 (2012 : 92,620,000).

23. Dividends - Company

	Amount RM	Date of payment
2013		
Final dividend of 1.75 sen per share less 25% tax for financial year 2012	1,215,632	31 December 2012
2012		
Final dividend of 1.75 sen per share less 25% tax for financial year 2011	1,215,632	30 December 2011

A first and final dividend of 1.75 sen per share less 25% tax totalling approximately RM1,701,893 in respect of the financial year ended 31 May 2013 will be proposed for shareholders' approval 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 shareholders' equity as an appropriation of retained earnings in the financial year ending 31 May 2014.

24. Related parties

24.1 Identity of related parties

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

i) Significant investor, subsidiaries and associates.

ii) Pensia Plastic Industries Sdn. Bhd., 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.

iii) Pensonic Technology Sdn. Bhd., a company in which Chew Chuon Jin is deemed to have a substantial financial interest.

iv) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include the executive Directors of the Group and of the Company.

24. Related parties (continued)

24.2 Related party transactions

24.2.1 Transaction with subsidiaries:

Company	2013 RM	2012 RM
- Dividend income	6,350,000	2,400,000

24.2.2 Transaction with an associate

Group	2013 RM	2012 RM
- Sales	1,313,941	1,766,712

24.2.3 Transactions with related parties

Group	2013 RM	2012 RM
- Purchases	(8,562,271)	(8,047,373)
- Rental charged for sub-letting of factory premises	216,000	132,000
- Subcon and service charge income	610,985	611,210

24.2.4 There were no transactions with the key management personnel other than the rental expense charged by Directors to the Group amounting to RM144,000 (2012 : RM60,000) and the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 19 to the financial statements.

The non-trade balances of the Group and of the Company with related parties outstanding at the end of the financial period are as disclosed in Note 11 and Note 16 respectively to the financial statements.

All the amounts outstanding are unsecured and are expected to be settled in cash.

25. Operating segments

The Group has one reportable segment, which is principally the manufacture, assembly, sales and distribution of electrical and electronic appliances. The Group's Managing Director (the Chief operating decision maker) reviews internal management reports on the segment at least on a quarterly basis.

Geographical segment

In presenting geographical information, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets. The amounts of segment assets do not include financial instruments (including investment in associates) and deferred tax assets.

	Segment revenue	
	2013	**2012**
	RM'000	**RM'000**
Malaysia	270,134	259,485
Other Asian countries	70,444	72,237
Middle East	21,385	16,160
Africa	103	350
Others	449	411
	362,515	348,643

	Segment assets	
	2013	**2012**
	RM'000	**RM'000**
Malaysia	211,716	216,709
Other Asian countries	25,507	20,960
Others	552	865
	237,775	238,534

26. Contingent liabilities, unsecured

Company

The Company has undertaken to provide continuing financial support to enable certain subsidiaries to meet their financial obligations as and when they fall due.

27. Financial instruments

27.1 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.2 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables.

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

Group	31.5.2013 RM'000	31.5.2012 RM'000	1.6.2011 RM'000
Malaysia	51,383	56,176	59,054
Other Asian countries	17,843	12,103	13,633
Others	551	865	94
	69,777	69,144	72,781
Company			
Malaysia	40,551	38,355	39,997
Other Asian countries	497	497	497
	41,048	38,852	40,494

27. Financial instruments (continued)

27.2 Credit risk (continued)

Receivables (continued)

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
31 May 2013				
Not past due	54,556	-	-	54,556
Past due less than 60 days	8,909	-	-	8,909
Past due 61 - 120 days	337	-	-	337
Past due 121 - 180 days	551	-	-	551
Past due 181 - 365 days	1,176	-	-	1,176
Past due > 1 year	3,181	(378)	-	2,803
	68,710	(378)	-	68,332
31 May 2012				
Not past due	46,706	(190)	-	46,516
Past due less than 60 days	12,568	(122)	-	12,446
Past due 61 - 120 days	1,199	(6)	-	1,193
Past due 121 - 180 days	329	(43)	-	286
Past due 181 - 365 days	2,892	(365)	-	2,527
Past due > 1 year	7,098	(2,551)	-	4,547
	70,792	(3,277)	-	67,515
1 June 2011				
Not past due	46,331	-	-	46,331
Past due less than 60 days	13,241	-	-	13,241
Past due 61 - 120 days	2,041	-	-	2,041
Past due 121 - 180 days	907	-	-	907
Past due 181 - 365 days	1,317	-	-	1,317
Past due > 1 year	7,424	(421)	-	7,003
	71,261	(421)	-	70,840

27. Financial instruments (continued)

27.2 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were :

	Group	
	2013 **RM'000**	**2012** **RM'000**
At 1 June	3,277	421
Impairment loss recognised	62	2,856
Impairment loss written off	(2,961)	-
At 31 May	378	3,277

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM101.23 million (31.5.2012 : RM109.8 million and 1.6.2011 : RM88.7 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

27. Financial instruments (continued)

27.2 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. However, these advances are not considered overdue and are repayable on demand.

27.3 Liquidity risk

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

In the management of liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to finance the Group's and the Company's operations and to mitigate any adverse effects of fluctuations in cash flows.

27. Financial instruments (continued)

27.3 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31 May 2013							
Group							
Non-derivative financial liabilities							
Term loans	13,922,922	3.00 - 7.85	15,638,527	4,067,021	6,304,488	5,267,018	-
Interest free term loan	2,500,000	-	2,500,000	500,000	2,000,000	-	-
Bankers' acceptances	70,006,896	1.58 - 5.50	70,006,896	70,006,896	-	-	-
Bank overdrafts	9,636,448	6.25 - 8.25	9,636,448	9,636,448	-	-	-
Finance lease liabilities	612,471	2.46 - 8.00	664,034	229,628	222,564	211,842	-
Trade and other payables (excluding advances paid to suppliers)	57,604,058	-	57,604,058	57,604,058	-	-	-
	154,282,795		156,049,963	142,044,051	8,527,052	5,478,860	-

27. Financial instruments (continued)

27.3 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31 May 2013							
Company							
Non-derivative financial liabilities							
Secured term loans	7,861,966	6.50	8,568,234	1,825,260	4,789,174	1,953,800	-
Unsecured term loan	2,500,000	-	2,500,000	500,000	2,000,000	-	-
Bank overdraft	2,570,338	7.10	2,570,338	2,570,338	-	-	-
Trade and other payables	1,619,190	-	1,619,190	1,619,190	-	-	-
	14,551,494		15,257,762	6,514,788	6,789,174	1,953,800	-

27. Financial instruments (continued)

27.3 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31 May 2012							
Group							
Non-derivative financial liabilities							
Term loans	13,242,801	3.00 - 7.80	15,301,224	3,320,283	3,163,769	7,908,772	908,400
Trust receipts	681,362	6.50	681,362	681,362	-	-	-
Bankers' acceptances	79,733,745	1.91 - 5.50	79,733,745	79,733,745	-	-	-
Bank overdrafts	11,837,283	6.25 - 8.25	11,837,283	11,837,283	-	-	-
Finance lease liabilities	642,161	2.46 - 8.00	707,995	201,505	192,596	313,894	-
Trade and other payables (excluding advances paid to suppliers)	50,651,862	-	50,651,862	50,651,862	-	-	-
	156,789,214		158,913,471	146,426,040	3,356,365	8,222,666	908,400
Company							
Non-derivative financial liabilities							
Trade and other payables	484,273	-	484,273	484,273	-	-	-
Term loans	4,560,000	6.00	5,468,400	720,000	960,000	2,880,000	908,400
	5,044,273		5,952,673	1,204,273	960,000	2,880,000	908,400

27. Financial instruments (continued)

27.3 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
1 June 2011							
Group							
Non-derivative financial liabilities							
Term loans	5,478,839	3.00 - 7.85	5,867,205	2,684,868	2,253,513	928,824	-
Trust receipts	536,431	6.50	536,431	536,431	-	-	-
Bankers' acceptances	68,665,853	1.00 - 5.40	68,665,853	68,665,853	-	-	-
Bank overdrafts	8,932,248	7.50 - 8.50	8,932,248	8,932,248	-	-	-
Bills payable	156,874	2.16	156,874	156,874	-	-	-
Finance lease liabilities	553,290	2.42 - 8.00	626,393	163,397	148,045	314,951	-
Trade and other payables (excluding advances paid to suppliers)	46,364,433	-	46,364,433	46,364,433	-	-	-
	130,687,968		131,149,437	127,504,104	2,401,558	1,243,775	-
Company							
Non-derivative financial liabilities							
Trade and other payables	248,654	-	248,654	248,654	-	-	-

27. Financial instruments (continued)

27.4 Market risk

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

27.4.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Hong Kong Dollar (HKD).

Exposure to foreign currency risk

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

Group	**USD RM'000**	**HKD RM'000**
31 May 2013		
Trade receivables	9,592	211
Cash and bank balances	7,931	210
Trade payables	(11,440)	(20)
	6,083	401
31 May 2012		
Trade receivables	7,367	98
Cash and bank balances	6,423	117
Trade payables	(9,570)	(71)
Loans and borrowings	(3,612)	-
	608	144
1 June 2011		
Trade receivables	4,957	37
Cash and bank balances	1,314	-
Trade payables	(3,463)	(20)
Loans and borrowings	(672)	-
	2,136	17

27. Financial instruments (continued)

27.4 Market risk (continued)

27.4.1 Currency risk (continued)

Currency risk sensitivity analysis

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increase/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact on forecast sales and purchases. There is no impact to equity arising from exposure to currency risk.

Group	**Profit or loss RM'000**
2013	
USD	(228)
HKD	(15)
2012	
USD	(23)
HKD	(5)

A 5% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

27.4.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risks that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-earning financial assets are mainly short term in nature and are mostly placed in short term deposits.

27. Financial instruments (continued)

27.4 Market risk (continued)

27.4.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

Group	31.5.2013 RM'000	31.5.2012 RM'000	1.6.2011 RM'000
Fixed rate instruments			
Financial asset			
- Short term deposits with licensed banks	3,233	2,996	3,469
Financial liabilities			
- Term loans	-	630	1,889
- Finance lease liabilities	612	642	553
- Bankers' acceptances	70,007	79,734	68,666
	70,619	81,006	71,108
Floating rate instruments			
Financial liabilities			
- Term loans	13,923	12,613	3,590
- Bank overdrafts	9,636	11,837	8,932
- Bills payables	-	-	157
- Trust receipts	-	681	536
	23,559	25,131	13,215
Company			
Floating rate instruments			
Financial liabilities			
- Term loan	7,862	4,560	-
- Bank overdraft	2,570	-	-
	10,432	4,560	-

27. Financial instruments (continued)

27.4 Market risk (continued)

27.4.2 Interest rate risk (continued)

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
Group	**100 bp increase RM'000**	**100 bp decrease RM'000**
2013		
Floating rate instruments	(177)	177
2012		
Floating rate instruments	(188)	188
Company		
2013		
Floating rate instruments	(78)	78
2012		
Floating rate instruments	(34)	34

27. Financial instruments (continued)

27.5 Categories and fair value of financial instruments

Group	31.5.2013 Carrying amount RM'000	31.5.2013 Fair value RM'000	31.5.2012 Carrying amount RM'000	31.5.2012 Fair value RM'000	1.6.2011 Carrying amount RM'000	1.6.2011 Fair value RM'000
Financial assets categorised as loans and receivables						
Trade and other receivables (excluding deposits and prepayments)	69,777	*	69,144	*	72,781	*
Cash and cash equivalents	24,596	*	20,092	*	15,399	*
	94,373		89,236		88,180	
Financial liabilities carried at amortised cost						
Floating rate loans and borrowings	23,559	23,559	25,131	25,131	13,215	13,215
Fixed rate loans and borrowings	70,619	70,641	81,006	81,040	71,108	71,033
Trade and other payables	57,604	*	50,652	*	46,364	*
	151,782		156,789		130,687	

27. Financial instruments (continued)

27.5 Categories and fair value of financial instruments (continued)

Company	31.5.2013 Carrying amount RM'000	31.5.2013 Fair value RM'000	31.5.2012 Carrying amount RM'000	31.5.2012 Fair value RM'000	1.6.2011 Carrying amount RM'000	1.6.2011 Fair value RM'000
Financial assets categorised as loans and receivables						
Trade and other receivables (excluding deposits and prepayments)	41,048	*	38,851	*	40,494	*
Cash and cash equivalents	84	*	23	*	24	*
	41,132		38,874		40,518	
Financial liabilities carried at amortised cost						
Floating rate loans and borrowings	10,432	10,432	4,560	4,560	-	-
Trade and other payables	1,619	*	484	*	249	*
	12,051		5,044		249	

* The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

27. Financial instruments (continued)

27.5 Categories and fair value of financial instruments (continued)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value

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

	2013	**2012**
	%	**%**
Secured term loans	-	3.30 - 4.50
Finance leases liabilities	2.46 - 8.00	2.30 - 4.00
Bankers' acceptances	1.58 - 5.50	1.91- 5.50

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be significant as the probability of the subsidiaries defaulting on the credit lines is remote.

27.6 Net gains and losses arising from financial instruments

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gain/(loss) arising on:				
- Loans and receivables	(432)	(3,163)	3	-
- Finance liabilities	(4,412)	(3,792)	(424)	(23)
	(4,844)	(6,955)	(421)	(23)

28. Capital management

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

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

29. Operating leases - Group

Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	31.5.2013 RM'000	31.5.2012 RM'000	1.6.2011 RM'000
Less than one year	2,512	3,425	3,388
Between one and five years	126	2,330	5,425
	2,638	5,755	8,813

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.

30. Capital commitments

Group	31.5.2013 RM'000	31.5.2012 RM'000	1.6.2011 RM'000
Property, plant and equipment			
Contracted but not provided for	16,938	24,384	-
Company			
Property, plant and equipment			
Contracted but not provided for	16,938	24,300	-

31. Subsequent events

On 10 July 2013, the Company proposed the following :

(a) bonus issue of 37,048,000 new ordinary shares of RM0.50 each in the Company to be credited as fully paid-up on the basis of two (2) bonus shares for every five (5) existing ordinary shares of RM0.50 each ("Proposed Bonus Issue"). The Proposed Bonus Issue shall be capitalised entirely from the share premium account of the Company; and

(b) renounceable rights issue of 64,834,000 warrants in the Company at an indicative issue price of RM0.10 per warrant on the basis of one (1) warrant for every two (2) ordinary shares held by the shareholders after the Proposed Bonus Issue ("Proposed Rights Issue of Warrants").

The above proposals are subject to the approval by the relevant authorities and shareholders of the Company.

32. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 May 2013, the comparative information presented in these financial statements for the financial year ended 31 May 2012 and in the preparation of the opening MFRS statements of financial position at 1 June 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statements of financial position at 1 June 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, is set out as follows:

32. Explanation of transition to MFRSs (continued)

32.1 Reconciliation of financial position

(a) Revaluation reserve

Upon transition to MFRS, the revaluation reserve of RM387,266 at 1 June 2011 and 31 May 2012 was reclassified to retained earnings.

The impact arising from the change is summarised as follows:

	Group	
	1.6.2011	**31.5.2012**
	RM	**RM**
Consolidated statement of financial position		
Revaluation reserve	387,266	387,266
Adjustment to retained earnings	387,266	387,266

(b) Translation reserve

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the translation reserve.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

	Group	
	1.6.2011	**31.5.2012**
	RM	**RM**
Consolidated statement of financial position		
Translation reserve	(60,600)	(60,600)
Adjustment to retained earnings	(60,600)	(60,600)

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

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

	2013		2012	
	Group RM	**Company RM**	**Group RM**	**Company RM**
Total retained earnings of the Company and its subsidiaries				
- realised	17,118,461	6,606,662	15,585,091	3,901,029
- unrealised	362,692	-	321,236	-
	17,481,153	6,606,662	15,906,327	3,901,029
Total retained earnings of associates				
- realised	42,538	-	22,314	-
	17,523,691	6,606,662	15,928,641	3,901,029
Less : Consolidation adjustments	(2,142,515)	-	(2,958,746)	-
Total retained earnings	15,381,176	6,606,662	12,969,895	3,901,029

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

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

In the opinion of the Directors, the financial statements set out on pages 6 to 87 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 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 on page 88 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

………………………………………..…..
Y. Bhg. Dato’ Seri Chew Weng Khak @ Chew Weng Kiak

………………………………………..…..
Chew Chuon Jin

Penang,

Date : 25 September 2013

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

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

I, **Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak**, the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 88 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 25 September 2013.

……………………………………………
**Y. Bhg. Dato' Seri Chew Weng Khak @
Chew Weng Kiak**

Before me :

**Chan Kam Chee (No. P120)
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang**

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 2013 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 87.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these 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 the 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 the 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.

Company No. 300426 - P

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2013, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements except for Pensonic Trading (Shenzhen) Co. Ltd. where the management accounts were consolidated in the Group financial statements.

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

d) The audit reports of the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 33 on page 88 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 300426 - P

Other Matters

As stated in Note 1(a) to the financial statements, Pensonic Holdings Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 June 2012 with a transition date of 1 June 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 May 2012 and 1 June 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 May 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 May 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 June 2012 do not contain misstatements that materially affect the financial position as of 31 May 2013 and financial performance and cash flows for the year then ended.

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

KPMG
AF 0758
Chartered Accountants

Lee Kean Teong
1857/02/14 (J)
Chartered Accountant

Date : 25 September 2013

Penang