Pensonic Holdings Berhad

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

and its subsidiaries

Financial statements for the year ended 31 May 2014

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

Directors' report for the year ended 31 May 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 May 2014.

Principal activities

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

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

Results

	Group RM	Company RM
Profit for the year attributable to :		
Owners of the Company	2,870,424	1,696,183
Non-controlling interests	(163,370)	-
	2,707,054	1,696,183

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 1.75 sen per share less 25% tax, totalling approximately RM1,701,888 in respect of the financial year ended 31 May 2013 on 31 December 2013.

Dividends (continued)

A first and final single-tier dividend of 2.00 sen per share amounting to RM2,593,360 in respect of the financial year ended 31 May 2014 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 May 2015.

Directors of the Company

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

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

Directors' interests in shares

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

	Number of ordinary shares of RM0.50 each				
	At 1.6.2013	**Bonus isssue**	**Bought**	**(Sold)**	**At 31.5.2014**
Interest in the Company :					
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	14,517,188	5,844,000	92,926	(114)	20,454,000
Chew Chuon Jin - own	7,080,100	2,840,400	20,900	-	9,941,400
Chew Chuon Ghee - own	2,700,200	1,144,000	159,800	-	4,004,000
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai - own	3,729,918	1,866,767	937,000	-	6,533,685
Khairilanuar Bin Tun Abdul Rahman - own	-	2	-	-	2

Directors' interests in shares (continued)

	Number of ordinary shares of RM0.50 each				
	At 1.6.2013	Bonus isssue	Bought	(Sold)	At 31.5.2014
Deemed interest in the Company :					
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak					
- own	15,022,794	6,093,664	361,366	-	21,477,824
- others*	11,736,300	4,824,400	324,700	-	16,885,400
Chew Chuon Jin					
- own	15,022,794	6,093,664	361,366	-	21,477,824
- others*	12,000	4,800	-	-	16,800
Chew Chuon Ghee					
- own	15,022,794	6,093,664	361,366	-	21,477,824
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai - own					
- own	4,000	1,600	-	-	5,600
- others*	967,200	427,200	595,600	(202,000)	1,788,000
Interest in a subsidiary :					
Pensonic Parts & Services Sdn. Bhd.					
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	1	-	-	-	1
Chew Chuon Jin - own	50,001	-	-	-	50,001

	Number of warrants 2013/2023 over ordinary shares of RM0.50 each			
	At 1.6.2013	Allotted	(Sold)	At 31.5.2014
Interest in the Company :				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	-	10,227,000	-	10,227,000
Chew Chuon Jin - own	-	5,485,700	-	5,485,700
Chew Chuon Ghee - own	-	2,002,000	-	2,002,000
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai - own	-	4,752,685	-	4,752,685

Directors' interests in shares (continued)

	Number of warrants 2013/2023 over ordinary shares of RM0.50 each			
	At 1.6.2013	Allotted	(Sold)	At 31.5.2014
Deemed interest in the Company :				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak				
- own	-	10,663,912	-	10,663,912
- others*	-	8,957,700	-	8,957,700
Chew Chuon Jin				
- own	-	10,663,912	-	10,663,912
- others*	-	10,000	-	10,000
Chew Chuon Ghee				
- own	-	10,663,912	-	10,663,912
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai				
- others*	-	9,870	-	9,870

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

By virtue of their interest in the shares of the Company, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee are also deemed to be interested in the shares of the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at 31 May 2014 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

Warrants

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

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding at 31.5.2014
Warrants 2013/2023	RM0.60	19 December 2023	64,834,000

Warrants (continued)

Warrants 2013/2023 were issued on 20 December 2013 at an issue price of RM0.10 per warrant in conjunction with the rights issue of warrants to shareholders on the basis of one (1) warrant for every two (2) 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 (1) ordinary share of RM0.50 each for every warrant held at an exercise price of RM0.60 per share within 10 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 conditions stipulated in the Deed Poll created on 18 November 2013.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those transactions entered in the ordinary course of business between the Company and certain related corporations with companies in which certain Directors have a substantial financial interest as disclosed in Note 23 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except where the benefit is acquired through the Company's warrants as disclosed in the financial statements.

Issue of shares and debentures

During the year, the issued and paid-up capital of the Company was increased from RM46,310,000 comprising of 92,620,000 ordinary shares of RM0.50 each to RM64,834,000 comprising of 129,668,000 ordinary shares of RM0.50 each by way of a bonus issue of 37,048,000 ordinary shares of RM0.50 each on the basis of two (2) bonus shares for every five (5) existing ordinary shares held. The bonus issue was capitalised entirely from the share premium account of the Company.

There were no other changes in the share capital of the Company and no debentures were issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year other than the issuance of warrants to the shareholders.

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 May 2014 have not been substantially affected by any item, transaction or event of a material and unsual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the year

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

Auditors

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

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

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

……………………………………...……..
Chew Chuon Ghee

Penang,

Date : 26 September 2014

Pensonic Holdings Berhad
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Consolidated statement of financial position as at 31 May 2014

	Note	2014 RM	2013 RM
Assets			
Property, plant and equipment	3	81,105,685	65,474,934
Investment properties	4	497,588	505,851
Investments in associates	6	248,395	247,148
Intangible assets	7	1,034,071	1,024,632
Deferred tax assets	8	58,858	183,184
Total non-current assets		82,944,597	67,435,749
Inventories	9	81,072,651	75,059,829
Trade and other receivables	10	68,309,697	71,113,925
Current tax assets		2,140,582	1,812,371
Cash and cash equivalents	11	20,263,278	24,595,577
Total current assets		171,786,208	172,581,702
Total assets		254,730,805	240,017,451
Equity			
Share capital	12	64,834,000	46,310,000
Reserves	13	30,738,258	41,623,028
Total equity attributable to owners of the Company		95,572,258	87,933,028
Non-controlling interests		(299,841)	(136,471)
Total equity		95,272,417	87,796,557

Consolidated statement of financial position as at 31 May 2014 (continued)

	Note	2014 RM	2013 RM
Liabilities			
Loans and borrowings	14	8,089,584	13,114,425
Deferred tax liabilities	8	44,000	6,254
Total non-current liabilities		8,133,584	13,120,679
Loans and borrowings	14	89,788,078	83,564,312
Trade and other payables	15	61,536,180	55,535,903
Current tax payables		546	-
Total current liabilities		151,324,804	139,100,215
Total liabilities		159,458,388	152,220,894
Total equity and liabilities		254,730,805	240,017,451

The notes on pages 22 to 95 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
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Consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2014

	Note	2014 RM	2013 RM Restated
Revenue	16	373,724,824	351,428,747
Cost of sales		(303,010,365)	(286,665,926)
Gross profit		70,714,459	64,762,821
Administrative and general expenses		(26,755,494)	(24,639,828)
Selling and distribution expenses		(40,625,690)	(35,324,151)
Other operating income		3,465,642	3,694,274
Other operating expenses		(430,680)	(158,641)
Results from operating activities		6,368,237	8,334,475
Finance costs	17	(4,523,229)	(4,411,569)
Operating profit		1,845,008	3,922,906
Share of profit of equity-accounted associates, net of tax		1,247	20,224
Profit before tax	18	1,846,255	3,943,130
Income tax credit/(expense)	20	860,799	(380,928)
Profit for the year		2,707,054	3,562,202
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation differences of foreign operations		(12,706)	30,442
Total comprehensive income for the year		2,694,348	3,592,644

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2014 (continued)

	Note	2014 RM	2013 RM
Profit for the year attributable to :			
Owners of the Company		2,870,424	3,626,913
Non-controlling interests		(163,370)	(64,711)
Profit for the year		2,707,054	3,562,202
Total comprehensive income attributable to :			
Owners of the Company		2,857,718	3,657,355
Non-controlling interests		(163,370)	(64,711)
Total comprehensive income for the year		2,694,348	3,592,644
Basic earnings per ordinary share (sen)	21	2.21	2.80

The notes on pages 22 to 95 are an integral part of these financial statements.

Pensonic Holdings Berhad
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Consolidated statement of changes in equity for the year ended 31 May 2014

		Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	**Share capital RM**	**Share premium RM**	**Translation reserve RM**	**Capital reserve RM**	**Retained earnings RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 June 2012		46,310,000	21,360,893	362,977	4,487,540	12,969,895	85,491,305	(191,720)	85,299,585
Other comprehensive income for the year									
- Foreign currency translation differences of foreign operations		-	-	30,442	-	-	30,442	-	30,442
Loss for the year		-	-	-	-	3,626,913	3,626,913	(64,711)	3,562,202
Total comprehensive income/(expense) for the year		-	-	30,442	-	3,626,913	3,657,355	(64,711)	3,592,644
Shares issued to non-controlling interests		-	-	-	-	-	-	119,960	119,960
Dividend to owners of the Company	22	-	-	-	-	(1,215,632)	(1,215,632)	-	(1,215,632)
At 31 May 2013		46,310,000	21,360,893	393,419	4,487,540	15,381,176	87,933,028	(136,471)	87,796,557
		Note 12	Note 13	Note 13	Note 13	Note 13			

Consolidated statement of changes in equity for the year ended 31 May 2014 (continued)

	Note	Share capital RM	Share premium RM	Translation reserve RM	Warrants reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company								
		Non-distributable					Distributable			
At 1 June 2013		46,310,000	21,360,893	393,419	-	4,487,540	15,381,176	87,933,028	(136,471)	87,796,557
Other comprehensive expense for the year										
- Foreign currency translation differences of foreign operations		-	-	(12,706)	-	-	-	(12,706)	-	(12,706)
Profit for the year		-	-	-	-	-	2,870,424	2,870,424	(163,370)	2,707,054
Total comprehensive income/(expense) for the year		-	-	(12,706)	-	-	2,870,424	2,857,718	(163,370)	2,694,348
Contributions by and distributions to owners of the Company										
- Dividend to owners of the Company	22	-	-	-	-	-	(1,701,888)	(1,701,888)	-	(1,701,888)
- Issuance of warrants		-	-	-	6,483,400	-	-	6,483,400	-	6,483,400
- Issuance of bonus shares		18,524,000	(18,524,000)	-	-	-	-	-	-	-
Total transactions with owners of the Company		18,524,000	(18,524,000)	-	6,483,400	-	(1,701,888)	4,781,512	-	4,781,512
At 31 May 2014		64,834,000	2,836,893	380,713	6,483,400	4,487,540	16,549,712	95,572,258	(299,841)	95,272,417
		Note 12	Note 13	Note 13	Note 13	Note 13	Note 13			

The notes on pages 22 to 95 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
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Consolidated statement of cash flows for the year ended 31 May 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Profit before tax from continuing operations		1,846,255	3,943,130
Adjustments for :			
Depreciation of property, plant and equipment	3	4,817,049	4,599,973
Depreciation of investment properties	4	8,263	8,264
Gain on disposal of a subsidiary	18	-	(56,763)
Excess of fair value over purchase consideration of a subsidiary	18	(35,925)	-
Gain on disposal of non-current assets held for sale	18	-	(1,637,827)
Gain on disposal of plant and equipment	18	(31,016)	(22,999)
Interest expense	17	4,523,229	4,411,569
Interest income	18	(171,998)	(37,048)
Plant and equipment written off	18	452,529	93,714
Share of profit of equity-accounted associates, net of tax		(1,247)	(20,224)
Operating profit before changes in working capital		11,407,139	11,281,789
Changes in working capital :			
Inventories		(2,646,532)	13,742,078
Trade and other receivables		6,508,589	(1,005,386)
Trade and other payables		(8,342,010)	5,738,373
Cash generated from operations		6,927,186	29,756,854
Income tax refunded/(paid)		695,206	(673,540)
Net cash from operating activities		7,622,392	29,083,314

Consolidated statement of cash flows for the year ended 31 May 2014 (continued)

	Note	2014 RM	2013 RM
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		96,193	23,000
Purchase of property, plant and equipment	A	(9,578,888)	(11,680,280)
Proceeds from disposal of assets classified as held for sale		-	2,290,978
Net cash outflow arising from acquisition of a subsidiary	30	(2,476,279)	-
Interest received		171,998	37,048
Proceeds from issuance of shares to non-controlling interests		-	119,960
Net cash used in investing activities		(11,786,976)	(9,209,294)
Cash flows from financing activities			
Drawdown of term loans		3,345,710	6,521,967
Repayment of term loans		(3,340,364)	(3,341,846)
Proceeds from issuance of warrants		6,483,400	-
Repayment of finance lease liabilities		(271,371)	(207,740)
Dividend paid to owners of the Company		(1,701,888)	(1,215,632)
Repayment of other borrowings, net		(2,125,583)	(10,386,837)
Withdrawal of pledged deposits		909,903	59,194
Interest paid	17	(4,701,342)	(4,442,597)
Net cash used in financing activities		(1,401,535)	(13,013,491)
Net (decrease)/increase in cash and cash equivalents		(5,566,119)	6,860,529
Cash and cash equivalents at 1 June		12,047,294	5,284,163
Effects of exchange differences on cash and cash equivalents		(23,060)	(97,398)
Cash and cash equivalents at 31 May	B	6,458,115	12,047,294

Consolidated statement of cash flows for the year ended 31 May 2014 (continued)

NOTES

A. *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM18,782,053 (2013 : RM13,143,199) of which RM428,250 (2013 : RM178,050) was acquired by means of finance lease and RM10,277,363 (2013 : RM1,502,448) remained unpaid at year end. Included in the additions to property, plant and equipment is interest expense capitalised of RM178,113 (2013 : RM31,028).

B. *Cash and cash equivalents*

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

	Note	**2014 RM**	**2013 RM**
Short term deposits with licensed banks (excluding pledged deposits)	11	1,472,325	321,308
Cash and bank balances	11	16,789,021	21,362,434
Bank overdrafts	14	(11,803,231)	(9,636,448)
		6,458,115	12,047,294

Pensonic Holdings Berhad

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Statement of financial position as at 31 May 2014

	Note	2014 RM	2013 RM
Assets			
Property, plant and equipment	3	33,189,747	16,196,521
Investments in subsidiaries	5	31,372,509	31,372,509
Total non-current asset		64,562,256	47,569,030
Trade and other receivables	10	40,489,963	41,048,145
Current tax assets		-	127,884
Cash and cash equivalents	11	2,928,812	83,990
Total current assets		43,418,775	41,260,019
Total assets		107,981,031	88,829,049
Equity			
Share capital	12	64,834,000	46,310,000
Reserves	13	15,921,250	27,967,555
Total equity		80,755,250	74,277,555
Liabilities			
Loans and borrowings	14	4,607,676	8,511,966
Total non-current liabilities		4,607,676	8,511,966
Loans and borrowings	14	10,040,707	4,420,338
Trade and other payables	15	12,577,398	1,619,190
Total current liabilities		22,618,105	6,039,528
Total liabilities		27,225,781	14,551,494
Total equity and liabilities		107,981,031	88,829,049

The notes on pages 22 to 95 are an integral part of these financial statements.

Pensonic Holdings Berhad
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Statement of profit or loss and other comprehensive income for the year ended 31 May 2014

	Note	2014 RM	2013 RM
Continuing operations			
Revenue	16	3,500,000	6,350,000
Administrative and general expenses		(1,332,396)	(520,169)
Other operating income		160,817	42,686
Operating profit		2,328,421	5,872,517
Finance cost	17	(630,317)	(424,027)
Profit before tax	18	1,698,104	5,448,490
Income tax expense	20	(1,921)	(1,527,225)
Profit for the year representing total comprehensive income for the year attributable to owners of the Company		1,696,183	3,921,265

The notes on pages 22 to 95 are an integral part of these financial statements.

Pensonic Holdings Berhad

(Company No. 300426 - P)
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Statement of changes in equity for the year ended 31 May 2014

	Note	Share capital RM	← *Non-distributable* Share premium RM	Warrants reserve RM →	*Distributable* Retained earnings RM	Total equity RM
At 1 June 2012		46,310,000	21,360,893	-	3,901,029	71,571,922
Profit for the year representing total comprehensive income for the year		-	-	-	3,921,265	3,921,265
Dividend to owners of the Company	22	-	-	-	(1,215,632)	(1,215,632)
At 31 May 2013/1 June 2013		46,310,000	21,360,893	-	6,606,662	74,277,555
Profit for the year representing total comprehensive income for the year		-	-	-	1,696,183	1,696,183
Contributions by and distributions to owners of the Company						
- Dividend to owners of the Company	22	-	-	-	(1,701,888)	(1,701,888)
- Issuance of warrants		-	-	6,483,400	-	6,483,400
- Issuance of bonus shares		18,524,000	(18,524,000)	-	-	-
Total transactions with owners of the Company		18,524,000	(18,524,000)	6,483,400	(1,701,888)	4,781,512
At 31 May 2014		64,834,000	2,836,893	6,483,400	6,600,957	80,755,250
		Note 12	Note 13	Note 13	Note 13	

The notes on pages 22 to 95 are an integral part of these financial statements.

Pensonic Holdings Berhad

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

Statement of cash flows for the year ended 31 May 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Profit before tax from continuing operations		1,698,104	5,448,490
Adjustments for :			
Amortisation of short term leasehold land	3	134,779	134,779
Interest expense	17	630,317	424,027
Interest income	18	(10,762)	(3,349)
Dividend income	18	(3,500,000)	(6,350,000)
Operating loss before changes in working capital		(1,047,562)	(346,053)
Changes in working capital :			
Trade and other receivables		(704,318)	2,566,038
Trade and other payables		2,183,293	(149,952)
Cash generated from operations		431,413	2,070,033
Income tax refunded		125,963	-
Dividends received		4,762,500	-
Net cash from operating activities		5,319,876	2,070,033
Cash flows from investing activities			
Purchase of property, plant and equipment	A	(8,174,977)	(8,714,504)
Proceed from disposal of a subsidiary		-	2
Interest received		10,762	3,349
Net cash used in investing activities		(8,164,215)	(8,711,153)

Statement of cash flows for the year ended 31 May 2014 (continued)

	Note	2014 RM	2013 RM
Cash flows from financing activities			
Dividend paid to owners of the Company		(1,701,888)	(1,215,632)
Interest paid	17	(808,430)	(455,055)
Drawdown of term loans		3,345,710	6,521,966
Repayment of term loans		(1,460,000)	(720,000)
Proceeds from issuance of warrants		6,483,400	-
Net cash from financing activities		5,858,792	4,131,279
Net increase/(decrease) in cash and cash equivalents		3,014,453	(2,509,841)
Cash and cash equivalents at 1 June		(2,486,348)	23,493
Cash and cash equivalents at 31 May	B	528,105	(2,486,348)

NOTES

A. Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM16,949,892 (2013 : RM9,999,373) of which RM10,277,363 (2013 : RM1,502,448) remained unpaid at year end. Included in the additions to property, plant and equipment is interest expense capitalised of RM178,113 (2013 : RM31,028).

B. Cash and cash equivalents

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

	Note	2014 RM	2013 RM
Short term deposits with licensed banks	11	20,000	-
Cash and bank balances	11	2,908,812	83,990
Bank overdraft	14	(2,400,707)	(2,570,338)
		528,105	(2,486,348)

The notes on pages 22 to 95 are an integral part of these financial statements.

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

Notes to the financial statements

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

Principal place of business

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

Registered office

87 Muntri Street
10200 Penang

The consolidated financial statements of the Company as at and for the year ended 31 May 2014 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "Group entities") and the Group's interest in associates.

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

These financial statements were authorised for issue by the Board of Directors on 26 September 2014.

1. Basis of preparation

(a) Statement of compliance

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting**
- IC Interpretation 21, *Levies**

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- MFRS 14, *Regulatory Deferred Accounts**
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)*
- Accounting for acquisitions of Joint Operations (Amendments to MFRS 11)*
- Agriculture : Bearer Plants (Amendments to MFRS 116 and MFRS 141)*

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

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments* - Hedge Accounting and *Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

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

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

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

The initial application of the above standards, amendments and interpretations are not expected to have any material financial impacts to the financial statements of the Group and the Company except as mentioned below :

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments*

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

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

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118, *Revenue* and introduces a new revenue recognition model for contracts with customers and new disclosure requirements. The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

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

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

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

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 June 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

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

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

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

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

(iv) Derecognition

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

	%
Buildings	2
Furniture, fittings and office equipment	5 - 33
Plant and machinery	10 - 12
Renovation and electrical installation	10 -12
Signboard and showcase	10
Motor vehicles	10 - 20
Computer	10 - 50

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

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

(e) Leased assets

(i) Finance lease

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

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

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

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

(ii) Operating lease

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

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

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

(f) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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

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

2. Significant accounting policies (continued)

(f) Investment property (continued)

(i) Investment property carried at cost (continued)

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

(ii) Reclassification to/from investment property

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

(iii) Determination of fair value

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

(g) Intangible assets

Goodwill

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

Trademarks

Trademarks are measured at cost less any accumulated impairment losses.

Amortisation

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

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

Research and development

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

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

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

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

(h) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

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

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

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

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

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

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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

(i) Inventories

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

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

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

(j) Cash and cash equivalents

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

(k) Provisions

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

2. Significant accounting policies (continued)

(l) Revenue and other income

(i) Goods sold

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

(ii) Dividend income

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

(iii) Rental income

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

(iv) Interest income

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

(v) Government grants

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

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

2. Significant accounting policies (continued)

(m) Borrowing costs

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

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

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

(n) Income tax

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

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

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

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

2. Significant accounting policies (continued)

(n) Income tax (continued)

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

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

Unutilised reinvestment allowance, being a tax incentive 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.

(o) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contribution to statutory pension funds is charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (continued)

(p) Earnings per share

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

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

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

(q) Operating segments

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

(r) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(s) Contingent liabilities

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

2. Significant accounting policies (continued)

(t) Fair value measurement

From 1 June 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. Property, plant and equipment

	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Group										
Cost										
At 1 June 2012	18,046,530	23,196,765	3,594,814	7,906,899	25,676,879	2,904,243	5,905,894	278,619	-	87,510,643
Additions	-	-	212,890	309,520	2,141,263	291,619	187,434	1,100	10,030,401	13,174,227
Disposals	-	-	-	-	-	-	(67,926)	-	-	(67,926)
Write-off	-	-	-	-	-	(119,425)	-	-	-	(119,425)
Exchange difference	-	-	(1,014)	-	-	(2,874)	-	-	-	(3,888)
At 31 May 2013/ 1 June 2013	18,046,530	23,196,765	3,806,690	8,216,419	27,818,142	3,073,563	6,025,402	279,719	10,030,401	100,493,631
Additions	-	-	305,799	28,000	809,849	253,178	435,335	-	17,128,005	18,960,166
Acquisition through business combination	-	-	3,155	46,191	1,950,267	4,812	-	-	-	2,004,425
Disposals	-	-	(23,373)	-	(17,540)	(6,786)	(673,294)	-	-	(720,993)
Write-off	-	-	-	-	(809,156)	-	-	-	-	(809,156)
Exchange difference	-	-	7,025	-	-	9,885	-	-	-	16,910
At 31 May 2014	18,046,530	23,196,765	4,099,296	8,290,610	29,751,562	3,334,652	5,787,443	279,719	27,158,406	119,944,983

3. Property, plant and equipment (continued)

	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Group										
Accumulated depreciation										
At 1 June 2012	2,475,836	6,157,438	3,103,290	4,318,598	8,076,739	1,920,129	4,215,080	248,815	-	30,515,925
Depreciation for the year	310,021	490,276	185,559	634,554	2,380,151	194,097	395,698	9,617	-	4,599,973
Disposals	-	-	-	-	-	-	(67,925)	-	-	(67,925)
Write-off	-	-	-	-	-	(25,711)	-	-	-	(25,711)
Exchange difference	-	-	(996)	-	-	(2,569)	-	-	-	(3,565)
At 31 May 2013/ 1 June 2013	2,785,857	6,647,714	3,287,853	4,953,152	10,456,890	2,085,946	4,542,853	258,432	-	35,018,697
Depreciation for the year	310,020	490,276	224,182	590,656	2,565,333	249,387	378,708	8,487	-	4,817,049
Disposals	-	-	(23,373)	-	-	(4,336)	(628,107)	-	-	(655,816)
Write-off	-	-	-	-	(356,627)	-	-	-	-	(356,627)
Exchange difference	-	-	7,154	-	-	8,841	-	-	-	15,995
At 31 May 2014	3,095,877	7,137,990	3,495,816	5,543,808	12,665,596	2,339,838	4,293,454	266,919	-	38,839,298

3. Property, plant and equipment (continued)

	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Construction in progress RM	Total RM
Group										
Carrying amounts										
At 31 May 2013/ 1 June 2013	15,260,673	16,549,051	518,837	3,263,267	17,361,252	987,617	1,482,549	21,287	10,030,401	65,474,934
At 31 May 2014	14,950,653	16,058,775	603,480	2,746,802	17,085,966	994,814	1,493,989	12,800	27,158,406	81,105,685

3. Property, plant and equipment (continued)

	Short term leasehold land RM	Construction in progress RM	Total RM
Company			
Cost			
At 1 June 2012	6,300,899	-	6,300,899
Additions	-	10,030,401	10,030,401
At 31 May 2013/1 June 2013	6,300,899	10,030,401	16,331,300
Additions	-	17,128,005	17,128,005
At 31 May 2014	6,300,899	27,158,406	33,459,305
Accumulated depreciation			
At 1 June 2012	-	-	-
Amortisation for the year	134,779	-	134,779
At 31 May 2013/1 June 2013	134,779	-	134,779
Amortisation for the year	134,779	-	134,779
At 31 May 2014	269,558	-	269,558
Carrying amounts			
At 31 May 2013/1 June 2013	6,166,120	10,030,401	16,196,521
At 31 May 2014	6,031,341	27,158,406	33,189,747

3.1 Assets under finance lease - Group

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

	2014 RM	2013 RM
Motor vehicles	610,671	883,787
Furniture, fittings and office equipment	8,708	10,679
	619,379	894,466

3. Property, plant and equipment (continued)

3.2 Security

Group

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

	2014 RM	2013 RM
Leasehold land	8,946,025	9,148,819
Buildings	12,380,962	12,764,805
Plant and machinery	6,456,547	7,336,767
Construction in progress	27,158,406	10,030,401
	54,941,940	39,280,792

Company

The short term leasehold land and construction in progress of the Company have been charged as securities for the term loan granted to the Company (Note 14).

3.3 Leasehold land - Group

Included in the carrying amount of leasehold land are :

	2014 RM	2013 RM
Leasehold land with unexpired lease period of more than 50 years	7,119,550	7,254,567
Leasehold land with unexpired lease period of less than 50 years	7,831,103	8,006,106
	14,950,653	15,260,673

3.4 Capitalisation of borrowing costs

Included in construction in progress of the Group and of the Company is interest expense capitalised amounting to RM178,113 (2013 : RM31,028).

4. Investment properties - Group

	Buildings RM
Cost	
At 1 June 2012/31 May 2013/1 June 2013/31 May 2014	630,000
Accumulated depreciation	
At 1 June 2012	115,885
Depreciation	8,264
At 31 May 2013/1 June 2013	124,149
Depreciation	8,263
At 31 May 2014	132,412
Carrying amounts	
At 31 May 2013/1 June 2013	505,851
At 31 May 2014	497,588
Estimated fair value	
At 31 May 2013/1 June 2013	876,000
At 31 May 2014	900,000

4.1 Security

Investment properties amounting to RM371,053 (2013 : RM377,237) are charged as security for borrowings granted to the Group.

4.2 Fair value information

The fair value was based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued. The fair value of the investment properties as at 31 May 2014 is classified as level 3 of the fair value hierarchy.

Estimation uncertainty and key assumptions:

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;

5. Investments in subsidiaries - Company

	2014 RM	2013 RM
Unquoted shares, at cost	32,392,509	32,392,509
Accumulated impairment	(1,020,000)	(1,020,000)
	31,372,509	31,372,509

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Effective ownership interest and voting interest 2014 %	2013 %	Principal activities
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd. *	Republic of 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

5. Investments in subsidiaries - Company (continued)

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Effective ownership interest and voting interest 2014 %	2013 %	Principal activities
Subsidiaries of Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited *	Hong Kong	100	100	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60	60	Trading and service of parts for electrical and electronic appliances
Pensia Plastic Industries Sdn. Bhd. #*	Malaysia	100	-	Manufacture and sales of plastic injection and moulding
Subsidiary of Pensonic (H.K.) Corporation Limited				
Pensonic Trading (Shenzhen) Co. Ltd. ##*	People's Republic of China	-	100	Dormant
Subsidiary of Pensonic Sales & Service Sdn. Bhd.				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances
Subsidiary of Kollektion Distribution Sdn. Bhd.				
Kollektion Haus (Austin) Sdn. Bhd.	Malaysia	60	60	Distribution home appliances

* Not audited by KPMG
\# Became a subsidiary of the Company on 27 September 2013 (Note 30)
\#\# Registration of the company was revoked by the Registrar in the People's Republic of China on 5 October 2012 and pending liquidation.

5. Investments in subsidiaries - Company (continued)

5.1 Non-controlling interest in subsidiaries

The Group does not have any subsidiary that has material non-controlling interests.

6. Investments in associates - Group

	2014 RM	2013 RM
Unquoted shares, at cost	204,610	204,610
Share of post acquisition reserves	43,785	42,538
	248,395	247,148

Name of associates	Country of incorporation	Effective ownership interest and voting interest 2014 %	2013 %	Principal activities
Pensonic (B) Sdn. Bhd. * ("PSB")	Brunei	40	40	Trading of electrical and electronic appliances
Microtag System Sdn. Bhd. ** ("MSSB")	Malaysia	10	10	Dormant

* Interest held through Pensonic Corporation Sdn. Bhd.
** Interest held through Microtag Engineering Sdn. Bhd.

7. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
Cost			
At 1 June 2012	156,033	870,000	1,026,033
Exchange difference	(1,401)	-	(1,401)
At 31 May 2013/1 June 2013	154,632	870,000	1,024,632
Exchange difference	9,439	-	9,439
At 31 May 2014	164,071	870,000	1,034,071

7. Intangible assets - Group (continued)

The trademark relates to the "Cornell" brand name that was acquired in a business combination by way of 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 Group, the trademark was assessed as having an indefinite useful life subject to use in good faith.

8. Deferred tax - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	Assets		**Liabilities**		**Net**	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**	**2014 RM**	**2013 RM**
Tax loss carry-forwards	438,548	518,750	-	-	438,548	518,750
Capital allowance carry-forwards	277,617	127,529	-	-	277,617	127,529
Property, plant and equipment - capital allowances	-	-	(394,500)	(384,750)	(394,500)	(384,750)
Other temporary differences	58,858	37,746	(365,665)	(122,345)	(306,807)	(84,599)
Tax assets/ (liabilities)	775,023	684,025	(760,165)	(507,095)	14,858	176,930
Set-off of tax	(716,165)	(500,841)	716,165	500,841	-	-
	58,858	183,184	(44,000)	(6,254)	14,858	176,930

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

8. Deferred tax - Group (continued)

Movements in temporary differences during the year are as follows:

	At 1 June 2012 RM	Charged to profit or loss (Note 20) RM	Exchange difference RM	At 31 May 2013/1 June 2013 RM	Charged to profit or loss (Note 20) RM	Exchange difference RM	At 31 May 2014 RM
Tax loss carry-forwards	992,000	(473,250)	-	518,750	(80,202)	-	438,548
Capital allowance carry-forwards	45,347	82,182	-	127,529	150,088	-	277,617
Property, plant and equipment - capital allowances	(963,527)	578,777	-	(384,750)	(9,750)	-	(394,500)
Other temporary differences	466,845	(551,284)	(160)	(84,599)	(222,549)	341	(306,807)
	540,665	(363,575)	(160)	176,930	(162,413)	341	14,858

Unrecognised deferred tax assets - Group

No deferred tax assets have been recognised for the following items (stated at gross):

	2014 RM	2013 RM
Tax loss carry-forwards	13,602,000	11,607,000
Unutilised reinvestment allowance	607,000	607,000
	14,209,000	12,214,000

The tax loss carry-forwards, capital allowance carry-forwards and unutilised reinvestment allowance do not expire under current tax legislation. No deferred tax assets have been recognised in respect of these items as these temporary differences are expected to substantially reverse during the tax holiday period of the subsidiaries concerned. (Note 20)

9. Inventories - Group

	2014 RM	2013 RM
Raw materials	11,686,617	4,758,640
Manufactured inventories	69,386,034	70,301,189
	81,072,651	75,059,829

9. Inventories – Group (continued)

	2014 RM	2013 RM
Recognised in cost of sales :		
Write-down to net realisable value	2,099,833	127,689

10. Trade and other receivables

	Note	2014 RM	2013 RM
Group			
Trade			
Trade receivables		60,948,909	58,672,104
Amount due from :			
- Associate	10.1	1,468,650	1,454,370
- Companies in which certain Directors have a substantial financial interest	10.1	2,708,543	8,205,618
		65,126,102	68,332,092
Non-trade			
Other receivables		1,817,746	1,445,070
Deposits		489,468	534,970
Prepayments		876,381	801,793
		3,183,595	2,781,833
		68,309,697	71,113,925
Company			
Non-trade			
Amount due from subsidiaries	10.1	36,571,201	35,840,384
Other receivables		418,012	444,511
Deposits		750	750
Dividend receivable from subsidiaries		3,500,000	4,762,500
		40,489,963	41,048,145

10. Trade and other receivables (continued)

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

The trade amounts due from associate and companies in which certain Directors have a substantial financial interest are subject to negotiated terms.

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

11. Cash and cash equivalents

	2014	2013
Group	**RM**	**RM**
Short term deposits with licensed banks	3,474,257	3,233,143
Cash and bank balances	16,789,021	21,362,434
	20,263,278	24,595,577
Company		
Short term deposits with licensed banks	20,000	-
Cash and bank balances	2,908,812	83,990
	2,928,812	83,990

11.1 Short term deposits with licensed banks

Short term deposits amounting to RM2,001,932 (2013 : RM2,911,835) of the Group are held in lien for borrowings granted to the Group (Note 14).

12. Share capital - Group/Company

	2014		2013	
	Amount RM	**Number of shares**	**Amount RM**	**Number of shares**
Authorised :				
Ordinary shares of RM0.50 each	100,000,000	200,000,000	100,000,000	200,000,000
Issued and fully paid :				
Balance at 1 June	46,310,000	92,620,000	46,310,000	92,620,000
Bonus issue	18,524,000	37,048,000	-	-
Balance at 31 May	64,834,000	129,668,000	46,310,000	92,620,000

13. Reserves

	Note	2014 RM	2013 RM
Group			
Non-distributable :			
Share premium	13.1	2,836,893	21,360,893
Translation reserve	13.2	380,713	393,419
Warrants reserve	13.3	6,483,400	-
Capital reserve	13.4	4,487,540	4,487,540
		14,188,546	26,241,852
Distributable :			
Retained earnings		16,549,712	15,381,176
		30,738,258	41,623,028
Company			
Non-distributable :			
Share premium	13.1	2,836,893	21,360,893
Warrants reserve	13.3	6,483,400	-
Distributable :			
Retained earnings	13.5	6,600,957	6,606,662
		15,921,250	27,967,555

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

13.1 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. During the financial year, the Company issued 37,048,000 new ordinary shares of RM0.50 each via a bonus issue exercise capitalised entirely from the share premium account.

13.2 Translation reserve

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

13.3 Warrants 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 may be transferred to another reserve account within equity.

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

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding at 31.5.2014
Warrants 2013/2023	RM0.60	19.12.2023	64,834,000

13. Reserves (continued)

13.3 Warrants reserve (continued)

Warrants 2013/2023 were issued on 20 December 2013 at an issue price of RM0.10 per warrant in conjunction with the rights issue of warrants to shareholders on the basis of one (1) warrant for every two (2) 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 (1) ordinary share of RM0.50 each for every warrant held at an exercise price of RM0.60 per share within 10 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 conditions stipulated in the Deed Poll created on 18 November 2013.

13.4 Capital reserve

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

13.5 Retained earnings

The entire retained earnings of the Company is eligible to be paid out as dividends under the single-tier Company income tax system in accordance with The Finance Act, 2007.

14. Loans and borrowings

	2014 RM	2013 RM
Group		
Current		
Unsecured		
Bank overdrafts	7,149,277	3,909,648
Bankers' acceptances	61,753,270	61,027,978
Term loans	2,049,407	761,517
	70,951,954	65,699,143
Secured		
Bank overdrafts	4,653,954	5,726,800
Bankers' acceptances	5,997,652	8,978,918
Trust receipts	1,125,891	-
Term loans	6,788,707	2,956,795
Finance lease liabilities	269,920	202,656
	18,836,124	17,865,169
	89,788,078	83,564,312

14. Loans and borrowings (continued)

	2014 RM	2013 RM
Group		
Non-current		
Unsecured		
Term loans	-	2,045,115
Secured		
Term loans	7,590,154	10,659,495
Finance lease liabilities	499,430	409,815
	8,089,584	11,069,310
	8,089,584	13,114,425
Company		
Current		
Unsecured		
Term loans	2,000,000	500,000
Secured		
Bank overdraft	2,400,707	2,570,338
Term loans	5,640,000	1,350,000
	8,040,707	3,920,338
	10,040,707	4,420,338
Non-current		
Unsecured		
Term loans	-	2,000,000
Secured		
Term loans	4,607,676	6,511,966
	4,607,676	8,511,966

14. Loans and borrowings (continued)

14.1 Securities – Group/Company

The secured borrowings are secured against certain leasehold land, buildings, investment properties and short term deposits.

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

14.2 Finance lease liabilities - Group

Finance lease liabilities are payable as follows:

	2014			2013		
	Future minimum lease payments RM	**Interest RM**	**Present value of minimum lease payments RM**	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**
Group						
Less than 1 year	305,832	35,912	269,920	229,628	26,972	202,656
Between 1 and 5 years	542,786	43,356	499,430	434,406	24,591	409,815
	848,618	79,268	769,350	664,034	51,563	612,471

15. Trade and other payables

	Note	2014 RM	2013 RM
Group			
Trade			
Trade payables		34,488,520	36,797,931
Company in which certain Directors have a substantial financial interest	15.2	-	1,511,295
		34,488,520	38,309,226

15. Trade and other payables (continued)

	Note	2014 RM	2013 RM
Group			
Non-trade			
Other payables	15.1	17,382,266	8,292,319
Accrued expenses		9,665,394	8,934,358
		27,047,660	17,226,677
		61,536,180	55,535,903
Company			
Non-trade			
Other payables	15.1	10,277,363	1,502,448
Amount due to a subsidiary	15.2	2,167,293	-
Accrued expenses		132,742	116,742
		12,577,398	1,619,190

15.1 Other payables

Included in other payables of the Group and of the Company of RM10,277,363 (2013 : RM1,502,448) is amount due to a building contractor for construction work performed.

15.2 Amount due to a subsidiary and company in which certain Directors have a substantial financial interest

The trade amount due to a company in which certain Directors have a substantial financial interest was subjected to negotiated terms.

The non-trade amount due to a subsidiary is unsecured, interest-free and payable on demand.

16. Revenue

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

Revenue of the Company represents gross dividend income from subsidiaries.

17. Finance costs

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Interest expense on :				
Term loans	1,149,313	868,971	610,312	311,852
Bank overdrafts	819,619	667,826	198,118	143,203
Bankers' acceptances	2,730,887	2,843,311	-	-
Other borrowings	1,523	62,489	-	-
	4,701,342	4,442,597	808,430	455,055
Recognised in profit or loss	4,523,229	4,411,569	630,317	424,027
Capitalised under property, plant and equipment (Note 3.4)	178,113	31,028	178,113	31,028
	4,701,342	4,442,597	808,430	455,055

18. Profit before tax

Profit before tax is arrived at :

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
After charging :				
Auditors' remuneration :				
- Audit fees				
- KPMG Malaysia				
- current year	175,000	170,000	28,000	26,000
- prior year	-	4,100	-	3,000
- Other auditors	39,635	29,886	-	-
- Non audit fees				
- KPMG Malaysia	7,000	8,000	7,000	8,000
- Local affiliate of KPMG Malaysia	39,528	37,960	2,500	2,500
- Others	13,000	12,000	13,000	12,000
Bad debts written off	2,224,048	439,897	-	-

18. Profit before tax (continued)

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
After charging (continued) :				
Directors' remuneration				
Directors of the Company :				
Current Directors				
- fees	100,000	70,000	100,000	70,000
- other emoluments	1,509,212	1,386,479	-	-
Past Director				
- fees	-	10,000	-	10,000
- other emoluments	-	29,790	-	-
Depreciation on investment properties (Note 4)	8,263	8,264	-	-
Depreciation of property, plant and equipment (Note 3)	4,817,049	4,599,973	134,779	134,779
Impairment loss of receivables	2,374,047	61,559	-	-
Inventories written off	-	637,667	-	-
Inventories written down (Note 9)	2,099,833	127,689	-	-
Loss on foreign exchange, net				
- realised	752,959	185,762	-	-
- unrealised	-	53,090	-	-
Plant and equipment written off	452,529	93,714	-	-
Rental expense				
- equipment	268,043	183,607	-	-
- premises	6,138,881	6,208,960	-	-
- exhibition booths	223,211	106,754	-	-
Research and development expense	779,314	921,581	-	-
and after crediting :				
Dividends (gross) from subsidiaries	-	-	3,500,000	6,350,000
Gain on disposal of :				
- plant and equipment	31,016	22,999	-	-
- assets classified as held for sale	-	1,637,827	-	-
- a subsidiary	-	56,763	-	-
Interest income	171,998	37,048	10,762	3,349

18. Profit before tax (continued)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Rental income				
- investment properties	29,750	28,300	-	-
- sublet of factory premises	201,839	312,300	-	-
Gain on foreign exchange, net				
- unrealised	940,020	-	-	-
Bad debts recovered	4,537	32,674	-	-
Excess of fair value over purchase consideration of a subsidiary (Note 30)	35,925	-	-	-
Government grants*	436,888	380,668	150,055	39,303

* 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.

19. Employee information

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Staff costs (including Executive Directors)	22,365,916	21,350,365	-	-

Staff costs and Directors' emoluments of the Group include contributions to the Employees' Provident Fund of RM2,208,337 (2013 : RM1,952,101).

20. Income tax credit/expense

Recognised in profit or loss

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Income tax (credit)/expense	(860,799)	380,928	1,921	1,527,225

Major components of income tax expense include :

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Current tax expense				
Malaysian tax				
- current year	74,135	39,977	-	1,550,477
- prior years	(1,110,360)	(18,411)	1,921	(23,252)
	(1,036,225)	21,566	1,921	1,527,225
Foreign tax				
- current year	18,702	-	-	-
- prior years	(5,689)	(4,213)	-	-
	13,013	(4,213)	-	-
Total current tax	(1,023,212)	17,353	1,921	1,527,225
Deferred tax expense				
- origination and reversal of temporary differences	(15,587)	977,238	-	-
- prior years	178,000	(613,663)	-	-
Total deferred tax	162,413	363,575	-	-
Total income tax (credit)/expense	(860,799)	380,928	1,921	1,527,225

20. Income tax credit/expense (continued)

Reconciliation of income tax expense

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Profit for the year	2,707,054	3,562,202	1,696,183	3,921,265
Total income tax (credit)/expense	(860,799)	380,928	1,921	1,527,225
Profit excluding tax	1,846,255	3,943,130	1,698,104	5,448,490
Tax calculated using Malaysian tax rate at 25% (2013 : 25%)	461,564	985,783	424,526	1,362,123
Effect of different tax rates in foreign jurisdictions *	(30,251)	31,012	-	-
Non deductible expenses	1,288,894	798,372	487,988	222,330
Non-taxable income	(77,333)	(493,819)	(912,514)	(33,976)
Tax incentives	(2,002,727)	(1,534,624)	-	-
Effect of deferred tax assets not recognised	467,582	1,245,403	-	-
Other items	(30,479)	(14,912)	-	-
(Over)/Under provision in prior years	(938,049)	(636,287)	1,921	(23,252)
Total income tax (credit)/expense	(860,799)	380,928	1,921	1,527,225

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

Certain subsidiaries of the Company have been granted tax exemption status for a period of five (5) years 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 (5) years upon the expiry of the initial tax exemption period subject to the authority's approval being obtained. Under the tax exemption status, these subsidiaries' statutory income is exempted from income tax.

21. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year attributable to owners of the Company of RM2,870,424 (2013 : RM3,626,913) and the weighted average number of ordinary shares outstanding calculated as follows :

Weighted average number of ordinary shares

	2014	**2013**
Issued ordinary shares at 1 June	92,620,000	92,620,000
Effect of bonus issue	37,048,000	37,048,000
Weighted average number of ordinary shares at 31 May	129,668,000	129,668,000

During the financial year, the issued and paid up share capital of the Company was increased by RM18,524,000 comprising 37,048,000 number of ordinary shares of RM0.50 each pursuant to the Company's bonus issue.

In accordance with MFRS 133, *Earnings Per Share*, the calculations of the basic earnings per ordinary share for the current and prior period has been adjusted to reflect the change in the number of shares arisng from the bonus issue.

Diluted earnings per ordinary share

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

22. Dividends - Company

	Amount RM	**Date of payment**
2014		
Final dividend of 1.75 sen per share less 25% tax for financial year 2013	1,701,888	31 December 2013
2013		
Final dividend of 1.75 sen per share less 25% tax for financial year 2012	1,215,632	31 December 2012

22. Dividends - Company (continued)

A first and final single-tier dividend of 2.00 sen per share amounting to RM2,593,360 in respect of the financial year ended 31 May 2014 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 May 2015.

23. Related parties

23.1 Identity of related parties

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

i) Significant investors, subsidiaries and associates.

ii) Pensonic Technology Sdn. Bhd. in which Chew Chuon Jin has a substantial financial interest.

iii) Pensia Plastic Industries Sdn. Bhd.("PPI"), a company in which certain Directors namely, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee are deemed to have a substantial financial interest. PPI became a subsidiary of the Company on 27 September 2013 (Note 30).

iv) Key management personnel

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

23.2 Related party transactions

23.2.1 Transaction with subsidiaries:

	2014 RM	2013 RM
Company		
- Dividend income	3,500,000	6,350,000

23. Related parties (continued)

23.2 Related party transactions (continued)

23.2.2 Transaction with an associate

	2014 RM	2013 RM
Group		
- Sales	1,286,188	1,313,941

23.2.3 Transactions with related parties

	2014 RM	2013 RM
Group		
- Purchases	(2,850,670)	(8,562,271)
- Acquisition of a subsidiary	(2,000,000)	-
- Rental charged for sub-letting of factory premises	72,000	216,000
- Subcon and service charge income	212,495	610,985

23.2.4 There were no transactions with the key management personnel other than the rental expense charged by Directors to the Group amounting to RM119,000 (2013 : RM144,000) and the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 18 to the financial statements.

The non-trade balances of the Company with related parties outstanding at the end of the financial period are as disclosed in Note 10 and Note 15 respectively to the financial statements. During the year, the Group recognised an impairment of RM1.5 million (2013 : Nil) in respect of related party receivables.

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

24. Operating segments

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

The following summary describes the operations in each of the Group's reportable segments:

Manufacturing	-	Manufacture, assembly and sales of electrical and electronic appliances
Trading	-	Sales and distribution of eletrical and eletronic appliances

Other non-reportable segments represents investment holding activities and provision of management services to the Group.

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, investment properties and intangible assets other than goodwill.

24. Operating segments (continued)

	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Note	Total RM'000
2014						
Segment profit	(1,215)	8,336	(469)	(4,807)		1,845
Included in the measure of segment profit are :						
Revenue from external customers	11,786	361,939	-	-		373,725
Inter-segment revenue	95,578	14,645	7,052	(117,275)		-
Depreciation and amortisation	(3,183)	(1,460)	(182)	-		(4,825)
Other items	(1,986)	(5,129)	36	-	A	(7,079)
Not included in the measure of segment profit but provided to Group Managing Director :						
Interest income	-	161	11	-		172
Finance costs	(1,044)	(2,849)	(630)	-		(4,523)
Share of profit of equity-accounted associates	-	-	1	-		1
Segment assets	100,095	188,175	107,572	(141,111)		254,731
Included in the measure of segment assets are :						
Additions to non-current assets other than financial instruments and deferred tax assets	2,852	985	17,128	-		20,965

24. Operating segments (continued)

	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Note	Total RM'000
2013						
Segment profit	2,322	7,645	179	(6,223)		3,923
Included in the measure of segment profit are :						
Revenue from external customers	10,061	341,368	-	-		351,429
Inter-segment revenue	92,047	7,675	6,350	(106,072)		-
Depreciation and amortisation	(3,047)	(1,380)	(181)	-		(4,608)
Other items	1,543	(1,211)	57	-	A	389
Not included in the measure of segment profit but provided to Group Managing Director :						
Interest income	19	57	4	(43)		37
Finance costs	(1,376)	(2,612)	(424)	-		(4,412)
Share of profit of equity-accounted associates	-	-	20	-		20
Segment assets	81,590	181,249	86,408	(109,230)		240,017
Included in the measure of segment assets are :						
Additions to non-current assets other than financial instruments and deferred tax assets	2,241	903	10,030	-		13,174

24. Operating segments (continued)

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

	2014 RM'000	2013 RM'000
Plant and equipment written off	453	94
Bad debts written off	2,224	440
Inventories written down	2,100	128
Inventories written off	-	638
Impairment loss of receivables	2,374	62
Gain on disposal of plant and equipment	(31)	(23)
Gain on disposal of assets classified as held for sale	-	(1,638)
Gain on disposal of a subsidiary	-	(57)
Bad debts recovered	(5)	(33)
Excess of fair value over purchase consideration of a subsidiary	(36)	-

Geographical segment

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

	Segment revenue 2014 RM'000	Segment revenue 2013 RM'000
Malaysia	268,172	259,048
Other Asian countries	80,723	70,444
Middle East	24,468	21,385
Others	362	552
	373,725	351,429

	Segment non-current assets 2014 RM'000	Segment non-current assets 2013 RM'000
Malaysia	82,608	66,992
Other Asian countries	29	13
	82,637	67,005

25. Contingent liabilities, unsecured

Company

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

26. Financial instruments

26.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM	FL RM
2014			
Financial assets			
Group			
Trade and other receivables (excluding prepayments)	67,433,316	67,433,316	-
Cash and cash equivalents	20,263,278	20,263,278	-
	87,696,594	87,696,594	-
Company			
Trade and other receivables	40,489,963	40,489,963	-
Cash and cash equivalents	2,928,812	2,928,812	-
	43,418,775	43,418,775	-

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R RM	FL RM
2014			
Financial liabilities			
Group			
Loans and borrowings	97,877,662	-	97,877,662
Trade and other payables	61,536,180	-	61,536,180
	159,413,842	-	159,413,842
Company			
Loans and borrowings	14,648,383	-	14,648,383
Trade and other payables	12,577,398	-	12,577,398
	27,225,781	-	27,225,781
2013			
Financial assets			
Group			
Trade and other receivables (excluding prepayments)	70,312,132	70,312,132	-
Cash and cash equivalents	24,595,577	24,595,577	-
	94,907,709	94,907,709	-
Company			
Trade and other receivables	41,048,145	41,048,145	-
Cash and cash equivalents	83,990	83,990	-
	41,132,135	41,132,135	-

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R RM	FL RM
2013			
Financial liabilities			
Group			
Loans and borrowings	96,678,737	-	96,678,737
Trade and other payables	55,535,903	-	55,535,903
	152,214,640	-	152,214,640
Company			
Loans and borrowings	12,932,304	-	12,932,304
Trade and other payables	1,619,190	-	1,619,190
	14,551,494	-	14,551,494

26.2 Net gains and losses arising from financial instruments :

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) arising on:				
- Loans and receivables	(4,422)	(432)	11	3
- Finance liabilities measured at amortised cost	(4,523)	(4,412)	(630)	(424)
	(8,945)	(4,844)	(619)	(421)

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26. Financial instruments (continued)

26.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

	2014 RM'000	2013 RM'000
Group		
Malaysia	59,691	51,383
Other Asian countries	5,667	17,843
Others	1,586	551
	66,944	69,777
Company		
Malaysia	36,493	35,788
Other Asian countries	497	497
	36,990	36,285

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Impairment losses

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

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2014				
Not past due	50,366	-	-	50,366
Past due less than 60 days	9,861	-	-	9,861
Past due 61 - 120 days	1,564	-	-	1,564
Past due 121 - 180 days	266	-	-	266
Past due 181 - 365 days	588	-	-	588
Past due > 1 year	3,036	(555)	-	2,481
	65,681	(555)	-	65,126
2013				
Not past due	54,556	-	-	54,556
Past due less than 60 days	8,909	-	-	8,909
Past due 61 - 120 days	337	-	-	337
Past due 121 - 180 days	551	-	-	551
Past due 181 - 365 days	1,176	-	-	1,176
Past due > 1 year	3,181	(378)	-	2,803
	68,710	(378)	-	68,332

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

	Group 2014 RM'000	Group 2013 RM'000
At 1 June	378	3,277
Impairment loss recognised	2,039	62
Impairment loss written off	(1,862)	(2,961)
At 31 May	555	378

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM99.36 million (2013 : RM101.23 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

26. Financial instruments (continued)

26.4 Credit risk (continued)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are only allowed in liquid securities and only with counterparties that have a strong credit rating.

Exposure to credit risk, credit quality and collateral

As at the end of the financial reporting period, the Group and the Company have placements of bank balances and short term deposits with banks. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of the banks, the management does not expect any counterparty to fail to meet its obligations.

26.5 Liquidity risk

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

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2014							
Group							
Non-derivative financial liabilities							
Term loans	14,428,268	3.00 - 7.85	16,145,707	7,502,988	5,294,525	3,348,194	-
Interest free term loan	2,000,000	-	2,000,000	2,000,000	-	-	-
Bankers' acceptances	67,750,922	1.67 - 5.20	67,750,922	67,750,922	-	-	-
Trust receipts	1,125,891	6.75	1,125,891	1,125,891	-	-	-
Bank overdrafts	11,803,231	1.75 - 8.10	11,803,231	11,803,231	-	-	-
Finance lease liabilities	769,350	2.46 - 7.60	848,618	305,832	217,503	325,283	-
Trade and other payables	61,536,180	-	61,536,180	61,536,180	-	-	-
	159,413,842		161,210,549	152,025,044	5,512,028	3,673,477	-

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2014							
Company							
Non-derivative financial liabilities							
Term loans	10,247,676	6.60	11,320,199	6,012,240	4,145,058	1,162,901	-
Interest free term loan	2,000,000	-	2,000,000	2,000,000	-	-	-
Bank overdraft	2,400,707	7.10	2,400,707	2,400,707	-	-	-
Trade and other payables	12,577,398	-	12,577,398	12,577,398	-	-	-
	27,225,781		28,298,304	22,990,345	4,145,058	1,162,901	-

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2013							
Group							
Non-derivative financial liabilities							
Term loans	13,922,922	3.00 - 7.85	15,638,527	4,067,021	6,304,488	5,267,018	-
Interest free term loan	2,500,000	-	2,500,000	500,000	2,000,000	-	-
Bankers' acceptances	70,006,896	1.58 - 5.50	70,006,896	70,006,896	-	-	-
Bank overdrafts	9,636,448	6.25 - 8.25	9,636,448	9,636,448	-	-	-
Finance lease liabilities	612,471	2.46 - 8.00	664,034	229,628	222,564	211,842	-
Trade and other payables	55,535,903	-	55,535,903	55,535,903	-	-	-
	152,214,640		153,981,808	139,975,896	8,527,052	5,478,860	-

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2013							
Company							
Non-derivative financial liabilities							
Term loans	7,861,966	6.60	8,568,234	1,825,260	4,789,174	1,953,800	-
Interest free term loan	2,500,000	-	2,500,000	500,000	2,000,000	-	-
Bank overdraft	2,570,338	7.10	2,570,338	2,570,338	-	-	-
Trade and other payables	1,619,190	-	1,619,190	1,619,190	-	-	-
	14,551,494		15,257,762	6,514,788	6,789,174	1,953,800	-

26. Financial instruments (continued)

26.6 Market risk

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

26.6.1 Currency risk

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

Exposure to foreign currency risk

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

	USD RM'000	**HKD RM'000**
Group		
2014		
Trade receivables	1,260	26
Cash and bank balances	8,457	271
Trade payables	(5,729)	(59)
	3,988	238
2013		
Trade receivables	9,592	211
Cash and bank balances	7,931	210
Trade payables	(11,440)	(20)
	6,083	401

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.1 Currency risk (continued)

Currency risk sensitivity analysis

The Group and the Company are not significantly exposed to currency risk.

26.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	2014 RM'000	**2013 RM'000**
Group		
Fixed rate instruments		
Financial asset		
- Short term deposits with licensed banks	3,474	3,233
Financial liabilities		
- Finance lease liabilities	769	612
- Bankers' acceptances	67,751	70,007
	68,520	70,619

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.2 Interest rate risk (continued)

Exposure to interest rate risk (continued)

	2014 RM'000	2013 RM'000
Group		
Floating rate instruments		
Financial liabilities		
- Term loans	14,428	13,923
- Bank overdrafts	11,803	9,636
- Trust receipts	1,126	-
	27,357	23,559
Company		
Fixed rate instruments		
Financial asset		
- Short term deposits with licensed banks	20	-
Floating rate instruments		
Financial liabilities		
- Term loan	10,248	7,862
- Bank overdraft	2,401	2,570
	12,649	10,432

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

The Group's and the Company's variable rate financial liabilities are not significantly exposed to interest rate risk.

26. Financial instruments (continued)

26.7 Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2014										
Group										
Financial liabilities										
Term loans – variable rate	-	-	-	-	-	-	(16,428,000)	(16,428,000)	(16,428,000)	(16,428,268)
Finance lease liabilities	-	-	-	-	-	-	(731,540)	(731,540)	(731,540)	(769,350)
	-	-	-	-	-	-	(17,159,540)	(17,159,540)	(17,159,540)	(17,197,618)
Company										
Financial liabilities										
Term loans – variable rate	-	-	-	-	-	-	(12,247,000)	(12,247,000)	(12,247,000)	(12,247,676)

26. Financial instruments (continued)

26.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value *	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Total		
	RM	RM	RM	RM	RM	RM	RM
2013							
Group							
Financial liabilities							
Term loans – variable rate	-	-	-	-	(16,423,000)	(16,423,000)	(16,422,922)
Finance lease liabilities	-	-	-	-	(633,733)	(633,733)	(612,471)
	-	-	-	-	(17,056,733)	(17,056,733)	(17,035,393)
Company							
Financial liabilities							
Term loans – variable rate	-	-	-	-	(10,362,000)	(10,362,000)	(10,361,966)

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

26. Financial instruments (continued)

26.7 Fair value information (continued)

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.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

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 financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2013: no transfer in either directions)

Level 3 fair value

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

The fair value of term loans and finance lease liabilities are calculated using discounted cash flows.

27. Capital management

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

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

28. Operating leases - Group

Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	2014 RM'000	2013 RM'000
Less than one year	4,123	2,512
Between one and five years	6,587	126
	10,710	2,638

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 :

	2014 RM'000	2013 RM'000
Less than one year	192	192
Between one and five years	112	304
	304	496

29. Capital commitments

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Contracted but not provided for	14,904	16,938	14,904	16,938

30. Acquisition of subsidiary - Group

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

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

	RM'000
Fair value of consideration transferred	
Cash and cash equivalents	2,000

	Note	RM'000
Identifiable assets acquired and liabilities assumed		
Plant and equipment	3	2,004
Inventories		3,366
Trade and other receivables		3,705
Trade and other payables		(5,567)
Bank overdraft		(476)
Loans and borrowings		(996)
Total identifiable net assets		2,036
Negative goodwill consolidation	18	(36)
Purchase consideration paid, settled in cash		2,000

30. Acquisition of subsidiary - Group (continued)

	RM'000
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	(2,000)
Bank overdraft assumed	(476)
	(2,476)

Acquisition-related costs

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

31. Significant events during the year

During the year, the Company undertook the following :

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

(b) renounceable rights issue of 64,834,000 warrants at an issue price of RM0.10 per warrant on the basis of one (1) warrant for every two (2) ordinary shares held after the bonus issue.

32. Comparative figures - Group

Certain comparative figues have been restated to conform with the current year's presentation as follows :

	2013 **As restated** **RM**	**2013** **As previously presented** **RM**
Group		
Revenue	351,428,747	362,515,382
Cost of sales	(286,665,926)	(297,752,561)

The restatement does not have any impact on the earnings for ordinary shares of the Group.

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

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

	2014		2013	
	Group RM	**Company RM**	**Group RM**	**Company RM**
Total retained earnings of the Company and its subsidiaries				
- realised	18,175,229	6,600,957	17,489,985	6,606,662
- unrealised	954,878	-	(8,832)	-
	19,130,107	6,600,957	17,481,153	6,606,662
Total share of retained earnings of associates				
- realised	43,785	-	42,538	-
	19,173,892	6,600,957	17,523,691	6,606,662
Less : Consolidation adjustments	(2,624,180)	-	(2,142,515)	-
Total retained earnings	16,549,712	6,600,957	15,381,176	6,606,662

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

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

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

In the opinion of the Directors, the financial statements set out on pages 8 to 94 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 on page 95 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

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

…………………………………...……..
Chew Chuon Ghee

Penang,

Date : 26 September 2014

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

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

I, **Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak**, the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 8 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 26 September 2014.

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

Before me :

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

Independent auditors' report to the members of Pensonic Holdings Berhad

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

Report on the Financial Statements

We have audited the financial statements of Pensonic Holdings Berhad, which comprise the statements of financial position as at 31 May 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 94.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2014, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 33 on page 95 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 300426 - P

Other Matters

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

KPMG	**Thong Foo Vung**
AF 0758	2867/08/16 (J)
Chartered Accountants	Chartered Accountant

Date : 26 September 2014

Petaling Jaya