

Pensonic Holdings Berhad
(Registration No. 199401014746 (300426 - P))
(Incorporated in Malaysia)
and its subsidiaries

**Financial statements for the
year ended 31 May 2020**

Pensonic Holdings Berhad
(Registration No. 199401014746 (300426 - P))
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 May 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2020.

Principal activities

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

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

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM	Company RM
Profit for the year attributable to :		
Owners of the Company	2,881,708	9,016,368
Non-controlling interests	(319,855)	-
	<u>2,561,853</u>	<u>9,016,368</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.

Dividend

No dividend was paid since the end of the previous financial year and 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' Paduka
 Ku Nahar Bin Ku Ibrahim
 Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain
 Ong Huey Min
 Chew Chuon Fang

Directors of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries during the financial year until the date of this report are :

Alex Tumondo Tan
 Chew Chun Jia
 Koh Wan Tiong
 Lee Chin Chuan
 Dato' HJ Kamarudin Bin Ismail
 Nor Azmin Bin Che Pin @ Ariffin
 Dato' Tan Ah Lee

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			Balance at 31.5.2020
	Balance at 1.6.2019	Bought	(Sold)	
Interests in the Company :				
Direct interests :				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	7,100,000	2,717,800	-	9,817,800
- others*	6,200,000	-	-	6,200,000
Chew Chuon Jin - own	7,898,400	-	-	7,898,400
- others*	16,800	-	-	16,800
Chew Chuon Ghee	8,704,000	-	-	8,704,000
Chew Chuon Fang	6,181,000	-	-	6,181,000
Deemed interests :				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	21,463,724	3,639,300	-	25,103,024

Directors' interests in shares (continued)

	Number of warrants 2014/2024			Balance at 31.5.2020
	Balance at 1.6.2019	Bought	(Sold)	
Interests in the Company :				
Direct interests :				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak - own	8,400,000	-	-	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	2,877,000	-	-	2,877,000

Deemed interests :

Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	10,663,912	6,000	-	10,669,912
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* 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 2020 had any interest in the ordinary shares or 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 31.5.2020
Warrants 2014/2024	RM0.60	20.01.2024	64,834,000

The warrants 2014/2024 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 benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and of 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 22 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 Directors and officers of the Group and of the Company was 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 during the financial year.

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 gain on disposal of property, plant and equipment as disclosed in Note 18, the financial performance of the Group and of the Company for the financial year ended 31 May 2020 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 financial year

Details of the significant events are disclosed in Note 28 to the financial statements.

Subsequent events


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

Auditors

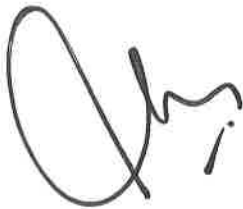
The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

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 : 18 September 2020

Pensonic Holdings Berhad

(Registration No. 199401014746 (300426 - P))

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Statements of financial position as at 31 May 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Assets					
Property, plant and equipment	3	125,512,828	113,276,848	45,584,266	46,848,888
Intangible assets	4	870,000	870,000	-	-
Investments in subsidiaries	5	-	-	45,370,697	42,750,697
Investments in associates	6	550,733	539,365	146,825	146,825
Deferred tax assets	7	476,765	532,553	-	-
Total non-current assets		127,410,326	115,218,766	91,101,788	89,746,410
Inventories	8	44,595,617	70,555,812	-	-
Trade and other receivables	9	58,924,823	67,101,418	3,163,633	2,151,736
Current tax assets		738,780	306,585	-	-
Fixed deposits	10	512,749	497,519	-	-
Cash and bank balances		26,146,062	21,885,561	37,126	158,009
		130,918,031	160,346,895	3,200,759	2,309,745
Assets classified as held for sale	11	-	203,682	-	-
Total current assets		130,918,031	160,550,577	3,200,759	2,309,745
Total assets		258,328,357	275,769,343	94,302,547	92,056,155

Statements of financial position as at 31 May 2020 (continued)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Equity					
Share capital	12	67,670,893	67,670,893	67,670,893	67,670,893
Reserves	13	49,149,580	45,629,640	23,469,225	14,452,857
Total equity attributable to owners of the Company		<u>116,820,473</u>	<u>113,300,533</u>	<u>91,140,118</u>	<u>82,123,750</u>
Non-controlling interests	5	1,751,117	2,272,987	-	-
Total equity		<u>118,571,590</u>	<u>115,573,520</u>	<u>91,140,118</u>	<u>82,123,750</u>
Liabilities					
Loans and borrowings	14	40,329,161	23,553,534	-	-
Lease liabilities		780,234	-	-	-
Deferred tax liabilities	7	220,000	358,000	42,000	42,000
Total non-current liabilities		<u>41,329,395</u>	<u>23,911,534</u>	<u>42,000</u>	<u>42,000</u>
Trade and other payables	15	39,728,097	42,201,074	3,115,429	9,855,405
Loans and borrowings	14	51,884,920	88,212,865	-	-
Lease liabilities		837,437	-	-	-
Current tax liabilities		5,976,918	5,870,350	5,000	35,000
Total current liabilities		<u>98,427,372</u>	<u>136,284,289</u>	<u>3,120,429</u>	<u>9,890,405</u>
Total liabilities		<u>139,756,767</u>	<u>160,195,823</u>	<u>3,162,429</u>	<u>9,932,405</u>
Total equity and liabilities		<u>258,328,357</u>	<u>275,769,343</u>	<u>94,302,547</u>	<u>92,056,155</u>

The notes on pages 18 to 97 are an integral part of these financial statements.

Pensonic Holdings Berhad

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Statements of profit or loss and other comprehensive income for the year ended 31 May 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	16	280,070,653	324,369,079	10,700,000	1,500,000
Cost of sales		(233,677,068)	(265,202,941)	-	-
Gross profit		<u>46,393,585</u>	<u>59,166,138</u>	<u>10,700,000</u>	<u>1,500,000</u>
Other income		12,111,675	2,248,099	1,088,194	1,519,154
Selling and distribution expenses		(21,202,400)	(25,515,272)	-	-
Administrative expenses		(29,987,316)	(29,737,337)	(2,700,720)	(2,629,818)
Results from operating activities		<u>7,315,544</u>	<u>6,161,628</u>	<u>9,087,474</u>	<u>389,336</u>
Finance costs	17	(4,224,135)	(4,365,697)	-	(66,305)
Share of results of associates		11,368	9,304	-	-
Profit before tax	18	<u>3,102,777</u>	<u>1,805,235</u>	<u>9,087,474</u>	<u>323,031</u>
Tax expense	19	(540,924)	(1,377,982)	(71,106)	(172,460)
Profit for the year		<u>2,561,853</u>	<u>427,253</u>	<u>9,016,368</u>	<u>150,571</u>

Statements of profit or loss and other comprehensive income for the year ended 31 May 2020 (continued)

	Note	Group 2020 RM	2019 RM	Company 2020 RM	2019 RM
Other comprehensive income, net of tax :					
Item that is or may be reclassified subsequently to profit or loss					
Foreign exchange translation differences for foreign operations		467,847	369,831	-	-
Total comprehensive income for the year		<u>3,029,700</u>	<u>797,084</u>	<u>9,016,368</u>	<u>150,571</u>
Profit attributable to :					
Owners of the Company		2,881,708	560,260	9,016,368	150,571
Non-controlling interests		(319,855)	(133,007)	-	-
		<u>2,561,853</u>	<u>427,253</u>	<u>9,016,368</u>	<u>150,571</u>
Total comprehensive income attributable to :					
Owners of the Company		3,519,940	930,091	9,016,368	150,571
Non-controlling interests		(490,240)	(133,007)	-	-
		<u>3,029,700</u>	<u>797,084</u>	<u>9,016,368</u>	<u>150,571</u>
Basic/Diluted earnings per ordinary share (sen)	21	<u>2.22</u>	<u>0.43</u>		

The notes on pages 18 to 97 are an integral part of these financial statements.

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Consolidated statement of changes in equity for the year ended 31 May 2020

Group	Attributable to owners of the Company		Distributable					Total equity RM	
	Share capital RM	Foreign currency translation reserve RM	Warrants reserve RM	Capital reserve RM	Other reserve RM	Retained earnings RM	Total RM		
At 1 June 2018	67,670,893	(283,614)	6,483,400	4,487,540	(638,792)	34,651,015	112,370,442	2,168,412	114,538,854
Profit for the year	-	-	-	-	-	560,260	560,260	(133,007)	427,253
Other comprehensive income for the year	-	369,831	-	-	-	-	369,831	-	369,831
Total comprehensive income/(expense) for the year	-	369,831	-	-	-	560,260	930,091	(133,007)	797,084
Transactions with owners of the Company :	-	-	-	-	-	-	-	321,582	321,582
- Subscription of a subsidiary's shares by non-controlling interests	-	-	-	-	-	-	-	(84,000)	(84,000)
Capital distribution by a subsidiary	-	-	-	-	-	-	-	237,582	237,582
Total transactions with owners of the Company	-	-	-	-	-	-	-	2,272,987	115,573,520
At 31 May 2019	67,670,893	86,217	6,483,400	4,487,540	(638,792)	35,211,275	113,300,533	2,272,987	115,573,520

Note 12

Note 13

Consolidated statement of changes in equity for the year ended 31 May 2020 (continued)

Group	Attributable to owners of the Company						Total equity RM		
	Non-distributable			Distributable					
	Share capital 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 2019	67,670,893	86,217	6,483,400	4,487,540	(638,792)	35,211,275	113,300,533	2,272,987	115,573,520
Profit for the year	-	-	-	-	-	2,881,708	2,881,708	(319,855)	2,561,853
Other comprehensive income for the year	-	638,232	-	-	-	-	638,232	(170,385)	467,847
Total comprehensive income/(expense) for the year	-	638,232	-	-	-	2,881,708	3,519,940	(490,240)	3,029,700
Transaction with owners of the Company :	-	-	-	-	-	-	-	(31,630)	(31,630)
Capital distribution by a subsidiary	-	-	-	-	-	-	-	-	-
At 31 May 2020	67,670,893	724,449	6,483,400	4,487,540	(638,792)	38,092,983	116,820,473	1,751,117	118,571,590
	Note 12					Note 13			

Statement of changes in equity for the year ended 31 May 2020

Company	Share capital RM	Non- distributable Warrants reserve RM	Distributable Retained earnings RM	Total equity RM
At 1 June 2018	67,670,893	6,483,400	7,818,886	81,973,179
Profit and total comprehensive income for the year	-	-	150,571	150,571
At 31 May 2019/ 1 June 2019	67,670,893	6,483,400	7,969,457	82,123,750
Profit and total comprehensive income for the year	-	-	9,016,368	9,016,368
At 31 May 2020	67,670,893	6,483,400	16,985,825	91,140,118
	Note 12	← Note 13 →		

Pensonic Holdings Berhad

(Registration No. 199401014746 (300426 - P))

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Statements of cash flows for the year ended 31 May 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from operating activities					
Profit before tax		3,102,777	1,805,235	9,087,474	323,031
Adjustments for :					
Depreciation of property, plant and equipment	3	7,178,702	6,386,066	1,283,955	1,282,505
Impairment loss of intangible assets	4	-	194,386	-	-
Dividend income from subsidiaries	16	-	-	(10,700,000)	(1,500,000)
Interest expense		4,084,866	4,365,697	-	66,305
Accretion of interest on lease liabilities	17	139,269	-	-	-
Gain on disposal of property, plant and equipment and right-of-use assets	18	(9,431,321)	(220,273)	-	-
Gain on disposal of asset classified as held for sales	18	(436,318)	-	-	-
Property, plant and equipment written off	18	47,657	151,791	-	-
Interest income	18	(86,128)	(112,820)	(35,870)	(52,878)
Share of results of associates		(11,368)	(9,304)	-	-
Operating profit/(loss) before working capital changes		4,588,136	12,560,778	(364,441)	118,963

Statements of cash flows for the year ended 31 May 2020 (continued)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Changes in working capital :					
Inventories		25,996,337	12,560,688	-	-
Trade and other receivables		9,066,167	(7,311,653)	998,784	2,220,435
Trade and other payables		(3,023,031)	(9,526,915)	(2,750,657)	(970,953)
Cash generated from/ (used in) operations		36,627,609	8,282,898	(2,116,314)	1,368,445
Tax paid		(948,763)	(2,158,648)	(101,106)	(98,315)
Net cash from/ (used in) operating activities		35,678,846	6,124,250	(2,217,420)	1,270,130
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment and right-of-use assets		18,151,487	488,379	-	-
Proceeds from disposal of assets classified as held for sale		640,000	-	-	-
Purchase of property, plant and equipment	3.1	(24,377,586)	(11,910,120)	(19,333)	-
Interest received		86,128	112,820	35,870	52,878
Dividends received	C	-	-	4,700,000	1,500,000
Investments in subsidiaries		-	-	(2,620,000)	(762,572)
Net cash (used in)/ from investing activities		(5,499,971)	(11,308,921)	2,096,537	790,306

Statements of cash flows for the year ended 31 May 2020 (continued)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from financing activities					
(Repayment)/Drawdown of :					
- bankers' acceptances	14.1	(18,352,399)	(13,555,458)	-	-
- revolving credit	14.1	(6,190,000)	8,100,000	-	-
- hire purchase creditors	14.1	(187,864)	-	-	-
- finance lease liabilities			(608,966)	-	-
- term loans	14.1	932,142	16,338,458	-	(2,099,743)
- lease liabilities	14.1	(856,643)	-	-	-
Withdrawal of fixed deposits		(15,230)	570,505	-	-
Subscription of shares by non-controlling interests			321,582	-	-
Capital distribution by a subsidiary		(31,630)	(84,000)	-	-
Interest paid	17	(5,097,683)	(5,316,458)	-	(66,305)
Net cash (used in)/from financing activities		(29,799,307)	5,765,663	-	(2,166,048)
Net increase/ (decrease) in cash and cash equivalents		379,568	580,992	(120,883)	(105,612)
Effects of exchange differences on cash and cash equivalents		91,640	99,414	-	-
Cash and cash equivalents at 1 June		20,266,460	19,586,054	158,009	263,621
Cash and cash equivalents at 31 May	A	20,737,668	20,266,460	37,126	158,009

Statements of cash flows for the year ended 31 May 2020 (continued)

Notes :

A. Cash and cash equivalents

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	26,146,062	21,885,561	37,126	158,009
Bank overdrafts	(5,408,394)	(1,619,101)	-	-
	<u>20,737,668</u>	<u>20,266,460</u>	<u>37,126</u>	<u>158,009</u>

B. Cash outflows for leases as a lessee

	Note	Group	
		2020 RM	2019 RM
Included in net cash from operating activities :			
Payment relating to :			
- short-term leases	18	534,317	-
- leases of low-value assets	18	45,041	-
Included in net cash from financing activities :			
Payment of lease liabilities	14.1	856,643	-
Interest paid in relation to lease liabilities	17	139,269	-
		<u>1,575,270</u>	<u>-</u>

C. Dividends received

During the financial year, the Company received dividends by way of the following :

	Company	
	2020 RM	2019 RM
Cash payment	4,700,000	1,500,000
Set-off against amount due to a subsidiary	3,989,319	-
	<u>8,689,319</u>	<u>1,500,000</u>

The notes on pages 18 to 97 are an integral part of these financial statements.

Pensonic Holdings Berhad

(Registration No. 199401014746 (300426 - P))

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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

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang

The consolidated financial statements of the Company as at and for the financial year ended 31 May 2020 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 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 18 September 2020.

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.

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

MFRSs and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

MFRSs and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

MFRSs and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

MFRSs 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 and amendments, where applicable in the respective financial years when the abovementioned accounting standards and amendments 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 2023 as it is not applicable to the Group and the Company.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than 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.

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 those disclosed in the following notes :

- Note 3.4.1 - Extension options and incremental borrowing rate in relation to leases
- Note 8 - Inventories
- Note 19 - Tax expense
- Note 24.4 - 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 the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those adopted in previous financial statements. This impacts arising from the changes are disclosed in Note 31 to the financial statements.

2. Significant accounting policies (continued)

(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.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

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 are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

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

(vii) Transactions eliminated on consolidation

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

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

2. Significant accounting policies (continued)

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

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

2. Significant accounting policies (continued)

(c) Financial instruments

(i) *Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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 the policy applicable to the nature of the host contract.

(ii) *Financial instrument categories and subsequent measurement*

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(g)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see Note 2(g)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the 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.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of :

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(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 transferred, 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 of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition (continued)

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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group 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.

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. 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
Computers	2 - 10
Renovation and electrical installation	8 - 10
Plant and machinery	8 - 10
Furniture, fittings and office equipment	3 - 20
Motor vehicles	5 - 10
Signboards and showcases	10

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

2. Significant accounting policies (continued)

(e) Leases

The Group and the Company have applied MFRS 16, *Leases* using the modified retrospective approach, under which the cumulative effect of initial application, if any is recognised as an adjustment to retained earnings at 1 June 2019. Accordingly, the comparative information presented for financial year ended 31 May 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) *Definition of a lease*

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether :

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following :

- fixed payments, including in-substance fixed payments less any incentives receivable; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group and the Company acts as a lessor, they determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group and the Company are an intermediate lessor, they account for their interests in the head lease and the sublease separately. They assess the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company apply the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue" or "other income".

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group and the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was 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) Leases (continued)

Previous financial year (continued)

As a lessee (continued)

(ii) Operating lease

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Trademark

Trademark with indefinite useful life is measured at cost less any accumulated impairment losses.

(iii) 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 the development and to use or sell the asset.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iii) *Research and development (continued)*

The expenditure capitalised includes the cost of materials, direct labour and overhead 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.

(iv) *Amortisation*

Goodwill and trademark with indefinite useful life 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*

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(i) *Financial assets (continued)*

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) *Other assets*

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

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

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

2. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets (continued)

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 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.

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) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of goods or services at a point in time unless one of the following over time criteria is met :

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

2. Significant accounting policies (continued)

(l) Revenue and other income (continued)

(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.

(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.

2. Significant accounting policies (continued)

(n) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the 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 the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(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 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.

2. Significant accounting policies (continued)

(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 measurements

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.

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.

(t) Non-current asset held for sale

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

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

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

3. Property, plant and equipment

← Right-of-use assets →

Group	Leasehold land RM	Buildings RM	Land RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboards and showcases RM	Capital work-in-progress RM	Total RM
Cost												
At 1 June 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
Additions	-	-	950,761	-	496,587	74,583	636,636	83,250	624,189	5,320	10,684,906	13,556,232
Disposals	-	-	-	(141,000)	(5,832)	-	(2,719,480)	-	(92,879)	-	-	(2,959,191)
Write-off	-	-	-	-	(54,286)	(125,410)	(57,956)	(299,715)	(3,200)	(77,190)	-	(617,757)
Government grant received	-	-	-	-	(27,122)	(218,714)	(37,717)	(13,658)	-	-	-	(297,211)
Transfer to assets classified as held for sale (Note 11)	-	-	-	(351,680)	-	-	-	-	-	-	-	(351,680)
Exchange difference	-	-	-	-	5,780	902	-	8,667	-	-	-	15,349
At 31 May 2019, as previously reported	-	-	37,667,653	63,693,725	5,391,030	8,418,365	25,709,934	6,557,096	5,821,457	1,397,912	10,684,906	165,342,078
Reclassification Adjustment on initial application of MFRS 16	-	-	3,419,390	(3,835,042)	-	415,652	-	-	-	-	-	-
	20,575,920	2,346,993	(20,575,920)	-	-	-	-	-	-	-	-	2,346,993
At 1 June 2019, as restated	20,575,920	2,346,993	20,511,123	59,858,683	5,391,030	8,834,017	25,709,934	6,557,096	5,821,457	1,397,912	10,684,906	167,689,071
Additions	-	110,781	-	5,839,124	339,334	239,041	349,132	1,893,430	696,274	-	16,351,309	25,818,425
Disposals	(7,720,242)	-	-	(4,247,836)	(223,739)	(2,276,684)	(5,140,676)	(724,591)	(77,526)	(159,055)	-	(20,570,349)
Write-off	-	-	-	-	-	(54,088)	(46,785)	(6,800)	(21,128)	-	-	(128,801)
Exchange difference	-	19,212	-	-	1,150	740	-	4,833	(129)	-	-	25,806
Reclassification	-	-	574,237	26,461,978	-	-	-	-	-	-	(27,036,215)	-
At 31 May 2020	12,855,678	2,476,986	21,085,360	87,911,949	5,507,775	6,743,026	20,871,605	7,723,968	6,418,948	1,238,857	-	172,834,152

3. Property, plant and equipment (continued)

← Right-of-use assets →

Group	Leasehold land RM	Buildings RM	Land RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboards and showcases RM	Capital work-in-progress RM	Total RM
At 1 June 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
Depreciation for the year	-	-	295,188	1,237,627	369,028	517,809	2,507,108	516,805	800,463	142,038	-	6,386,066
Disposals	-	-	-	(71,675)	(1,797)	-	(2,524,737)	-	(92,876)	-	-	(2,691,085)
Write-off	-	-	-	-	(54,285)	(100,289)	(53,942)	(240,724)	(3,199)	(13,527)	-	(465,966)
Government grant received	-	-	-	-	(18,986)	(76,822)	(7,530)	(5,122)	-	-	-	(108,460)
Transfer to assets classified as held for sale (Note 11)	-	-	-	(147,998)	-	-	-	-	-	-	-	(147,998)
Exchange difference	-	-	-	-	5,017	225	-	5,644	-	-	-	10,886
At 31 May 2019, as previously reported	-	-	4,230,651	10,143,494	4,288,614	6,769,801	17,907,165	4,144,725	3,861,624	719,156	-	52,065,230
Reclassification Adjustment on initial application of MFRS 16	-	-	765,535	(765,535)	-	-	-	-	-	-	-	-
At 1 June 2019, as restated	4,996,186	-	(4,996,186)	-	-	-	-	-	-	-	-	-
At 1 June 2019, as restated	4,996,186	-	-	9,377,959	4,288,614	6,769,801	17,907,165	4,144,725	3,861,624	719,156	-	52,065,230
Depreciation for the year	247,928	913,608	-	1,322,339	417,283	404,856	2,255,241	642,262	836,982	138,203	-	7,178,702
Disposals	(2,260,673)	-	-	(1,746,513)	(218,753)	(1,666,034)	(5,118,780)	(665,627)	(77,524)	(96,279)	-	(11,850,183)
Write-off	-	-	-	-	-	(11,977)	(46,781)	(1,267)	(21,119)	-	-	(81,144)
Exchange difference	-	3,036	-	-	910	(61)	-	4,847	(13)	-	-	8,719
At 31 May 2020	2,983,441	916,644	-	8,953,785	4,488,054	5,496,585	14,996,845	4,124,940	4,599,950	761,080	-	47,321,324

3. Property, plant and equipment (continued)

Group	← Right-of-use assets →										Total RM	
	Leasehold land RM	Buildings RM	Land RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboards and showcases RM		Capital work- in-progress RM
Carrying amounts												
At 1 June 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
At 31 May 2019	-	-	33,437,002	53,550,231	1,102,416	1,648,564	7,802,769	2,412,371	1,959,833	678,756	10,684,906	113,276,848
At 31 May 2020	9,872,237	1,560,342	21,085,360	78,958,164	1,019,721	1,246,441	5,874,760	3,599,028	1,818,998	477,777	-	125,512,828

3. Property, plant and equipment (continued)

Company	Right-of-use assets RM	Leasehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Computers RM	Total RM
Cost						
At 1 June 2018/31 May 2019, as previously reported	-	6,300,899	43,244,831	2,735,716	92,569	52,374,015
Adjustment on initial application of MFRS 16	6,300,899	(6,300,899)	-	-	-	-
At 1 June 2019, as restated	6,300,899	-	43,244,831	2,735,716	92,569	52,374,015
Additions	-	-	-	19,333	-	19,333
At 31 May 2020	6,300,899	-	43,244,831	2,755,049	92,569	52,393,348
Accumulated depreciation						
At 1 June 2018	-	808,674	2,594,689	811,488	27,771	4,242,622
Depreciation for the year	-	134,779	864,896	273,573	9,257	1,282,505
At 31 May 2019, as previously reported	-	943,453	3,459,585	1,085,061	37,028	5,525,127
Adjustment on initial application of MFRS 16	943,453	(943,453)	-	-	-	-
At 1 June 2019, as restated	943,453	-	3,459,585	1,085,061	37,028	5,525,127
Depreciation for the year	134,779	-	864,896	275,023	9,257	1,283,955
At 31 May 2020	1,078,232	-	4,324,481	1,360,084	46,285	6,809,082

3. Property, plant and equipment (continued)

Company	Right-of-use assets RM	Leasehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Computers RM	Total RM
Carrying amounts						
At 1 June 2018	-	5,492,225	40,650,142	1,924,228	64,798	48,131,393
At 31 May 2019	-	5,357,446	39,785,246	1,650,655	55,541	46,848,888
At 31 May 2020	5,222,667	-	38,920,350	1,394,965	46,284	45,584,266

3. Property, plant and equipment (continued)

3.1 Additions to property, plant and equipment

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Total additions	25,818,425	13,556,232	19,333	-
Less: Assets acquired under hire purchase/ lease arrangements	(567,291)	(506,600)	-	-
Government grant received	-	(188,751)	-	-
Interest capitalised (Note 17)	(873,548)	(950,761)	-	-
Amount paid by cash	<u>24,377,586</u>	<u>11,910,120</u>	<u>19,333</u>	<u>-</u>

3.2 Assets held under finance lease

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

	2020 RM	2019 RM
Motor vehicles	<u>1,506,640</u>	<u>1,572,374</u>

3.3 Security

The carrying amount of property, plant and equipment (including right-of-use assets) pledged as securities for borrowings granted to the Group and the Company as disclosed in Note 14 are as follows :

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Leasehold land	4,649,570	-	-	-
Freehold land	21,085,360	26,757,299	-	5,357,446
Buildings	35,908,294	53,736,018	-	39,785,246
Plant and machinery	-	2,055,445	-	-
	<u>61,643,224</u>	<u>82,548,762</u>	<u>-</u>	<u>45,142,692</u>

3. Property, plant and equipment (continued)

3.4 Right-of-use assets

The Group's and the Company's leased land, warehouses, apartments and office space run between 2 years to 84 years, with an option to renew some of the leases after the expiry of the initial lease period.

3.4.1 Extension options

The leases for apartments and office space contain extension options exercisable by the Group ranging from 1 year to 5 years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted) RM'000
Group	
Apartments	99,958
Office space	524,544
	<u>624,502</u>

The disclosure of potential future lease payments not currently recognised as lease liabilities has not be made as the Directors noted the amount to be inconsequential.

3.4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3.4.3 Restriction imposed by lease

The lease contracts for warehouses, apartments and office space prohibits the Group to sublease the leased assets.

4. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
Cost			
1 June 2018	188,298	870,000	1,058,298
Impairment loss	(194,386)	-	(194,386)
Exchange difference	6,088	-	6,088
At 31 May 2019/1 June 2019/31 May 2020	<u>-</u>	<u>870,000</u>	<u>870,000</u>

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 is 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 flow projections and financial budgets approved by the Directors covering a period of 5 years (2019 : 5 years). The value-in-use calculations are determined by discounting the future cash flows using a pre-tax discount rate of 4.70% (2019 : 4.80%).

During previous financial year, the carrying amount of the CGU containing goodwill exceeded its estimated recoverable amount and an impairment loss of RM194,386 was recognised in profit or loss.

The values assigned to the key assumptions (e.g. sales growth rates 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).

5. Investments in subsidiaries - Company

	2020 RM	2019 RM
Unquoted shares, at cost	46,390,697	43,770,697
Less : Impairment losses	(1,020,000)	(1,020,000)
	<u>45,370,697</u>	<u>42,750,697</u>

5. Investments in subsidiaries - Company (continued)

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
		2020 %	2019 %	
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Ceased operations in the trading of electrical and electronic appliances and became an investment holding company during the financial year
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. ("PSS")	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amttek Marketing Services Pte. Ltd. ⁽¹⁾	Singapore	100	100	Marketing and distribution of electrical goods
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Microtag Engineering Sdn. Bhd. ^{(1) and (3)}	Malaysia	51	51	Dormant
Pensonic (Cambodia) Co., Ltd. ⁽¹⁾	Cambodia	100	100	Wholesale and retail sales of household appliances
PT Pensonic Appliances Indonesia ^{(1) and (2)}	Indonesia	51	51	Distribution of electrical and electronic appliances
PT Pensonic Industries Indonesia ^{(1) and (2)}	Indonesia	70	70	Manufacture, assembly and sale of electrical products

5. Investments in subsidiaries - Company (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
		2020 %	2019 %	
Held through Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical products
Pensonic (H.K.) Corporation Limited ⁽¹⁾	Hong Kong	100	100	Trading of home electrical appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	100	100	Trading and servicing of parts for electrical and electronic appliances
Pensia Plastic Industries Sdn. Bhd. ⁽¹⁾	Malaysia	100	100	Plastic injection and moulding
Angkasa Pensonic Trading Sdn. Bhd. ⁽¹⁾	Malaysia	40	40	Dormant
Held through Pensonic Sales & Service Sdn. Bhd.				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances
Held through Kollektion Distribution Sdn. Bhd.				
Kollektion Haus (Austin) Sdn. Bhd. ⁽⁴⁾	Malaysia	-	60	Dissolved

⁽¹⁾ Not audited by KPMG⁽²⁾ The unaudited management accounts were consolidated in the Group's financial statements as these subsidiaries were not required by the local legislation to have its financial statements audited⁽³⁾ Application for strike off submitted on 16 June 2020⁽⁴⁾ Dissolved on 3 September 2019

5. Investments in subsidiaries - Company (continued)

5.1 Although the Group owns less than half of the ownership interest in Angkasa Pensonic Trading Sdn. Bhd. ("APTSB"), and less than half of the voting power of this entity, the Directors have determined that the Group controls this entity by virtue of an agreement with the remaining shareholders where the Group has de facto control over APTS. The remaining voting rights in the investee are widely dispersed and there is no indication that other shareholders exercise their votes collectively.

5.2 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows :

	PT Pensonic Appliances Indonesia RM	Other subsidiaries with immaterial NCI RM	Total RM
2020			
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI	<u>1,497,004</u>	<u>254,113</u>	<u>1,751,117</u>
Loss allocated to NCI	<u>(267,552)</u>	<u>(52,303)</u>	<u>(319,855)</u>
			PT Pensonic Appliances Indonesia RM
2020			
Summarised financial information before intra-group elimination			
At 31 May			
Non-current assets			166,976
Current assets			4,038,377
Current liabilities			(1,150,242)
Net assets			<u>3,055,111</u>

5. Investments in subsidiaries - Company (continued)

5.2 Non-controlling interests in subsidiaries (continued)

	PT Pensonic Appliances Indonesia RM		
2020			
Year ended 31 May			
Revenue			2,323,995
Loss for the year			(546,024)
Total comprehensive expense			<u>(564,405)</u>
Cash flows used in operating activities			(983,811)
Cash flows used in investing activities			(114,171)
Cash flows used in financing activities			(2,909)
Net decrease in cash and cash equivalents			<u>(1,100,891)</u>
Dividends paid to NCI			<u>-</u>
	PT Pensonic Appliances Indonesia RM	Other subsidiaries with immaterial NCI RM	Total RM
2019			
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI	<u>1,923,042</u>	<u>349,945</u>	<u>2,272,987</u>
Loss allocated to NCI	<u>(128,040)</u>	<u>(4,967)</u>	<u>(133,007)</u>
			PT Pensonic Appliances Indonesia RM
2019			
Summarised financial information before intra-group elimination			
At 31 May			
Non-current assets			70,077
Current assets			3,866,207
Current liabilities			(316,768)
Net assets			<u>3,619,516</u>

5. Investments in subsidiaries - Company (continued)

5.2 Non-controlling interests in subsidiaries (continued)

	PT Pensonic Appliances Indonesia RM'000
2019	
Year ended 31 May	
Revenue	1,233,479
Loss for the year	(261,307)
Total comprehensive expense	<u>(151,984)</u>
Cash flows from operating activities	1,402,648
Cash flows used in investing activities	(26,095)
Net increase in cash and cash equivalents	<u>1,376,553</u>
Dividends paid to NCI	<u>-</u>

5.3 There is no significant restriction on the ability of the subsidiaries to transfer funds to the Company and other related companies other than PSS which is confined to the covenants imposed by its lenders.

6. Investments in associates

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unquoted shares, at cost	331,435	331,435	146,825	146,825
Share of post-acquisition reserves	219,298	207,930	-	-
	<u>550,733</u>	<u>539,365</u>	<u>146,825</u>	<u>146,825</u>

6. Investments in associates (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
		2020 %	2019 %	
Pensonic (B) Sdn. Bhd. *	Brunei	40	40	Trading of electrical and electronic appliances
Pensonic Appliances (Myanmar) Company Limited	Myanmar	35	35	Trading of electrical and electronic appliances

* Held through Pensonic Corporation Sdn. Bhd.

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

7. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities of the Group and the Company are attributable to the following :

Group	Assets		Liabilities		Net	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
Property, plant and equipment - capital allowance	297,000	106,000	(242,000)	(548,000)	55,000	(442,000)
Right-of-use assets	-	-	(385,000)	-	(385,000)	-
Lease liabilities	396,000	-	-	-	396,000	-
Other temporary differences	190,765	616,553	-	-	190,765	616,553
Tax assets/(liabilities)	883,765	722,553	(627,000)	(548,000)	256,765	174,553
Set-off of tax	(407,000)	(190,000)	407,000	190,000	-	-
	476,765	532,553	(220,000)	(358,000)	256,765	174,553
Company						
Property, plant and equipment - capital allowance			42,000	42,000		

7. Deferred tax assets/(liabilities) (continued)

Movements in temporary differences during the year are as follows :

Group	At	Recognised	Adjustment	At	Recognised	At
	1 June 2018 RM'000	in profit or loss (Note 19) RM'000	on initial application of MFRS 16 RM'000	31 May 2019 RM'000	in profit or loss (Note 19) RM'000	31 May 2020 RM'000
Property, plant and equipment	(1,190,335)	748,335	-	(442,000)	497,000	55,000
- capital allowance	-	-	(691,000)	-	306,000	(385,000)
Right-of-use assets	-	-	691,000	-	(295,000)	396,000
Lease liabilities	-	-	-	-	(425,788)	190,765
Other temporary differences	1,458,939	(842,386)	-	616,553	-	-
	268,604	(94,051)	-	174,553	82,212	256,765
Company						
Property, plant and equipment	-	-	-	42,000	-	42,000
- capital allowance	-	-	-	-	-	-

7. Deferred tax assets/(liabilities) (continued)

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.

Unrecognised deferred tax assets - Group

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

	2020 RM	2019 RM
Property, plant and equipment - capital allowance	(5,308,000)	(3,605,000)
Capital allowance carry-forwards	3,059,000	400,000
Tax loss carry-forwards	15,667,000	13,824,000
Unutilised reinvestment allowance	10,182,000	9,582,000
Other deductible temporary differences	2,902,000	1,502,000
Right-of-use assets	(1,067,000)	(340,000)
Lease liabilities	1,081,000	340,000
	<u>26,516,000</u>	<u>21,703,000</u>

The capital allowance carry-forwards of the Group entities are available indefinitely for offsetting against future taxable profits, subject to no substantial change in shareholdings of those entities and guidelines issued under the Income Tax Act, 1967.

Effective from year of assessment 2018 as stipulated in the Finance Act 2018, the unutilised reinvestment allowance and tax loss carry-forwards as at 31 May 2019 and thereafter will only be available for carry forward up to a period of 7 consecutive years. Any amounts not utilised upon expiry of the 7 years will be disregarded.

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits therefrom.

8. Inventories - Group

	2020 RM	2019 RM
Raw materials	3,623,493	5,263,221
Goods-in-transit	5,239,827	3,549,019
Manufactured and trading inventories	35,732,297	61,743,572
	<u>44,595,617</u>	<u>70,555,812</u>
Recognised in profit or loss :		
Inventories recognised as cost of sales	222,631,833	253,178,279
Inventories written down/(back)	<u>146,383</u>	<u>(198,992)</u>

9. Trade and other receivables

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade					
Trade receivables		51,633,945	58,797,340	-	-
Amount due from associates	9.1	1,278,704	845,322	-	-
		<u>52,912,649</u>	<u>59,642,662</u>	<u>-</u>	<u>-</u>
Non-trade					
Amount due from subsidiaries	9.1	-	-	813,932	2,113,079
Amount due from an associate	9.1	316,397	-	316,397	-
Other receivables		2,519,884	3,811,646	-	3,967
Deposits		1,228,468	746,435	560	560
Prepayments		1,947,425	2,900,675	22,063	34,130
Dividends receivable		-	-	2,010,681	-
		<u>6,012,174</u>	<u>7,458,756</u>	<u>3,163,633</u>	<u>2,151,736</u>
		<u>58,924,823</u>	<u>67,101,418</u>	<u>3,163,633</u>	<u>2,151,736</u>

9.1 Amounts due from subsidiaries and an associate

The trade amount due from associates is subject to normal trade terms.

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

10. Fixed deposits - Group

Included in fixed deposits of the Group is RM485,754 (2019 : RM497,519) which are held in lien for borrowings granted to the Group as disclosed in Note 14.

Included in fixed deposits of the Group is RM12,000 (2019 : RM12,000) held in trust by a Director on behalf of the Group.

11. Assets classified as held for sale - Group

During previous financial year, the Group entered into a Sale and Purchase Agreement ("SPA") for the disposal of properties for a total cash consideration of RM640,000 for which a deposit of RM64,000 has been received. The SPA was completed during the current financial year with a gain of RM436,318 being recognised by the Group.

11. Assets classified as held for sale - Group (continued)

	Note	2020 RM	2019 RM
Buildings		-	203,682
Assets held for sale comprise the following amounts transferred from property, plant and equipment :			
Cost	3	-	351,680
Accumulated depreciation	3	-	(147,998)
		-	203,682

12. Share capital - Group/Company

	2020		2019	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares, issued and fully paid with no par value	67,670,893	129,668,000	67,670,893	129,668,000

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.

13. Reserves

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Non-distributable :					
Foreign currency translation reserve	13.1	724,449	86,217	-	-
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)	-	-
		11,056,597	10,418,365	6,483,400	6,483,400
Distributable :					
Retained earnings		38,092,983	35,211,275	16,985,825	7,969,457
		49,149,580	45,629,640	23,469,225	14,452,857

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 2014/2024 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 2020, the Company has the following outstanding warrants :

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding as at 31.5.2020
Warrants 2014/2024	RM0.60	20.01.2024	64,834,000

Warrants 2014/2024 were issued on 21 January 2014 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 conditions 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

	Note	2020 RM	2019 RM
Non-current			
Secured			
Term loans		39,254,320	22,653,853
Hire purchase creditors		1,074,841	-
Finance lease liabilities	14.3	-	899,681
		<u>40,329,161</u>	<u>23,553,534</u>
Current			
Unsecured			
Bank overdrafts		3,635,754	1,009,921
Bankers' acceptances		33,839,390	54,476,961
Revolving credit		4,410,000	10,600,000
		41,885,144	66,086,882
Secured			
Bank overdrafts	14.2	1,772,640	609,180
Bankers' acceptances	14.2	3,015,300	730,128
Term loans	14.2	4,582,281	20,250,606
Hire purchase creditors	14.2	629,555	-
Finance lease liabilities	14.3	-	536,069
		9,999,776	22,125,983
		<u>51,884,920</u>	<u>88,212,865</u>
Total loans and borrowings		<u><u>92,214,081</u></u>	<u><u>111,766,399</u></u>

14. Loans and borrowings - Group (continued)

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

Group	At 1 June 2018 RM	New lease obtained RM	Net changes from financing cash flows RM	At 31 May 2019 RM	Adjustment on initial application of MFRS 16 RM	At 1 June 2019 RM	Assets acquired under hire purchase/ lease arrangements RM	Net changes from financing cash flows RM	Foreign exchange movements RM	At 31 May 2020 RM
Bankers' acceptances	68,762,547	-	(13,555,458)	55,207,089	-	55,207,089	-	(18,352,399)	-	36,854,690
Revolving credit	2,500,000	-	8,100,000	10,600,000	-	10,600,000	-	(6,190,000)	-	4,410,000
Hire purchase creditors	-	-	-	-	1,435,750	1,435,750	456,510	(187,864)	-	1,704,396
Finance lease liabilities	1,538,116	506,600	(608,966)	1,435,750	(1,435,750)	-	-	-	-	-
Term loans	26,566,001	-	16,338,458	42,904,459	-	42,904,459	-	932,142	-	43,836,601
Lease liabilities	-	-	-	-	2,346,993	2,346,993	110,781	(856,643)	16,540	1,617,671
	99,366,664	506,600	10,274,034	110,147,298	2,346,993	112,494,291	567,291	(24,654,764)	16,540	88,423,358
Company										
Term loans	2,099,743	-	(2,099,743)	-	-	-	-	-	-	-

14. Loans and borrowings - Group (continued)

14.2 Security

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

- (i) a first party legal charge over certain lands, buildings and plant and machinery of the Group and the Company as disclosed in Note 3;
- (ii) fixed deposits as disclosed in Note 10;
- (iii) corporate guarantee by the Company;
- (iv) joint and several guarantee by certain Directors of the Company; and
- (v) negative pledge over certain subsidiaries' present and future assets.

14.3 Finance lease liabilities

	2019		Present value of minimum lease payments RM
	Future minimum lease payments RM	Interest RM	
Group			
Less than 1 year	590,517	54,448	536,069
Between 1 and 5 years	956,637	56,956	899,681
	<u>1,547,154</u>	<u>111,404</u>	<u>1,435,750</u>

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

14.4 Breach of loan covenants

A subsidiary of the Company has secured borrowings of RM31,091,880 (2019 : RM16,987,789) that were granted with the following debt covenants which required :

- i. existing advances due from the Company to the said subsidiary to be reduced to RM2,700,000 by 31 May 2019;
- ii. existing advances due from subsidiary, associates and related companies to be zeroed by 31 May 2019.

During the previous financial year, the above covenants were not met and consequently, the long term borrowings outstanding subjected to the covenants were reclassified as current liabilities as at 31 May 2019.

14. Loans and borrowings - Group (continued)

14.4 Breach of loan covenants (continued)

During the current financial year, the said subsidiary has obtained the indulgence from the bank to comply with the above covenants and the outstanding balance of the borrowings as at 31 May 2020 have been presented according to the normal repayment terms as contracted with the lenders.

15. Trade and other payables

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade					
Trade payables		20,733,149	22,355,739	-	-
Trade accruals		5,239,827	3,549,019	-	-
Amount due to a company in which certain Directors have a substantial financial interest	15.1	137,104	565,966	-	-
		<u>26,110,080</u>	<u>26,470,724</u>	<u>-</u>	<u>-</u>
Non-trade					
Amount due to subsidiaries	15.2	-	-	2,823,006	9,494,462
Amount due to an associate	15.2	-	146,825	-	146,825
Other payables		3,775,744	6,019,621	62,095	30,910
Deposits received		15,520	28,000	-	-
Accruals		9,826,753	9,535,904	230,328	183,208
		<u>13,618,017</u>	<u>15,730,350</u>	<u>3,115,429</u>	<u>9,855,405</u>
		<u><u>39,728,097</u></u>	<u><u>42,201,074</u></u>	<u><u>3,115,429</u></u>	<u><u>9,855,405</u></u>

15.1 Amount due to a company in which certain Directors have a substantial financial interest

The trade amount due to a company in which certain Directors have a substantial financial interest is subject to normal trade terms.

15.2 Amounts due to subsidiaries and an associate

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

16. Revenue

	Group		Company	
	2020 RM	2019 RM Restated	2020 RM	2019 RM
Revenue from contracts with customers	280,070,653	324,369,079	-	-
Dividend income	-	-	10,700,000	1,500,000
	<u>280,070,653</u>	<u>324,369,079</u>	<u>10,700,000</u>	<u>1,500,000</u>

16.1 Disaggregation of revenue - Group

	2020 RM	2019 RM
Primary geographical markets		
- Malaysia	198,177,601	231,234,528
- Other Asian countries	72,242,921	76,195,497
- Middle East	9,188,122	15,536,355
- Others	462,009	1,402,699
	<u>280,070,653</u>	<u>324,369,079</u>
Major product lines		
- Electrical and electronic appliances	<u>280,070,653</u>	<u>324,369,079</u>
Timing and recognition		
- At point in time	<u>280,070,653</u>	<u>324,369,079</u>

16. Revenue (continued)

16.2 Nature of goods

The following information reflects the typical transactions of the Group :

Nature of goods	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Household electrical and electronic appliances	Revenue is recognised at point in time when the goods are delivered and accepted by the customers.	Credit period of 30 - 90 days from invoice date.	Discounts, rebates and incentives are given to customers on a case-by-case basis.	The Group allows defective goods to be returned in exchange for new goods or cash refunds on a case-by-case basis.	Generally, assurance warranty of 1-2 years are given to customers except for motors or compressors which are given 5 years assurance warranty.

The Group applies the practical expedient on the exemption on disclosure of information on remaining performance obligations that would be fulfilled within one year.

17. Finance costs

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest expense on :				
- financial liabilities that are not at fair value through profit or loss	4,958,414	5,316,458	-	66,305
- lease liabilities	139,269	-	-	-
	<u>5,097,683</u>	<u>5,316,458</u>	<u>-</u>	<u>66,305</u>
Less : Amount capitalised in property, plant and equipment (Note 3.1)	(873,548)	(950,761)	-	-
	<u>4,224,135</u>	<u>4,365,697</u>	<u>-</u>	<u>66,305</u>

18. Profit before tax

Profit before tax is arrived at after charging/(crediting) :

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Auditors' remuneration :				
- Audit fee				
- KPMG PLT	191,000	191,000	36,000	36,000
- Other auditors	64,173	55,340	-	-
- Non-audit services				
- KPMG PLT	5,000	5,000	5,000	5,000
- Other auditors	40,000	30,000	-	-
Material expenses/(income)				
Property, plant and equipment written off	47,657	151,791	-	-
Research and development expenditure	1,122,038	858,879	-	-
Warehousing and logistic charges	4,809,000	-	-	-
Gain on disposal of assets classified as held for sale	(436,318)	-	-	-
Gain on disposal of property, plant and equipment and right-of-use assets	(9,431,321)	(220,273)	-	-
Government grants*	(696,475)	(646,805)	-	(31,345)
Interest income	(86,128)	(112,820)	(35,870)	(52,878)
Royalty income	(602,527)	(435,664)	-	-
Realised gain on foreign exchange	(597,066)	(546,798)	(2,324)	(218,216)
Unrealised (gain)/loss on foreign exchange	(4,438)	(8,637)	29,508	(16,715)

18. Profit before tax (continued)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Expenses/(income) arising from leases				
Expenses relating to :				
- short-term leases [#]	534,317	-	-	-
- leases of low-value assets [#]	45,041	-	-	-
Rental expense	-	7,094,552	-	-
Rental income	-	(70,980)	(1,050,000)	(1,200,000)
	<u>-</u>	<u>(70,980)</u>	<u>(1,050,000)</u>	<u>(1,200,000)</u>
Net loss/(gain) on impairment of financial instruments				
Impairment loss on trade receivables	970,791	392,610	-	-
Bad debts written off	853	17,278	-	-
Bad debts recovered	(5,400)	(8,184)	-	-
	<u>(5,400)</u>	<u>(8,184)</u>	<u>-</u>	<u>-</u>

* The Group and the Company received government grants as wage subsidies to retain local employees during the approved period of economic uncertainty brought about by the Coronavirus (COVID-19) outbreak (2019 : grants received for qualifying research and development and training expenses incurred).

The Group leases warehouses, office space, motor vehicles and office equipment with contract terms of 1 year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

19. Tax expense

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Recognised in profit or loss				
Current tax expense				
Current year	412,777	1,224,705	77,000	101,000
Prior years	210,359	59,226	(5,894)	29,460
	623,136	1,283,931	71,106	130,460
Deferred tax expense				
Current year	189,757	(16,949)	-	-
Prior year	(271,969)	111,000	-	42,000
	(82,212)	94,051	-	42,000
	<u>540,924</u>	<u>1,377,982</u>	<u>71,106</u>	<u>172,460</u>

19. Tax expense (continued)**Reconciliation of tax expense**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	<u>3,102,777</u>	<u>1,805,235</u>	<u>9,087,474</u>	<u>323,031</u>
Income tax calculated using Malaysian tax rate of 24%	744,666	433,256	2,180,994	77,527
Effect of different tax rates in foreign jurisdictions	(147,645)	(80,776)	-	-
Income not subject to tax	(2,453,629)	(43,747)	(2,568,558)	(423,906)
Non-deductible expenses	1,316,385	1,460,217	464,564	447,379
Tax incentives	(12,363)	(1,025,114)	-	-
Deferred tax assets not recognised	1,155,120	463,920	-	-
	<u>602,534</u>	<u>1,207,756</u>	<u>77,000</u>	<u>101,000</u>
(Over)/Under provision in prior years	(61,610)	170,226	(5,894)	71,460
	<u>540,924</u>	<u>1,377,982</u>	<u>71,106</u>	<u>172,460</u>

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 last 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. Further to the above, the Company had on 31 July 2018, 25 April 2019 and 28 April 2020 submitted appeals and is currently liaising with the relevant authority on this matter.

20. Staff costs - Group

	2020	2019
	RM	RM
Salaries, wages and other emoluments	24,008,398	24,762,319
Defined contribution plans	2,307,393	2,617,059
Other employees benefits	793,377	976,517
Mutual separation scheme expenses	869,052	-
	<u>27,978,220</u>	<u>28,355,895</u>

The above staff costs include those paid to Directors and key management personnel as disclosed in Note 22.

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

21. Earnings per ordinary share - Group

21.1 Basic earnings per ordinary share

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

	2020	2019
Profit attributable to owners of the Company (RM)	<u>2,881,709</u>	<u>560,260</u>
Weighted average number of ordinary shares at 31 May	<u>129,668,000</u>	<u>129,668,000</u>
Basic earnings per ordinary share (sen)	<u>2.22</u>	<u>0.43</u>

21.2 Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as basic earnings per ordinary share as there are no dilutive potential ordinary shares.

22. Related parties

22.1 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 Company.

22.2 Significant related party transactions

Related party transactions have been entered into under negotiated terms. The balances related to the below transactions are shown in Note 9 and Note 15.

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

	2020	2019
	RM	RM
Company		
Transactions with subsidiaries		
- Dividend income	10,700,000	1,500,000
- Rental income	1,050,000	1,200,000
- Subscription of shares	<u>2,620,000</u>	<u>734,125</u>
Group		
Transaction with associates		
- Sales	<u>3,244,403</u>	<u>1,849,208</u>
Transactions with companies in which certain Directors have a substantial financial interests		
- Purchases	1,079,658	2,674,236
- Transportation charges	<u>136,554</u>	<u>220,937</u>
Transaction with a Director		
- Purchase of a property	<u>4,000,000</u>	<u>-</u>

22. Related parties (continued)

22.2 Significant related party transactions (continued)

Transactions with key management personnel

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company				
Fee	222,000	222,000	222,000	222,000
Salaries and other emoluments	1,893,998	2,125,523	-	-
Defined contribution plan	162,047	174,744	-	-
	<u>2,278,045</u>	<u>2,522,267</u>	<u>222,000</u>	<u>222,000</u>
Directors of subsidiaries				
Salaries and other emoluments	471,064	333,736	-	-
Defined contribution plan	21,567	21,367	-	-
	<u>492,631</u>	<u>355,103</u>	<u>-</u>	<u>-</u>
	<u>2,770,676</u>	<u>2,877,370</u>	<u>222,000</u>	<u>222,000</u>

23. 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 unit, the Group's Chief Executive Officer and Managing Director review internal management reports at least on a quarterly basis.

The following summary describes the main business segments and business activities 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.

23. Operating segment (continued)

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 Group's 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 Group's Chief Executive Officer and Group's Managing Director. Hence, no disclosure is made on segment liabilities.

23. Operating segment (continued)

Group	Manufacturing RM	Trading RM	Others RM	Total RM	Eliminations RM	Consolidated RM
2020						
Revenue						
External customers	1,114,321	278,956,332	-	280,070,653	-	280,070,653
Inter-segment	49,843,397	16,613,035	16,585,800	83,042,232	(83,042,232)	-
Total revenue	50,957,718	295,569,367	16,585,800	363,112,885	(83,042,232)	280,070,653
Segment (loss)/profit	(2,698,452)	7,259,775	9,589,401	14,150,724	(11,047,947)	3,102,777
<i>Included in the measure of segment (loss)/profit are :</i>						
Interest income	14,330	79,539	36,285	130,154	(44,026)	86,128
Finance costs	(745,528)	(3,557,988)	(10,032)	(4,313,548)	89,413	(4,224,135)
Depreciation and amortisation	(2,764,025)	(3,928,928)	(1,466,542)	(8,159,495)	980,793	(7,178,702)
Share of results of associates	-	-	11,368	11,368	-	11,368
<i>Not included in the measure of segment (loss)/profit but provided to CODM :</i>						
Gain on disposal of property, plant and equipment, right-of-use assets and assets classified as held for sale	1,389	9,866,250	-	9,867,639	-	9,867,639
Segment assets	33,691,169	229,811,937	97,302,254	360,805,360	(102,477,003)	258,328,357
<i>Included in the measurement of segment assets are :</i>						
Additions to property, plant and equipment and right-of-use assets	1,347,474	25,920,074	49,792	27,317,340	(1,498,915)	25,818,425

23. Operating segment (continued)

Group	Manufacturing RM	Trading RM	Others RM	Total RM	Eliminations RM	Consolidated RM
2019						
Revenue						
External customers	176,025	324,193,054	-	324,369,079	-	324,369,079
Inter-segment	92,435,070	8,999,093	7,410,000	108,844,163	(108,844,163)	-
Total revenue	92,611,095	333,192,147	7,410,000	433,213,242	(108,844,163)	324,369,079
Segment profit	446,469	4,903,242	496,390	5,846,101	(4,040,866)	1,805,235
<i>Included in the measure of segment profit are :</i>						
Interest income	14,108	248,256	53,280	315,644	(202,824)	112,820
Finance costs	(971,055)	(3,531,161)	(66,305)	(4,568,521)	202,824	(4,365,697)
Depreciation and amortisation	(2,787,339)	(2,276,759)	(1,321,968)	(6,386,066)	-	(6,386,066)
Impairment loss of intangible assets	-	(194,386)	-	(194,386)	-	(194,386)
Share of results of associates	-	-	9,304	9,304	-	9,304
Segment assets	47,007,076	249,538,092	94,252,857	390,798,025	(115,028,682)	275,769,343
<i>Included in the measurement of segment assets are :</i>						
Additions to property, plant and equipment	663,333	12,864,019	28,880	13,556,232	-	13,556,232

23. Operating segment (continued)

23.1 Geographical information

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

	Non-current assets	
	2020 RM	2019 RM
Malaysia	125,555,522	114,011,342
Other Asian countries	827,306	135,506
	<u>126,382,828</u>	<u>114,146,848</u>

The segregation of revenue by geographical area is disclosed in Note 16.

23.2 Major customer

The following represent sales to a company of which the total revenue equal to or is more than 10% of the Group's total revenue :

	Trading RM
2020	
Customer A	<u>28,103,325</u>
2019	
Customer A	<u>32,748,886</u>

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 May 2020 and 31 May 2019 categorised as amortised cost ("AC").

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM	AC RM
2020		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	56,977,398	56,977,398
Fixed deposits	512,749	512,749
Cash and bank balances	26,146,062	26,146,062
	<u>83,636,209</u>	<u>83,636,209</u>
Company		
Trade and other receivables (excluding prepayments)	3,141,570	3,141,570
Cash and bank balances	37,126	37,126
	<u>3,178,696</u>	<u>3,178,696</u>
Financial liabilities		
Group		
Trade and other payables	39,728,097	39,728,097
Loans and borrowings	92,214,081	92,214,081
	<u>131,942,178</u>	<u>131,942,178</u>
Company		
Trade and other payables	<u>3,115,429</u>	<u>3,115,429</u>

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM	AC RM
2019		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	64,200,743	64,200,743
Fixed deposits	497,519	497,519
Cash and bank balances	21,885,561	21,885,561
	<u>86,583,823</u>	<u>86,583,823</u>
Company		
Trade and other receivables (excluding prepayments)	2,117,606	2,117,606
Cash and bank balances	158,009	158,009
	<u>2,275,615</u>	<u>2,275,615</u>
Financial liabilities		
Group		
Trade and other payables	42,201,074	42,201,074
Loans and borrowings	111,766,399	111,766,399
	<u>153,967,473</u>	<u>153,967,473</u>
Company		
Trade and other payables	<u>9,855,405</u>	<u>9,855,405</u>

24. Financial instruments (continued)

24.2 Net gains and losses arising from financial instruments :

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net (losses)/gains arising on :				
- Financial assets at amortised cost	(698,888)	(159,210)	51,063	69,593
- Finance liabilities measured at amortised cost	(4,538,138)	(5,132,836)	(42,377)	151,911
	<u>(5,237,026)</u>	<u>(5,292,046)</u>	<u>8,686</u>	<u>221,504</u>

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

24.4 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. There are no significant changes as compared to prior year.

Trade receivables

Risk management objectives, policies and processes for managing the risk

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

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

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

	2020 RM	2019 RM
Group		
Malaysia	40,524,636	48,256,457
Other Asian countries	11,161,146	9,503,328
Middle East	1,226,867	1,717,839
Others	-	165,038
	<u>52,912,649</u>	<u>59,642,662</u>

Recognition and measurement of impairment loss

The Group uses an allowance matrix to measure Expected Credit Loss ("ECLs") of trade receivables. Consistent with the debt recovery process, invoices which are past due more than 120 days will be considered as credit impaired.

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales and finance teams. Where necessary, the Group will also commence legal proceeding against the customers.

Loss rates are based on actual credit loss experienced over the past three years and forward looking information. The Company believes that the financial impacts of the forward-looking information are inconsequential for the purpose of impairment calculation of trade receivables due to their relatively short term nature.

24. Financial instruments (continued)**24.4 Credit risk (continued)****Trade receivables (continued)***Recognition and measurement of impairment loss (continued)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 May 2020 and 31 May 2019.

	Gross carrying amount RM	Loss allowances RM	Net balance RM
Group			
2020			
Not past due	37,994,504	-	37,994,504
Past due less than 60 days	9,034,872	(60,174)	8,974,698
Past due 61 to 120 days	4,453,450	(132,837)	4,320,613
	<u>51,482,826</u>	<u>(193,011)</u>	<u>51,289,815</u>
Credit impaired			
Past due more than 120 days	3,433,295	(1,810,461)	1,622,834
	<u>54,916,121</u>	<u>(2,003,472)</u>	<u>52,912,649</u>
2019			
Not past due	44,321,671	-	44,321,671
Past due less than 60 days	13,717,443	-	13,717,443
Past due 61 to 120 days	1,280,103	(136,841)	1,143,262
	<u>59,319,217</u>	<u>(136,841)</u>	<u>59,182,376</u>
Credit impaired			
Past due more than 120 days	1,372,914	(912,628)	460,286
	<u>60,692,131</u>	<u>(1,049,469)</u>	<u>59,642,662</u>

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the reporting period and from the historical collection trend of these customers.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

Group	Lifetime ECL	
	2020 RM	2019 RM
Balance at 1 June	1,049,469	716,276
Loss allowance provided	1,026,485	501,422
Reversal of loss allowance	(55,694)	(108,812)
Amount written off	(16,788)	(59,417)
Balance at 31 May	<u>2,003,472</u>	<u>1,049,469</u>

Cash and bank balances

The cash and bank balances are held with reputable banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks have low credit risks. In addition, some of the bank balances are insured by government agencies.

Other receivables

Credit risks on other receivables are mainly arising from advances to suppliers for securing the continuing supply of raw materials and goods and services tax claims from the authorities. These advances to suppliers will be utilised against the raw materials delivered to the Group. The Group manages the credit risk together with the payables upon the delivery of the raw materials.

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

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.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounted to RM90 million (2019 : RM102 million) representing the Company's exposure to the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when :

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

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

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

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances mainly 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.

The advances provided are not secured by any collateral or supported by any other credit enhancements.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Inter company balances (continued)

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries to have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when :

- The subsidiary is unlikely to repay its advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The inter-company advances of RM813,932 (31 May 2019 : RM2,113,079) is regarded to be of low credit risk.

24.5 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 bank balances 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.

24. Financial instruments (continued)

24.5 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 :

2020 Group	Carrying amount RM	Contractual interest rates/ discount rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	5,408,394	7.50 - 8.50	5,408,394	5,408,394	-	-	-
Bankers' acceptances	36,854,690	3.28 - 4.50	36,854,690	36,854,690	-	-	-
Revolving credit	4,410,000	3.85 - 4.35	4,410,000	4,410,000	-	-	-
Term loans	43,836,601	3.94 - 6.54	57,386,342	6,135,745	7,393,602	14,442,071	29,414,924
Hire purchase creditors	1,704,396	2.22 - 3.45	1,864,280	701,996	528,802	633,482	-
Lease liabilities	1,617,671	5.38 - 11.00	1,787,989	917,501	385,088	309,400	176,000
Trade and other payables	39,728,097	-	39,728,097	39,728,097	-	-	-
Company	133,559,849		147,439,792	94,156,423	8,307,492	15,384,953	29,590,924
<i>Non-derivative financial liabilities</i>							
Trade and other payables	3,115,429	-	3,115,429	3,115,429	-	-	-
Financial guarantee	-	-	90,000,000	90,000,000	-	-	-
	3,115,429		93,115,429	93,115,429	-	-	-

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

2019	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
Group							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	1,619,101	7.70 - 8.49	1,619,101	1,619,101	-	-	-
Bankers' acceptances	55,207,089	3.47 - 5.78	55,207,089	55,207,089	-	-	-
Revolving credit	10,600,000	4.53 - 5.48	10,600,000	10,600,000	-	-	-
Term loans	42,904,459	4.40 - 5.63	53,436,634	6,246,811	7,858,978	16,578,511	22,752,334
Finance lease liabilities	1,435,750	2.22 - 3.50	1,547,154	590,517	558,646	397,991	-
Trade and other payables	42,201,074	-	42,201,074	42,201,074	-	-	-
Company							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	9,855,405	-	9,855,405	9,855,405	-	-	-
Financial guarantee	-	-	102,000,000	102,000,000	-	-	-
	<u>9,855,405</u>		<u>111,855,405</u>	<u>111,855,405</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>164,611,052</u>	<u>116,464,592</u>	<u>8,417,624</u>	<u>16,976,502</u>	<u>22,752,334</u>

24. Financial instruments (continued)

24.6 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.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Renminbi ("RMB") 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 currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

	USD RM	Denominated in RMB RM	HKD RM
Group			
2020			
Trade and other receivables	716,465	-	5,541,376
Cash and bank balances	45,233	4,767	195,924
Trade and other payables	(9,540,243)	(2,497,201)	(2,201,281)
Loans and borrowings	(1,130,983)	-	-
Net exposure	<u>(9,909,528)</u>	<u>(2,492,434)</u>	<u>3,536,019</u>
2019			
Trade and other receivables	-	-	3,030,863
Cash and bank balances	205,382	1,231	624,032
Trade and other payables	(5,737,881)	(1,725,371)	(2,391,074)
Loans and borrowings	(1,637,539)	-	-
Net exposure	<u>(7,170,038)</u>	<u>(1,724,140)</u>	<u>1,263,821</u>

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2019 : 10%) strengthening of the respective functional currencies of the Group entities 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.

	Profit or loss	
	2020 RM	2019 RM
USD	753,124	544,923
RMB	189,425	131,035
HKD	<u>(268,737)</u>	<u>(96,050)</u>

A 10% (2019 : 10%) weakening of the respective functional currencies of the Group entities 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.

24.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's 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.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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

Group	2020 RM	2019 RM
Fixed rate instruments		
Financial asset		
- Fixed deposits	<u>512,749</u>	<u>497,519</u>
Financial liabilities		
- Hire purchase creditors	1,704,396	-
- Finance lease liabilities	-	1,435,750
- Bankers' acceptances	36,854,690	55,207,089
- Lease liabilities	1,617,671	-
	<u>40,176,757</u>	<u>56,642,839</u>
Floating rate instruments		
Financial liabilities		
- Term loans	43,836,601	42,904,459
- Bank overdrafts	5,408,394	1,619,101
- Revolving credit	4,410,000	10,600,000
	<u>53,654,995</u>	<u>55,123,560</u>

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

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.

	Group	
	50 bp increase RM	50 bp decrease RM
Profit or loss		
Floating rate instruments		
2020	<u>(203,889)</u>	<u>203,889</u>
2019	<u>(209,470)</u>	<u>209,470</u>

24.7 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.

24. Financial instruments (continued)

24.7 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.

2020 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	
Financial liabilities							
Term loans	-	-	-	-	-	43,836,601	43,836,601
- Variable rate	-	-	-	-	-	1,704,396	1,704,396
Hire purchase creditors	-	-	-	-	-	-	-
	-	-	-	-	-	45,540,997	45,540,997

24. Financial instruments (continued)

24.7 Fair value information (continued)

2019 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	
Financial liabilities							
Term loans	-	-	-	-	-	42,904,459	42,904,459
- Variable rate	-	-	-	-	-	1,435,750	1,435,750
Finance lease liabilities	-	-	-	-	-	-	-
	-	-	-	-	-	44,340,209	44,340,209

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.

24. Financial instruments (continued)

24.7 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 (2019: 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 2.22% to 3.45% (2019 : 2.22% to 3.50%).

25. 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 that 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.

26. Operating lease commitments - Group

Leases as lessee

Non-cancellable operating lease rentals were payable as follows :

	2019 RM
Less than one year	813,565
Between one and five years	171,332
	<u>984,897</u>

The Group leased an office unit, warehouses 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.

27. Capital commitment

	2020 RM	2019 RM
Property, plant and equipment		
Contracted but not provided for	<u>1,133,031</u>	<u>13,038,501</u>

28. Significant events during the financial year

1. Pensonic Sales & Service Sdn. Bhd., a wholly owned subsidiary of the Company had on 9 July 2019 entered into a Sale and Purchase Agreement ("SPA") to dispose of a piece of leasehold land together with a four storey office building for a total cash consideration of RM19,500,000.

The disposal resulted in a gain of RM9,428,432 (net of Real Property Gains Tax) being recognised by the Group during the current financial year.

2. On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic, which has caused severe global social and economic disruptions and uncertainties, including markets where the Group operates.

The consequences brought about by COVID-19 have partially impacted the operations of the Group during the fourth quarter of the current financial year and whilst the consequences continue to evolve, the Group is actively monitoring and managing its operations to respond to these changes and minimise any impacts that may arise.

29. Subsequent events

1. On 5 August 2020, a fire occurred at Pensonic Sales & Services Sdn. Bhd.'s ("PSS") office cum service centre in Petaling Jaya. The damage caused by the fire resulted in the after sales service carried out at the said location being disrupted. PSS has filed for insurance claims and is currently liaising with the insurance adjuster to estimate the loss.
2. At an Extraordinary General Meeting convened on 18 September 2020, the Company's shareholders have approved the Company to purchase its own shares of up to 10% of its total number of issued shares ("Share Buy-Back").

30. Contingent liability - Company

	2020 RM	2019 RM
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries - limit	<u>207,080,000</u>	<u>202,120,000</u>

31. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16, *Leases*.

As a lessee

Where the Group and the Company are lessees, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any as an adjustment to the opening balance of retained earnings at 1 June 2019.

At 1 June 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rates as at 1 June 2019. The weighted-average rate applied ranged from 5.38% - 11.00%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment.

The Group and the Company used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117 :

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 June 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

31. Significant changes in accounting policies (continued)

31.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 June 2019, there are no adjustments made to the prior period financial statements presented.

The following table reconciles the difference between operating lease commitments previously disclosed applying MFRS 117 at 31 May 2019, and the lease liabilities recognised in the statements of financial position at 1 June 2019.

	RM
Group	
Operating lease commitments at 31 May 2019 as disclosed in Note 26	<u>984,897</u>
Discounted using the incremental borrowing rate at 1 June 2019	913,549
Recognition exemption for short-term leases	(213,888)
Recognition exemption for leases of low-value assets	(500,342)
Extension options reasonably certain to be exercised	2,147,674
Lease liabilities recognised at 1 June 2019	<u><u>2,346,993</u></u>

The adoption of MFRS 16 did not have any material financial impacts to the Company's separate financial statements.

Pensonic Holdings Berhad

(Registration No. 199401014746 (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 97 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 2020 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 : 18 September 2020

Pensonic Holdings Berhad
(Registration No. 199401014746 (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 97 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 18 September 2020.



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

Before me :



**20 Lebuhraya Sempai
10200 Pulau Pinang**



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD

(Registration No. 199401014746 (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 2020 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 97.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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)(i) - Impairment of financial assets.

The key audit matter

As at 31 May 2020, total trade receivables net of impairment as disclosed in Note 9 amounted to RM53 million.

We identified impairment of 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 by the customers to make the required payments.

How the matter was addressed in our audit

Our audit procedures included among 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 assessed the Group's allowance for expected credit losses made against doubtful trade receivables, taking into account the ageing of the outstanding balance and our own expectations based on the Group's experience of the customers' historical payment trends.

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 2020, the carrying amount of the Group's inventories as disclosed in Note 8 amounted to RM45 million which comprised of a wide range of household 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 customer 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 the 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.

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, actions taken to eliminate threats or safeguards applied.

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.



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 5 to the financial statements.

Other Matter

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

Penang

Date : 18 September 2020

Raymond Chong Chee Mon
Approval Number : 03272/06/2022 J
Chartered Accountant