

# Financial Statements



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The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2017.

## Principal Activities

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

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

## Financial Results

	GROUP RM	COMPANY RM
Profit for the financial year	6,387,582	3,537,084
Attributable to:		
Owners of the parent	6,450,101	3,537,084
Non-controlling interests	(62,519)	-
	<u>6,387,582</u>	<u>3,537,084</u>

## Reserves and Provisions

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

## Issue of Shares and Debentures

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

## Dividends

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

	RM
A final single-tier dividend of RM0.02 per ordinary share in respect of the financial year ended 31 May 2016 on 30 December 2016	<u>2,593,360</u>

The Directors recommend the payment of a final single-tier dividend of RM0.02 per ordinary shares in respect of the current financial year ended 31 May 2017 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2018.

## Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of pursuant to warrants 2013/2023 shares.

# DIRECTORS' REPORT

(Cont'd)

## Warrants 2013/2023

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

Warrants	Exercise price per ordinary share	Expire date	Number of warrants outstanding at 31.5.2017
Warrants 2013/2023	RM0.60	19 December 2023	64,834,000

The warrants 2013/2023 were constituted under the Deed Poll dated 18 November 2013. The salient terms of warrants are disclosed in Note 14(c) to the financial statements.

## Directors

The Directors in office during the financial year until the date of this 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

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

Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain

Ong Huey Min

(Appointed on 3 January 2017)

Chew Chuon Fang

(Appointed on 5 September 2017)

Khairilnuar Bin Tun Abdul Rahman

(Resigned on 17 November 2016)

Lee Hong Lim

(Resigned on 17 November 2016)

## Directors' Interests

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

	Number of ordinary shares			At 31.5.2017
	At 1.6.2016	Bought	Sold	
<b>Interests in the Company:</b>				
<b>Direct interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,900,000	-	-	<b>13,900,000</b>
Chew Chuon Jin	8,898,400	-	-	<b>8,898,400</b>
Chew Chuon Ghee	7,204,000	2,000,000	500,000	<b>8,704,000</b>
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	6,308,485	1,547,600	2,032,400	<b>5,823,685</b>

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

	At 1.6.2016	Number of ordinary shares		At 31.5.2017
		Bought	Sold	
<b>Deemed interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
- Own	21,626,824	-	1,000,000	<b>20,626,824</b>
- Others*	21,306,400	2,377,000	500,000	<b>23,183,400</b>
Chew Chuon Jin				
- Own	21,626,824	-	#21,626,824	-
- Others*	16,800	-	-	<b>16,800</b>
Chew Chuon Ghee	21,626,824	-	#21,626,824	-
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai				
- Own	5,600	-	-	<b>5,600</b>
- Others	940,700	254,000	210,000	<b>985,100</b>

	At 1.6.2016	Number of warrants 2013/2023		At 31.5.2017
		Allotted	Sold	
<b>Interests in the Company:</b>				
<b>Direct interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
	9,800,000	-	-	<b>9,800,000</b>
Chew Chuon Jin	5,485,700	-	-	<b>5,485,700</b>
Chew Chuon Ghee	2,002,000	-	-	<b>2,002,000</b>
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai				
	957,158	-	447,600	<b>509,558</b>

<b>Deemed interests</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
- Own	10,663,912	-	-	<b>10,663,912</b>
- Others*	9,384,700	-	-	<b>9,384,700</b>
Chew Chuon Jin				
- Own	10,663,912	-	#10,663,912	-
- Others*	10,000	-	-	<b>10,000</b>
Chew Chuon Ghee	10,663,912	-	#10,663,912	-
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai				
- Others*	42,800	-	-	<b>42,800</b>

\* deemed interest by virtue of share held by spouse and/or children pursuant to Section 59(11)(c) of the Companies Act, 2016

# cessation of deemed interests in the Company pursuant to Section 8(4) of the Companies Act, 2016

By virtue of their interests in the shares of the Company, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak is also deemed to be interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

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



# DIRECTORS' REPORT

(Cont'd)

## Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

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

## Indemnity and Insurance Costs

Expenses incurred on indemnity given or insurance effected for any Director or officer of the Company during the financial year amounted to RM5,000 (2016: RM10,800).

## Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
  - (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of Directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
  - (ii) the result of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the notes to the financial statements; and
  - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

## **Auditors' Remuneration**

The details of auditors' remuneration are set out in Note 22 to the financial statements.

## **Significant Events and Subsequent Events**

The significant events and subsequent events are disclosed in Notes 32 and 33 to the financial statements.

## **Auditors**

The Auditors, Messrs UHY, retire and are not seeking re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 September 2017.

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

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**CHEW CHUON GHEE**

PENANG



## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 47 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 36 to the financial statements on page 110 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 September 2017.

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

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**CHEW CHUON GHEE**

PENANG

## STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, being the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 109 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed at Georgetown in the State of )  
Penang on 25 September 2017 )

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

Before me,

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**HAJI MOHAMED YUSOFF BIN MOHD IBRAHIM (P156)  
COMMISSIONER OF OATHS**



# INDEPENDENT AUDITORS' REPORT

to the members of Pensonic Holdings Berhad

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Pensonic Holdings Berhad, which comprise statements of financial position as at 31 May 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on pages 47 to 109.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis of opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independent and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>1. Impairment of receivables</p> <p>The carrying amount of trade and other receivables as at 31 May 2017 amounted to RM65.93 million.</p> <p>The Group has material credit exposure in its trade and other receivables. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and the application of significant judgement.</p>	<p>Our procedures performed in relation to managements' impairment assessment and testing included the following:</p> <ul style="list-style-type: none"><li>- The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade and other receivables that were either in default or significantly overdue;</li><li>- We obtained and evaluated the Group's credit risk policy, and tested the associated processes used by management to assess credit exposures, assign internal credit ratings, and report on these to the appropriate level of governance to ensure they worked as designed;</li><li>- We developed our understanding of significant credit exposures which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by account department and analysis of aged receivables;</li><li>- We reviewed certain overdue receivables to assess the reasonableness of impairment provided for the identified exposure; and</li><li>- We also assessed the adequacy of the related disclosures in the notes to the financial statements.</li></ul> <p>Based on the procedure performed, we noted no significant exceptions.</p>

# INDEPENDENT AUDITORS' REPORT

to the members of Pensonic Holdings Berhad (Cont'd)

## Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
<p>2. Inventories valuation</p> <p>The carrying amount of inventories of the Group as at 31 May 2017 is RM72.37 million. As described in the Accounting Policies in Note 3(k) to the financial statements, inventories are carried at the lower of cost and net realisable value. Assessing valuation of inventories is an area significant judgement as there is a risk in estimating the net realisable value of the inventories, as well as assessing which items may be slow-moving or obsolete.</p> <p>Due to significance of inventories and the corresponding uncertainty inherent in such an estimate, we considered this is a key audit matter.</p> <p>Please refer to Note 2(c) Significant Accounting Judgements, Estimates and Assumption and disclosure of inventories in Note 9 to the financial statements.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>- Reviewing the historical ageing of inventories;</li> <li>- Checking the effectiveness of control associated with the existence and condition of inventories by attending inventory counts at financial year end in selected locations;</li> <li>- Identifying and assessing a sample of aged and obsolete inventories;</li> <li>- Analysing the level of slow-moving inventories and the associated provision;</li> <li>- Testing the expected volume and price of future sales of inventories by reviewing the price of a sample of inventories sold after the balance sheet date;</li> <li>- Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the financial year; and</li> <li>- Assessed the adequacy and reasonableness of the disclosures in the financial statements.</li> </ul> <p>Based on the procedures performed, we noted no significant exceptions.</p>

## Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatements of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



# INDEPENDENT AUDITORS' REPORT

to the members of Pensonic Holdings Berhad (Cont'd)

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current finance year and are therefore the key audit matters. We describe these matters in our auditor s' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



# INDEPENDENT AUDITORS' REPORT

to the members of Pensonic Holdings Berhad (Cont'd)

## Other Reporting Responsibilities

The supplementary information set out in Note 36 on page 110 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

Firm Number: AF 1411

Chartered Accountants

NG WEE TEIK

Approved Number: 1817/12/18 (J)

Chartered Accountant

KUALA LUMPUR

25 September 2017

# STATEMENTS OF FINANCIAL POSITION

as at 31 May 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	4	90,595,920	95,193,974	49,409,699	51,020,919
Investment properties	5	-	481,063	-	-
Intangible assets	6	1,068,014	1,061,043	-	-
Investments in subsidiary companies	7	-	-	35,872,509	31,372,509
Investments in associate companies	8	338,450	296,373	-	-
		<b>92,002,384</b>	<b>97,032,453</b>	<b>85,282,208</b>	<b>82,393,428</b>
<b>Current Assets</b>					
Inventories	9	72,370,204	70,705,494	-	-
Trade receivables	10	60,512,398	65,093,813	-	-
Other receivables	11	5,419,051	6,556,008	13,725,455	22,695,486
Tax recoverable		594,128	565,382	-	1,500
Fixed deposits with licensed banks	12	1,104,261	2,426,470	20,000	20,000
Cash and bank balances		21,222,369	24,553,221	938,163	1,320,372
		<b>161,222,411</b>	<b>169,900,388</b>	<b>14,683,618</b>	<b>24,037,358</b>
<b>Total Assets</b>		<b>253,224,795</b>	<b>266,932,841</b>	<b>99,965,826</b>	<b>106,430,786</b>
<b>EQUITY</b>					
Share capital	13	67,670,893	64,834,000	67,670,893	64,834,000
Reserves	14	11,036,911	13,939,200	6,483,400	9,320,293
Retained earnings		40,954,447	37,097,706	8,612,540	7,668,816
Equity attributable to owners of the parent		<b>119,662,251</b>	<b>115,870,906</b>	<b>82,766,833</b>	<b>81,823,109</b>
Non-controlling interests		(89,720)	(27,201)	-	-
<b>Total Equity</b>		<b>119,572,531</b>	<b>115,843,705</b>	<b>82,766,833</b>	<b>81,823,109</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Bank borrowings	15	10,512,698	17,595,672	2,099,743	7,724,743
Financial lease liabilities	16	1,467,795	1,202,007	-	-
Deferred tax liabilities	17	7,203	6,681	-	-
		<b>11,987,696</b>	<b>18,804,360</b>	<b>2,099,743</b>	<b>7,724,743</b>
<b>Currents Liabilities</b>					
Trade payables	18	32,195,504	38,340,863	-	-
Other payables	19	12,589,273	15,942,994	9,473,832	7,942,934
Bank borrowings	15	76,354,211	77,605,889	5,625,000	8,940,000
Finance lease liabilities	16	525,580	395,030	-	-
Tax payable		-	-	418	-
		<b>121,664,568</b>	<b>132,284,776</b>	<b>15,099,250</b>	<b>16,882,934</b>
<b>Total Liabilities</b>		<b>133,652,264</b>	<b>151,089,136</b>	<b>17,198,993</b>	<b>24,607,677</b>
<b>Total Equity and Liabilities</b>		<b>253,224,795</b>	<b>266,932,841</b>	<b>99,965,826</b>	<b>106,430,786</b>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 May 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	20	341,141,542	386,258,254	5,600,000	6,600,000
Cost of sales		(267,566,554)	(309,119,621)	-	-
<b>Gross profit</b>		<b>73,574,988</b>	<b>77,138,633</b>	<b>5,600,000</b>	<b>6,600,000</b>
Other income		3,015,481	5,458,211	1,474,040	1,568,044
Selling and distribution expenses		(35,617,955)	(39,054,459)	-	-
Administrative expenses		(29,540,038)	(26,676,773)	(2,737,854)	(2,361,076)
Share of result of associate companies		42,077	36,925	-	-
Finance costs	21	(4,894,701)	(5,148,037)	(789,956)	(1,379,404)
<b>Profit before tax</b>	22	<b>6,579,852</b>	<b>11,754,500</b>	<b>3,546,230</b>	<b>4,427,564</b>
Taxation	23	(192,270)	(524,491)	(9,146)	(1,112)
<b>Profit for the financial year</b>		<b>6,387,582</b>	<b>11,230,009</b>	<b>3,537,084</b>	<b>4,426,452</b>
<b>Other comprehensive income:</b>					
<b>Item that is or may be reclassified subsequently to profit or loss</b>					
Exchange translation differences for foreign operations		(65,396)	187,200	-	-
<b>Total comprehensive income for the financial year</b>		<b>6,322,186</b>	<b>11,417,209</b>	<b>3,537,084</b>	<b>4,426,452</b>
<b>Profit for the financial year attributable to:</b>					
Owners of the parent		6,450,101	11,250,226	3,537,084	4,426,452
Non-controlling interests		(62,519)	(20,217)	-	-
		<b>6,387,582</b>	<b>11,230,009</b>	<b>3,537,084</b>	<b>4,426,452</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		6,384,705	11,437,426	3,537,084	4,426,452
Non-controlling interests		(62,519)	(20,217)	-	-
		<b>6,322,186</b>	<b>11,417,209</b>	<b>3,537,084</b>	<b>4,426,452</b>
<b>Earnings per share</b>	25				
Basic (sen)		4.97	8.68		
Diluted (sen)		4.75	8.68		

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

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 May 2017

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

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# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 May 2017 (Cont'd)

Note	Attributable to owners of the parent		Distributable					Total equity RM	
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Warrant reserve RM	Capital reserve RM	Other reserve RM	Retained earnings RM		Non-controlling interests RM
<b>Group</b>									
<b>At 1 June 2016</b>	64,834,000	2,836,893	770,159	6,483,400	4,487,540	(638,792)	37,097,706	(27,201)	115,843,705
Profit for the financial year	-	-	-	-	-	-	6,450,101	(62,519)	6,387,582
Other comprehensive income for the financial year	-	-	(65,396)	-	-	-	-	-	(65,396)
<b>Total comprehensive income for the financial year</b>	-	-	(65,396)	-	-	-	6,450,101	(62,519)	6,322,186
<b>Transactions with owners:</b>									
Dividends to owners of the parent	-	-	-	-	-	-	(2,593,360)	-	(2,593,360)
Adjustment for effect of Companies Act 2016	2,836,893	(2,836,893)	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	2,836,893	(2,836,893)	-	-	-	-	(2,593,360)	-	(2,593,360)
<b>At 31 May 2017</b>	<b>67,670,893</b>	<b>-</b>	<b>704,763</b>	<b>6,483,400</b>	<b>4,487,540</b>	<b>(638,792)</b>	<b>40,954,447</b>	<b>(89,720)</b>	<b>119,572,531</b>

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 May 2017 (Cont'd)

	Note	Non-distributable			Distributable	Total equity RM
		Share capital RM	Share premium RM	Warrant reserve RM	Retained earnings RM	
<b>Company</b>						
<b>At 1 June 2015</b>		64,834,000	2,836,893	6,483,400	7,132,404	81,286,697
Profile for the financial year, representing total comprehensive income for the financial year		-	-	-	4,426,452	4,426,452
<b>Transaction with owners:</b>						
Dividends to owners of the parent	26	-	-	-	(3,890,040)	(3,890,040)
<b>At 31 May 2016</b>		64,834,000	2,836,893	6,483,400	7,668,816	81,823,109
<b>At 1 June 2016</b>		64,834,000	2,836,893	6,483,400	7,668,816	81,823,109
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	3,537,084	3,537,084
<b>Transaction with owners:</b>						
Dividends to owners of the parent	26	-	-	-	(2,593,360)	(2,593,360)
Adjustments for effect of Companies 2016	14	2,836,893	(2,836,893)	-	-	-
<b>At 31 May 2017</b>		<b>67,670,893</b>	<b>-</b>	<b>6,483,400</b>	<b>8,612,540</b>	<b>82,766,833</b>

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

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 May 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash Flows From Operating Activities</b>					
Profit before tax		6,579,852	11,754,500	3,546,230	4,427,564
<b>Adjustments for:</b>					
Bad debt written off		90,040	-	-	-
Depreciation of property, plant and equipment		6,122,533	6,142,279	1,273,328	1,282,751
Amortisation of investment properties		4,819	8,263	-	-
Loss/(Gain) on disposal of property, plant and equipment		4,731	(56,630)	-	-
Unrealised foreign exchange loss/(gain)		1,705,991	(883,978)	-	-
Impairment losses on trade receivables		266,419	208,035	-	-
Loss on disposal of investment properties		53,244	-	-	-
Reversal of impairment losses on:					
- trade receivables		(54,570)	(7,047)	-	-
- other receivables		-	(986,121)	-	-
Finance costs		4,894,701	5,148,037	789,956	1,379,404
Interest income		(75,640)	(102,273)	(18,856)	(19,810)
Inventories written down		533,356	718,879	-	-
Inventories written back		(437,792)	(25,309)	-	-
Inventories written off		23,958	299,038	-	-
Dividend income from subsidiary companies		-	-	(5,600,000)	(6,600,000)
Property, plant and equipment written off		28,315	630,210	-	-
Share of result of associate companies		(42,077)	(36,925)	-	-
Operating profit/(loss) before working capital changes		19,697,880	22,810,958	(9,342)	469,909
<b>Changes in working capital:</b>					
Inventories		(1,509,833)	(9,952,744)	-	-
Receivables		5,475,302	(723,764)	8,670,031	8,121,858
Payables		(8,600,890)	(8,010,067)	(2,034,530)	(285,513)
		(4,635,421)	(18,686,575)	6,635,501	7,836,345
Cash generated from operations		15,062,459	4,124,383	6,626,159	8,306,254
Tax paid		(220,839)	(412,054)	(7,228)	(2,612)
Tax refund		-	15,532	-	-
Net cash from operating activities		14,841,620	3,727,861	6,618,931	8,303,642
<b>Cash Flows From Investing Activities</b>					
Proceeds from disposal of property, plant and equipment		217,334	372,405	-	423,786
Proceeds from disposal of investment properties		423,000	-	-	-
Purchase of property, plant and equipment	4(a)	(1,204,485)	(2,674,234)	-	(247,007)
Interest received		75,640	102,273	18,856	19,810
Dividends received		-	-	6,600,000	6,000,000
Net cash (used in)/from investing activities		(488,511)	(2,199,556)	6,618,856	6,196,589

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 May 2017 (Cont'd)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash Flows From Financing Activities</b>					
Drawdown of revolving credit		2,500,000	-	-	-
Repayment of term loans		(10,328,871)	(10,562,554)	(8,940,000)	(8,940,000)
Repayment of finance lease liabilities		(509,362)	(610,133)	-	-
Dividends paid		(3,890,040)	(4,538,380)	(3,890,040)	(4,538,380)
Net changes in bankers' acceptances		1,744,360	7,110,455	-	-
Increase in pledged fixed deposits		1,463,367	1,518,840	-	-
Increase in fixed deposits with maturity more than three months		(773)	(769)	-	-
Interest paid		(4,894,701)	(5,148,037)	(789,956)	(1,379,404)
Net cash used in financing activities		(13,916,020)	(12,230,578)	(13,619,996)	(14,857,784)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>437,089</b>	<b>(10,702,273)</b>	<b>(382,209)</b>	<b>(357,553)</b>
<b>Effect of exchange translation differences on cash and cash equivalents</b>		<b>(1,517,800)</b>	<b>919,849</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>15,940,648</b>	<b>25,723,072</b>	<b>1,320,372</b>	<b>1,677,925</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>14,859,937</b>	<b>15,940,648</b>	<b>938,163</b>	<b>1,320,372</b>
<b>Cash and cash equivalents at the end of the financial year comprises:</b>					
Cash and bank balances		21,222,369	24,553,221	938,163	1,320,372
Fixed deposits with licensed banks		1,104,261	2,426,470	20,000	20,000
Bank overdrafts		(6,362,432)	(8,612,573)	-	-
		15,964,198	18,367,118	958,163	1,340,372
Less: Pledged fixed deposits with licensed banks		(1,079,691)	(2,402,673)	(20,000)	(20,000)
Fixed deposits with maturity more than three months		(24,570)	(23,797)	-	-
		14,859,937	15,940,648	938,163	1,320,372

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017

## 1. Corporate Information

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

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

The registered office of the Company is located at Suite 16-1, Menara Penang Garden, 42A Jalan Sultan Ahmah Shah, 10500 Penang.

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

## 2. Basis of Preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

### Adoption of new and amended standards

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

MFRS 14	Regulatory Deferral Account
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle	

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

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

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

#### Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2018
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

\* Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

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

#### Standards issued but not yet effective (Cont'd)

##### MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

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

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

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

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

##### MFRS 16 *Leases*

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

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

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

### (b) Functional and presentation currency

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

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

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

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

#### Judgments

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

#### Key sources of estimation uncertainty

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

##### Useful lives of property, plant and equipment and investment properties

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

##### Impairment of goodwill and trademarks

The Group test annually whether goodwill and trademarks have suffered any impairment in accordance with the accounting policy in Note 3(m)(i) on impairment of non-financial assets. When value in use calculations are undertaken, management estimates the expected future cash flows from the cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead the future impairment losses. Further details of the key assumptions applied in the impairment assessment of goodwill and trademarks given in Note 6.

##### Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9.

##### Impairment on loan and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the end of the reporting period for loans and receivables are disclosed in Notes 10 and 11 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

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

#### Key sources of estimation uncertainty (Cont'd)

##### Income taxes

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

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 May 2017, the Group and the Company have tax recoverable and payable of RM594,128 and RMNil (2016: RM565,382 and RM1,500) and RMNil and RM418 (2016: RMNil and RMNil) respectively.

##### Fair value of financial instruments

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

## 3. Significant Accounting Policies

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

### (a) Basis of consolidation

#### (i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

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

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

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

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

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

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

#### (iii) Disposal of subsidiary companies

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

#### (iv) Goodwill on consolidation

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

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

### (b) Investments in associate companies

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

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

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

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

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

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

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

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

### (c) Foreign currency translation

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

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

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

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

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

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

#### (ii) Foreign operations

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

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

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

### (d) Property, plant and equipment

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

#### (i) Recognition and measurement

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

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

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

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

#### (ii) Subsequent costs

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

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

#### (iii) Depreciation

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

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

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

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

### (e) Leases

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

#### As lessee

#### (i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

#### (ii) Operating lease

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

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

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

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

### (e) Leases (Cont'd)

#### As lessor

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

### (f) Investment properties

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

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

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

Shoplots	50 years
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The residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

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

### (g) Intangible assets

#### (i) Internally-generated intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible assets first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

#### (ii) Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

### (g) Intangible assets (Cont'd)

#### (iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### (v) Derecognition of intangible assets

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

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

### (h) Financial assets

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

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

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

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

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

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

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

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

### (i) Financial liabilities

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

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

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

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

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

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

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

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

#### (ii) Financial guarantee contracts

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

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

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

#### (j) Offsetting of financial instruments

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

#### (k) Inventories

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

Cost of raw material is determined on a weighted average basis. Cost of finished goods consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

### (l) Cash and cash equivalents

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

### (m) Impairment of assets

#### (i) Non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash generating units) and then to reduce the carrying amounts of the other assets in the cash generating unit (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 only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

#### (ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, associate companies and joint ventures, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

#### Financial assets carried at amortised cost

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

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

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

##### (ii) Financial assets (Cont'd)

##### Financial assets carried at amortised cost (Cont'd)

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

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

#### (n) Provisions

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

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

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

##### (i) Warranties

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

#### (o) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are measured at the fair value of the cash or other resources received or receivable. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of any income tax effect. Ordinary shares are classified as equity.

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

#### (p) Employee Benefits

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

### (p) Employee Benefits (Cont'd)

#### (ii) Defined contribution plans

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

### (q) Government grants

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

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

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

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

### (r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised.

#### (i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) Dividend income

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

#### (iii) Rental income

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

#### (iv) Interest income

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

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

### (s) Borrowing costs

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

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

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

### (t) Income taxes

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

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

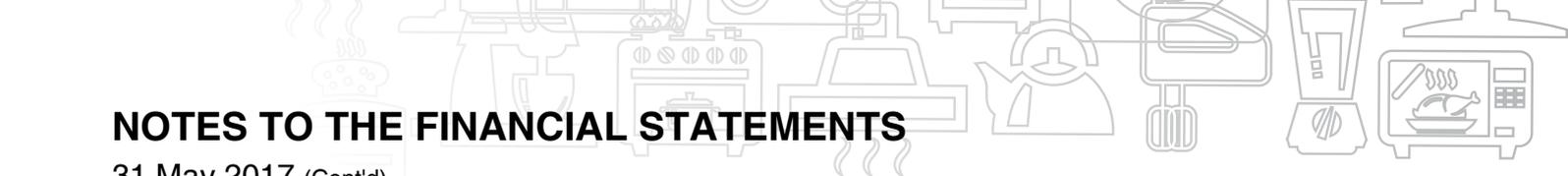
Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

### (u) Segment reporting

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

### (v) Contingency

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

4. Property, Plant and Equipment

Group 2017	Cost										Total RM
	Leasehold land RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM			
At 1 June 2016	17,156,530	64,784,442	4,450,496	9,017,199	26,524,817	7,003,295	6,538,302	1,373,028			136,848,109
Additions	-	-	625,875	3,150	323,935	21,560	1,131,665	4,000			2,110,185
Disposals	-	-	(12,036)	-	(74,175)	(4,616)	(1,876,883)	-			(1,967,710)
Written off	-	-	(314,639)	(35,551)	(1,319,310)	(38,760)	(5,130)	-			(1,713,390)
Exchange differences	-	-	5,826	-	-	9,941	-	-			15,767
Adjustment*	-	(312,532)	-	-	-	(25,360)	-	-			(337,892)
At 31 May 2017	<b>17,156,530</b>	<b>64,471,910</b>	<b>4,755,522</b>	<b>8,984,798</b>	<b>25,455,267</b>	<b>6,966,060</b>	<b>5,787,954</b>	<b>1,377,028</b>			<b>134,955,069</b>
<b>Accumulated depreciation</b>											
At 1 June 2016	3,345,087	6,745,208	3,697,353	5,794,951	14,643,915	2,983,555	4,136,948	307,118			41,654,135
Charge for the financial year	295,188	1,234,204	301,892	594,755	2,299,705	624,067	632,440	140,282			6,122,533
Disposals	-	-	(2,818)	-	(45,049)	(4,616)	(1,693,162)	-			(1,745,645)
Written off	-	-	(313,744)	(21,789)	(1,314,291)	(30,124)	(5,127)	-			(1,685,075)
Exchange differences	-	-	5,679	-	-	7,522	-	-			13,201
At 31 May 2017	<b>3,640,275</b>	<b>7,979,412</b>	<b>3,688,362</b>	<b>6,367,917</b>	<b>15,584,280</b>	<b>3,580,404</b>	<b>3,071,099</b>	<b>447,400</b>			<b>44,359,149</b>
<b>Carrying amount</b>											
At 31 May 2017	<b>13,516,255</b>	<b>56,429,498</b>	<b>1,067,160</b>	<b>2,616,881</b>	<b>9,870,987</b>	<b>3,385,656</b>	<b>2,716,855</b>	<b>929,628</b>			<b>90,595,920</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

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

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

	Leasehold land RM	Buildings RM	Furniture, fittings, and office equipment RM	Computers RM	Construction in progress RM	Total RM
<b>Company</b>						
<b>2017</b>						
<b>Cost</b>						
At June 2016	6,300,899	43,557,363	2,757,176	92,569	-	52,708,007
Adjustment*	-	(312,532)	(25,360)	-	-	(337,892)
At 31 May 2017	6,300,899	43,244,831	2,731,816	92,569	-	52,370,115
<b>Accumulated depreciation</b>						
At 1 June 2016	539,116	871,148	267,567	9,257	-	1,687,088
Charge for the financial year	134,779	858,645	270,648	9,256	-	1,273,328
At 31 May 2017	673,895	1,729,793	538,215	18,513	-	2,960,416
<b>Carrying amount</b>						
At 31 May 2017	5,627,004	41,515,038	2,193,601	74,056	-	49,409,699
<b>2016</b>						
<b>Cost</b>						
At 1 June 2015	6,300,899	-	2,578,778	92,569	43,912,540	52,884,786
Additions	-	60,475	186,532	-	-	247,007
Disposals	-	(415,652)	(8,134)	-	-	(423,786)
Reclassification	-	43,912,540	-	-	(43,912,540)	-
At 31 May 2016	6,300,899	43,557,363	2,757,176	92,569	-	52,708,007
<b>Accumulated depreciation</b>						
At 1 June 2015	404,337	-	-	-	-	404,337
Charge for the financial year	134,779	871,148	267,567	9,257	-	1,282,751
At 31 May 2016	539,116	871,148	267,567	9,257	-	1,687,088
<b>Carrying amount</b>						
At 31 May 2016	5,761,783	42,686,215	2,489,609	83,312	-	51,020,919

\* Adjustment in relation to the discount given by a contractor for the construction of the building subsequent to the financial year ended 31 May 2016.

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

- (a) The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year acquired under finance leases and cash payments are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Aggregate cost	<b>2,110,185</b>	3,977,134	-	247,007
Less: Finance lease	<b>(905,700)</b>	(1,302,900)	-	-
Cash payments	<b>1,204,485</b>	2,674,234	-	247,007

- (b) Assets held under finance leases

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

	Group	
	2017 RM	2016 RM
Motor vehicles	<b>2,501,183</b>	2,076,022

The leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 16.

- (c) Assets pledged as securities to licensed banks

The carrying amount of property, plant and equipment of the Group and of the Company pledged as securities for bank borrowings as disclosed in Note 15 are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Leasehold land	<b>6,566,518</b>	6,726,689	<b>5,627,004</b>	5,761,783
Buildings	<b>45,009,985</b>	46,295,703	<b>41,515,038</b>	42,686,215
Plant and machinery	<b>2,616,857</b>	3,194,221	-	-
	<b>54,193,360</b>	56,216,613	<b>47,142,042</b>	48,447,998

- (d) The remaining lease period of the leasehold land of the Group and of the Company is range from 35 to 65 (2016: 36 to 66) years and 43 (2016: 44) years respectively.

- (e) Leasehold land

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Leasehold land with unexpired lease period of more than 50 years	<b>5,682,951</b>	5,790,177	-	-
Leasehold land with unexpired lease period of less than 50 years	<b>7,833,304</b>	8,021,266	<b>5,627,004</b>	5,761,783
	<b>13,516,255</b>	13,811,443	<b>5,627,004</b>	5,761,783

5. Investment Properties

	Group	
	2017 RM	2016 RM
<b>Shoplots</b>		
<b>Cost</b>		
At 1 June	630,000	630,000
Disposal	(630,000)	-
At 31 May	-	630,000
<b>Accumulated amortisation</b>		
At 1 June	148,937	140,674
Charge for the financial year	4,819	8,263
Disposal	(153,756)	-
At 31 May	-	148,937
<b>Carrying amount</b>	-	481,063
<b>Fair value of investment properties</b>	-	724,286

- (a) In the previous financial year, the lease period of the investment properties of the Group was ranging from 59 to 60 years.
- (b) Investment properties pledged as securities to licensed banks

The carrying amount of investment properties of the Group amounted to RMNil (2016: RM358,684) pledged as securities for banking facilities granted to the subsidiary companies as disclosed in Note 15.

- (c) Income and expenses recognised in profit or loss

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

	Group	
	2017 RM	2016 RM
Rental	11,900	29,324
Direct expenses:		
- Income generating investment properties	(779)	(13,837)

- (d) Fair value information

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 6. Intangible Assets

	Goodwill RM	Trademark RM	Total RM
<b>Group</b>			
<b>Cost</b>			
At 1 June 2016	191,043	870,000	1,061,043
Exchange difference	6,971	-	6,971
At 31 May 2017	<b>198,014</b>	<b>870,000</b>	<b>1,068,014</b>
At 1 June 2015	172,525	870,000	1,042,525
Exchange difference	18,518	-	18,518
At 31 May 2016	191,043	870,000	1,061,043

(a) Description of material intangible assets

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

(b) Impairment testing for cash generating units ("CGU") containing goodwill and trademark

The recoverable amounts of the goodwill and trademark are determined based on value in use calculations using cash flows projections based on financial budget approved by the Directors covering a period of 5 years (2016: 3 years) on the Group's operating division. The projection is based on management's assessment of future trends and market developments. The value in use calculation is determined by discounting the future cash flows using a pre-tax discount rate of 5.20% (2016: 6.00%). The Directors have relied on past experience and all external evidence available in determining the assumptions.

The key assumption used for the value in use calculations are:

	Gross margin		Growth rate		Discount rate	
	2017	2016	2017	2016	2017	2016
Cornell	36%	38%	10%	10%	5.20%	6.00%

## 7. Investments in Subsidiary Companies

	Company	
	2017 RM	2016 RM
<b>At cost</b>		
<b>In Malaysia:</b>		
Unquoted shares	35,882,958	31,382,958
Less: Accumulated impairment losses	(1,020,000)	(1,020,000)
	<b>34,862,958</b>	<b>30,362,958</b>
<b>Outside Malaysia:</b>		
Unquoted shares	1,009,551	1,009,551
	<b>35,872,509</b>	<b>31,372,509</b>

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

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2017 %	2016 %	
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn.Bhd.	Malaysia	100	100	Manufacture, assembly and sales of electrical products
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sales of electrical products
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd.*	Singapore	100	100	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Microtag Engineering Sdn. Bhd.*	Malaysia	51	51	Dormant
<b>Held through Keat Radio Co. Sdn. Bhd.</b>				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical products
Pensonic (H.K.) Corporation Limited*	Hong Kong	100	100	Trading of home electrical appliances and investment holding
Pensonic Parts & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensia Plastic Industries Sdn. Bhd.*	Malaysia	100	100	Plastic injection and moulding
<b>Held through Pensonic Sales &amp; Service Sdn. Bhd.</b>				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances
<b>Held through Kollektion Distribution Sdn. Bhd.</b>				
Kollektion Haus (Austin) Sdn. Bhd.	Malaysia	60	60	Distribution of home appliances

\* Subsidiary companies not audited by UHY

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

On 22 August 2016, Pensonic Corporation Sdn. Bhd. ("PCSB"), a wholly-owned subsidiary company of Pensonic Holdings Berhad ("PHB") has increased its issued and paid up share capital from RM500,000 to RM5,000,000 by the issuance of 4,500,000 ordinary shares of RM1.00 each at par by way of capitalisation of amount due from PHB.

On 23 January 2017, Pensonic (H.K.) Corporation Limited ("PHK"), a wholly-owned subsidiary company of Keat Radio Co. Sdn. Bhd. ("KRC") reduced its share capital by HKD15,000,000 from HKD20,000,000 to HKD5,000,000.

### (a) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non-controlling interests:

Name of the company	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/Gain allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	2017	2016	2017	2016
	%	%	RM	RM	RM	RM
Microtag Engineering Sdn. Bhd. ("MESB")	51	51	(24,537)	(24,568)	(214,153)	(189,616)
Kollektion Haus (Austin) Sdn. Bhd. ("KHA")	60	60	(37,982)	4,351	124,433	162,415
Total non-controlling interests			(62,519)	(20,217)	(89,720)	(27,201)

Summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

### (i) Summarised statements of financial position

	MESB RM	KHA RM
<b>2017</b>		
Non-current assets	13,663	-
Current assets	25,932	(348,873)
Current liabilities	(476,638)	(37,791)
Net (liabilities)/assets	(437,043)	311,082
<b>2016</b>		
Non-current assets	13,663	18,277
Current assets	25,932	500,995
Current liabilities	(476,638)	(113,234)
Net (liabilities)/assets	(437,043)	406,038

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

(a) Material partly-owned subsidiary companies (Cont'd)

(ii) Summarised statements of profit or loss and other comprehensive income

	MESB RM	KHA RM
<b>2017</b>		
Revenue	-	607,359
Loss for the financial year, representing total comprehensive income for the financial year	(50,075)	(94,956)
<b>2016</b>		
Revenue	-	807,356
(Loss)/Profit for the financial year, representing total comprehensive income for the financial year	(50,138)	10,878

(iii) Summarised statements of cash flows

	MESB RM	KHA RM
<b>2017</b>		
Net cash used in operating activities	(19)	(20,779)
Net cash from investing activities	-	966
Net decrease in cash and cash equivalents	(19)	(19,813)
<b>2016</b>		
Net cash used in operating activities	(21)	(91,326)
Net cash from investing activities	-	1,210
Net decrease in cash and cash equivalents	(21)	(90,116)

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

**8. Investments in Associate Companies**

	Group	
	2017 RM	2016 RM
<b>At cost</b>		
Unquoted shares in Malaysia	20,000	20,000
Unquoted shares outside Malaysia	184,610	184,610
	204,610	204,610
Share of post-acquisition reserves	133,840	91,763
	338,450	296,373

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 8. Investments in Associate Companies (Cont'd)

Details of the associate companies are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2017 %	2016 %	
<b>Held through Pensonic Corporation Sdn. Bhd.</b>				
Pensonic (B) Sdn. Bhd. ("PBSB")*	Brunei	40	40	Trading of electrical and electronic appliances
<b>Held through Microtag Engineering Sdn. Bhd.</b>				
Microtag System Sdn. Bhd. ("MSSB")*	Malaysia	10	10	Dormant

\* Associate companies not audited by UHY

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

## 9. Inventories

	Group	
	2017 RM	2016 RM
Raw materials	5,447,129	6,757,367
Manufactured and trading goods	65,685,863	63,270,133
Good-in-transits	1,237,212	677,994
	<b>72,370,204</b>	<b>70,705,494</b>

	Group	
	2017 RM	2016 RM
<b>Recognised in profit or loss:</b>		
Inventories recognised in cost of sales	251,644,283	288,127,730
Inventories written back	(437,792)	(25,309)
Inventories written down	533,356	718,879
Inventories written off	23,958	299,038

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

## 10. Trade Receivables

	Group	
	2017 RM	2016 RM
Trade receivables:		
- Third parties	60,713,532	64,678,969
- Amount due from associate companies	1,129,030	1,563,325
	<b>61,842,562</b>	66,242,294
Less: Accumulated impairment losses third parties	<b>(1,330,164)</b>	(1,148,481)
	<b>60,512,398</b>	65,093,813

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2016: 30 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group	
	2017 RM	2016 RM
At 1 June	1,148,481	956,339
Impairment losses recognised	266,419	208,035
Written off	(30,166)	(8,846)
Reversal	(54,570)	(7,047)
At 31 May	<b>1,330,164</b>	1,148,481

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

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	50,959,758	55,960,607
Past due but not impaired:		
Less than 60 days	8,723,282	7,577,311
60 to 120 days	195,649	551,587
More than 120 days	633,709	1,004,308
	<b>9,552,640</b>	9,133,206
	<b>60,512,398</b>	65,093,813
Impaired	<b>1,330,164</b>	1,148,481
	<b>61,842,562</b>	66,242,294

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

As at 31 May 2017, the Group's trade receivables of RM9,552,640 (2016: RM9,133,206) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM1,330,164 (2016: RM1,148,481), related to customers that are in financial difficulties. This balance is expected to be recovered through the debts recovery process.

### Related party balances

Amount due from associate companies is unsecured, non-interest bearing and are generally on 30 to 60 days (2016: 30 to 60 days).

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 11. Other Receivables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	1,220,562	765,001	29,377	89,974
Deposits	973,923	1,086,504	1,310	860
Prepayments	1,886,319	1,231,307	-	-
Dividend receivable	-	-	5,600,000	6,600,000
Amounts due from subsidiary companies	-	-	8,094,768	16,004,652
Amounts due from associate companies	115,497	110,760	-	-
Amounts due from a company in which certain Directors of the company has substantial financial interests	1,320,593	3,460,279	-	-
	<b>5,516,894</b>	<b>6,653,851</b>	<b>13,725,455</b>	<b>22,695,486</b>
Less: Accumulated impairment losses Amount due from an associate company	(97,843)	(97,843)	-	-
	<b>5,419,051</b>	<b>6,556,008</b>	<b>13,725,455</b>	<b>22,695,486</b>

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 June	97,843	1,083,964	-	-
Reversal of impairment losses no longer required	-	(986,121)	-	-
At 31 May	<b>97,843</b>	<b>97,843</b>	-	-

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

In the previous financial year, reversal of impairment losses no longer required were made when the related amounts were collected amounting to RM986,121.

### Related party balances

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

The amount due from a company in which certain Directors of the Company has substantial financial interests have been fully settled subsequent to year end.

## 12. Fixed Deposits with Licensed Banks

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Pledged fixed deposits with licensed banks	1,079,691	2,402,673	20,000	20,000
Fixed deposits with licensed banks with maturity more than three months	24,570	23,797	-	-
	<b>1,104,261</b>	<b>2,426,470</b>	<b>20,000</b>	<b>20,000</b>

The interest rate of fixed deposits with licensed banks of the Group and of the Company are range from 0.18% to 3.30% (2016: 0.18% to 3.30%) per annum and the maturity of deposits are 30 to 365 days (2016: 30 to 365 days).

## 12. Fixed Deposits with Licensed Banks (Cont'd)

The fixed deposits with licensed banks of the Group are amounted to RM1,104,261 (2016: RM2,426,470) of which RM1,079,691 (2016: RM2,402,673) is pledged to licensed banks as securities for credit facilities granted to the subsidiary companies as disclosed in Note 15 and RM20,000 (2016: RM20,000) is held under lien to secure bank guarantees made in favour of Tenaga Nasional Berhad.

Included in the fixed deposits with licensed banks of the Group and of the Company amounted to RM20,000 and RM20,000 (2016: RM32,000 and RM20,000) respectively are held in trust by a Director on behalf of the Group's subsidiary company and the Company.

## 13. Share Capital

	Group and Company			
	2017	2016	2017	2016
	Number of Shares		RM	RM
<b>Authorised</b>				
Ordinary shares with no par value (2016: RM0.50 each)				
At 1 June/31 May	-	200,000,000	-	100,000,000
<b>Issued and fully paid shares</b>				
Ordinary shares with no par value (2016: RM0.50 each)				
At 1 June	129,668,000	129,668,000	64,834,000	64,834,000
Adjustments for effect of Companies Act 2016	-	-	2,836,893	-
At 31 May	129,668,000	129,668,000	67,670,893	64,834,000

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

The new Companies Act 2016 (the "Act"), which come into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM2,836,893 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM2,836,893 for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transitions.

## 14. Reserves

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-distributable:</b>					
Share premium	(a)	-	2,836,893	-	2,836,893
Foreign currency translation reserve	(b)	704,763	770,159	-	-
Warrant reserve	(c)	6,483,400	6,483,400	6,483,400	6,483,400
Capital reserve	(d)	4,487,540	4,487,540	-	-
Other reserve	(e)	(638,792)	(638,792)	-	-
		11,036,911	13,939,200	6,483,400	9,320,293

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 14. Reserves (Cont'd)

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

(a) Share premium

	Group/Company	
	2017 RM	2016 RM
At 1 June	2,836,893	2,836,893
Less: Adjustments for effect of Companies Act 2016	(2,836,893)	-
At 31 May	-	2,836,893

(b) Foreign currency translation reserve

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

(c) Warrant reserve

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

As at 31 May 2017, the Company has the following outstanding warrants:

Warrants	Exercise price per ordinary share	Expire date	Number of warrants outstanding as at 31.5.2017
Warrants 2013/2023	RM0.60	19.12.2023	64,834,000

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

(d) Capital reserve

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

(e) Other reserve

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

15. Bank Borrowings

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Secured</b>				
Bank overdrafts	753,481	2,972,545	-	-
Bankers' acceptances	2,262,646	2,090,102	-	-
Term loans	17,649,852	27,978,723	7,724,743	16,664,743
	<b>20,665,979</b>	<b>33,041,370</b>	<b>7,724,743</b>	<b>16,664,743</b>
<b>Unsecured</b>				
Bank overdrafts	5,608,957	5,640,028	-	-
Bankers' acceptances	58,091,979	56,520,163	-	-
Revolving credit	2,500,000	-	-	-
	<b>66,200,930</b>	<b>62,160,191</b>	<b>-</b>	<b>-</b>
	<b>86,866,909</b>	<b>95,201,561</b>	<b>7,724,743</b>	<b>16,664,743</b>
<b>Current</b>				
<b>Unsecured</b>				
Bank overdrafts	5,608,951	5,640,028	-	-
Bankers' acceptances	58,091,979	56,520,163	-	-
Revolving credit	2,500,000	-	-	-
	<b>66,200,930</b>	<b>62,160,191</b>	<b>-</b>	<b>-</b>
<b>Secured</b>				
Bank overdrafts	753,481	2,972,545	-	-
Bankers' acceptances	2,262,646	2,090,102	-	-
Term loans	7,137,154	10,383,051	5,625,500	8,940,000
	<b>10,153,281</b>	<b>15,445,698</b>	<b>5,625,000</b>	<b>8,940,000</b>
	<b>76,354,211</b>	<b>77,605,889</b>	<b>5,625,000</b>	<b>8,940,000</b>
<b>Non-Current</b>				
<b>Secured</b>				
Term loans	10,512,698	17,595,672	2,099,743	7,724,743
	<b>10,512,698</b>	<b>17,595,672</b>	<b>2,099,743</b>	<b>7,724,743</b>
	<b>86,866,909</b>	<b>95,201,561</b>	<b>7,724,743</b>	<b>16,664,743</b>

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

- (i) a first party legal charge over certain leasehold land, building, and plant and machinery as disclosed in Note 4; and
- (ii) a first party legal charge on fixed deposits with licensed banks as disclosed in Note 12; and
- (iii) corporate guarantee by the Company; and
- (iv) negative pledge over certain subsidiary companies' present and future assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 15. Bank Borrowings (Cont'd)

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Bank overdrafts	<b>8.10 - 8.60</b>	8.10 - 8.60	-	-
Bankers' acceptance	<b>2.06 - 5.57</b>	1.50 - 5.50	-	-
Term loans	<b>5.45 - 7.70</b>	5.45 - 7.70	<b>6.85</b>	6.35
Revolving credit	<b>8.60</b>	-	-	-

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Within one year	<b>76,354,211</b>	77,605,889	<b>5,625,000</b>	8,940,000
Later than one year but not later than two year	<b>3,132,645</b>	7,129,715	<b>2,099,743</b>	5,625,000
Later than two years but not later than five years	<b>2,000,016</b>	4,465,989	-	2,099,743
Later than five years	<b>5,380,037</b>	5,999,968	-	-
	<b>86,866,909</b>	95,201,561	<b>7,724,743</b>	16,664,743

**16. Finance Lease Liabilities**

	Group	
	2017 RM	2016 RM
<b>Minimum lease payments:</b>		
Within one year	614,627	467,407
Later than one year but not later than two year	595,127	408,632
Later than two years but not later than five years	960,036	904,509
Later than five years	27,700	-
	<u>2,197,490</u>	<u>1,780,548</u>
Less: Future finance charges	(204,115)	(183,511)
Present value of minimum lease payments	<u>1,993,375</u>	<u>1,597,037</u>
<b>Present value of minimum lease payments</b>		
Within one year	525,580	395,030
Later than one year but not later than two year	534,824	357,164
Later than two years but not later than five years	905,504	844,843
Later than five years	27,467	-
	<u>1,993,375</u>	<u>1,597,037</u>
<b>Analysed as:</b>		
Repayable within twelve months	525,580	395,030
Repayable after twelve months	1,467,795	1,202,007
	<u>1,993,375</u>	<u>1,597,037</u>

The effective interest rate for the leases is range from 2.38% to 3.43% (2016: 2.38% to 3.36%) per annum.

**17. Deferred Tax Liabilities**

	Group	
	2017 RM	2016 RM
At 1 June	6,681	14,785
Recognised in profit or loss	522	(8,104)
At 31 May	<u>7,203</u>	<u>6,681</u>

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

	Group	
	2017 RM	2016 RM
Deferred tax assets	(716,165)	(716,165)
Deferred tax liabilities	723,368	722,846
	<u>7,203</u>	<u>6,681</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 17. Deferred Tax Liabilities (Cont'd)

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

	Accelerated capital allowances RM	Other temporary differences RM	Total RM
<b>Group</b>			
<b>Deferred tax liabilities</b>			
At 1 June 2016	394,500	328,346	722,846
Recognised in profit or loss	-	522	522
At 31 May 2017	<b>394,500</b>	<b>328,868</b>	<b>723,368</b>
At 1 June 2015	395,850	335,100	730,950
Recognised in profit or loss	(1,350)	(6,754)	(8,104)
At 31 May 2016	394,500	328,346	722,846

	Unutilised capital allowances RM	Unutilised tax losses RM	Total RM
<b>Deferred tax assets</b>			
At 1 June 2016/31 May 2017	(277,617)	(438,548)	(716,165)
At 1 June 2015/31 May 2016	(277,617)	(438,548)	(716,165)

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

	Group	
	2017 RM	2016 RM
Other deductible temporary differences	143,073	56,804
Unutilised capital allowances	555,078	243,849
Unutilised tax losses	21,437,023	20,331,572
Unutilised reinvestment allowances	10,181,971	8,479,451
	<b>32,317,145</b>	<b>29,111,676</b>

## 18. Trade Payables

	Group	
	2017 RM	2016 RM
Trade payables		
- Third parties	<b>32,195,504</b>	38,340,863

The normal trade credit terms granted to the Group is 30 to 60 days (2016: 30 to 60 days). Other credit terms are assessed and approved on a case to case basis.

## 19. Other Payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	4,082,658	4,696,905	1,182,149	1,514,434
Deposit received	5,303	79,835	-	-
Accruals	8,501,312	9,869,574	152,135	151,000
Dividends payable	-	1,296,680	-	1,296,680
Amounts due to subsidiary companies	-	-	8,139,548	4,980,820
	<b>12,589,273</b>	<b>15,942,994</b>	<b>9,473,832</b>	<b>7,942,934</b>

Included in other payables of the Group and of the Company amounted to RM1,131,806 (2016: RM1,444,338) and RM1,131,806 (2016: RM1,444,338) respectively are amount due to a contractor for construction of a new building.

### Related party balances

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

## 20. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	341,141,542	386,258,254	-	-
Dividend income from subsidiary companies	-	-	5,600,000	6,600,000
	<b>341,141,542</b>	<b>386,258,254</b>	<b>5,600,000</b>	<b>6,600,000</b>

## 21. Finance Costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interests expense on:				
- Bank overdrafts	591,993	408,460	-	-
- Bankers' acceptances	2,689,760	2,388,569	-	-
- Term loans	1,491,923	2,205,337	789,956	1,379,404
- Finance leases	103,274	81,333	-	-
- Trust receipts	8,952	55,344	-	-
- Others	8,799	8,994	-	-
	<b>4,894,701</b>	<b>5,148,037</b>	<b>789,956</b>	<b>1,379,404</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 22. Profit before Tax

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:				
- Statutory audit:				
- Current year	162,200	181,253	30,000	26,000
- (Over)/Under provision for prior years	(17,968)	5,996	(1,000)	2,000
- Other auditors	47,780	48,051	-	-
- Non-audit services	5,000	5,000	-	-
Bad debt written off	90,040	-	-	-
Non-executive Director's remuneration				
- Fee	40,800	45,000	40,800	45,000
- Other emoluments	87,000	122,000	-	-
Amortisation of investment properties	4,819	8,263	-	-
Depreciation of property, plant and equipment	6,122,533	6,142,279	1,273,328	1,282,751
Impairment losses on trade receivables	266,419	208,035	-	-
Inventories written down	533,356	718,879	-	-
Inventories written back	(437,792)	(25,309)	-	-
Inventories written off	23,958	299,038	-	-
Property, plant and equipment written off	28,315	630,210	-	-
Rental expenses on:				
- Equipment	270,966	275,138	-	-
- Premises	6,336,734	6,255,335	-	-
- Exhibition booths	153,038	157,376	-	-
Research and development expense	850,881	934,946	-	-
Bad debt recovered	(6,913)	(2,250)	-	-
Loss/(Gain) on disposal of property, plant and equipment	4,731	(56,630)	-	-
Loss on disposal of investment properties	53,244	-	-	-
Government grants*	(373,365)	(938,945)	(215,561)	(573,235)
Interest income	(75,640)	(102,273)	(18,856)	(19,810)
Foreign exchange (gain)/loss				
- Realised	(3,563,926)	1,670,600	-	-
- Unrealised	1,705,991	(883,978)	-	-
Rental income on:				
- Investment properties	(11,900)	(29,324)	-	-
- Sublet of factory premises	(195,888)	(244,773)	(1,239,623)	(975,000)
Reversal of impairment losses on:				
- Trade receivables	(54,570)	(7,047)	-	-
- Other receivables	-	(986,121)	-	-

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

23. Taxation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Tax expenses recognised in profit or loss</b>				
Malaysian statutory tax:				
- Current tax provision	206,609	402,038	4,500	-
- (Over)/Under provision in prior years	(14,861)	130,557	4,646	1,112
	<b>191,748</b>	<b>532,595</b>	<b>9,146</b>	<b>1,112</b>
<b>Deferred tax</b>				
- Origination and reversal of temporary differences	522	(6,754)	-	-
- Over provision in prior years	-	(1,350)	-	-
	<b>522</b>	<b>(8,104)</b>	<b>-</b>	<b>-</b>
	<b>192,270</b>	<b>524,491</b>	<b>9,146</b>	<b>1,112</b>

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	<b>6,579,852</b>	11,754,500	<b>3,546,230</b>	4,427,564
At Malaysian statutory tax rate of 24% (2016: 24%)	<b>1,579,164</b>	2,821,080	<b>851,095</b>	1,062,615
Effect of different tax rates in foreign jurisdictions	<b>(144,950)</b>	(120,577)	-	-
Income not subject to tax	<b>(2,213,487)</b>	(2,244,467)	<b>(1,506,804)</b>	(1,415,026)
Expenses not deductible for tax purposes	<b>2,247,096</b>	3,227,559	<b>660,209</b>	352,411
Tax incentive	<b>(2,030,532)</b>	(3,837,552)	-	-
Deferred tax assets not recognised	<b>769,840</b>	549,241	-	-
- Over provision deferred tax in prior years	-	(1,350)	-	-
- (Over)/Under provision tax in prior years	<b>(14,861)</b>	130,557	<b>4,646</b>	1,112
	<b>192,270</b>	<b>524,491</b>	<b>9,146</b>	<b>1,112</b>

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

The Group has unutilised capital allowances, unutilised tax losses and unutilised reinvestment allowances available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 23. Taxation (Cont'd)

	Group	
	2017 RM	2016 RM
Unutilised capital allowances	8,166,522	7,089,961
Unutilised tax losses	24,896,501	23,700,262
Unutilised reinvestment allowances	10,181,971	10,181,971
	<b>43,244,994</b>	<b>40,972,194</b>

## 24. Staff costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and other emoluments	22,699,359	22,764,307	-	-
Defined contribution plans	2,583,625	2,566,723	-	-
Social security contributions	310,530	279,256	-	-
Other employees benefits	1,464,869	1,725,391	-	-
	<b>27,058,383</b>	<b>27,335,677</b>	-	-

The staff costs including key management personnel as disclosed in Note 27.

## 25. Earnings per Share

### (a) Basic earnings per share

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

	Group	
	2017 RM	2016 RM
Profit attributable to owners of the parent	6,450,101	11,250,226
Weighted average number of ordinary shares used in the calculation of basic earnings per share		
Issued ordinary shares at 1 June/31 May	129,668,000	129,668,000
Basic earnings per ordinary shares (in sen)	4.97	8.68

## 25. Earnings per Share (Cont'd)

(a) Diluted earnings per share

Diluted earnings per share are calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group	
	2017 RM	2016 RM
Profit attributable to owners of the parent	<b>6,450,101</b>	11,250,226
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>129,668,000</b>	129,668,000
Adjusted for:		
Effect of conversion of warrants	<b>6,042,463</b>	-
Weighted average number of ordinary shares at 31 May (diluted)	<b>135,710,463</b>	129,668,000
Diluted earnings per shares (in sen)	<b>4.75</b>	8.68

## 26. Dividends

	Group and Company	
	2017 RM	2016 RM

**Dividends recognised as distribution to ordinary shareholders of the Company:**

Final dividend paid in respect of the financial year ended:		
- 31 May 2016 (single tier dividend of RM0.02 per ordinary share)	<b>2,593,360</b>	-
Final dividend paid in respect of the financial year ended:		
- 31 May 2015 (single tier dividend of RM0.02 per ordinary share)	-	2,593,360
Interim dividend paid in respect of the financial year ended:		
- 31 May 2016 (single tier dividend of RM0.01 per ordinary share)	-	1,296,680
	<b>2,593,360</b>	3,890,040

The Directors recommend the payment of a final single-tier dividend of RM0.02 in respect of the current financial year ended 31 May 2017 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2018.

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 27. Related Party Disclosures

### (a) Identifying related parties

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

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

### (b) Related party transactions

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

	2017 RM	2016 RM
<b>Company</b>		
<b>Transactions with subsidiary companies</b>		
- Dividend income	5,600,000	6,600,000
- Rental income	1,200,000	975,000
<b>Group</b>		
<b>Transactions with associate companies</b>		
- Sales	2,343,440	2,643,667
<b>Transactions with companies in which Directors of the Company have substantial financial interests</b>		
- Purchases	2,895,602	2,542,919
- Transport charges	242,430	259,035
- Secretarial fees	24,704	60,072

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

(c) Compensation of key management personnel

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Directors of the Company</b>				
Executive:				
Fee	80,000	80,000	80,000	80,000
Salaries and other emoluments	2,159,013	2,205,004	-	-
Defined contribution plans	177,050	167,550	-	-
Social security contributions	3,316	2,480	-	-
	<b>2,419,379</b>	<b>2,455,034</b>	<b>80,000</b>	<b>80,000</b>
<b>Other Directors (on board of subsidiary companies)</b>				
Salaries and other emoluments	283,647	272,108	-	-
Defined contribution plans	31,525	26,302	-	-
	<b>315,172</b>	<b>298,410</b>	<b>-</b>	<b>-</b>
Total of Directors' remuneration	<b>2,734,551</b>	<b>2,753,444</b>	<b>80,000</b>	<b>80,000</b>

## 28. Segment Information

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

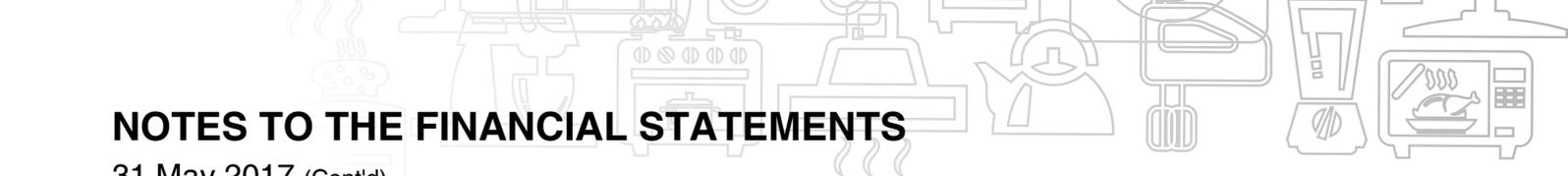
The following summary describes the main business segments and respective business activity of each segment of the Group's reportable segments:

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

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

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer and Managing Director, who are the Group's operating decision makers. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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



# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 28. Segment Information (Cont'd)

### Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer and Managing Director.

Segment total asset is used to measure the return of assets of each segment.

### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer and Managing Director. Hence, no disclosure is made on segment liabilities.

28. Segment Information (Cont'd)

Group	Manufacturing RM	Trading RM	Other RM	Total segments RM	Adjustment and eliminations RM	Note	Consolidated RM
<b>2017</b>							
<b>Revenue</b>							
External customers	684,434	340,457,108	-	341,141,542	-		341,141,542
Inter-segment	99,488,312	8,555,760	11,697,200	119,741,272	(119,741,272)		-
Total revenue	100,172,746	349,012,868	11,697,200	460,882,814	(119,741,272)		341,141,542
<b>Results</b>							
Interest income	13,930	225,029	19,229	258,188	(182,548)		75,640
Finance costs	(1,184,648)	(3,223,514)	(789,956)	(5,198,118)	303,417		(4,894,701)
Depreciation and amortisation	(2,881,665)	(1,897,778)	(1,347,909)	(6,127,352)	-		(6,127,352)
Share of results of associate companies	-	-	42,077	42,077	-		42,077
Other non-cash items	4,896,820	1,917,226	(2,042)	6,812,004	(4,598,312)	A	2,213,692
Segment profit	(678,260)	6,854,748	4,045,023	10,221,511	(3,641,659)		6,579,852
<b>Segment assets</b>							
<i>Included in the measurement of segment assets are:</i>							
Additions to non-current financial instruments and deferred tax assets other than assets	345,999	1,735,180	29,006	2,110,185	-		2,110,185

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 28. Segment Information (Cont'd)

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

## 28. Segment Information (Cont'd)

### Adjustments and eliminations

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

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

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

Inter-segment revenues are eliminated on consolidation.

### Note A

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

	Group	
	2017 RM	2016 RM
Bad debt written off	90,040	-
Impairment losses on trade receivables	266,419	208,035
Inventories written down	533,356	718,879
Inventories written back	(437,792)	(25,309)
Inventories written off	23,958	299,038
Property, plant and equipment written off	28,315	630,210
Loss/(Gain) on disposal of property, plant and equipment	4,731	(56,630)
Loss on disposal of investment properties	53,244	-
Reversal of impairment losses on:		
- trade receivables	(54,570)	(7,047)
- other receivables	-	(986,121)
Unrealised foreign exchange loss/(gain)	1,705,991	(883,978)
	<b>2,213,692</b>	<b>(102,923)</b>

### Geographic information

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

	Revenue		Non-current assets	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Group</b>				
Malaysia	233,339,979	258,158,977	91,968,006	96,989,910
Other Asian countries	101,091,602	104,610,215	34,378	42,543
Middle East	5,833,040	22,189,097	-	-
Others	876,921	1,299,965	-	-
	<b>341,141,542</b>	<b>386,258,254</b>	<b>92,002,384</b>	<b>97,032,453</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 29. Financial Instruments

### (a) Classification of financial instruments

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

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total carrying amount RM
<b>Group</b>			
<b>2017</b>			
<b>Financial Assets</b>			
Trade receivables	60,512,398	-	60,512,398
Other receivables	3,532,732	-	3,532,732
Fixed deposits with licensed banks	1,104,261	-	1,104,261
Cash and bank balances	21,222,369	-	21,222,369
	<b>86,371,760</b>	<b>-</b>	<b>86,371,760</b>
<b>Financial Liabilities</b>			
Trade payables	-	32,195,504	32,195,504
Other payables	-	12,589,273	12,589,273
Bank borrowings	-	86,866,909	86,866,909
Finance lease liabilities	-	1,993,375	1,993,375
	<b>-</b>	<b>133,645,061</b>	<b>133,645,061</b>
<b>2016</b>			
<b>Financial Assets</b>			
Trade receivables	65,093,813	-	65,093,813
Other receivables	5,324,701	-	5,324,701
Fixed deposits with licensed banks	2,426,470	-	2,426,470
Cash and bank balances	24,553,221	-	24,553,221
	<b>97,398,205</b>	<b>-</b>	<b>97,398,205</b>
<b>Financial Liabilities</b>			
Trade payables	-	38,340,863	38,340,863
Other receivables	-	15,942,994	15,942,994
Bank borrowings	-	95,201,561	95,201,561
Finance lease liabilities	-	1,597,037	1,597,037
	<b>-</b>	<b>151,082,455</b>	<b>151,082,455</b>

## 29. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total carrying amount RM
<b>Company</b>			
<b>2017</b>			
<b>Financial Assets</b>			
Other receivables	13,725,455	-	13,725,455
Fixed deposits with licensed banks	20,000	-	20,000
Cash and bank balances	938,163	-	938,163
	<b>14,683,618</b>	<b>-</b>	<b>14,683,618</b>
<b>Financial Liabilities</b>			
Other payables	-	9,473,832	9,473,832
Bank borrowings	-	7,724,743	7,724,743
	<b>-</b>	<b>17,198,575</b>	<b>17,198,575</b>
<b>2016</b>			
<b>Financial Assets</b>			
Other receivables	22,695,486	-	22,695,486
Fixed deposits with licensed banks	20,000	-	20,000
Cash and bank balances	1,320,372	-	1,320,372
	<b>24,035,858</b>	<b>-</b>	<b>24,035,858</b>
<b>Financial Liabilities</b>			
Other payables	-	7,942,934	7,942,934
Bank borrowings	-	16,664,743	16,664,743
	<b>-</b>	<b>24,607,677</b>	<b>24,607,677</b>

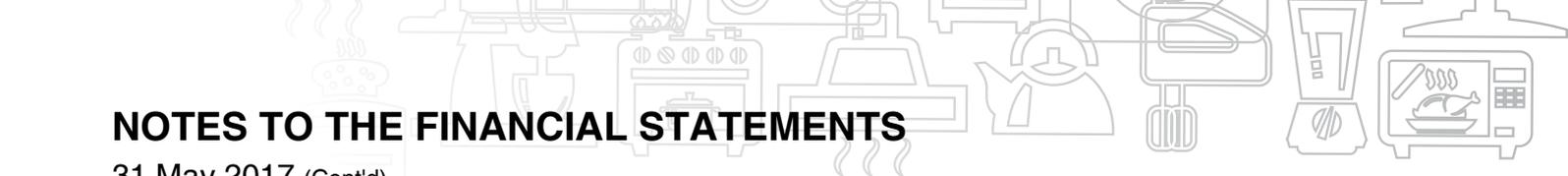
### (b) Financial risk management objectives and policies

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

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

#### (i) Credit risk

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



# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 29. Financial Instruments (Cont'd)

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

(i) Credit risk (Cont'd)

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

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to licensed banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM75.42 million (2016: RM78.42 million), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

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

(ii) Liquidity risk

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

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

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

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

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
<b>Group</b>						
<b>2017</b>						
<u>Non-derivative</u>						
<u>financial liabilities</u>						
Trade payables	32,195,504	-	-	-	32,195,504	32,195,504
Other payables	12,589,273	-	-	-	12,589,273	12,589,273
Bank borrowings	77,319,552	3,626,737	3,047,788	6,528,675	90,522,752	86,866,909
Finance lease liabilities	614,627	595,127	960,036	27,700	2,197,490	1,993,375
	<b>122,718,956</b>	<b>4,221,864</b>	<b>4,007,824</b>	<b>6,556,375</b>	<b>137,505,019</b>	<b>133,645,061</b>
<b>2016</b>						
<u>Non-derivative</u>						
<u>financial liabilities</u>						
Trade payables	38,340,863	-	-	-	38,340,863	38,340,863
Other payables	15,942,994	-	-	-	15,942,994	15,942,994
Bank borrowings	79,007,248	7,844,720	5,626,095	7,485,066	99,963,129	95,201,561
Finance lease liabilities	467,407	408,632	904,509	-	1,780,548	1,597,037
	<b>133,758,512</b>	<b>8,253,352</b>	<b>6,530,604</b>	<b>7,485,066</b>	<b>156,027,534</b>	<b>151,082,455</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 29. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
<b>Company</b>					
<b>2017</b>					
<u>Non-derivative financial liabilities</u>					
Other payables	9,473,832	-	-	9,473,832	9,473,832
Bank borrowings	5,901,969	2,162,245	-	8,064,214	7,724,743
Financial guarantees*	75,420,000	-	-	75,420,000	-
	<b>90,795,801</b>	<b>2,162,245</b>	<b>-</b>	<b>92,958,046</b>	<b>17,198,575</b>
<b>2016</b>					
<u>Non-derivative financial liabilities</u>					
Other payables	7,942,934	-	-	7,942,934	8,876,787
Bank borrowings	9,718,129	5,901,969	2,162,245	17,782,343	25,604,743
Financial guarantees*	78,420,000	-	-	78,420,000	-
	<b>96,081,063</b>	<b>5,901,969</b>	<b>2,162,245</b>	<b>104,145,277</b>	<b>34,481,530</b>

\* Being corporate guarantee granted for credit facilities of certain subsidiary companies, which will only be encashed in the event of default by these facilities.

(iii) Market risk

(i) Foreign currency risk

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

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

	Denominated in	
	USD RM	HKD RM
<b>Group</b>		
<b>2017</b>		
Trade receivables	3,373,948	6,481
Other receivables	358,018	-
Cash and bank balances	6,061,891	-
Trade payables	(7,357,181)	-
	<b>2,436,676</b>	<b>6,481</b>
<b>2016</b>		
Trade receivables	6,238,410	33,865
Cash and bank balances	6,216,404	-
Trade payables	(6,322,669)	-
	<b>6,132,145</b>	<b>33,865</b>

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

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

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

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

	2017		2016	
	Change in currency rate	Effect on profit before tax RM	Change in currency rate	Effect on profit before tax RM
<b>Group</b>				
USD	<b>Strengthened 10%</b>	<b>243,668</b>	Strengthened 10%	613,215
	<b>Weakened 10%</b>	<b>(243,668)</b>	Weakened 10%	(613,215)
HKD	<b>Strengthened 10%</b>	<b>648</b>	Strengthened 10%	3,387
	<b>Weakened 10%</b>	<b>(648)</b>	Weakened 10%	(3,387)

(ii) Interest rate risk

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

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

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

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Fixed Rate Instruments</b>				
<b>Financial Asset:</b>				
Fixed deposits with licensed with licensed banks	<b>1,104,261</b>	2,426,470	<b>20,000</b>	20,000
<b>Financial Liabilities:</b>				
Bankers' acceptances	<b>60,354,625</b>	58,610,265	-	-
Financial lease liabilities	<b>1,993,375</b>	1,597,037	-	-
	<b>62,348,000</b>	60,207,302	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 29. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Floating Rate Instruments</b>				
<b>Financial Liabilities:</b>				
Bank overdrafts	6,362,432	8,612,573	-	-
Term loans	17,649,852	27,978,723	7,724,743	16,664,743
Revolving credit	2,500,000	-	-	-
	<b>26,512,284</b>	<b>36,591,296</b>	<b>7,724,743</b>	<b>16,664,743</b>

### Interest rate risk sensitivity

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for floating rate instruments

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

	Effect to profit or loss	
	2017 RM	2016 RM
<b>Group</b>		
Interest rate increased by 1%	265,123	365,913
Interest rate decreased by 1%	(265,123)	(365,913)
<b>Company</b>		
Interest rate increased by 1%	77,247	166,647
Interest rate decreased by 1%	(77,247)	(166,647)

(c) Fair value of financial instruments

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

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

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

## 29. Financial Instruments (Cont'd)

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

	Fair value of financial instruments not carried at fair value			Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	
<b>Group</b>				
<b>2017</b>				
<b>Financial liabilities (Non-current)</b>				
Finance lease liabilities	-	1,477,989	-	1,467,795
<b>2016</b>				
<b>Financial liabilities (Non-current)</b>				
Finance lease liabilities	-	1,067,019	-	1,202,007

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

**Non-derivative financial instruments**

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.

(iv) Level 3 fair value

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

## 30. Capital Management

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

## 30. Capital Management (Cont'd)

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

	Group	
	2017 RM	2016 RM
Total loans and borrowings	88,860,284	96,798,598
Less: Deposits, cash and bank balances	(22,326,630)	(26,979,691)
Net debts	<u>66,533,654</u>	<u>69,818,907</u>
Total equity	<u>119,662,251</u>	<u>115,870,906</u>
Gearing ratio (%)	<u>56%</u>	<u>60%</u>

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

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

## 31. Operating Leases Commitments

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017 RM	2016 RM
Less than one year	30,378	116,900
Between one and three years	84,000	61,200
	<u>114,378</u>	<u>178,100</u>

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

### Lease as lessor

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

	Group	
	2017 RM	2016 RM
Less than one year	-	10,200

## 32. Significant Events

- (a) On 22 August 2016, Pensonic Corporation Sdn. Bhd. ("PCSB"), a wholly-owned subsidiary company of Pensonic Holdings Berhad ("PHB") has increased its issued and paid up share capital from RM500,000 to RM5,000,000 by the issuance of 4,500,000 ordinary shares of RM1.00 each at par by way of capitalisation of amount due from PHB.
- (b) On 23 January 2017, Pensonic (H.K.) Corporation Limited ("PHK"), a wholly-owned subsidiary company of Keat Radio Co. Sdn. Bhd. ("KRC") reduced its share capital by HKD15,000,000 from HKD20,000,000 to HKD5,000,000.

## 33. Subsequent Events

- (a) On 6 June 2017, Pensonic Holdings Berhad ("PHB") incorporated a wholly-owned subsidiary company namely Pensonic (Cambodia) Co. Ltd ("PCC") for a total consideration of RM4,316. Consequently, PCC become a subsidiary company of PHB.
- (b) On 30 July 2017, Pensonic Holdings Berhad ("PHB") incorporated a subsidiary company by acquired its 51% equity interest in PT Pensonic Appliance Indonesia ("PTPAI") for a total consideration of RM2,223,090. Consequently, PTPAI become a subsidiary of PHB.

## 34. Contigent Liabilities

	Group	
	2017 RM	2016 RM
<b>Secured</b>		
<u>Corporate guarantee</u>		
Corporate guarantee given to financial institution for banking facilities granted to subsidiary companies	<b>75,420,000</b>	<b>78,420,000</b>

## 35. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 September 2017.

# NOTES TO THE FINANCIAL STATEMENTS

31 May 2017 (Cont'd)

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

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings of the Company and its subsidiary companies				
- realised	<b>40,852,948</b>	38,096,207	<b>8,612,540</b>	7,668,816
- unrealised	<b>1,713,194</b>	877,297	-	-
	<b>42,566,142</b>	38,973,504	<b>8,612,540</b>	7,668,816
Total retained earnings from associates				
- realised	<b>133,840</b>	91,763	-	-
	<b>42,699,982</b>	39,065,267	<b>8,612,540</b>	7,668,816
Less: Consolidation adjustments	<b>(1,745,535)</b>	(1,967,561)	-	-
Total retained earnings	<b>40,954,447</b>	37,097,706	<b>8,612,540</b>	7,668,816

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

# LIST OF PROPERTIES OWNED BY THE GROUP

as at 31 May 2017

Registered Owner	Address/ Location	Description/ Existing use	Approximately age of buildings (Years)	Tenure	Land/ Built-up area	Audited net book value as at 31 May 2017 RM
<b>KRC</b>	Blok H1-09, H1-10, H1-11, H2-09, H2-10, H2-11, C1-09, C1-10, C1-11, C2-09, C2-10, C2-11, Taman Pelangi, 13600 Prai, Penang.	Residential	20	Leasehold Expiring in 2092	7,200 sq.ft.	292,474
<b>PE</b>	Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.	Industrial land with factory, warehouse and office	20	Leasehold Expiring in 2054	3.05632 acres/ 112,050 sq.ft.	4,434,461
<b>PSS</b>	Lot 4, Towering Industrial Centre, 88300 Penampang, Kota Kinabalu, Sabah.	Warehouse and office	25	Leasehold Expiring in 2037	2,700 sq.ft.	190,000
<b>PSS</b>	Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	25	Leasehold Expiring in 2069	43,560 sq.ft.	8,248,268
<b>PSS</b>	31, Laluan Perusahaan Kledang 9, Kawasan Perindustrian Chandan Raya, 31450 Menglembu, Ipoh, Perak.	Warehouse and office	19	Leasehold Expiring in 2082	5,494 sq.ft.	310,717
<b>PSS</b>	Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	13	Leasehold Expiring in 2070	43,560 sq.ft.	4,239,887
<b>PI</b>	895, Jalan Perindustrian Bukit Minyak, Kawasan Perindustrian Bukit Minyak, MK. 13, 14100 Bukit Minyak, Penang	Industrial land with factory, warehouse and office	14	Leasehold Expiring in 2063	3 acres/ 75,260 sq.ft	4,735,248
<b>PHB</b>	1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	Industrial land with warehouse and office	5	Leasehold Expiring in 2059	2.4283 ha/ 24,283 sq.ft.	47,142,042

# ANALYSIS OF SHAREHOLDINGS

## SHAREHOLDINGS STATISTICS AS AT 29 AUGUST 2017

Class of Securities	: Ordinary Shares
Total number of issued shares	: 129,668,000 ordinary shares
Voting Rights	: 1 vote per share on a poll
Number of shareholders	: 2,794

## DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 29 AUGUST 2017

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
39	less than 100 shares	972	#
178	100 to 1,000 shares	92,922	0.07
1,614	1,001 to 10,000 shares	8,808,302	6.79
843	10,001 to 100,000 shares	21,845,900	16.85
118	100,001 to less than 5% of issued shares	82,599,904	63.70
2	5% and above of issued shares	16,320,000	12.59
<u>2,794</u>		<u>129,668,000</u>	<u>100.00</u>

# Negligible

## 30 LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 AUGUST 2017

	Name	No. of Shares	%
1	CHEW WENG KHAK REALTY SDN BHD	9,520,000	7.34
2	CHEW WENG KHAK @ CHEW WENG KIAK	6,800,000	5.24
3	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW WENG KHAK REALTY SDN. BHD. (SMART)	5,299,000	4.09
4	CHEW CHUON GHEE	4,600,000	3.55
5	CHEW WENG KHAK REALTY SDN BHD	4,200,000	3.24
6	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOW WOUI HUAT (STA 2)	4,199,400	3.24
7	CHEW CHUON FANG	3,400,000	2.62
8	CHEW WENG KHAK @ CHEW WENG KIAK	2,800,000	2.16
9	CHEW WENG KHAK @ CHEW WENG KIAK	2,800,000	2.16
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHUON JIN (6000225)	2,500,000	1.93
11	CHEW CHUON GHEE	2,310,000	1.78

**30 LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 AUGUST 2017 (CONT'D)**

	<b>Name</b>	<b>No. of Shares</b>	<b>%</b>
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (6000117)	2,166,000	1.67
13	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW CHUON JIN (SMART)	2,000,000	1.54
14	TAN TEONG OON	2,000,000	1.54
15	CHEW CHUON GHEE	1,794,000	1.38
16	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)	1,608,040	1.24
17	CHEW WENG KHAK REALTY SDN BHD	1,607,824	1.24
18	CHEW WENG KHAK @ CHEW WENG KIAK	1,500,000	1.16
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)	1,400,080	1.08
20	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI (MARGIN)	1,359,300	1.05
21	LEE ANN NEE	1,359,200	1.05
22	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	1,255,200	0.97
23	SIEW KOK FOO	1,250,000	0.96
24	TAN AH NYA @ TAN BEE TIANG	1,162,000	0.90
25	LEE MENG TICK	1,021,000	0.79
26	CHEW CHUON FANG	1,019,000	0.79
27	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN	1,000,000	0.77
28	TEH YONG KHOON	1,000,000	0.77
29	TEOW CHEE CHOW	900,000	0.69
30	PANG SUN	900,000	0.69
	<b>Total</b>	<b>74,730,044</b>	<b>57.63</b>

# ANALYSIS OF SHAREHOLDINGS

(Cont'd)

## SUBSTANTIAL SHAREHOLDERS AS AT 29 AUGUST 2017

Name of substantial shareholders	Direct Interest		Indirect Interest	
	No of shares	%	No of shares	%
Chew Weng Khak Realty Sdn Bhd	20,626,824	15.91	-	-
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,900,000	10.72	<sup>(a)</sup> 20,626,824	15.91
Chew Chuon Ghee	8,704,000	6.71	-	-

## STATEMENT OF DIRECTORS' SHAREHOLDINGS AS AT 29 AUGUST 2017

Name of Directors	Direct Interest		Indirect Interest	
	No of shares	%	No of shares	%
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,900,000	10.72	<sup>(a)/(b)</sup> 26,207,824	20.21
Chew Chuon Jin	4,898,400	3.78	<sup>(c)</sup> 16,800	0.01
Chew Chuon Ghee	8,704,000	6.71	-	-
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	5,823,685	4.49	<sup>(d)</sup> 996,300	0.77

Notes:

- <sup>(a)</sup> By virtue of his interest in the shares of the Company (through Chew Weng Khak Realty Sdn Bhd), Dato' Seri Chew Weng Khak @ Chew Weng Kiak is deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.
- <sup>(b)</sup> Indirect interest through his spouse, Datin Seri Tan Ah Nya @ Tan Bee Tiang and child, Chew Chuon Fang pursuant to Section 59(11)(c) of the Companies Act 2016 ("Act")
- <sup>(c)</sup> Indirect interest through his spouse, Tan Guat See pursuant to Section 59(11)(c) of the Act
- <sup>(d)</sup> Indirect interest through his spouse, Puan Seri Datin Seri Chan Mei Chong and children, Tan Hui Lun and Tan Kean Aik pursuant to Section 59(11)(c) of the Act

## PRINCIPAL STATISTIC AS AT 29 AUGUST 2017

Class of Securities	: 64,834,000 warrants
Exercise price of warrants	: RM0.60 for each warrant
Expiry date of warrants	: 29 November 2023
Voting Rights	: One vote per warrant at any warrantholders' meeting
Number of warrantholders	: 833 holders

## DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS AS AT 29 AUGUST 2017

No. of Holders	Size of Holdings	Total Holdings	% of Total Warrantholdings
11	less than 100 shares	522	#
33	100 to 1,000 shares	19,668	0.03
438	1,001 to 10,000 shares	2,112,052	3.26
266	10,001 to 100,000 shares	9,037,586	13.94
82	100,001 to less than 5% of issued shares	38,818,472	59.87
3	5% and above of issued shares	14,845,700	22.90
833		64,834,000	100.00

# Negligible

## 30 LARGEST SECURITIES ACCOUNT WARRANTHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 AUGUST 2017

Name	No. of Warrants	%
1 CHEW WENG KHAK @ CHEW WENG KIAK	5,600,000	8.64
2 CHEW WENG KHAK REALTY SDN BHD	4,760,000	7.34
3 CHEW CHUON JIN	4,485,700	6.92
4 CHEW WENG KHAK REALTY SDN BHD	2,303,912	3.55
5 CHEW WENG KHAK REALTY SDN BHD	2,100,000	3.24
6 ANG YOOK CHU @ ANG YOKE FONG	1,854,100	2.86
7 SAI YEE @ SIA SAY YEE	1,650,000	2.54
8 AMSEC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW WENG KHAK REALTY SDN. BHD. (SMART)	1,500,000	2.31
9 CHEW WENG KHAK @ CHEW WENG KIAK	1,400,000	2.16
10 CHEW WENG KHAK @ CHEW WENG KIAK	1,400,000	2.16
11 CHEW WENG KHAK @ CHEW WENG KIAK	1,400,000	2.16
12 CHEW CHUON GHEE	1,155,000	1.78

# ANALYSIS OF WARRANTHOLDINGS

(Cont'd)

## 30 LARGEST SECURITIES ACCOUNT WARRANTHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 AUGUST 2017 (CONT'D)

	Name	No. Warrants	%
13	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO KWEE HOCK (STA 1)	1,111,400	1.71
14	CHEW CHUON FANG	1,050,000	1.62
15	JS NOMINEES (ASING) SDN BHD QUEBEC INVESTMENT LIMITED (QU050)	1,027,300	1.58
16	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW CHUON JIN (SMART)	1,000,000	1.54
17	LIM KIAN WEI	805,200	1.24
18	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE WAH	778,700	1.20
19	EE CHAI CHAI	735,400	1.13
20	HEH WUN YEE	725,000	1.12
21	GV ASIA FUND LIMITED	700,800	1.08
22	CHEW CHUON GHEE	700,000	1.08
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)	670,100	1.03
24	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE YNG	626,700	0.97
25	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN	601,000	0.93
26	OLIVE LIM SWEE LIAN	550,000	0.85
27	PANG CHONG SENG	464,400	0.72
28	SEE HOCK CHUAN	450,000	0.69
29	CHEW CHUON FANG	427,000	0.66
30	TAN AH NYA @ TAN BEE TIANG	420,000	0.65
	<b>Total</b>	<b>42,451,712</b>	<b>65.48</b>

## SUBSTANTIAL WARRANTHOLDERS AS AT 29 AUGUST 2017

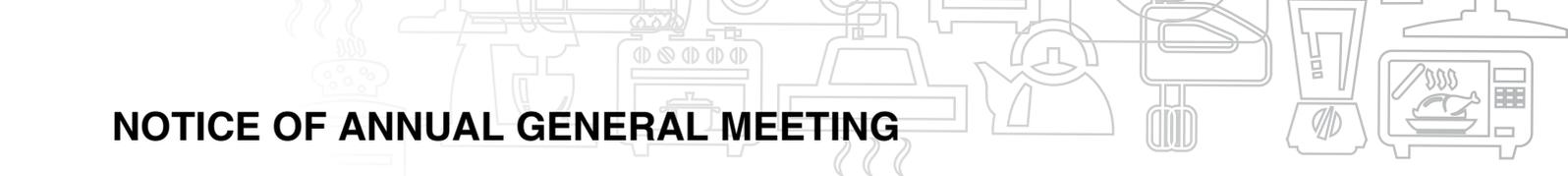
Name of warrant holders	Direct Interest		Indirect Interest	
	No of Warrants	%	No of Warrants	%
Chew Weng Khak Realty Sdn Bhd	10,663,912	16.45	-	-
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	9,800,000	15.12	<sup>(a)</sup> 10,663,912	16.45
Chew Chuon Jin	5,485,700	8.46	<sup>(c)</sup> 10,000	0.02

## STATEMENT OF DIRECTORS' WARRANTHOLDINGS AS AT 29 AUGUST 2017

Name of warrant holders	Direct Interest		Indirect Interest	
	No of Warrants	%	No of Warrants	%
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	9,800,000	15.12	<sup>(a)(b)</sup> 12,560,912	19.37
Chew Chuon Jin	5,485,700	8.46	<sup>(c)</sup> 10,000	0.02
Chew Chuon Ghee	2,002,000	3.09	-	-
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	509,558	0.79	<sup>(d)</sup> 643,800	0.99

### Notes:

- <sup>(a)</sup> By virtue of his interest in the shares of the Company (through Chew Weng Khak Realty Sdn Bhd), Dato' Seri Chew Weng Khak @ Chew Weng Kiak is deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.
- <sup>(b)</sup> Indirect interest through his spouse, Datin Seri Tan Ah Nya @ Tan Bee Tiang and child, Chew Chuon Fang pursuant to Section 59(11)(c) of the Companies Act 2016 ("Act")
- <sup>(c)</sup> Indirect interest through his spouse, Tan Guat See pursuant to Section 59(11)(c) of the Act
- <sup>(d)</sup> Indirect interest through his spouse, Puan Seri Datin Seri Chan Mei Cheng and child, Tan Hui Lun pursuant to Section 59(11)(c) of the Act



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 23<sup>rd</sup> Annual General Meeting ("AGM") of PENSONIC HOLDINGS BERHAD ("Pensonic" or the "Company") will be held at 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang, on Wednesday, 25 October 2017 at 2.00 p.m. to transact the following business:

## AGENDA

- |    |  |  |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 May 2017 together with the Reports of Directors and Auditors thereon.  | Please refer to Note 1                         |
| 2. | To approve a final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 May 2017 as recommended by the Directors in their report.  | Ordinary Resolution 1                          |
| 3. | To re-elect Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim who retires in accordance with Article 129 of the Company's Constitution and who, being eligible, has offered himself for re-election.                                    | Ordinary Resolution 2                          |
| 4. | To re-elect the following Directors who retire in accordance with Article 134 of the Company's Constitution and who, being eligible, have offered themselves for re-election:<br>(a) Ong Huey Min<br>(b) Chew Chuon Fang                     | Ordinary Resolution 3<br>Ordinary Resolution 4 |
| 5. | To re-appoint Dato' Seri Chew Weng Khak @ Chew Weng Kiak as Director of the Company.   | Ordinary Resolution 5                          |
| 6. | To approve the payment of Directors' Fees totaling RM120,833 for the financial year ended 31 May 2017.   | Ordinary Resolution 6                          |
| 7. | To approve the payment of Directors' Fees as per Table A for the period from 1 June 2017 until the next AGM.   | Ordinary Resolution 7                          |
| 8. | To approve the payment of benefits payable to Directors as per Table A with effect from 31 January 2017 until otherwise resolved.  | Ordinary Resolution 8                          |
| 9. | To appoint Messrs KPMG PLT to act as Auditors of the Company in place of the retiring auditors, Messrs UHY, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 9                          |

## *As Special Business*

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions with or without modifications:

- |     |  |                        |
|-----|--|------------------------|
| 10. | <b>AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016</b> | Ordinary Resolution 10 |
|-----|--|------------------------|

"THAT, subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 76 of the Act, to allot and issue shares in the Company at any time until the conclusion of the next AGM and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of total number of issued shares/total number of voting shares of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."



# NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

11. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

Ordinary Resolution 11

"THAT pursuant to Chapter 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions as set out in the Circular dated 29 September 2017, which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders; and that the approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier."

12. To transact any other business of which due notice shall have been given.

## By Order of the Board

Ong Tze-En (MAICSA 7026537)  
Company Secretary  
Penang  
29 September 2017

## Notes:

1. A member entitled to attend and vote at a meeting of the Company, or at any meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. A member may appoint up to two (2) proxies to attend on the same occasion. There shall be no restriction as to the qualification of the proxy.
2. If a member appoints up to two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.
5. The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.
6. To be valid, this Proxy Form, duly completed must be deposited at the Registered Office of the Company at Suite 16-1, (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, at least forty-eight (48) hours before the time for holding the meeting. Provided That in the event the Member(s) duly executes the proxy form but does not name any proxy, such Member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the Member(s).
7. Only a Depositor whose name appears on the Record of Depositors as at as at 17 October 2017 shall be entitled to attend the 23<sup>rd</sup> Annual General Meeting or appoint proxy to attend and/or vote in his/her behalf.

# NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

## Explanatory Notes on Ordinary and Special Business:

1. Item 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of shareholders of the Company and hence, Item 1 is not put forward for voting.
2. The proposed **Ordinary Resolution 5**, is to seek shareholders' approval on the re-appointment of Dato' Seri Chew Weng Khak @ Chew Weng Kiak, who had been re-appointed in the previous AGM held on 18 October 2016 as Director under Section 129(6) of the Companies Act 1965 which was then in force and whose term would expire at the conclusion of this meeting, as Director of the Company. If passed, the proposed Ordinary Resolution 5 will authorise the continuation of Dato' Seri Chew Weng Khak in office from the date of this 23<sup>rd</sup> AGM onwards.
3. Under the proposed **Ordinary Resolutions 7 and 8**, the directors' fees and benefits payable to the Directors have been reviewed by the Remuneration Committee and the Board of Directors of the Company. These directors' fees and benefits payable are in the best interest of the Company and in accordance with the remuneration framework of the Group. The benefits payable comprise of monthly allowance is as detailed below under Table A below and this approval on benefits payable shall continue to be in force until otherwise resolved:-

	Directors' Fees per annum per pax (RM)	Monthly Allowance per pax (RM)	
Executive Director	20,000	-	-
Independent Non-Executive Director & Chairman of Audit Committee	20,000	3,000	3,500 <sup>^^</sup>
Independent Non-Executive Director	10,000	2,000	2,500 <sup>^^</sup>

<sup>^^</sup> The monthly allowance for the Independent Non-Executive Directors was revised effective 1 September 2017.

4. The proposed **Ordinary Resolution 10**, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issue and allot ordinary shares at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 18 October 2016 and which will lapse at the conclusion of the 23<sup>rd</sup> AGM. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.
5. The proposed **Ordinary Resolution 11**, if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing recurrent related party transactions as set out in the Circular dated 29 September 2017. This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earliest.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities)

No individual is standing for election as a Director at the forthcoming AGM of the Company.

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN** that subject to the approval of the shareholders at the 23<sup>rd</sup> Annual General Meeting, a final single-tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 May 2017 will be paid on 29 December 2017 to depositors registered in the Records of Depositors at the close of business on 15 December 2017.

A depositor shall qualify for entitlement only in respect of:-

- a. Shares transferred into the Depositor's Securities Account before 4.00 pm on 15 December 2017 in respect of transfers; and
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

Yee Lean Eng  
No. 11A Lorong Villa Indah 2  
Taman Villa Indah  
14000 Bukit Tengah  
Pulau Pinang

Date : 21st September 2017

The Board of Directors  
Pensonic Holdings Berhad  
Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
Georgetown  
10050 Pulau Pinang  
Malaysia

Dear Sirs,

#### NOTICE OF NOMINATION AS AUDITORS

In accordance with Section 271(4)(a) of the Companies Act 2016, I, a member of the Company, hereby give notice of my nomination for appointment at the forthcoming Annual General Meeting of the Company, Messrs KPMG PLT (LLP0010081-LCA & AF 0758) of Level 18, Hunza Tower, 163E, Jalan Kelawai, 10250 Penang, Malaysia in place of Messrs UHY.

Yours faithfully,



Yee Lean Eng

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No. of Shares Held	CDS Account No.

Telephone no. (During office hours): \_\_\_\_\_

I/We, \_\_\_\_\_  
 of \_\_\_\_\_  
 (Full name in block letters & Company No. / NRIC No.)  
 (Address)

being a Member(s) of **Pensonic Holdings Berhad**, hereby appoint

Full Name (in Block Letters)	Company / NRIC / Passport No.	No. of Shares	% of Shareholding

\* and/or (\*delete if not applicable)

Full Name (in Block Letters)	Company / NRIC / Passport No.	No. of Shares	% of Shareholding

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf at the 23<sup>rd</sup> Annual General Meeting of the Company to be held at 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang on Wednesday, 25 October 2017 at 2.00 pm and at any adjournment thereof, to vote as indicated below:-

Resolutions	For	Against
1 Approval of Final Single-Tier Dividend		
2 Re-election of Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim		
3 Re-election of Ong Huey Min		
4 Re-election of Chew Chuon Fang		
5 Re-appointment of Dato' Seri Chew Weng Khak @ Chew Weng Kiak		
6 Approval of payment of Directors' Fees for the financial year ended 31 May 2017		
7 Approval of payment of Directors' Fees for the period from 1 June 2017 to the next Annual General Meeting ("AGM")		
8 Approval of payment of benefits payable to Directors for the period from 31 January 2017 until otherwise resolved		
9 Appointment of Auditors		
10 Authority to Issue shares pursuant to Section 76 of the Companies Act 2016		
11 Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

(Please indicate with an "X" in the spaces provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

\_\_\_\_\_  
 Signature of Member(s) or/ Common Seal

**Notes:**

- A member entitled to attend and vote at a meeting of the Company, or at any meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. A member may appoint up to two (2) proxies to attend on the same occasion. There shall be no restriction as to the qualification of the proxy.
- If a member appoints up to two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.  
 An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.
- The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.
- To be valid, this Proxy Form, duly completed must be deposited at the Registered Office of the Company at Suite 16-1, (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, at least forty-eight (48) hours before the time for holding the meeting Provided That in the event the Member(s) duly executes the proxy form but does not name any proxy, such Member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Proxy Form, other than the particulars of the proxy have been duly completed by the Member(s).
- Only a Depositor whose name appears on the Record of Depositors as at as at 17 October 2017 shall be entitled to attend the 23<sup>rd</sup> Annual General Meeting or appoint proxy to attend and/or vote in his/her behalf.

FOLD THIS FLAP FOR SEALING

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FOLD HERE

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The Company Secretary

**PENSONIC HOLDINGS BERHAD**

(Company No. 300426-P)

Suit 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang

---

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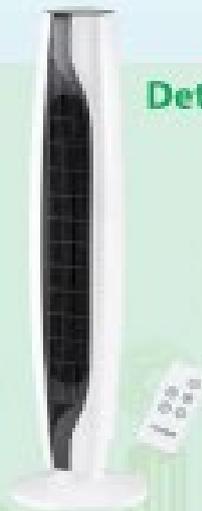
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## PENSONIC SALES & SERVICE CENTRES

### CHINA

5F, Block 16, Xiang Zhou Technology Industrial District, No 2372 Meihua Xi Road, XiangZhou, Zhuhai City, 519075 China  
Tel.Fax (0756) 8525 922/933 / 2655 271

### HONG KONG

Suite 1404, Tung Wai Commercial Building 109-111 Gloucester Road, Wan Chai, Hong Kong  
Tel.Fax (852) 2727 0997 / 2758 5088

### SINGAPORE

2 Leng Kee Road, #06-03 Thye Hong Centre, Singapore 159086  
Tel.Fax (65) 6472 6504 / 6475 9534

### INDONESIA

Kompleks Ruko Glodok Plaza, Blok F No. 111 - 112, Jl Pinangsia Raya, Jakarta Barat 11110, Indonesia  
Tel. (62) 21 6016 880 Fax. (62) 21 6492 596

### BRUNEI

No. D1, Spg 396, Jln Jerudong, Bangunan Perkasa 1, Kampung Sengkurong B, Bg 1321, Brunei Darussalam  
Tel.Fax (673) 2611 918 / 2610 801

### THAILAND

83/ 161-162 Moo 6, Soi Chinaket 2, Ngamwongwan Rd., Thungsonghong, Laksi, Bangkok 10210, Thailand  
Tel.Fax (622) 9545 281-3 / 5807 443

### VIETNAM

No 59-61 Nguyen Thi Thap Street, Him Lam Area, Tan Phong Ward, District 7 Ho Chi Minh City, Vietnam  
Tel.Fax (848) 3945 3483 / 3945 3482

### CAMBODIA

No. 143 E0E1E2, Street NW21, Bayab Village, Sangkat Phnom Penh Thmey, Sen Sok District, Phnom Penh, Kingdom of Cambodia  
Tel.Fax (855) 89 308 474

### PHILIPPINES

Unit 1, 131 Olympia Bldg., Quirino Highway, Baesa, Quezon City, Manila, Philippines, 1115  
Tel.Fax (632) 334 1212  
#606 Evangelista St. Quiapo Manila  
Tel. 7357690 / 7332851

### YEMEN

Taiz Street Sana'a Republic Of Yemen  
Tel.Fax (9671) 609 798 / 444 752

### LEBANON

Verdun-Bekaa Str-Zahraa, Bldg-3 Flr, P. O. Box 155150 Beirut-Lebanon  
Tel.Fax (961) 1817 681 / 1318 152

### EGYPT

Usama Shahin St of Saad Zagloul St., El Bar Elsharkey Shibir El Kom Menofia  
POB 32514 Egypt  
Tel.Fax (201) 0009 3033

### EQUATORIALE GUINEA

Calle Ebebeyin  
B. P: 177, Malabo, Equitoriale Guinea  
Tel.Fax (204) 096 444

### SRI LANKA

No. 21, Siebel Avenue, Colombo 05, Sri Lanka  
Tel. (9411) 2593 763 Fax. (9411) 2806 509

### FIJI

Centerpoint 1, Ratu Dovi Road  
GPO Box 14416 Suva Fiji  
Tel.Fax (679) 339 3111 / 334 0255

### BAHRAIN

P. O. Box 10887, Manama, Bahrain  
Tel.Fax (973) 1722 4220 / 1770 0043

### SEYCHELLES

P.O.Box 1371, Victoria Mahe, Seychelles  
Tel.Fax (248) 323 680 / 324 724

### IRAQ

Karradah Al Masbah Baghdad, Iraq  
Tel. (964) 770 533 1123

### TIMOR LESTE

RuaBidau Lecidere, PO Box 039, Dill, Timor Leste  
Tel. (670) 331 1278

### PAKISTAN

Shop # 40 & 45, Gemini Shopping Plaza, Opp BVS School, Abdullah Haroon Road Saddar, Karachi-74400  
Tel.Fax (9221) 3271 1377





## PENSONIC SALES & SERVICE CENTRES

### PENANG HEAD OFFICE & SHOWROOM

1165, Lorong Perindustrian Bukit Minyak 16,  
Taman Perindustrian Bukit Minyak,  
14100 Simpang Ampat, PENANG, Malaysia.  
Tel.Fax (604) 5070 393 / 5073 825

### PENANG

143-145, Perak Rd. , 10150 PENANG

### JOHOR BAHRU

31, Jln Ros Merah Satu / 1,  
Tmn Johor Jaya, 81100 J. Bahru, JOHOR

### KOTA BHARU

PT-621, Ground Floor, Batu 2 Jln Pengkalan  
Chepa, 15400 Kota Bharu, KELANTAN

### KUANTAN

No. A143, Ground Floor, Jln Wong Ah Jang,  
25100 Kuantan, PAHANG

### KUALA LUMPUR SHOWROOM & CUSTOMER CARE CENTRE

Lot 11B, Jln 223 Sec 51A,  
46100 Petaling Jaya,  
SELANGOR DARUL EHSAN  
Showroom  
Tel.Fax (603) 7954 5200 / 7954 5705  
Customer Care Centre  
Tel.Fax (603) 7954 5221 / 7954 5706

### IPOH

31, Laluan Perusahaan Kledang 9,  
Kaw Perindustrian Chandan Raya,  
31450 Menglembu, Ipoh, PERAK

### MALACCA

385-C, Jalan Melor Utama,  
Taman Peringgit Jaya,  
75400 MALACCA

### SABAH

Lot 4, Ground Floor,  
Towering Industrial Centre,  
88300 Penampang, K. Kinabalu, SABAH

### SARAWAK

JRD & 1st Floor, Lot 328,  
No. 46, Lorong 7B, Jalan Ang Cheng Ho,  
93100, Kuching, SARAWAK.

### LABUAN

Lot 7-8, Wisma Wong Wo Lo  
Batu Arang, P.O. Box 82182 W.P Labuan  
Tel. Fax: (6-087) 426977 / 425977

Lot 5-6, Wisma Wong Wo Lo  
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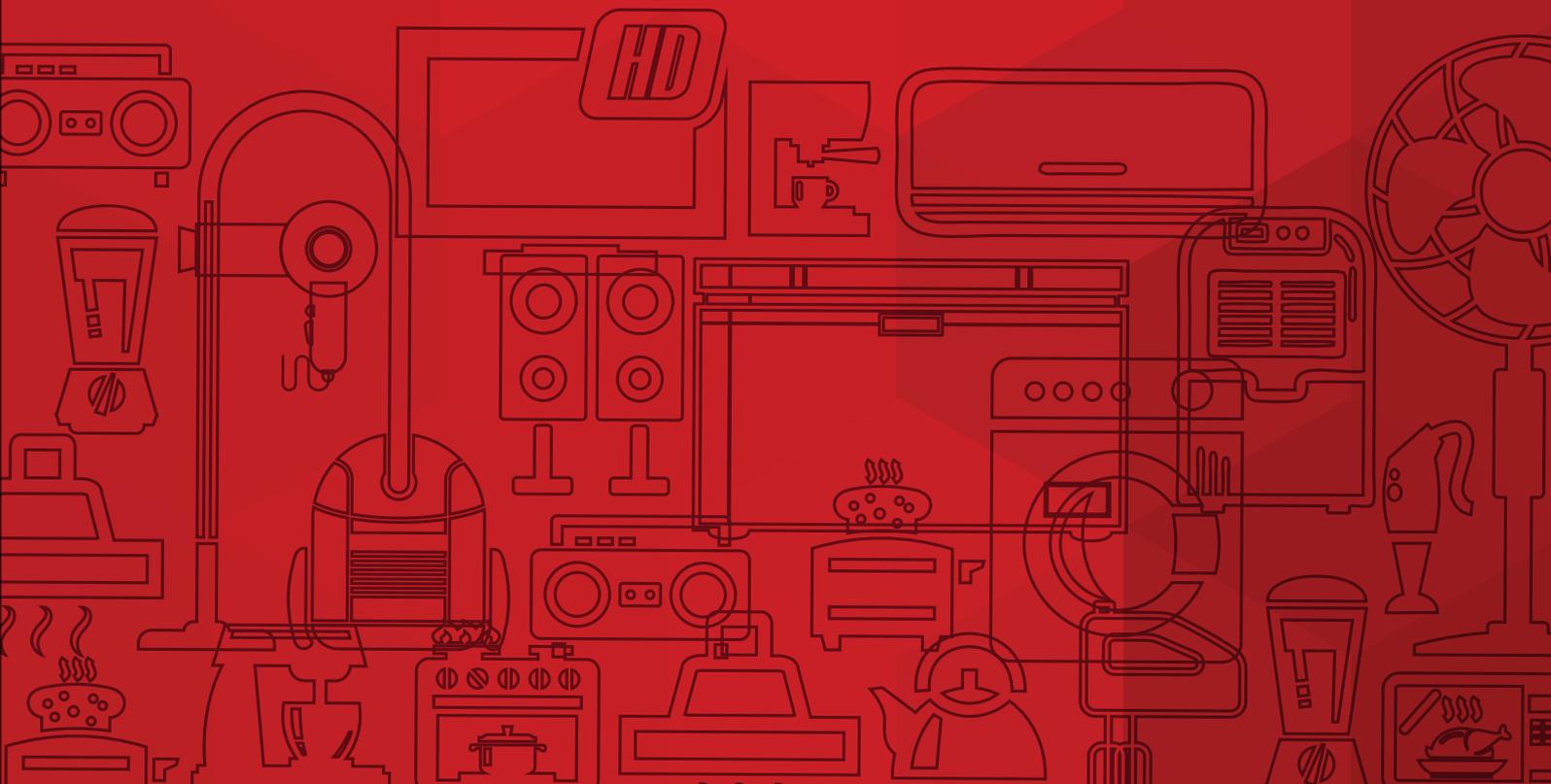
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(300426-P)

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