

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

**Financial statements for the  
year ended 31 May 2018**

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# Pensonic Holdings Berhad

(Company No. 300426 - P)

(Incorporated in Malaysia)

## and its subsidiaries

### Directors' report for the year ended 31 May 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2018.

#### Principal activities

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

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

#### Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

#### Results

	Group RM	Company RM
(Loss)/Profit for the year attributable to :		
Owners of the Company	(3,467,933)	1,799,706
Non-controlling interests	122,222	-
	<u>(3,345,711)</u>	<u>1,799,706</u>

#### Reserves and provisions

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

#### Dividends

Since the end of the previous financial year, the Company paid a final single-tier dividend of RM0.02 per ordinary share totalling RM2,593,360 in respect of the financial year ended 31 May 2017 on 29 December 2017.

The Directors do not recommend any dividend to be paid for the financial year under review.

## Directors of the Company

Directors who served during the financial year until the date of this report are :

Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak  
 Chew Chuon Jin  
 Chew Chuon Ghee  
 Y. Bhg. Dato' Lela Pahlawan Dato' Wira  
 Ku Nahar Bin Ku Ibrahim  
 Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain  
 Ong Huey Min  
 Chew Chuon Fang (Appointed on 05.09.2017)  
 Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Resigned on 01.10.2017)

## 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			
	At 1.6.2017/ Date of appointment	Bought	(Sold)	At 31.5.2018
<b>Interests in the Company :</b>				
<b>Direct interests :</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	13,900,000	-	(6,800,000)	7,100,000
- others*	1,162,000	5,038,000	-	6,200,000
Chew Chuon Jin - own	8,898,400	-	(4,000,000)	4,898,400
- others*	16,800	-	-	16,800
Chew Chuon Ghee - own	8,704,000	-	-	8,704,000
Chew Chuon Fang - own	4,419,000	1,762,000	-	6,181,000
<b>Deemed interests :</b>				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	20,626,824	170,000	-	20,796,824

**Directors' interests in shares (continued)**

	Number of warrants 2013/2023			
	At 1.6.2017/ Date of appointment	Transfer in	(Transfer out)	At 31.5.2018
<b>Interests in the Company :</b>				
Direct interests :				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	9,800,000	-	(1,400,000)	8,400,000
- others*	420,000	-	-	420,000
Chew Chuon Jin				
- own	5,485,700	-	-	5,485,700
- others*	10,000	-	-	10,000
Chew Chuon Ghee	2,002,000	-	-	2,002,000
Chew Chuon Fang	1,477,000	1,400,000	-	2,877,000
Deemed interests :				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	10,663,912	-	-	10,663,912

\* These are shares and warrants held by the spouse/children pursuant to Section 59(11)(c) of the Companies Act 2016

By virtue of his interests in the shares of the Company, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak is also deemed to be interested in the shares of the subsidiaries during the financial year to the extent the Company has an interest.

None of the other Directors holding office at 31 May 2018 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 31.5.2018
Warrants 2013/2023	RM0.60	19.12.2023	64,834,000

The warrants 2013/2023 were constituted under the Deed Poll dated 18 November 2013. The salient terms of the warrants are disclosed in Note 13.2 to the financial statements.

## 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 those fees and other benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those transactions entered in the ordinary course of business between 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.

## Issue of shares and debentures

There were no changes in the issued and paid-up 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.

## Indemnity and insurance costs

During the financial year, the total cost of insurance effected for the Directors and the officers of the Group and of the Company amounted to RM5,000 for a total sum insured of RM2,000,000. There were no indemnity given to or insurance effected for the auditors of the Group and of the Company.

## 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.

## Other statutory information (continued)

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, other than the income tax provided for prior years as disclosed in Note 19, the financial performance of the Group and of the Company for the financial year ended 31 May 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Significant events during the year

Details of the significant events are disclosed in Note 29 to the financial statements.

## Auditors

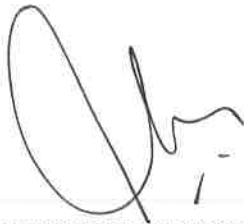
The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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**  
Director



.....  
**Chew Chuon Ghee**  
Director

Penang,

Date : 19 September 2018

## Pensonic Holdings Berhad

(Company No. 300426 - P)

(Incorporated in Malaysia)

### and its subsidiaries

## Statements of financial position as at 31 May 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Assets</b>					
Property, plant and equipment	3	106,914,549	90,595,920	48,131,393	49,409,699
Investment properties	4	-	-	-	-
Intangible assets	5	1,058,298	1,068,014	-	-
Investments in subsidiaries	6	-	-	41,988,125	35,872,509
Investments in associates	7	383,236	338,450	-	-
Deferred tax assets	8	599,604	-	-	-
<b>Total non-current assets</b>		<u>108,955,687</u>	<u>92,002,384</u>	<u>90,119,518</u>	<u>85,282,208</u>
Inventories	9	82,937,994	72,370,204	-	-
Trade and other receivables	10	59,572,984	65,931,449	4,372,171	13,725,455
Current tax assets		23,329	594,128	-	-
Fixed deposits	11	1,068,024	1,104,261	-	20,000
Cash and bank balances		23,576,649	21,222,369	263,621	938,163
<b>Total current assets</b>		<u>167,178,980</u>	<u>161,222,411</u>	<u>4,635,792</u>	<u>14,683,618</u>
<b>Total assets</b>		<u>276,134,667</u>	<u>253,224,795</u>	<u>94,755,310</u>	<u>99,965,826</u>



## Statements of financial position as at 31 May 2018 (continued)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Equity</b>					
Share capital	12	67,670,893	67,670,893	67,670,893	67,670,893
Reserves	13	44,941,688	51,991,358	14,302,286	15,095,940
<b>Total equity attributable to owners of the Company</b>		<u>112,612,581</u>	<u>119,662,251</u>	<u>81,973,179</u>	<u>82,766,833</u>
Non-controlling interests		2,168,412	(89,720)	-	-
<b>Total equity</b>		<u>114,780,993</u>	<u>119,572,531</u>	<u>81,973,179</u>	<u>82,766,833</u>
<b>Liabilities</b>					
Loans and borrowings	14	23,351,745	11,980,493	-	2,099,743
Deferred tax liabilities	8	331,000	7,203	-	-
<b>Total non-current liabilities</b>		<u>23,682,745</u>	<u>11,987,696</u>	<u>-</u>	<u>2,099,743</u>
Trade and other payables	15	51,203,604	44,784,777	10,679,533	9,473,832
Loans and borrowings	14	80,005,514	76,879,791	2,099,743	5,625,000
Current tax liabilities		6,461,811	-	2,855	418
<b>Total current liabilities</b>		<u>137,670,929</u>	<u>121,664,568</u>	<u>12,782,131</u>	<u>15,099,250</u>
<b>Total liabilities</b>		<u>161,353,674</u>	<u>133,652,264</u>	<u>12,782,131</u>	<u>17,198,993</u>
<b>Total equity and liabilities</b>		<u>276,134,667</u>	<u>253,224,795</u>	<u>94,755,310</u>	<u>99,965,826</u>

The notes on pages 18 to 82 are an integral part of these financial statements.

## Pensonic Holdings Berhad

(Company No. 300426 - P)

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### and its subsidiaries

## Statements of profit or loss and other comprehensive income for the year ended 31 May 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	16	326,828,370	341,141,542	3,400,000	5,600,000
Cost of sales		(258,481,837)	(267,566,554)	-	-
<b>Gross profit</b>		<u>68,346,533</u>	<u>73,574,988</u>	<u>3,400,000</u>	<u>5,600,000</u>
Other income		848,550	3,015,481	1,436,575	1,474,040
Selling and distribution expenses		(34,503,473)	(35,617,955)	-	-
Administrative expenses		(26,256,943)	(29,540,038)	(2,714,185)	(2,737,854)
<b>Results from operating activities</b>		<u>8,434,667</u>	<u>11,432,476</u>	<u>2,122,390</u>	<u>4,336,186</u>
Finance costs	17	(4,233,896)	(4,894,701)	(280,829)	(789,956)
Share of results of associates		44,786	42,077	-	-
<b>Profit before tax</b>	18	<u>4,245,557</u>	<u>6,579,852</u>	<u>1,841,561</u>	<u>3,546,230</u>
Tax expense	19	(7,591,268)	(192,270)	(41,855)	(9,146)
<b>(Loss)/Profit for the year</b>		<u>(3,345,711)</u>	<u>6,387,582</u>	<u>1,799,706</u>	<u>3,537,084</u>

## Statements of profit or loss and other comprehensive income for the year ended 31 May 2018 (continued)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Other comprehensive expense, net of tax :</b>					
<b>Item that is or may be reclassified subsequently to profit or loss</b>					
Foreign exchange translation differences for foreign operations		(988,377)	(65,396)	-	-
<b>Total comprehensive (expense)/income for the year</b>		<u>(4,334,088)</u>	<u>6,322,186</u>	<u>1,799,706</u>	<u>3,537,084</u>
<b>(Loss)/Profit attributable to :</b>					
Owners of the Company		(3,467,933)	6,450,101	1,799,706	3,537,084
Non-controlling interests		122,222	(62,519)	-	-
		<u>(3,345,711)</u>	<u>6,387,582</u>	<u>1,799,706</u>	<u>3,537,084</u>
<b>Total comprehensive (expense)/income attributable to :</b>					
Owners of the Company		(4,456,310)	6,384,705	1,799,706	3,537,084
Non-controlling interests		122,222	(62,519)	-	-
		<u>(4,334,088)</u>	<u>6,322,186</u>	<u>1,799,706</u>	<u>3,537,084</u>
<b>(Loss)/Earnings per share</b>					
Basic (sen)	21	(2.67)	4.97		
Diluted (sen)	21	*	4.75		

\* - Not disclosed as the assumed potential new ordinary shares are anti-dilutive.

The notes on pages 18 to 82 are an integral part of these financial statements.

# Pensonic Holdings Berhad

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

## and its subsidiaries

### Consolidated statement of changes in equity for the year ended 31 May 2018

Group	Note	Attributable to owners of the Company									
		Non-distributable					Distributable				
		Share capital RM	Share premium RM	Foreign currency translation reserve RM	Warrants reserve RM	Capital reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 June 2016		64,834,000	2,836,893	770,159	6,483,400	4,487,540	(638,792)	37,097,706	115,870,906	(27,201)	115,843,705
Profit for the year		-	-	-	-	-	-	6,450,101	6,450,101	(62,519)	6,387,582
Other comprehensive expense for the year		-	-	(65,396)	-	-	-	-	(65,396)	-	(65,396)
- Foreign exchange translation differences for foreign operations		-	-	(65,396)	-	-	-	-	(65,396)	-	(65,396)
<b>Total comprehensive (expense)/ income for the year</b>		-	-	(65,396)	-	-	-	6,450,101	6,384,705	(62,519)	6,322,186
<b>Transactions with owners of the Company :</b>		-	-	-	-	-	-	(2,593,360)	(2,593,360)	-	(2,593,360)
Dividends paid	22	-	-	-	-	-	-	(2,593,360)	(2,593,360)	-	(2,593,360)
Transfer in accordance with Section 618(2) of the Companies Act 2016	12	2,836,893	(2,836,893)	-	-	-	-	-	-	-	-
<b>Total transactions with owners of the Company</b>		2,836,893	(2,836,893)	-	-	-	-	(2,593,360)	(2,593,360)	-	(2,593,360)
<b>At 31 May 2017</b>		<b>67,670,893</b>	<b>-</b>	<b>704,763</b>	<b>6,483,400</b>	<b>4,487,540</b>	<b>(638,792)</b>	<b>40,954,447</b>	<b>119,662,251</b>	<b>(89,720)</b>	<b>119,572,531</b>

Note 12

Note 13

## Consolidated statement of changes in equity for the year ended 31 May 2018 (continued)

Group	Attributable to owners of the Company									
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Warrants reserve RM	Capital reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non- controlling interests RM	Total equity RM
<b>At 1 June 2017</b>	67,670,893	-	704,763	6,483,400	4,487,540	(638,792)	40,954,447	119,662,251	(89,720)	119,572,531
Loss for the year	-	-	-	-	-	(3,467,933)	(3,467,933)	(3,467,933)	122,222	(3,345,711)
Other comprehensive expense for the year	-	-	(988,377)	-	-	-	-	(988,377)	-	(988,377)
- Foreign exchange translation differences for foreign operations	-	-	(988,377)	-	-	-	-	(988,377)	-	(988,377)
<b>Total comprehensive expense for the year</b>	-	-	(988,377)	-	-	(3,467,933)	(3,467,933)	(4,456,310)	122,222	(4,334,088)
<b>Transactions with owners of the Company :</b>										
Dividends paid	-	-	-	-	-	-	(2,593,360)	(2,593,360)	-	(2,593,360)
Subscription of a subsidiary's shares by non-controlling interests	-	-	-	-	-	-	-	-	2,135,910	2,135,910
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	(2,593,360)	(2,593,360)	2,135,910	(457,450)
<b>At 31 May 2018</b>	67,670,893	-	(283,614)	6,483,400	4,487,540	(638,792)	34,893,154	112,612,581	2,168,412	114,780,993

Note 12

Note 13

## Statement of changes in equity for the year ended 31 May 2018

Company	Note	Non-distributable			Distributable	Total equity RM
		Share capital RM	Share premium RM	Warrants reserve RM		
<b>At 1 June 2016</b>		64,834,000	2,836,893	6,483,400	7,668,816	81,823,109
Profit and total comprehensive income for the year		-	-	-	3,537,084	3,537,084
Transaction with owners of the Company :						
- Dividends paid	22	-	-	-	(2,593,360)	(2,593,360)
Transfer in accordance with Section 618(2) of the Companies Act 2016		2,836,893	(2,836,893)	-	-	-
<b>At 31 May 2017/1 June 2017</b>		<u>67,670,893</u>	<u>-</u>	<u>6,483,400</u>	<u>8,612,540</u>	<u>82,766,833</u>
Profit and total comprehensive income for the year		-	-	-	1,799,706	1,799,706
Transaction with owners of the Company :						
- Dividends paid	22	-	-	-	(2,593,360)	(2,593,360)
<b>At 31 May 2018</b>		<u>67,670,893</u>	<u>-</u>	<u>6,483,400</u>	<u>7,818,886</u>	<u>81,973,179</u>
		Note 12		Note 13		

The notes on pages 18 to 82 are an integral part of these financial statements.

## Pensonic Holdings Berhad

(Company No. 300426 - P)

(Incorporated in Malaysia)

### and its subsidiaries

## Statements of cash flows for the year ended 31 May 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash flows from operating activities</b>					
Profit before tax		4,245,557	6,579,852	1,841,561	3,546,230
Adjustments for :					
Depreciation of property, plant and equipment	3	6,298,263	6,122,533	1,282,206	1,273,328
Amortisation of investment property	4	-	4,819	-	-
Dividend income from subsidiaries	16	-	-	(3,400,000)	(5,600,000)
Interest expense	17	4,233,896	4,894,701	280,829	789,956
(Gain)/Loss on disposal of property, plant and equipment	18	(220,807)	4,731	-	-
Loss on disposal of investment properties	18	-	53,244	-	-
Property, plant and equipment written off	18	4,743	28,315	-	-
Interest income	18	(91,839)	(75,640)	(27,993)	(18,856)
Share of results of associates		(44,786)	(42,077)	-	-
Operating profit/(loss) before working capital changes		14,425,027	17,570,478	(23,397)	(9,342)

## Statements of cash flows for the year ended 31 May 2018 (continued)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Changes in working capital :</b>					
Inventories		(10,912,414)	(1,390,311)	-	-
Trade and other receivables		5,442,799	7,483,182	4,058,686	8,670,031
Trade and other payables		7,283,951	(8,600,890)	1,205,701	(2,034,530)
		1,814,336	(2,508,019)	5,264,387	6,635,501
<b>Cash generated from operations</b>		16,239,363	15,062,459	5,240,990	6,626,159
Tax paid		(834,465)	(220,839)	(39,418)	(7,228)
<b>Net cash from operating activities</b>		15,404,898	14,841,620	5,201,572	6,618,931
<b>Cash flows from investing activities</b>					
Proceeds from disposal of property, plant and equipment		531,451	217,334	-	-
Proceeds from disposal of investment properties		-	423,000	-	-
Purchase of property, plant and equipment	3.1	(22,861,300)	(1,204,485)	(3,900)	-
Interest received		91,839	75,640	27,993	18,856
Dividends received		-	-	5,600,000	6,600,000
Investment in subsidiaries	6.1	-	-	(3,021,018)	-
<b>Net cash (used in)/ from investing activities</b>		(22,238,010)	(488,511)	2,603,075	6,618,856



## Statements of cash flows for the year ended 31 May 2018 (continued)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash flows from financing activities</b>					
Increase in short term borrowings, net		8,407,922	4,244,360	-	-
Drawdown of term loans		15,638,244	-	-	-
Repayment of term loans		(6,722,095)	(10,328,871)	(5,625,000)	(8,940,000)
Repayment of finance lease liabilities		(528,859)	(509,362)	-	-
Dividends paid		(2,593,360)	(3,890,040)	(2,593,360)	(3,890,040)
Withdrawal of fixed deposits		36,237	1,462,594	20,000	-
Proceeds from issuance of shares to non-controlling interests		2,135,910	-	-	-
Interest paid		(4,233,896)	(4,894,701)	(280,829)	(789,956)
<b>Net cash from/(used in) financing activities</b>		<b>12,140,103</b>	<b>(13,916,020)</b>	<b>(8,479,189)</b>	<b>(13,619,996)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>5,306,991</b>	<b>437,089</b>	<b>(674,542)</b>	<b>(382,209)</b>
Effects of exchange translation differences on cash and cash equivalents		(580,874)	(1,517,800)	-	-
Cash and cash equivalents at beginning of the financial year		14,859,937	15,940,648	938,163	1,320,372
<b>Cash and cash equivalents at end of the financial year</b>		<b>19,586,054</b>	<b>14,859,937</b>	<b>263,621</b>	<b>938,163</b>

## Statements of cash flows for the year ended 31 May 2018 (continued)

### Note

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amount:

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances		23,576,649	21,222,369	263,621	938,163
Bank overdrafts	14	(3,990,595)	(6,362,432)	-	-
		<u>19,586,054</u>	<u>14,859,937</u>	<u>263,621</u>	<u>938,163</u>

# **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**

1165, Lorong Perindustrian Bukit Minyak 16  
Taman Perindustrian Bukit Minyak  
14100 Simpang Ampat  
Penang

#### **Registered office**

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

The consolidated financial statements of the Company as at and for the financial year ended 31 May 2018 comprise the Company and its subsidiaries (together referred to as “the Group” and individually referred to as “Group entities”) and the Group’s interests in associates.

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 19 September 2018.

## **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 2016 in Malaysia.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

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

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable, in the respective financial years when the above mentioned accounting standards, amendments or interpretations become effective.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

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

#### ***MFRS 9, Financial Instruments***

MASB issued the final version of MFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139, *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required.

During the financial year, the Group has performed a high level impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in financial year ending 31 May 2019 when the Group will adopt MFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

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

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### ***MFRS 15, Revenue from Contracts with Customers (continued)***

MFRS 15 is expected to impact the financial statements of the Group in the following manner:

- reclassification of certain expenses currently presented as selling and distribution expenses to revenue. The estimated amount to be reclassified for the financial year ended 31 May 2018 is approximately RM7.8 million; and
- recognising revenue in instances where the Group is acting as a contract manufacturer over time instead of point in time. The Group has assessed and noted the impact to be immaterial.

#### **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (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 financial 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 estimates are revised and in any future periods affected.

## 1. Basis of preparation (continued)

### (d) Use of estimates and judgements (continued)

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 other than as disclosed in Note 9 - Inventories, Note 19 - Tax expense and Note 25.4 - Financial instruments (credit risk of receivables).

## 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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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 investment includes transaction costs.

#### (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.

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (ii) *Business combinations (continued)*

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 accounts for 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 former 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.

#### (v) *Associates*

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

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. 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.



## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (v) *Associates (continued)*

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.

#### (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.

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### *(vii) Transactions eliminated on consolidation (continued)*

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 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.

#### *(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. 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 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.

## 2. Significant accounting policies (continued)

### (b) Foreign currency (continued)

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

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 retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (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.

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(g)(i)).

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (ii) *Financial instrument categories and subsequent measurement (continued)*

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

#### (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 is 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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 the 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, 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 the 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 any accumulated 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 is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other 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.

#### (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.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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. Freehold land is not depreciated. Capital-work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows :

	Years
Buildings	50
Computer	2 - 10
Renovation and electrical installation	8 - 10
Plant and machinery	8 - 10
Furniture, fittings and office equipment	3 - 20
Motor vehicles	5 - 10
Signboard and showcase	10

Leasehold land is depreciated over the lease periods 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 or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

## 2. Significant accounting policies (continued)

### (e) Leased assets (continued)

#### (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, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property, and measured using fair value model.

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

### (f) Intangible assets

#### *Goodwill*

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

#### *Trademark*

Trademark is measured at cost less any accumulated impairment losses.

#### *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.

## 2. Significant accounting policies (continued)

### (f) Intangible assets (continued)

#### *Research and development (continued)*

#### *Amortisation*

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

### (g) 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.

#### (ii) *Other assets*

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, 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 a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.



## 2. Significant accounting policies (continued)

### (g) Impairment (continued)

#### (ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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 amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

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

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost basis, 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.

### (i) 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 2. Significant accounting policies (continued)

### (j) 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.

### (k) 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.

### (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 discounts 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, 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 Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

## 2. Significant accounting policies (continued)

### (l) Revenue and other income (continued)

#### (iii) *Rental income*

Rental income is recognised in profit or loss on a straight-line basis 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.

#### (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.

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.

### (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 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.

### (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.

## 2. Significant accounting policies (continued)

### (n) Income tax (continued)

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 following temporary differences: the initial recognition of goodwill, 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised reinvestment allowance, 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 which 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 contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate.

## 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case are the Group's Chief Executive Officer and the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (r) 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.

### (s) Fair value measurement

Fair value of an asset or a liability, except for 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.

## 2. Significant accounting policies (continued)

### (s) Fair value measurement (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3. Property, plant and equipment

Group	Lands 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	Total RM
<b>Cost</b>									
At 1 June 2016	17,156,530	64,784,442	4,450,496	9,017,199	26,524,817	7,003,295	6,538,302	1,373,028	136,848,109
Additions	-	-	625,875	3,150	323,935	21,560	1,131,665	4,000	2,110,185
Disposals	-	-	(12,036)	-	(74,175)	(4,616)	(1,876,883)	-	(1,967,710)
Write-off	-	-	(314,639)	(35,551)	(1,319,310)	(38,760)	(5,130)	-	(1,713,390)
Exchange difference	-	-	5,826	-	-	9,941	-	-	15,767
Adjustment*	-	(312,532)	-	-	-	(25,360)	-	-	(337,892)
At 31 May 2017/ 1 June 2017	17,156,530	64,471,910	4,755,522	8,984,798	25,455,267	6,966,060	5,787,954	1,377,028	134,955,069
Additions	19,560,362	116,038	267,887	175,586	2,496,608	122,026	99,295	97,098	22,934,900
Disposals	-	(401,543)	(13,970)	(93,380)	-	(57,764)	(551,850)	(4,344)	(1,122,851)
Write-off	-	-	(25,418)	(380,000)	(63,424)	(239,460)	(42,052)	-	(750,354)
Exchange difference	-	-	(8,118)	-	-	(12,310)	-	-	(20,428)
At 31 May 2018	36,716,892	64,186,405	4,975,903	8,687,004	27,888,451	6,778,552	5,293,347	1,469,782	155,996,336

### 3. Property, plant and equipment (continued)

Group	Lands 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	Total RM
<b>Accumulated depreciation</b>									
At 1 June 2016	3,345,087	6,745,208	3,697,353	5,794,951	14,643,915	2,983,555	4,136,948	307,118	41,654,135
Depreciation for the year									
Disposals	295,188	1,234,204	301,892	594,755	2,299,705	624,067	632,440	140,282	6,122,533
Write-off	-	-	(2,818)	-	(45,049)	(4,616)	(1,693,162)	-	(1,745,645)
Exchange difference	-	-	(313,744)	(21,789)	(1,314,291)	(30,124)	(5,127)	-	(1,685,075)
	-	-	5,679	-	-	7,522	-	-	13,201
At 31 May 2017/1 June 2017	3,640,275	7,979,412	3,688,362	6,367,917	15,584,280	3,580,404	3,071,099	447,400	44,359,149
Depreciation for the year									
Disposals	295,188	1,240,140	346,509	531,244	2,465,410	592,159	680,026	147,587	6,298,263
Write-off	-	(94,012)	(13,969)	(90,290)	-	(57,755)	(551,839)	(4,342)	(812,207)
Exchange difference	-	-	(23,189)	(379,993)	(63,424)	(236,955)	(42,050)	-	(745,611)
	-	-	(8,076)	-	-	(9,731)	-	-	(17,807)
At 31 May 2018	3,935,463	9,125,540	3,989,637	6,428,878	17,986,266	3,868,122	3,157,236	590,645	49,081,787
<b>Carrying amounts</b>									
At 1 June 2016	13,811,443	58,039,234	753,143	3,222,248	11,880,902	4,019,740	2,401,354	1,065,910	95,193,974
At 31 May 2017/1 June 2017	13,516,255	56,492,498	1,067,160	2,616,881	9,870,987	3,385,656	2,716,855	929,628	90,595,920
At 31 May 2018	32,781,429	55,060,865	986,266	2,258,126	9,902,185	2,910,430	2,136,111	879,137	106,914,549



### 3. Property, plant and equipment (continued)

Company	Land RM	Buildings RM	Furniture, fittings and office equipment RM	Computer RM	Total RM
<b>Cost</b>					
At 1 June 2016	6,300,899	43,557,363	2,757,176	92,569	52,708,007
Adjustment*	-	(312,532)	(25,360)	-	(337,892)
At 31 May 2017/1 June 2017	6,300,899	43,244,831	2,731,816	92,569	52,370,115
Additions	-	-	3,900	-	3,900
At 31 May 2018	6,300,899	43,244,831	2,735,716	92,569	52,374,015
<b>Accumulated depreciation</b>					
At 1 June 2016	539,116	871,148	267,567	9,257	1,687,088
Depreciation for the year	134,779	858,645	270,648	9,256	1,273,328
At 31 May 2017/1 June 2017	673,895	1,729,793	538,215	18,513	2,960,416
Depreciation for the year	134,779	864,896	273,273	9,258	1,282,206
At 31 May 2018	808,674	2,594,689	811,488	27,771	4,242,622

### 3. Property, plant and equipment (continued)

Company	Land RM	Buildings RM	Furniture, fittings and office equipment RM	Computer RM	Total RM
<b>Carrying amounts</b>					
At 1 June 2016	5,761,783	42,686,215	2,489,609	83,312	51,020,919
At 31 May 2017/1 June 2017	5,627,004	41,515,038	2,193,601	74,056	49,409,699
At 31 May 2018	5,492,225	40,650,142	1,924,228	64,798	48,131,393

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

### 3. Property, plant and equipment (continued)

3.1 The additions to property, plant and equipment of the Group and of the Company during the financial year were acquired as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total additions	22,934,900	2,110,185	3,900	-
Less: Amount financed by leases	(73,600)	(905,700)	-	-
Cash payments	<u>22,861,300</u>	<u>1,204,485</u>	<u>3,900</u>	<u>-</u>

#### 3.2 Assets held under finance lease

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

	2018 RM	2017 RM
Motor vehicles	<u>2,001,898</u>	<u>2,501,183</u>

#### 3.3 Assets pledged for banking facilities

The carrying amount of property, plant and equipment pledged as securities for borrowings granted to the Group and the Company as disclosed in Note 14 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Lands	25,966,709	6,566,518	5,492,225	5,627,004
Buildings	44,030,552	45,009,985	40,650,142	41,515,038
Plant and machinery	2,039,494	2,616,857	-	-
	<u>72,036,755</u>	<u>54,193,360</u>	<u>46,142,367</u>	<u>47,142,042</u>

#### 4. Investment properties - Group

	<b>Shoplots RM</b>
<b>Cost</b>	
At 1 June 2016	630,000
Disposal	(630,000)
At 31 May 2017/2018	<u>-</u>
<b>Accumulated amortisation</b>	
At 1 June 2016	148,937
Amortisation for the year	4,819
Disposal	(153,756)
At 31 May 2017/2018	<u>-</u>
<b>Carrying amount</b>	
At 1 June 2016	<u>481,063</u>
At 31 May 2017/2018	<u>-</u>

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

	<b>2017 RM</b>
Rental income	11,900
Direct expenses:	
- Income generating investment properties	<u>(779)</u>

4.1 The investment properties were pledged as securities for borrowings granted to the Group before the disposal in the previous financial year.

#### 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 property as at 31 May 2016 was classified as level 3 of the fair value hierarchy and determined to be approximately RM724,000. The Directors estimate the fair values of the Group's investment property based on comparison of the Group's investment property with similar properties that were listed for sales within the same locality or other comparable localities.

## 5. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
<b>Cost</b>			
1 June 2016	191,043	870,000	1,061,043
Exchange difference	6,971	-	6,971
At 31 May 2017/1 June 2017	198,014	870,000	1,068,014
Exchange difference	(9,716)	-	(9,716)
At 31 May 2018	188,298	870,000	1,058,298

The trademark relates to the "Cornell" brand name that was acquired in a business combination by way of an assignment of full and absolute rights from the registered proprietor. As those rights were assigned without any specified time frame and the Directors believe 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 to have an indefinite useful life subject to use in good faith.

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

The recoverable amounts of goodwill and trademark are determined based on value-in-use calculations using cash flows projections and financial budgets approved by the Directors covering a period of 5 years (2017 : 5 years). The value-in-use calculations are determined by discounting the future cash flows using a pre-tax discount rate of 5.20% (2017 : 5.20%).

The values assigned to the key assumptions (e.g. sales growth rate and gross margins) represent the Directors' and management's assessment of future trends of the business and are based on both external and internal sources (historical data).

The estimated recoverable amount for the CGUs exceeded its carrying amount and the Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

## 6. Investments in subsidiaries

	2018 RM	2017 RM
<b>At cost</b>		
Unquoted shares	43,008,125	36,892,509
Less : Impairment losses	(1,020,000)	(1,020,000)
	41,988,125	35,872,509

6.1 During the financial year, the Company subscribed for additional 1,000,000 (2017 : 4,500,000) ordinary shares in a subsidiary for RM3,094,598 (2017 : 4,500,000) through capitalisation of an amount due from the said subsidiary. The remaining additions of RM3,021,018 (2017 : Nil) were paid in cash for the subscription of shares in newly incorporated subsidiaries.

Details of the subsidiaries are as follows :

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest		Principal activities
		2018 %	2017 %	
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical products
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical products
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd. <sup>(1)</sup>	Singapore	100	100	Distribution of electrical and electronic appliances

## 6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued) :

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest		Principal activities
		2018 %	2017 %	
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Microtag Engineering Sdn. Bhd. <sup>(1)</sup>	Malaysia	51	51	Dormant
Pensonic (Cambodia) Co., Ltd. <sup>(1) and (3)</sup>	Cambodia	100	-	Wholesale and retail sales of household appliances
PT Pensonic Appliances Indonesia <sup>(1)(2) and (4)</sup>	Indonesia	51	-	Distribution of electrical and electronic appliances
<b>Held through Keat Radio Co. Sdn. Bhd.</b>				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical products
Pensonic (H.K.) Corporation Limited <sup>(1)</sup>	Hong Kong	100	100	Trading of home electrical appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensia Plastic Industries Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Plastic injection and moulding

## 6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued) :

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest		Principal activities
		2018 %	2017 %	
<b>Held through</b>				
<b>Pensonic Sales &amp; Service Sdn. Bhd.</b>				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances
<b>Held through</b>				
<b>Kollektion Distribution Sdn. Bhd.</b>				
Kollektion Haus (Austin) Sdn. Bhd. <sup>(5)</sup>	Malaysia	60	60	Distribution of home appliances

(1) Not audited by KPMG

(2) The unaudited management accounts were consolidated in the Group's financial statements as this subsidiary was not required by the local legislation to have its financial statements audited.

(3) Incorporated on 6 June 2017.

(4) Incorporated on 19 July 2017.

(5) Commenced Members' Voluntary Winding-Up on 1 February 2018.

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

6.2 There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

## 7. Investments in associates - Group

	2018 RM	2017 RM
<b>At cost</b>		
Unquoted shares	184,610	184,610
Share of post-acquisition reserves	198,626	153,840
	383,236	338,450



## 7. Investments in associates - Group (continued)

Details of the associates are as follows :

Name of entity	Principal place of business/ country of incorporation	Effective ownership interest and voting interest		Principal activities
		2018 %	2017 %	
Pensonic (B) Sdn. Bhd. *	Brunei	40	40	Trading of electrical and electronic appliances
Microtag System Sdn. Bhd. **	Malaysia	-	10	Dormant ^

\* Held through Pensonic Corporation Sdn. Bhd.

\*\* Held through Microtag Engineering Sdn. Bhd.

^ Application for strike off submitted on 16 April 2018

The Group's associates are not individually material to the consolidated financial statements of the Group.

## 8. Deferred tax assets/(liabilities) - Group

### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following :

	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment	-	277,617	(1,190,335)	(394,500)	(1,190,335)	(116,883)
- capital allowances	1,458,939	438,548	-	(328,868)	1,458,939	109,680
Other temporary differences						
<b>Tax assets/(liabilities)</b>	<b>1,458,939</b>	<b>716,165</b>	<b>(1,190,335)</b>	<b>(723,368)</b>	<b>268,604</b>	<b>(7,203)</b>
<b>Set-off of tax</b>	<b>(859,335)</b>	<b>(716,165)</b>	<b>859,335</b>	<b>716,165</b>	<b>-</b>	<b>-</b>
	<b>599,604</b>	<b>-</b>	<b>(331,000)</b>	<b>(7,203)</b>	<b>268,604</b>	<b>(7,203)</b>

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 assets/(liabilities) - Group (continued)

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	2018 RM	2017 RM
Property, plant and equipment – capital allowance	(4,901,000)	(7,115,000)
Unutilised capital allowance	395,000	2,116,000
Unutilised tax losses	14,676,000	15,354,000
Unutilised reinvestment allowance	8,485,000	9,575,000
Other deductible temporary differences	1,332,000	2,976,000
	<u>19,987,000</u>	<u>22,906,000</u>

The unutilised capital allowance, tax losses and reinvestment allowance do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

## 9. Inventories - Group

	2018 RM	2017 RM
Raw materials	6,382,692	5,447,129
Goods-in-transit	12,098,876	1,237,212
Manufactured and trading goods	64,456,426	65,685,863
	<u>82,937,994</u>	<u>72,370,204</u>

### Recognised in profit or loss :

Inventories recognised in cost of sales	250,055,395	251,644,283
Inventories written back	(36,161)	(437,792)
Inventories written down	1,274,092	533,356
Inventories written off	-	23,958

## 10. Trade and other receivables

	Note	2018 RM	2017 RM
<b>Group</b>			
<b>Trade</b>			
Trade receivables		52,960,036	59,383,368
Amount due from an associate	10.1	1,023,168	1,129,030
		<u>53,983,204</u>	<u>60,512,398</u>

**10. Trade and other receivables (continued)**

	Note	2018 RM	2017 RM
<b>Group</b>			
<b>Non-trade</b>			
Amount due from a company in which certain Directors have a substantial financial interest	10.2	-	1,320,593
Amount due from associates	10.2	-	17,654
Other receivables		3,683,646	1,220,562
Deposits		615,033	973,923
Prepayments		1,291,101	1,886,319
		5,589,780	5,419,051
		<u>59,572,984</u>	<u>65,931,449</u>
<b>Company</b>			
<b>Non-trade</b>			
Dividend receivable		3,400,000	5,600,000
Amount due from subsidiaries	10.2	903,444	8,094,768
Other receivables		18,228	20,323
Deposits		1,310	1,310
Prepayments		49,189	9,054
		<u>4,372,171</u>	<u>13,725,455</u>

**10.1 Amount due from an associate**

The trade amount due from an associate is subject to normal trade terms.

**10.2 Amounts due from a company in which certain Directors have a substantial financial interest, associates and subsidiaries**

The non-trade amounts due from a company in which certain Directors have a substantial financial interest, associates and subsidiaries are unsecured, interest-free and repayable on demand.

**11. Fixed deposits - Group/Company**

Included in the fixed deposits of the Group is an amount of RM1,068,024 (2017 : RM1,079,691) which are pledged as securities for borrowings granted to the Group as disclosed in Note 14.

Fixed deposits of the Group and of the Company of Nil (2017 : RM20,000) was held in trust by a Director on behalf of the Group and the Company.

## 12. Share capital - Group/Company

	2018		2017	
	Amount RM	Number of shares	Amount RM	Number of shares
<b>Issued and fully paid ordinary shares :</b>				
At 1 June	67,670,893	129,668,000	64,834,000	129,668,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	2,836,893	-
At 31 May	<u>67,670,893</u>	<u>129,668,000</u>	<u>67,670,893</u>	<u>129,668,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital.

Included in share capital is share premium amounting to RM2,836,893 (2017 : RM2,836,893) that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (twenty-four months from commencement of Section 74).

## 13. Reserves

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-distributable :</b>					
Foreign currency translation reserve	13.1	(283,614)	704,763	-	-
Warrants reserve	13.2	6,483,400	6,483,400	6,483,400	6,483,400
Capital reserve	13.3	4,487,540	4,487,540	-	-
Other reserve	13.4	(638,792)	(638,792)	-	-
		10,048,534	11,036,911	6,483,400	6,483,400
<b>Distributable :</b>					
Retained earnings		34,893,154	40,954,447	7,818,886	8,612,540
		<u>44,941,688</u>	<u>51,991,358</u>	<u>14,302,286</u>	<u>15,095,940</u>

## 13. Reserves (continued)

### 13.1 Foreign currency translation reserve

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

### 13.2 Warrants reserve

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

As at 31 May 2018, the Company has the following outstanding warrants:

<b>Warrants</b>	<b>Exercise price per ordinary share</b>	<b>Expiry date</b>	<b>Number of warrants outstanding as at 31.5.2018</b>
Warrants 2013/2023	RM0.60	19.12.2023	64,834,000

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

### 13.3 Capital reserve

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

### 13.4 Other reserve

Other reserve comprises the premium paid on acquisition of non-controlling interests of the Group determined as the difference between the consideration paid and the carrying value of the interest acquired.

## 14. Loans and borrowings

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>				
<b>Secured</b>				
Term loans	22,361,478	10,512,698	-	2,099,743
Finance lease liabilities	990,267	1,467,795	-	-
	<u>23,351,745</u>	<u>11,980,493</u>	<u>-</u>	<u>2,099,743</u>
<b>Current</b>				
<b>Unsecured</b>				
Bank overdrafts	3,294,036	5,608,951	-	-
Bankers' acceptances	68,762,547	58,091,979	-	-
Revolving credit	2,500,000	2,500,000	-	-
	<u>74,556,583</u>	<u>66,200,930</u>	<u>-</u>	<u>-</u>
<b>Secured</b>				
Bank overdrafts	696,559	753,481	-	-
Finance lease liabilities	547,849	525,580	-	-
Bankers' acceptances	-	2,262,646	-	-
Term loans	4,204,523	7,137,154	2,099,743	5,625,000
	<u>5,448,931</u>	<u>10,678,861</u>	<u>2,099,743</u>	<u>5,625,000</u>
	<u>80,005,514</u>	<u>76,879,791</u>	<u>2,099,743</u>	<u>5,625,000</u>
<b>Total loans and borrowings</b>	<u>103,357,259</u>	<u>88,860,284</u>	<u>2,099,743</u>	<u>7,724,743</u>

### 14.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

#### Group

	At 1 June 2017 RM	Acquisition of new lease RM	Drawdown RM	Net changes from financing cash flows RM	At 31 May 2018 RM
Bankers' acceptances	60,354,625	-	-	8,407,922	68,762,547
Revolving credit	2,500,000	-	-	-	2,500,000
Finance lease liabilities	1,993,375	73,600	-	(528,859)	1,538,116
Term loans	17,649,852	-	15,638,244	(6,722,095)	26,566,001
	<u>82,497,852</u>	<u>73,600</u>	<u>15,638,244</u>	<u>1,156,968</u>	<u>99,366,664</u>

## 14. Loans and borrowings (continued)

### 14.1 Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

#### Company

	At 1 June 2017 RM	Net changes from financing cash flows RM	At 31 May 2018 RM
Term loans	7,724,743	(5,625,000)	2,099,743

### 14.2 Security

The bank overdrafts, bankers' acceptances, revolving credit and term loans are secured by the following:

- (i) a first party legal charge over certain lands, buildings and plant and machinery as disclosed in Note 3;
- (ii) fixed deposits with licensed banks as disclosed in Note 11;
- (iii) corporate guarantee by the Company;
- (iv) joint guarantee by certain Directors of the Company; and
- (v) negative pledge over certain subsidiaries' present and future assets.

### 14.3 Finance lease liabilities

Group	← 2018 →			← 2017 →		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than 1 year	612,446	64,597	547,849	614,627	89,047	525,580
Between 1 and 5 years	1,050,337	60,070	990,267	1,555,163	114,835	1,440,328
More than 5 years	-	-	-	27,700	233	27,467
	<u>1,662,783</u>	<u>124,667</u>	<u>1,538,116</u>	<u>2,197,490</u>	<u>204,115</u>	<u>1,993,375</u>

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



## 15. Trade and other payables

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade</b>					
Trade payables		26,686,552	30,958,292	-	-
Trade accruals		12,098,876	1,237,212	-	-
		<u>38,785,428</u>	<u>32,195,504</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Amount due to subsidiaries	15.1	-	-	10,401,383	8,139,548
Other payables		3,176,171	4,082,658	76,858	1,182,149
Deposits received		90,230	5,303	-	-
Accruals		9,151,775	8,501,312	201,292	152,135
		<u>12,418,176</u>	<u>12,589,273</u>	<u>10,679,533</u>	<u>9,473,832</u>
		<u>51,203,604</u>	<u>44,784,777</u>	<u>10,679,533</u>	<u>9,473,832</u>

### 15.1 Amount due to subsidiaries

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

## 16. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	326,828,370	341,141,542	-	-
Dividend income	-	-	3,400,000	5,600,000
	<u>326,828,370</u>	<u>341,141,542</u>	<u>3,400,000</u>	<u>5,600,000</u>

## 17. Finance costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense on :				
- Bank overdrafts	307,157	591,993	-	-
- Bankers' acceptances	2,678,362	2,689,760	-	-
- Term loans	1,151,273	1,491,923	280,829	789,956
- Finance lease liabilities	90,151	103,274	-	-
- Trust receipts	6,953	8,952	-	-
- Others	-	8,799	-	-
	<u>4,233,896</u>	<u>4,894,701</u>	<u>280,829</u>	<u>789,956</u>

**18. Profit before tax**

Profit before tax is arrived at :

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging :				
Auditors' remuneration :				
- Audit fee :				
- KPMG PLT	196,000	-	36,000	-
- Other auditors				
- Current year	54,497	209,980	-	30,000
- Prior year	10,585	(17,968)	-	(1,000)
- Non-audit services				
- KPMG PLT	5,000	-	5,000	-
- Other auditors	-	5,000	-	-
Bad debts written off	20,056	90,040	-	-
Property, plant and equipment written off	4,743	28,315	-	-
Rental expense	6,493,423	6,784,949	-	-
Research and development	577,641	910,883	-	-
Loss on disposal of investment properties	-	53,244	-	-
Loss on disposal of property, plant and equipment	-	4,731	-	-
Unrealised loss on foreign exchange	495,646	1,705,991	-	-
and crediting :				
Bad debt recovered	6,313	6,913	-	-
Gain on disposal of property, plant and equipment	220,807	-	-	-
Government grants*	295,515	373,365	208,582	215,561
Interest income	91,839	75,640	27,993	18,856
Realised gain on foreign exchange	1,194,011	3,563,926	-	-
Rental income	<u>102,057</u>	<u>207,788</u>	<u>1,200,000</u>	<u>1,239,623</u>

\* The Group and the Company received matching government grants for qualifying research and development and training expenses incurred.

## 19. Tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Recognised in profit or loss</b>				
<b>Current tax expense</b>				
Current year	1,068,892	206,609	42,000	4,500
Prior years	6,798,183	(14,861)	(145)	4,646
	7,867,075	191,748	41,855	9,146
<b>Deferred tax expense</b>				
Current year	(285,348)	522	-	-
Prior years	9,541	-	-	-
	(275,807)	522	-	-
	<u>7,591,268</u>	<u>192,270</u>	<u>41,855</u>	<u>9,146</u>

### Reconciliation of tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	<u>4,245,557</u>	<u>6,579,852</u>	<u>1,841,561</u>	<u>3,546,230</u>
Income tax calculated using Malaysian tax rate of 24%	1,018,934	1,579,164	441,975	851,095
Effect of different tax rates in foreign jurisdictions	(165,489)	(144,950)	-	-
Income not subject to tax	(146,245)	(401,268)	(866,060)	(1,506,804)
Non-deductible expenses	1,497,069	1,214,129	466,085	660,209
Tax incentives	(719,399)	(2,522,294)	-	-
Deferred tax assets not recognised	321,806	482,350	-	-
Utilisation of previously unrecognised deferred tax assets	(1,023,132)	-	-	-
	<u>783,544</u>	<u>207,131</u>	<u>42,000</u>	<u>4,500</u>
Under/(Over) provision in prior years	6,807,724	(14,861)	(145)	4,646
	<u>7,591,268</u>	<u>192,270</u>	<u>41,855</u>	<u>9,146</u>

## 19. Tax expense (continued)

### Reconciliation of tax expense (continued)

Certain subsidiaries of the Group were previously granted pioneer status for a period of five years commencing 1 June 2012 under Section 127(3) of the Income Tax Act, 1967 with an option to extend the pioneer status for a period of another five years upon expiry of the initial tax exemption period, subject to approval by the relevant authority. During the pioneer status period, the relevant subsidiaries' statutory income are exempted from income tax.

As disclosed in Note 29, during the financial year, the Company submitted an application to the relevant authority to extend the pioneer status of its subsidiaries for another 5 years commencing 1 June 2017 and at the same time, appealed for the relaxation of certain conditions attached to the pioneer status.

On 20 July 2018, the pioneer status for the subsidiaries and relaxation of the pioneer status conditions were approved by the authority. However, the terms of the pioneer status were revised whereby the relevant subsidiaries' statutory income will now be partially instead of fully exempted from income tax retrospectively effective 1 June 2012.

## 20. Staff costs - Group

	2018 RM	2017 RM
Salaries, wages and other emoluments	20,963,131	20,273,171
Defined contribution plans	2,371,300	2,108,555
Other employees benefits	1,113,722	1,172,849
	<u>24,448,153</u>	<u>23,554,575</u>

The above staff costs include those paid to Directors and key management personnel as disclosed in Note 23.

There is no staff cost applicable to the Company save for Directors' fee as the payroll costs for management staff and employees are paid by the operating subsidiaries.

## 21. (Loss)/Earnings per ordinary share - Group

### 21.1 Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share is calculated based on the consolidated (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares, calculated as follows:

	2018	2017
(Loss)/Profit attributable to owners of the Company (RM)	<u>(3,467,933)</u>	<u>6,450,101</u>

## 21. (Loss)/Earnings per ordinary share - Group (continued)

### 21.1 Basic (loss)/earnings per ordinary share (continued)

	2018	2017
Weighted average number of ordinary shares at 31 May	<u>129,668,000</u>	<u>129,668,000</u>
Basic (loss)/earnings per ordinary share (sen)	<u>(2.67)</u>	<u>4.97</u>

### 21.2 Diluted earnings per ordinary share

Diluted earnings per ordinary share is calculated based on the adjusted consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows :

	Group	
	2018	2017
(Loss)/Profit attributable to owners of the Company (RM)	<u>(3,467,933)</u>	<u>6,450,101</u>

The (loss)/profit attributable to owners of the Company is the same as disclosed in basic (loss)/earnings per share as there is no material effect arising from exercise of outstanding warrants.

Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share	129,668,000	129,668,000
Adjusted for effect of conversion of warrants	1,797,067	6,042,463
Weighted average number of ordinary shares at 31 May (diluted)	<u>131,465,067</u>	<u>135,710,463</u>
Diluted earnings per shares (sen)	<u>*</u>	<u>4.75</u>

\* The Group's diluted loss per ordinary share is not presented as the assumed potential new ordinary shares are anti-dilutive.

## 22. Dividends

Dividends recognised by the Company :

	RM per share	2018 RM	2017 RM	Date of payment
Final 2017 ordinary	0.02	2,593,360	-	29 December 2017
Final 2016 ordinary	0.02	-	2,593,360	30 December 2016
		<u>2,593,360</u>	<u>2,593,360</u>	

## 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 if the Group and the Company has the ability, directly or indirectly, to control or jointly 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. Related parties may be individuals or other entities.

The Group has related party relationship with its significant investor, subsidiaries, associates and companies in which certain Directors have a substantial financial interest.

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

### 23.2 Significant related party transactions

Related party transactions have been entered into under negotiated terms.

The significant related party transactions of the Group and of the Company are as follows:

	2018 RM	2017 RM
<b>Company</b>		
<b>Transactions with subsidiaries</b>		
- Dividend income	3,400,000	5,600,000
- Rental income	1,200,000	1,200,000
- Purchases	<u>(28,430)</u>	<u>-</u>
<b>Group</b>		
<b>Transaction with associates</b>		
- Sales	<u>2,179,569</u>	<u>2,343,440</u>
<b>Transactions with companies in which certain Directors have a substantial financial interest</b>		
- Purchases	2,716,964	2,895,602
- Transport charges	131,760	242,430
- Secretarial fees	<u>-</u>	<u>24,704</u>

## 23. Related parties (continued)

### 23.2 Significant related party transactions (continued)

#### Transactions with key management personnel

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Directors of the Company</b>				
Fee	121,700	120,800	121,700	120,800
Salaries and other emoluments	1,862,512	2,065,541	-	-
Defined contribution plans	159,775	177,050	-	-
	<u>2,143,987</u>	<u>2,363,391</u>	<u>121,700</u>	<u>120,800</u>
<b>Other Directors (on Board of subsidiaries)</b>				
Salaries and other emoluments	281,327	283,647	-	-
Defined contribution plans	21,647	31,525	-	-
	<u>302,974</u>	<u>315,172</u>	<u>-</u>	<u>-</u>
	<u>2,446,961</u>	<u>2,678,563</u>	<u>121,700</u>	<u>120,800</u>

The balances with related parties are shown in Note 10 and Note 15 to the financial statements.

## 24. Operating segment

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

## 24. Operating segment (continued)

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

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

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

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

### Segment assets

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

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

### Segment liabilities

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



**24. Operating segment (continued)**

<b>Group</b>	<b>Manufacturing RM</b>	<b>Trading RM</b>	<b>Others RM</b>	<b>Total RM</b>	<b>Eliminations RM</b>	<b>Consolidated RM</b>
<b>2018</b>						
<b>Revenue</b>						
External customers	416,725	326,411,645	-	326,828,370	-	326,828,370
Inter-segment	98,037,225	12,220,360	9,436,000	119,693,585	(119,693,585)	-
<b>Total revenue</b>	<b>98,453,950</b>	<b>338,632,005</b>	<b>9,436,000</b>	<b>446,521,955</b>	<b>(119,693,585)</b>	<b>326,828,370</b>
<b>Segment profit</b>	<b>634,528</b>	<b>7,516,781</b>	<b>3,078,811</b>	<b>11,230,120</b>	<b>(6,984,563)</b>	<b>4,245,557</b>
<i>Included in measure of segment profit are :</i>						
Interest income	13,468	263,582	28,367	305,417	(213,578)	91,839
Finance costs	(957,569)	(3,088,216)	(280,830)	(4,326,615)	92,719	(4,233,896)
Depreciation and amortisation	(2,783,283)	(2,186,931)	(1,328,049)	(6,298,263)	-	(6,298,263)
Share of results of associates	-	-	44,786	44,786	-	44,786
<b>Segment assets</b>	<b>53,901,143</b>	<b>235,266,860</b>	<b>96,337,405</b>	<b>385,505,408</b>	<b>(109,370,741)</b>	<b>276,134,667</b>
<i>Included in the measurement of segment assets are :</i>						
Additions to property, plant and equipment	272,769	22,637,311	24,820	22,934,900	-	22,934,900

## 24. Operating segment (continued)

Group	Manufacturing RM	Trading RM	Others RM	Total RM	Eliminations RM	Consolidated RM
2017						
<b>Revenue</b>						
External customers	684,434	340,457,108	-	341,141,542	-	341,141,542
Inter-segment	99,488,312	8,555,760	11,697,200	119,741,272	(119,741,272)	-
Total revenue	100,172,746	349,012,868	11,697,200	460,882,814	(119,741,272)	341,141,542
<b>Segment profit</b>	(678,260)	6,854,748	4,045,023	10,221,511	(3,641,659)	6,579,852
<i>Included in measure of segment profit are :</i>						
Interest income	13,930	225,029	19,229	258,188	(182,548)	75,640
Finance costs	(1,184,648)	(3,223,514)	(789,956)	(5,198,118)	303,417	(4,894,701)
Depreciation and amortisation	(2,881,665)	(1,897,778)	(1,347,909)	(6,127,352)	-	(6,127,352)
Share of results of associates	-	-	42,077	42,077	-	42,077
<b>Segment assets</b>	55,071,732	215,290,233	102,156,158	372,518,123	(119,293,328)	253,224,795
<i>Included in the measurement of segment assets are :</i>						
Additions to property, plant and equipment	345,999	1,735,180	29,006	2,110,185	-	2,110,185

## 24. Operating segment (continued)

### 24.1 Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets are as below. The amounts of non-current assets do not include financial instruments (including investments in associates and deferred tax assets).

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	215,897,700	233,339,979	107,869,372	91,629,556
Middle East	16,371,152	5,833,040	-	-
Other Asian countries	93,665,489	101,091,602	103,475	34,378
Others	894,029	876,921	-	-
	<u>326,828,370</u>	<u>341,141,542</u>	<u>107,972,847</u>	<u>91,663,934</u>

## 25. Financial instruments

### 25.1 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").

Group	2018		2017	
	Carrying amount RM	L&R RM	Carrying amount RM	L&R RM
<b>Financial assets</b>				
Trade and other receivables (excluding prepayments)	58,281,883	58,281,883	64,045,130	64,045,130
Fixed deposits	1,068,024	1,068,024	1,104,261	1,104,261
Cash and bank balances	23,576,649	23,576,649	21,222,369	21,222,369
	<u>82,926,556</u>	<u>82,926,556</u>	<u>86,371,760</u>	<u>86,371,760</u>

## 25. Financial instruments (continued)

### 25.1 Categories of financial instruments (continued)

	← 2018 →		← 2017 →	
	Carrying amount RM	L&R RM	Carrying amount RM	L&R RM
<b>Company</b>				
<b>Financial assets</b>				
Trade and other receivables (excluding prepayments)	4,322,982	4,322,982	13,716,401	13,716,401
Fixed deposits	-	-	20,000	20,000
Cash and bank balances	263,621	263,621	938,163	938,163
	<u>4,586,603</u>	<u>4,586,603</u>	<u>14,674,564</u>	<u>14,674,564</u>
	← 2018 →		← 2017 →	
	Carrying amount RM	FL RM	Carrying amount RM	FL RM
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	51,203,604	51,203,604	44,784,777	44,784,777
Loans and borrowings	103,357,259	103,357,259	88,860,284	88,860,284
	<u>154,560,863</u>	<u>154,560,863</u>	<u>133,645,061</u>	<u>133,645,061</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	10,679,533	10,679,533	9,473,832	9,473,832
Loans and borrowings	2,099,743	2,099,743	7,724,743	7,724,743
	<u>12,779,276</u>	<u>12,779,276</u>	<u>17,198,575</u>	<u>17,198,575</u>

## 25. Financial instruments (continued)

### 25.2 Net gains and losses arising from financial instruments :

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net gains/(losses) arising on:				
- Loans and receivables	(790,099)	1,067,842	27,993	18,856
- Finance liabilities measured at amortised cost	(2,869,917)	(4,323,944)	(280,829)	(789,956)
	<u>(3,660,016)</u>	<u>(3,256,102)</u>	<u>(252,836)</u>	<u>(771,100)</u>

### 25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 25.4 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 borrowings granted to subsidiaries.

#### *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.

## 25. Financial instruments (continued)

### 25.4 Credit risk (continued)

#### Receivables (continued)

##### *Exposure to credit risk, credit quality and collateral (continued)*

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

	2018 RM	2017 RM
<b>Group</b>		
Malaysia	46,652,709	52,406,422
Asia, other than Malaysia	6,176,360	7,805,958
Middle east	1,006,512	181,237
Others	147,623	118,781
	<u>53,983,204</u>	<u>60,512,398</u>

#### *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	Individual impairment RM	Collective impairment RM	Net RM
<b>Group</b>				
<b>2018</b>				
Not past due	43,764,378	-	-	43,764,378
Past due less than 60 days	8,849,413	-	-	8,849,413
Past due 61 - 120 days	539,826	-	-	539,826
Past due 121 - 180 days	1,303,724	(474,137)	-	829,587
	<u>54,457,341</u>	<u>(474,137)</u>	<u>-</u>	<u>53,983,204</u>
<b>2017</b>				
Not past due	50,959,758	-	-	50,959,758
Past due less than 60 days	8,723,282	-	-	8,723,282
Past due 61 - 120 days	195,649	-	-	195,649
Past due 121 - 180 days	1,963,873	(1,330,164)	-	633,709
	<u>61,842,562</u>	<u>(1,330,164)</u>	<u>-</u>	<u>60,512,398</u>

## 25. Financial instruments (continued)

### 25.4 Credit risk (continued)

#### Receivables (continued)

##### *Impairment losses (continued)*

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

	Group	
	2018 RM	2017 RM
At 1 June	1,330,164	1,148,481
Impairment loss recognised	246,832	266,419
Impairment loss reversal	(44,251)	(54,570)
Impairment loss written off	(1,058,608)	(30,166)
At 31 May	474,137	1,330,164

The allowance account in respect of receivables is used to record impairment losses. The determination of the recoverability of past due amounts due from customers involves the identification of whether there is any objective evidence of impairment. In determining the level of impairment required, the Directors applied assumptions and judgement to assess the recoverability of past due balances and took into consideration amongst others, the ageing of the balance, historical payment trends of the customer and amount collected subsequent to the end of the financial reporting period. 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 amounted to RM62.80 million (2017 : RM63.26 million) representing the Company's exposure to 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.

## 25. Financial instruments (continued)

### 25.4 Credit risk (continued)

#### Inter company balances

##### *Risk management objectives, policies and processes for managing the risk*

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

##### *Exposure to credit risk, credit quality and collateral*

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

##### *Impairment losses*

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

### 25.5 Liquidity risk

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

The Group or the Company 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 significantly different amounts.



## 25. Financial instruments (continued)

### 25.5 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:

2018	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
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	3,990,595	8.35 - 8.65	3,990,595	3,990,595	-	-	-
Bankers' acceptances	68,762,547	3.95 - 5.57	68,762,547	68,762,547	-	-	-
Revolving credit	2,500,000	4.90 - 5.57	2,500,000	2,500,000	-	-	-
Term loans	26,566,001	5.30 - 7.70	35,679,430	5,519,993	3,905,843	9,610,924	16,642,670
Finance lease liabilities	1,538,116	2.38 - 3.43	1,662,783	612,446	856,850	193,487	-
Trade and other payables	51,203,604	-	51,203,604	51,203,604	-	-	-
	<u>154,560,863</u>		<u>163,798,959</u>	<u>132,589,185</u>	<u>4,762,693</u>	<u>9,804,411</u>	<u>16,642,670</u>
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Term loans	2,099,743	6.20	2,162,245	2,162,245	-	-	-
Trade and other payables	10,679,533	-	10,679,533	10,679,533	-	-	-
Financial guarantee	-	-	62,800,000	62,800,000	-	-	-
	<u>12,779,276</u>		<u>75,641,778</u>	<u>75,641,778</u>	-	-	-

## 25. Financial instruments (continued)

### 25.5 Liquidity risk (continued)

#### Maturity analysis (continued)

2017	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
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	6,362,432	8.10 - 8.65	6,362,432	6,362,432	-	-	-
Bankers' acceptances	60,354,625	3.95 - 5.57	60,354,625	60,354,625	-	-	-
Revolving credit	2,500,000	4.90 - 5.57	2,500,000	2,500,000	-	-	-
Term loans	17,649,852	5.45 - 7.70	21,144,474	7,934,464	3,587,147	3,047,695	6,575,168
Finance lease liabilities	1,993,375	2.38 - 3.43	2,197,490	614,627	595,127	960,036	27,700
Trade and other payables	44,784,777	-	44,784,777	44,784,777	-	-	-
	<u>133,645,061</u>		<u>137,343,798</u>	<u>122,550,925</u>	<u>4,182,274</u>	<u>4,007,731</u>	<u>6,602,868</u>
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Term loans	7,724,743	6.20	8,064,214	5,901,969	2,162,245	-	-
Trade and other payables	9,473,832	-	9,473,832	9,473,832	-	-	-
Financial guarantee	-	-	63,260,000	63,260,000	-	-	-
	<u>17,198,575</u>		<u>80,798,046</u>	<u>78,635,801</u>	<u>2,162,245</u>	<u>-</u>	<u>-</u>

## 25. Financial instruments (continued)

### 25.6 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 and the Company's financial position or cash flows.

#### 25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases 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").

*Risk management objectives, policies and processes for managing the risk*

Foreign currency exchange exposures in currencies other than functional currencies of the Group entities are kept to an acceptable level.

*Exposure to foreign currency risk*

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

	Denominated in	
	USD RM	RMB RM
<b>Group</b>		
<b>2018</b>		
Trade and other receivables	4,742,188	-
Cash and bank balances	9,087,564	64,361
Trade and other payables	(8,490,761)	(1,973,322)
Loans and borrowings	(3,144,806)	-
<b>Net exposure</b>	<u>2,194,185</u>	<u>(1,908,961)</u>
<b>2017</b>		
Trade and other receivables	3,731,966	-
Cash and bank balances	6,061,891	-
Trade and other payables	(7,357,181)	(448,101)
Loans and borrowings	(2,603,410)	-
<b>Net exposure</b>	<u>(166,734)</u>	<u>(448,101)</u>

*Currency risk sensitivity analysis*

A 10% (2017 : 10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

## 25. Financial instruments (continued)

### 25.6 Market risk (continued)

#### 25.6.1 Currency risk (continued)

*Currency risk sensitivity analysis (continued)*

	Profit or loss	
	2018 RM	2017 RM
USD	(166,758)	12,672
RMB	145,081	34,056

A 10% (2017 : 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

#### 25.6.2 Interest rate risk

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

*Risk management objectives, policies and processes for managing the risk*

The Group manages this risk by having a combination of borrowings with fixed and floating rates. The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a regular basis.

*Exposure to interest rate risk*

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Fixed rate instruments</b>				
Financial asset				
- Fixed deposits	1,068,024	1,104,261	-	20,000

## 25. Financial instruments (continued)

### 25.6 Market risk (continued)

#### 25.6.2 Interest rate risk (continued)

*Exposure to interest rate risk (continued)*

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Fixed rate instruments</b>				
Financial liabilities				
- Finance lease liabilities	1,538,116	1,993,375	-	-
- Bankers' acceptances	68,762,547	60,354,625	-	-
	<u>70,300,663</u>	<u>62,348,000</u>	<u>-</u>	<u>-</u>
<b>Floating rate instruments</b>				
Financial liabilities				
- Term loans	26,566,001	17,649,852	2,099,743	7,724,743
- Bank overdrafts	3,990,595	6,362,432	-	-
- Revolving credit	2,500,000	2,500,000	-	-
	<u>33,056,596</u>	<u>26,512,284</u>	<u>2,099,743</u>	<u>7,724,743</u>

*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*

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

## 25. Financial instruments (continued)

### 25.6 Market risk (continued)

#### 25.6.2 Interest rate risk (continued)

*Interest rate risk sensitivity analysis (continued)*

*(b) Cash flow sensitivity analysis for variable rate instruments (continued)*

	Group		Company	
	50 bp increase RM	50 bp decrease RM	50 bp increase RM	50 bp decrease RM
<b>Profit or loss</b>				
<b>Floating rate instruments</b>				
2018	<u>(125,615)</u>	<u>125,615</u>	<u>(7,979)</u>	<u>7,979</u>
2017	<u>(100,747)</u>	<u>100,747</u>	<u>(29,354)</u>	<u>29,354</u>

### 25.7 Fair value information

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

## 25. Financial instruments (continued)

### 25.7 Fair value information (continued)

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.

2018 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>Financial liabilities</b>								
Term loans	-	-	-	-	-	26,566,001	26,566,001	26,566,001
- Variable rate								
Finance lease liabilities	-	-	-	-	-	1,538,116	1,538,116	1,538,116
	-	-	-	-	-	28,104,117	28,104,117	28,104,117
<b>Company</b>								
<b>Financial liabilities</b>								
Term loans	-	-	-	-	-	2,099,743	2,099,743	2,099,743
- Variable rate								
	-	-	-	-	-	2,099,743	2,099,743	2,099,743

## 25. Financial instruments (continued)

### 25.7 Fair value information (continued)

2017 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>Financial liabilities</b>								
Term loans								
- Variable rate	-	-	-	-	-	17,649,852	17,649,852	17,649,852
Finance lease liabilities	-	-	-	-	-	1,993,375	1,993,375	1,993,375
	-	-	-	-	-	19,643,227	19,643,227	19,643,227
<b>Company</b>								
<b>Financial liabilities</b>								
Term loans								
- Variable rate	-	-	-	-	-	7,724,743	7,724,743	7,724,743

The Company provides financial guarantees to banks for borrowings granted to certain subsidiaries. The fair value of such guarantees is negligible as the probability of the subsidiaries defaulting on the credit lines is remote.



## 25. Financial instruments (continued)

### 25.7 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.

#### 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. (2017: no transfer in either direction).

#### 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 determined by reference to similar borrowing arrangements at the end of the reporting period.

#### Level 3 fair value

The carrying amount of floating rate term loans approximate their fair values as their effective interest rates change accordingly to movements in the market interest rate. The fair value of finance lease liabilities is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements which range from 2.38% to 3.43% (2017 : 2.38% to 3.43%) .

## 26. 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.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

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

## 27. Operating lease commitments

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	2018 RM	2017 RM
Less than one year	204,138	181,950
Between one and five years	174,342	20,739
	378,480	202,689

The Group leases an office unit, warehouse and office equipment under operating leases. The leases are for an initial period ranging from 6 to 24 months, with options to renew the leases upon the expiry of the initial lease period date, except for office equipment which runs for 60 months with no option to renew the lease thereafter.

## 28. Capital commitment

	2018 RM	2017 RM
<b>Property, plant and equipment</b>		
Contracted but not provided for	210,000	-

## 29. Significant events

Certain subsidiaries of the Group were previously granted pioneer status for a period of five years commencing 1 June 2012 under Section 127(3) of the Income Tax Act, 1967 with an option to extend the pioneer status for a period of another five years upon expiry of the initial tax exemption period, subject to approval by the relevant authority. During the pioneer status period, the relevant subsidiaries' statutory income are exempted from income tax.

During the financial year, the Company submitted an application to the relevant authority to extend the pioneer status of its subsidiaries for another 5 years commencing 1 June 2017 and at the same time, appealed for the relaxation of certain conditions attached to the pioneer status.

On 20 July 2018, the pioneer status for the subsidiaries and relaxation of the pioneer status conditions were approved by the authority. However, the terms of the pioneer status were revised whereby the relevant subsidiaries' statutory income will now be partially instead of fully exempted from income tax retrospectively effective 1 June 2012. Consequent to the above, the Group made a provision for income tax of RM6.8 million for the financial years 2013 to 2017. The Company had on 31 July 2018 submitted an appeal to the relevant authority on this matter and is hopeful to resolve the matter in the near future. If the outcome of the appeal is favourable, the under provision of income tax of RM6.8 million may be wholly or partly reversed.

**30. Contingent liability - Company**

	<b>2018 RM</b>	<b>2017 RM</b>
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries	<u>73,720,000</u>	<u>75,420,000</u>

**Pensonic Holdings Berhad**

(Company No. 300426 - P)

(Incorporated in Malaysia)

**and its subsidiaries****Statement by Directors pursuant to  
Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 7 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2018 and of their financial performance and cash flows for the financial year then ended.

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**  
Director



.....  
**Chew Chuon Ghee**  
Director

Penang,

Date : 19 September 2018

**Pensonic Holdings Berhad**

(Company No. 300426 - P)

(Incorporated in Malaysia)

**and its subsidiaries****Statutory declaration pursuant to  
Section 251(1)(b) of the Companies Act 2016**

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 7 to 82 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed at George Town in the State of Penang on 19 September 2018.



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

Before me :



20 Lebu King  
10200 Pulau Pinang

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD**

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Pensonic Holdings Berhad, which comprise the statements of financial position as at 31 May 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 82.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2018, and of their financial performance and their 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 2016 in Malaysia.

#### **Basis for Opinion**

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

#### **Independence and Other Ethical Responsibilities**

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

## **Key Audit Matters**

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

### **Recoverability of trade receivables**

Refer to Notes 1(d) - Use of estimates and judgements and 2(g) – Impairment.

#### **The key audit matter**

As at 31 May 2018, the total trade receivables net of impairment as disclosed in Note 10 was RM54 million.

We identified impairment on trade receivables as a key audit matter because trade receivables are significant to the Group's consolidated financial statements both in amount and nature, and the estimation of impairment losses entails judgement by the Directors of the inability of the customers to make the required payments.

#### **How the matter was addressed in our audit**

Our audit procedures included amongst others:

- We tested the accuracy of the trade receivables ageing report used by the Group to identify past due balances;
- We tested the cash receipts after the year end for past due balances to bank statements; and
- We obtained an understanding of the basis of the Directors' judgements about the recoverability of past due amounts and evaluated the impairment of doubtful debts made by the Directors, taking into account the customers' historical payment trends and cash receipts after the year end.

### **Valuation of inventories**

Refer to Notes 1(d) - Use of estimates and judgements and 2(h) – Inventories.

#### **The key audit matter**

As at 31 May 2018, the carrying amount of the Group's inventories as disclosed in Note 9 amounted to RM83 million which comprised of a wide range of electrical products and appliances.

### **The key audit matter (continued)**

The inventories are required to be measured at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value require the use of judgement on estimated selling price and future demand.

Given the wide range of inventories carried by the Group and the judgement required to determine the write down of the inventories, we have identified valuation of inventories as a key audit matter.

### **How the matter was addressed in our audit**

Our audit procedures performed in this area included, among others:

- We attended the year end physical inventory counts to identify whether any inventories were damaged;
- We assessed the Group's inventory write-down policy by taking into account the historical consumption and sales of the inventories;
- We tested the accuracy of sales by product reports relied by the Group to assess inventories for write down; and
- We selected items of inventories on sampling basis and compared the carrying amount of the inventories to the selling price for sales transacted after year end or recent sales transacted during the year to sales invoices.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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

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

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

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

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



## **Responsibilities of the Directors for the Financial Statements**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

## **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



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## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

### Other Matters

The financial statements of the Group and of the Company as at and for the year ended 31 May 2017 were audited by another auditors who expressed an unmodified opinion on those statements on 25 September 2017.

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

**KPMG PLT**  
LLP0010081-LCA & AF 0758  
Chartered Accountants

**Raymond Chong Chee Mon**  
Approval Number : 03272/06/2020 J  
Chartered Accountant

Date : 19 September 2018

Penang