

COMPANY NO: 300426 - P

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY, 2005**

COMPANY NO: 300426 - P

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended **31ST MAY, 2005**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries consist of manufacturing, assembling and distribution of electronic products and electrical home appliances and dealing in back end process in the manufacture of substrates on consignment basis.

There has been no significant changes in the activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

| | GROUP RM | COMPANY RM |
|-------------------------------------|---------------------|-----------------------|
| Net profit for the year | 3,040,134 | 1,836,755 |
| Minority interest | 131,842 | - |
| Profit attributable to shareholders | 3,171,976 | 1,836,755 |
| Retained profits brought forward | 3,222,155 | 4,108,288 |
| Dividends | (1,000,296) | (1,000,296) |
| Retained profits carried forward | <u>5,393,835</u> | <u>4,944,747</u> |

COMPANY NO: 300426 - P

DIVIDENDS

During the financial year, the Company paid a first and final dividend of 3 sen per share less tax 28%, amounting to RM1,000,296 (based on the issued and fully paid up share capital of 46,310,000 ordinary shares of RM1.00 each) in respect of the financial year ended 31st May, 2004 on 30 December 2004.

The Directors propose a first and final dividend of 2 sen per share less tax 28%, amounting to RM1,333,728 (based on the issued and fully paid-up share capital of 92,620,000 ordinary shares of RM0.50 each) in respect of the current financial year subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

SHARE CAPITAL

During the financial year, there were no changes to the authorized and paid-up share capital of the Company.

DIRECTORS

The Directors who held office since the date of the last report are :-

DATO' SERI CHEW WENG KHAK @
CHEW WENG KIAK
CHEW CHUON JIN
DATO' TAN KING TAI @ TAN KHOON HAI
ZAHARA BT. PAWANCIK
P.P.N., P.J.K.
CHEW CHUON GHEE
KHAIRILANUAR BIN ABDUL RAHMAN
NYAK ZAHARI BIN NYAK IBRAHIM (Resigned on 13.8.2004)

In accordance with Article 29(2) of the Company's Articles of Association, CHEW CHUON JIN and ZAHARA BT. PAWANCIK P.P.N., P.J.K. shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN WARRANTS

By Virtue of Warrants held by companies in which the Directors have an interest :-

| | <u>As at</u> <u>01.06.2004</u> | <u>Additional</u> <u>Warrants</u> <u>(1:1) #</u> | <u>Acquired</u> | <u>Disposed</u> | <u>As at</u> <u>31.05.2005</u> |
|---|-----------------------------------|--|-----------------|-----------------|-----------------------------------|
| <u>DIRECT INTEREST</u> | | | | | |
| The Company :- | | | | | |
| DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK | 1,871,799 | 1,871,799 | - | - | 3,743,598* |
| CHEW CHUON JIN | 202,050 | 202,050 | 301,200 | - | 705,300 |
| DATO' TAN KING TAI @ TAN KHOON HAI | 346,702 | 346,702 | - | - | 693,404* |
| ZAHARA BT. PAWANCIK P.P.N., P.J.K. | - | - | - | - | - |
| CHEW CHUON GHEE | 74,395 | 74,395 | 1,180,100 | - | 1,328,890 |
| KHAIRILANUAR BIN ABDUL RAHMAN | - | - | - | - | - |

| | <u>As at</u> <u>01.06.2004</u> | <u>Additional</u> <u>Warrants</u> <u>(1:1) #</u> | <u>Acquired</u> | <u>Disposed</u> | <u>As at</u> <u>31.05.2005</u> |
|--|-----------------------------------|--|-----------------|-----------------|-----------------------------------|
|--|-----------------------------------|--|-----------------|-----------------|-----------------------------------|

INDIRECT INTEREST

CHEW WENG KHAK REALTY SDN. BHD.

| | | | | | |
|---|-----------|-----------|---|---|-----------|
| DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK | 1,334,079 | 1,334,079 | - | - | 2,668,158 |
| CHEW CHUON JIN | 1,334,079 | 1,334,079 | - | - | 2,668,158 |
| CHEW CHUON GHEE | 1,334,079 | 1,334,079 | - | - | 2,668,158 |

TAN KHOON HAI SDN. BHD.

| | | | | | |
|---------------------------------------|-----|-----|---|---|-------|
| DATO' TAN KING TAI @ TAN KHOON HAI | 500 | 500 | - | - | 1,000 |
|---------------------------------------|-----|-----|---|---|-------|

* Certain Warrants are held through nominee companies.

Share split based on one (1) new warrant for every one (1) existing warrant held.

DIRECTORS' INTERESTS IN SHARES

Particulars of Directors' interest in shares in the Company as shown in the Registers are as follows :

| <u>Number of ordinary shares of RM1.00 each</u> | | | |
|--|------------------------|------------------------|--------------------------|
| <u>As at</u> | | | <u>As at</u> |
| <u>01.06.2004</u> | <u>Acquired</u> | <u>Disposed</u> | <u>24.12.2004</u> |
| | | | <u>(Recall)</u> |

DIRECT INTEREST

The Company :-

| | | | | |
|---|-----------|--------|--------|------------|
| DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK | 8,739,694 | - | 100 | 8,739,594* |
| CHEW CHUON JIN | 848,200 | - | - | 848,200* |
| DATO' TAN KING TAI @ TAN KHOON HAI | 1,356,809 | 51,000 | - | 1,407,809* |
| ZAHARA BT. PAWANCIK P.P.N., P.J.K. | 80,000 | - | 10,000 | 70,000 |
| CHEW CHUON GHEE | 452,580 | - | 29,000 | 423,580* |
| KHAIRILANUAR BIN ABDUL RAHMAN | - | - | - | - |

| <u>Number of ordinary shares of RM0.50 each</u> | | | |
|--|------------------------|------------------------|--------------------------|
| <u>As at</u> | | | <u>As at</u> |
| <u>05.01.2005</u> | <u>Acquired</u> | <u>Disposed</u> | <u>31.05.2005</u> |
| <u>(Share Split)</u> | | | |

DIRECT INTEREST

The Company :-

| | | | | |
|---|------------|-----------|---|-------------|
| DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK | 17,479,188 | - | - | 17,479,188* |
| CHEW CHUON JIN | 1,696,400 | 232,700 | - | 1,929,100* |
| DATO' TAN KING TAI @ TAN KHOON HAI | 2,815,618 | - | - | 2,815,618* |
| ZAHARA BT. PAWANCIK P.P.N., P.J.K. | 140,000 | - | - | 140,000 |
| CHEW CHUON GHEE | 847,160 | 1,242,500 | - | 2,089,660* |
| KHAIRILANUAR BIN ABDUL RAHMAN | - | - | - | - |

COMPANY NO: 300426 - P

DIRECTORS' INTERESTS IN SHARES (Continued)

By virtue of shares held by companies in which the Directors have an interest :-

| <u>Number of ordinary shares of RM1.00 each</u> | | | |
|--|------------------------|------------------------|--------------------------|
| <u>As at</u> | | | <u>As at</u> |
| <u>01.06.2004</u> | <u>Acquired</u> | <u>Disposed</u> | <u>24.12.2004</u> |
| | | | <u>(Recall)</u> |

INDIRECT INTEREST

CHEW WENG KHAK REALTY SDN. BHD.

DATO' SERI CHEW WENG KHAK

| | | | | |
|------------------|-----------|---|---|------------|
| @ CHEW WENG KIAK | 6,344,317 | - | - | 6,344,317* |
| CHEW CHUON JIN | 6,344,317 | - | - | 6,344,317* |
| CHEW CHUON GHEE | 6,344,317 | - | - | 6,344,317* |

TAN KHOON HAI SDN. BHD.

DATO' TAN KING TAI @

| | | | | |
|---------------|-------|---|---|-------|
| TAN KHOON HAI | 2,000 | - | - | 2,000 |
|---------------|-------|---|---|-------|

| <u>Number of ordinary shares of RM0.50 each</u> | | | |
|--|------------------------|------------------------|-----------------------------|
| <u>As at</u> | | | <u>As at</u> |
| <u>05.01.2005</u> | <u>Acquired</u> | <u>Disposed</u> | <u>31.05.2005</u> |
| | | | <u>(Share Split)</u> |

INDIRECT INTEREST

CHEW WENG KHAK REALTY SDN. BHD.

DATO' SERI CHEW WENG KHAK

| | | | | |
|------------------|------------|---|---|-------------|
| @ CHEW WENG KIAK | 12,688,634 | - | - | 12,688,634* |
| CHEW CHUON JIN | 12,688,634 | - | - | 12,688,634* |
| CHEW CHUON GHEE | 12,688,634 | - | - | 12,688,634* |

TAN KHOON HAI SDN. BHD.

DATO' TAN KING TAI @

| | | | | |
|---------------|-------|---|---|-------|
| TAN KHOON HAI | 4,000 | - | - | 4,000 |
|---------------|-------|---|---|-------|

* Certain shares are held through nominee companies.

DIRECTORS' BENEFITS

Other than as disclosed, no other Director in office at the end of the financial year held any interest in shares or option in shares and debentures of the Company and its subsidiary companies.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than as disclosed in the notes to the financial statements) by reason of a contract made by the Company or related corporation with any 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 virtue of transactions entered into in the ordinary course of business.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects 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.

OTHER STATUTORY INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps :

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business have been written down to their estimated realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets, in the financial statements of the Group and of the Company misleading ; or
- (c) 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;

OTHER STATUTORY INFORMATION (Continued)

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

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liabilities of any other person ;
or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year other than as disclosed in NOTE 27 to the financial statements.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors :

- (a) the results of the Group and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE YEAR

(A) During the financial year the Company made the following proposals which were subsequently approved by the Securities Commission on 14 October 2004:-

- 1) a) Subdivided its issued and fully paid-up capital of 46,310,000 ordinary shares of RM1.00 each into 92,620,000 ordinary shares of RM0.50 each. All approvals from the relevant authorities and shareholders for the share split have been obtained. After the share split, the entire issued and paid-up share capital were requoted on 5 January 2005; and
 - b) Issuance of up to 11,345,000 additional warrants exercisable into 11,345,000 shares on the basis of one (1) new warrant for every one (1) existing warrant held arising from the adjustment pursuant to the share split as provided in deed poll of the Company dated 6 September 2000 and expiring on 4 January 2006.
- 2) Establishment of a new Employees' Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up capital of the Company. All approvals from the relevant authorities and shareholders have been obtained for the ESOS. The said ESOS has been implemented on 11 January 2005.

As at the Company's financial year end the ESOS is not yet exercised.

(B) Acquisition of subsidiary company

On 6 December 2004, the Company acquired 1,785,000 ordinary shares of RM1.00 each representing 51% equity interest in Arcadia Global Sdn. Bhd. (a company incorporated in Malaysia) together with the assignment of a Profit Guarantee for a total cash consideration of RM6,069,000.00. The Foreign Investment Committee (FIC) has approved the said acquisition on 15 January 2005 and the acquisition is deemed completed.

The details of subsidiary company acquired is disclosed in Note 5 to the financial statements.

As at the date of signing of the financial statements, the shortfall in the Profit Guarantee has been fully settled by the guarantor.

COMPANY NO: 300426 - P

AUDITORS

The auditors, **TEH ENG AUN & CO.**, have expressed their willingness to continue in office.

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

**DATO' SERI CHEW WENG KHAK @
CHEW WENG KIAK
DIRECTOR**

**CHEW CHUON JIN
DIRECTOR**

Penang

Dated:

COMPANY NO: 300426 - P

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965**

We, **DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK** and **CHEW CHUON JIN**, being two of the Directors of **PENSONIC HOLDINGS BERHAD**, state that, in the opinion of the Directors, the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto, are properly drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at **31ST MAY, 2005** and of the results of their operations and the cash flows for the Group and of the Company for the financial year ended on that date.

ON BEHALF OF THE BOARD,

**DATO' SERI CHEW WENG KHAK @
CHEW WENG KIAK**

CHEW CHUON JIN

Dated:

COMPANY NO: 300426 - P

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965**

I, **DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK**, I.C. No. **421102-02-5141**, the Director responsible for the financial management of **PENSONIC HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)

abovenamed **DATO' SERI CHEW WENG
KHAK @ CHEW WENG KIAK** at)

Georgetown in the State of **Penang**)

this day of)

**DATO' SERI CHEW WENG
KHAK @ CHEW WENG KIAK**

BEFORE ME,

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PENSONIC HOLDINGS BERHAD**
(Company No : 300426 - P)
(Incorporated in Malaysia)

We have audited the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto of the Group and of the Company. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of: -
 - i) the state of affairs of the Group and of the Company as at **31ST MAY, 2005** and of the results of the Group and of the Company and cash flow of the Group and of the Company for the financial year then ended; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the Company's financial statements and consolidated financial statements; and

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PENSONIC HOLDINGS BERHAD**
(Company No : 300426 - P)
(Incorporated in Malaysia)

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditor's reports of the subsidiary for which we have not acted as auditors, as indicated in Note 5 to the financial statements.

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

The Auditors' report on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174 (3) of the Companies Act, 1965.

TEH ENG AUN & CO.
NO : AF – 0322
CHARTERED ACCOUNTANTS

TEH ENG HIN
NO : 1708/8/2007(J)
PARTNER

COMPANY NO: 300426 - P

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31ST MAY, 2005

| | NOTE | 2005 RM | 2004 RM |
|--|------|-------------|-------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 3 | 43,502,200 | 31,864,554 |
| Intangible assets | 4 | 41,912 | 35,332 |
| Goodwill on consolidation | | 4,790,442 | 526,646 |
| | | <hr/> | <hr/> |
| | | 48,334,554 | 32,426,532 |
| CURRENT ASSETS | | | |
| Inventories | 6 | 55,634,393 | 50,884,285 |
| Trade receivables | 7 | 41,726,286 | 32,097,947 |
| Other receivables, deposits and prepayments | 8 | 7,979,813 | 7,864,945 |
| Amount owing by related companies | 9 | 4,942,215 | 5,160,347 |
| Fixed deposits, cash and bank balances | 11 | 5,957,910 | 10,952,627 |
| | | <hr/> | <hr/> |
| | | 116,240,617 | 106,960,151 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 9,012,192 | 12,310,434 |
| Other payables, accruals and deposit received | 13 | 10,382,381 | 4,346,488 |
| Short term borrowings | 14 | 45,737,017 | 33,743,281 |
| Tax liabilities | | 272,088 | 178,925 |
| | | <hr/> | <hr/> |
| | | 65,403,678 | 50,579,128 |
| NET CURRENT ASSETS | | | |
| | | <hr/> | <hr/> |
| | | 50,836,939 | 56,381,023 |
| | | <hr/> | <hr/> |
| | | 99,171,493 | 88,807,555 |
| | | <hr/> <hr/> | <hr/> <hr/> |

COMPANY NO: 300426 - P

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31ST MAY, 2005

| | NOTE | 2005 RM | 2004 RM |
|--|-----------|------------|------------|
| FINANCED BY :- | | | |
| SHARE CAPITAL | 15 | 46,310,000 | 46,310,000 |
| RESERVES | 16 | 42,748,989 | 40,577,309 |
| SHAREHOLDERS' EQUITY | | 89,058,989 | 86,887,309 |
| MINORITY INTEREST | | 2,277,207 | 682,626 |
| LONG TERM AND DEFERRED LIABILITIES :- | | | |
| Hire purchase creditors | 17 | 538,972 | 164,918 |
| Term loans | 18 | 6,198,044 | - |
| Deferred taxation | 19 | 1,098,281 | 1,072,702 |
| Total Long Term and Deferred Liabilities | | 7,835,297 | 1,237,620 |
| | | 99,171,493 | 88,807,555 |

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

COMPANY NO: 300426 - P

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005

| | NOTE | 2005 RM | 2004 RM |
|---------------------------------|------|-------------------------|-------------------------|
| REVENUE | 20 | 177,681,202 | 151,879,706 |
| COST OF SALES | | <u>(139,506,025)</u> | <u>(122,236,189)</u> |
| GROSS PROFIT | | 38,175,177 | 29,643,517 |
| OTHER OPERATING INCOME | | 1,720,778 | 368,883 |
| DISTRIBUTION COSTS | | (16,337,506) | (12,040,130) |
| ADMINISTRATION EXPENSES | | <u>(17,897,717)</u> | <u>(13,729,050)</u> |
| PROFIT FROM OPERATIONS | 21 | 5,660,732 | 4,243,220 |
| FINANCE COSTS | 22 | <u>(1,622,491)</u> | <u>(819,623)</u> |
| PROFIT BEFORE TAXATION | | 4,038,241 | 3,423,597 |
| INCOME TAX EXPENSE | 23 | <u>(998,107)</u> | <u>(259,355)</u> |
| PROFIT AFTER TAXATION | | 3,040,134 | 3,164,242 |
| MINORITY INTEREST | | <u>131,842</u> | <u>(59,380)</u> |
| NET PROFIT FOR THE YEAR | | <u><u>3,171,976</u></u> | <u><u>3,104,862</u></u> |
| | | | |
| *BASIC EARNINGS PER SHARE (sen) | 24 | <u><u>3.42</u></u> | <u><u>3.35</u></u> |

* Share capital revised to RM0.50 per share.

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

COMPANY NO: 300426 - P

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MAY, 2005

| | Share capital RM | Share premium RM | Revaluation reserve RM | Capital reserve RM | Reserve on consolidation RM | Retained profits RM | Total RM |
|---|---------------------------------|---------------------------------|---------------------------------------|-----------------------------------|--|------------------------------------|---------------------|
| Balance as at 31st May, 2003 | 46,310,000 | 23,763,721 | 387,266 | 4,487,540 | 8,716,627 | 450,725 | 84,115,879 |
| Dividend for the financial year ended 31st May, 2003 (Note 25) | - | - | - | - | - | (333,432) | (333,432) |
| Net profit for the year | - | - | - | - | - | 3,104,862 | 3,104,862 |
| Balance as at 31st May, 2004 | 46,310,000 | 23,763,721 | 387,266 | 4,487,540 | 8,716,627 | 3,222,155 | 86,887,309 |
| Dividend for the financial year ended 31st May, 2004 (Note 25) | - | - | - | - | - | (1,000,296) | (1,000,296) |
| Net profit for the year | - | - | - | - | - | 3,171,976 | 3,171,976 |
| Balance as at 31st May, 2005 | 46,310,000 | 23,763,721 | 387,266 | 4,487,540 | 8,716,627 | 5,393,835 | 89,058,989 |

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

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005

| | NOTE | 2005 RM | 2004 RM |
|---|------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 4,038,241 | 3,423,597 |
| Adjustments for :- | | | |
| Allowance for doubtful debts | | - | 580,063 |
| Amortisation of intangible assets | | | |
| - Trade mark | | 17,096 | 13,931 |
| Amortisation of leasehold land and buildings | | 349,123 | 210,975 |
| Bad debts written off | | - | 232,406 |
| Depreciation of property, plant and equipment | | 1,800,444 | 1,251,513 |
| Interest expense | | 1,624,796 | 831,429 |
| Gain on disposal of property, plant and equipment | | (75,415) | (30,291) |
| Interest income | | (2,305) | (11,806) |
| Property, plant and equipment written off | | - | 5,443 |
| Operating profit before working capital changes | | 7,751,980 | 6,507,260 |
| Increase in inventories | | (4,750,108) | (4,196,579) |
| Increase in receivables | | (7,788,134) | (10,108,383) |
| Increase in payables | | 13,312,027 | 19,338,388 |
| Cash generated from operations | | 8,525,765 | 11,540,686 |
| Taxes paid | | (1,087,575) | (629,981) |
| Taxes refund | | 11,613 | - |
| Interest expense | | (1,624,796) | (831,429) |
| Interest income | | 2,305 | 11,806 |
| Net cash generated from operating activities | | 5,827,312 | 10,091,082 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 26 | (6,514,553) | (5,793,026) |
| Proceeds from disposal of property, plant and equipment | | 170,816 | 53,520 |
| Intangible assets applied | | (23,676) | (11,502) |
| ** Acquisition of a subsidiary company net of cash acquired | | (5,538,169) | - |
| Net cash used in investing activities | | (11,905,582) | (5,751,008) |

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005

| | NOTE | 2005 RM | 2004 RM |
|---|------|-------------|-------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from term loans | | 3,436,365 | - |
| Repayment of hire purchase creditors | | (125,384) | (60,256) |
| Dividend paid | | (1,000,296) | (333,432) |
| Repayment of term loans | | (712,725) | (1,131,299) |
| Net cash generated from/(used in) financing activities | | 1,597,960 | (1,524,987) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (4,480,310) | 2,815,087 |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | | 5,823,063 | 3,007,976 |
| * CASH AND CASH EQUIVALENTS CARRIED FORWARD | | 1,342,753 | 5,823,063 |
| <u>* CASH AND CASH EQUIVALENTS</u> | | RM | RM |
| Cash and bank balances | | 5,793,047 | 10,793,941 |
| Fixed deposits with licensed banks | | 164,863 | 158,686 |
| Bank overdrafts | | (4,506,157) | (5,020,564) |
| | | 1,451,753 | 5,932,063 |
| Less : Fixed deposits pledge to licensed bank | | (109,000) | (109,000) |
| | | 1,342,753 | 5,823,063 |

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

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005**

**** ACQUISITION OF SUBSIDIARY COMPANY**

During the financial year ended 31st May, 2005 the Company acquired Arcadia Global Sdn. Bhd. The fair value of the assets acquired and the liabilities assumed were as follows :-

| | 2005 RM |
|---|-------------------------|
| Cash and bank balances | 530,831 |
| Property, plant and equipment | 2,730,061 |
| Trade and other receivables | 1,700,028 |
| Trade and other payables | (790,899) |
| Term loan | (478,710) |
| Deferred taxation | <u>(168,000)</u> |
| Share of net assets acquired | 3,523,311 |
| Goodwill on acquisition | 4,272,111 |
| Minority interest | <u>(1,726,422)</u> |
| Total acquisition price | 6,069,000 |
| Cash and cash equivalents of subsidiary acquired | <u>(530,831)</u> |
| Cash flow on acquisition, net of cash and cash equivalents acquired | <u><u>5,538,169</u></u> |

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

COMPANY NO: 300426 - P

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31ST MAY, 2005

| | NOTE | 2005 RM | 2004 RM |
|---|------|------------|------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 3 | - | 1 |
| Investment in subsidiary companies | 5 | 41,002,040 | 28,024,705 |
| | | 41,002,040 | 28,024,706 |
| CURRENT ASSETS | | | |
| Other receivables, deposits and prepayments | 8 | 574,596 | 277,191 |
| Amounts owing by subsidiary companies | 10 | 44,565,708 | 51,858,744 |
| Cash at banks | 11 | 16,335 | 2,268,127 |
| | | 45,156,639 | 54,404,062 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | 13 | 101,004 | 115,887 |
| | | 101,004 | 115,887 |
| NET CURRENT ASSETS | | | |
| | | 45,055,635 | 54,288,175 |
| | | 86,057,675 | 82,312,881 |
| Financed by :- | | | |
| SHARE CAPITAL | 15 | 46,310,000 | 46,310,000 |
| RESERVES | 16 | 39,747,675 | 36,002,881 |
| SHAREHOLDERS' EQUITY | | 86,057,675 | 82,312,881 |

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

COMPANY NO: 300426 - P

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)**

**INCOME STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005**

| | NOTE | 2005 RM | 2004 RM |
|--------------------------------|-------------|--------------------|--------------------|
| REVENUE | 20 | 2,700,000 | 1,950,000 |
| OTHER OPERATING INCOME | | 303,410 | 4,000 |
| ADMINISTRATION EXPENSES | | <u>(419,937)</u> | <u>(250,569)</u> |
| PROFIT FROM OPERATIONS | 21 | 2,583,473 | 1,703,431 |
| INCOME TAX EXPENSE | 23 | <u>(746,718)</u> | <u>(545,283)</u> |
| NET PROFIT FOR THE YEAR | | <u>1,836,755</u> | <u>1,158,148</u> |

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

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MAY, 2005

| | Share capital RM | Share premium RM | Revaluation reserve RM | Retained profits RM | Total RM |
|--|---------------------------------|---------------------------------|---------------------------------------|------------------------------------|---------------------|
| Balance as at 31st May, 2003 | 46,310,000 | 23,763,721 | 8,130,872 | 3,283,572 | 81,488,165 |
| Net profit for the year | - | - | - | 1,158,148 | 1,158,148 |
| Dividend for the financial year ended 31st May, 2003 (Note 25) | - | - | - | (333,432) | (333,432) |
| Balance as at 31st May, 2004 | 46,310,000 | 23,763,721 | 8,130,872 | 4,108,288 | 82,312,881 |
| Surplus on revaluation of subsidiaries | - | - | 2,908,335 | - | 2,908,335 |
| Net profit for the year | - | - | - | 1,836,755 | 1,836,755 |
| Dividend for the financial year ended 31st May, 2004 (Note 25) | - | - | - | (1,000,296) | (1,000,296) |
| Balance as at 31st May, 2005 | <u>46,310,000</u> | <u>23,763,721</u> | <u>11,039,207</u> | <u>4,944,747</u> | <u>86,057,675</u> |

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

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005

| | 2005 | 2004 |
|--|-------------|-------------|
| | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 2,583,473 | 1,703,431 |
| Adjustment for :- | | |
| Gain on disposal of property, plant and equipment | (49,999) | - |
| Operating profit before working capital changes | 2,533,474 | 1,703,431 |
| Increase in receivables | (288,041) | (8,289) |
| (Decrease)/Increase in payables | (14,883) | 38,014 |
| Cash generated from operations | 2,230,550 | 1,733,156 |
| Taxes refund | 11,613 | - |
| Taxes paid | (767,695) | (543,284) |
| Net cash generated from operating activities | 1,474,468 | 1,189,872 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Advances from subsidiary companies | 7,293,036 | 1,378,799 |
| Proceeds from disposal of property, plant and equipment | 50,000 | - |
| Acquisition of subsidiary company | (6,069,000) | - |
| Subscription of additional shares in subsidiary company | (4,000,000) | - |
| Net cash (used in)/generated from investing activities | (2,725,964) | 1,378,799 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (1,000,296) | (333,432) |
| Net cash used in financing activities | (1,000,296) | (333,432) |

COMPANY NO: 300426 - P

PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005

| | 2005 | 2004 |
|---|------------------|------------------|
| | RM | RM |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (2,251,792) | 2,235,239 |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | <u>2,268,127</u> | <u>32,888</u> |
| * CASH AND CASH EQUIVALENTS CARRIED FORWARD | <u>16,335</u> | <u>2,268,127</u> |
| * <u>CASH AND CASH EQUIVALENTS</u> | 2005 | 2004 |
| | RM | RM |
| Cash at banks | <u>16,335</u> | <u>2,268,127</u> |

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

COMPANY NO: 300426 - P

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment of the Group and investments in subsidiaries of the Company unless otherwise indicated in the significant accounting policies and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the 31st May 2005. Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting the results of subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

COMPANY NO: 300426 - P

1.2 Basis of consolidation (Continued)

The difference between the purchase price and the fair value of the net assets of subsidiary companies at the date of acquisition is treated as goodwill or reserve on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. Reserve on consolidation are not amortised and will be transferred directly to income statement upon disposal of the subsidiary companies concerned.

All inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

1.3 Property, plant and equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. Freehold land is not amortised. Leasehold land and buildings are amortised over the lease periods ranging from 40 to 85 years. Depreciation on other property, plant and equipment is calculated to write off the cost or valuation of the property, plant and equipment on the straight-line basis and reducing balance basis over the estimated useful lives of the property, plant and equipment concerned. The principal annual rates used are as follows :-

| | Group | Company |
|-------------------------------------|--------------------------|-----------------|
| | Straight Reducing | Straight |
| | - line balance | - line |
| Buildings | - | 2% - 5% |
| Motor vehicles | 20% | 20% |
| Furniture and fittings | 10% | 5% |
| Office equipments | 10% | 10% |
| Electrical installation, Renovation | 10% | - |
| Fire protection system, Showcase | 10% | 10% |
| Factory fittings and equipments | 12% | 10% |
| Moulds, Signboard | 10% | 10% |
| Tools and equipments | 10% | 5% - 10% |
| Plant and machinery | 10% | 10% |
| Computer | 50% | 50% |
| Air conditioner | 10% | - |

COMPANY NO: 300426 - P

1.4 Impairment of assets

The carrying amount of the Group's and of the Company's assets, other than inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same assets with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued assets where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

The impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and subsequent external events have occurred that reverse the effect of the specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed 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.

1.5 Intangible assets

Trade mark incurred is amortised on a straight-line basis over a maximum period of 10 years from the year the expense is incurred.

1.6 Investments

Investments in subsidiary companies are stated at valuation based on the net tangible assets value of the subsidiary companies. Acquisition subsequent to valuation date are stated at cost. A valuation will be conducted in an interval of at least once every five years.

Impairment losses are recognised where applicable.

COMPANY NO: 300426 - P

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on a weighted average basis and comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition. Cost of finished goods is determined on the first-in first-out basis and comprise of purchase cost, direct labour and an appropriate proportion of production overheads.

1.8 Receivables

Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

1.9 Related companies

Related companies consist of companies within the Pensonic Holdings Berhad's group of companies and companies in which certain directors have substantial financial interest.

1.10 Cash and cash equivalents

Cash and cash equivalents consists of cash in hand, bank balances, bank overdrafts and fixed deposits. Cash equivalents consists of short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.11 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and service received.

1.12 Assets acquired under hire purchase agreement

Assets financed by hire-purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements based on the sum-of-digit and straight-line method.

COMPANY NO: 300426 - P

1.13 Deferred tax liabilities and assets

Deferred tax liabilities and assets are provided for under the liability method using the tax rates that have been enacted or substantially enacted by the balance sheet date in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

1.14 Income tax expense

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year end and is measured using the tax rates that have been enacted at the balance sheet date.

1.15 Provisions

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

1.16 Revenue and revenue recognition

Revenue of the Group consists of services rendered, gross sales of electronic products and electrical home appliances less returns and discounts.

Revenue for the Company represents gross dividend received.

COMPANY NO: 300426 - P

1.16 Revenue and revenue recognition (Continued)

Revenue from services rendered is recognised as and when service are performed. Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Dividend income is recognised when the shareholder's right to receive payment is established. Interest income and income from royalty are recognised on an accrual basis.

All inter-company transactions are eliminated on consolidation.

1.17 Foreign currency transactions

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates and, where settlement of liabilities and receivables has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. Gains or losses arising from foreign currency conversions are taken up in the income statement.

The principal closing rate used in the transaction of foreign currency amounts are as follows :

| | 2005 | 2004 |
|------------------------|-------------|-------------|
| | RM | RM |
| 1 United States Dollar | 3.800 | 3.800 |
| 1 Hong Kong Dollar | 0.488 | 0.488 |

1.18 Employees benefits

(i) Short term benefits

Salaries, wages, bonuses and social security contributions are recognised as an expense in the financial year in which the services are rendered by the employees of the Company. Non-monetary benefits are charged to the income statement as and when incurred.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund. Such contributions are recognised as an expense in the income statement in the financial year to which they are related.

COMPANY NO: 300426 - P

1.19 Government Grants

Government grants are recognised as income on a systematic and rational basis over the period necessary to match them with the related costs.

1.20 Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risk and rates of return are affected predominantly by differences in the products it produces, while the secondary information is reported geographically.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance cost and corporate administration expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that is expected to be used for more than one period.

2. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows :

a) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating subsidiary to transaction risk by matching local currency income against local currency costs.

2. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

b) Interest rate risk

The Group borrows from licensed banks at interest rates approved by Bank Negara Malaysia to finance its working capital. The interest rates are relatively competitive compared to interest rates of similar instruments in the market.

The Group places excess funds if any, with reputable bank to generate interest income for the Group. The Group manages its interest rate risk by monitoring market rates and placing such balances on varying maturities and interest rate terms.

c) Credit risk

The Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group do not require collateral in respect of financial assets.

Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. At balance sheet date, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the balance sheet.

d) Liquidity and cash flow risks

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets or the Group and a flexible, cost effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP
2005

COST OR VALUATION

| | AT 01.06.2004 RM | Acquisition of subsidiary RM | Additions RM | Disposals RM | AT 31.05.2005 RM |
|-----------------------------------|------------------------|------------------------------------|-----------------|-----------------|------------------------|
| At valuation :- | | | | | |
| Leasehold land | 1,523,532 | - | - | - | 1,523,532 |
| At cost :- | | | | | |
| Leasehold land and buildings | 16,509,380 | - | 7,089,968 | - | 23,599,348 |
| Freehold land | 997,287 | - | - | - | 997,287 |
| Buildings | 10,611,287 | - | - | - | 10,611,287 |
| Motor vehicles | 3,595,196 | - | 917,079 | (790,103) | 3,722,172 |
| Furniture and fittings | 1,097,806 | 39,870 | 256,382 | - | 1,394,058 |
| Office equipment | 1,065,956 | 11,449 | 137,464 | - | 1,214,869 |
| Electrical installation | 382,719 | - | 6,220 | - | 388,939 |
| Renovation | 1,981,413 | 816,566 | 770,288 | - | 3,568,267 |
| Fire protection system | 356,249 | - | 250 | - | 356,499 |
| Showcase | 66,746 | - | - | - | 66,746 |
| Factory fittings and equipment | 422,344 | - | 101,396 | - | 523,740 |
| Moulds | 3,446,036 | - | 212,300 | - | 3,658,336 |
| Signboard | 176,878 | - | 26,640 | - | 203,518 |
| Tools and equipment | 441,996 | - | 125,774 | - | 567,770 |
| Plant and machinery | 350,757 | 3,794,883 | 1,411,055 | - | 5,556,695 |
| Computer | 334,840 | 128,136 | 97,737 | - | 560,713 |
| | 43,360,422 | 4,790,904 | 11,152,553 | (790,103) | 58,513,776 |

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | ACCUMULATED DEPRECIATION | | NET BOOK VALUE | | | |
|-----------------------------------|--------------------------|------------------------------------|------------------------------|------------------|------------------------|------------------------|
| | AT 01.06.2004 RM | Acquisition of subsidiary RM | Charge for the year RM | Disposal RM | AT 31.05.2005 RM | AT 31.05.2005 RM |
| At valuation :- | | | | | | |
| Leasehold land | 253,920 | - | 25,392 | - | 279,312 | 1,244,220 |
| At cost :- | | | | | | |
| Leasehold land and buildings | 2,064,101 | - | 323,731 | - | 2,387,832 | 21,211,516 |
| Freehold land | - | - | - | - | - | 997,287 |
| Buildings | 1,517,123 | - | 195,392 | - | 1,712,515 | 8,898,772 |
| Motor vehicles | 2,445,935 | - | 279,313 | (694,702) | 2,030,546 | 1,691,626 |
| Furniture and fittings | 356,950 | 10,984 | 134,161 | - | 502,095 | 891,963 |
| Office equipment | 742,918 | 6,182 | 116,866 | - | 865,966 | 348,903 |
| Electrical installation | 199,617 | - | 21,925 | - | 221,542 | 167,397 |
| Renovation | 890,124 | 175,576 | 249,383 | - | 1,315,083 | 2,253,184 |
| Fire protection system | 212,911 | - | 14,373 | - | 227,284 | 129,215 |
| Showcase | 61,645 | - | 511 | - | 62,156 | 4,590 |
| Factory fittings and equipment | 242,375 | - | 28,964 | - | 271,339 | 252,401 |
| Moulds | 1,754,420 | - | 215,834 | - | 1,970,254 | 1,688,082 |
| Signboard | 141,452 | - | 11,748 | - | 153,200 | 50,318 |
| Tools and equipment | 141,547 | - | 43,332 | - | 184,879 | 382,891 |
| Plant and machinery | 186,360 | 1,798,708 | 400,967 | - | 2,386,035 | 3,170,660 |
| Computer | 284,470 | 69,393 | 87,675 | - | 441,538 | 119,175 |
| | <u>11,495,868</u> | <u>2,060,843</u> | <u>2,149,567</u> | <u>(694,702)</u> | <u>15,011,576</u> | <u>43,502,200</u> |

3. PROPERTY, PLANT AND EQUIPMENT

GROUP
2004

COST OR VALUATION

| | AT 01.06.2003 RM | Adjustments RM | Additions RM | Disposals/ Written off RM | AT 31.05.2004 RM |
|--|------------------------|-------------------|------------------|---------------------------------|------------------------|
| At valuation :- | | | | | |
| Leasehold land | 1,523,532 | - | - | - | 1,523,532 |
| At cost :- | | | | | |
| Leasehold land and building under construction | - | - | 4,106,857 | - | 4,106,857 |
| Leasehold land and buildings | 12,402,523 | - | - | - | 12,402,523 |
| Freehold land | 997,287 | - | - | - | 997,287 |
| Buildings | 10,611,287 | - | - | - | 10,611,287 |
| Motor vehicles | 3,229,442 | 47,855 | 449,203 | (131,304) | 3,595,196 |
| Furniture and fittings | 886,895 | (96,647) | 329,749 | (22,191) | 1,097,806 |
| Office equipment | 903,073 | - | 162,883 | - | 1,065,956 |
| Electrical installation | 366,680 | - | 16,039 | - | 382,719 |
| Renovation | 1,877,842 | (6,887) | 110,458 | - | 1,981,413 |
| Fire protection system | 355,949 | - | 300 | - | 356,249 |
| Showcase | 66,746 | - | - | - | 66,746 |
| Factory fittings and equipment | 372,189 | - | 50,155 | - | 422,344 |
| Moulds | 2,975,175 | - | 479,561 | (8,700) | 3,446,036 |
| Signboard | 171,978 | - | 4,900 | - | 176,878 |
| Tools and equipment | 360,983 | - | 81,013 | - | 441,996 |
| Plant and machinery | 330,757 | - | 20,000 | - | 350,757 |
| Computer | 250,932 | - | 83,908 | - | 334,840 |
| | <u>37,683,270</u> | <u>(55,679)</u> | <u>5,895,026</u> | <u>(162,195)</u> | <u>43,360,422</u> |

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | ACCUMULATED DEPRECIATION | | | NET BOOK VALUE | |
|--|--------------------------|------------------------------|------------------|------------------------|------------------------|
| | AT 01.06.2003 RM | Charge for the year RM | Disposal RM | AT 31.05.2004 RM | AT 31.05.2004 RM |
| At valuation :- | | | | | |
| Leasehold land | 228,528 | 25,392 | - | 253,920 | 1,269,612 |
| At cost :- | | | | | |
| Leasehold land and building under construction | - | - | - | - | 4,106,857 |
| Leasehold land and buildings | 1,853,126 | 210,975 | - | 2,064,101 | 10,338,422 |
| Freehold land | - | - | - | - | 997,287 |
| Buildings | 1,319,222 | 197,901 | - | 1,517,123 | 9,094,164 |
| Motor vehicles | 2,283,513 | 275,353 | (112,931) | 2,445,935 | 1,149,261 |
| Furniture and fittings | 257,698 | 116,000 | (16,748) | 356,950 | 740,856 |
| Office equipment | 635,278 | 107,640 | - | 742,918 | 323,038 |
| Electrical installation | 177,055 | 22,562 | - | 199,617 | 183,102 |
| Renovation | 752,335 | 137,789 | - | 890,124 | 1,091,289 |
| Fire protection system | 196,969 | 15,942 | - | 212,911 | 143,338 |
| Showcase | 61,076 | 569 | - | 61,645 | 5,101 |
| Factory fittings and equipment | 216,919 | 25,456 | - | 242,375 | 179,969 |
| Moulds | 1,560,460 | 197,803 | (3,843) | 1,754,420 | 1,691,616 |
| Signboard | 130,244 | 11,208 | - | 141,452 | 35,426 |
| Tools and equipment | 110,799 | 30,748 | - | 141,547 | 300,449 |
| Plant and machinery | 169,251 | 17,109 | - | 186,360 | 164,397 |
| Computer | 214,429 | 70,041 | - | 284,470 | 50,370 |
| | <u>10,166,902</u> | <u>1,462,488</u> | <u>(133,522)</u> | <u>11,495,868</u> | <u>31,864,554</u> |

The net book value of the Group's motor vehicles and office equipment amounting to RM1,011,478 (2004 : 318,965) are held under hire purchase contracts.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

**COMPANY
2005**

| | COST | | | | |
|---------------|---------------------------------|------------------------|------------------------|---------------------------------|--|
| | At 01.06.2004 RM | Addition RM | Disposal RM | At 31.05.2005 RM | |
| Motor vehicle | 393,776 | - | (393,776) | - | |

| | ACCUMULATED DEPRECIATION | | | NET BOOK VALUE | |
|---------------|-------------------------------------|---------------------------------------|------------------------|---------------------------------|---------------------------------|
| | At 01.06.2004 RM | Charge for the year RM | Disposal RM | At 31.05.2005 RM | At 31.05.2005 RM |
| Motor vehicle | 393,775 | - | (393,775) | - | - |

**COMPANY
2004**

| | COST | | | | |
|---------------|---------------------------------|------------------------|------------------------|---------------------------------|--|
| | At 01.06.2003 RM | Addition RM | Disposal RM | At 31.05.2004 RM | |
| Motor vehicle | 393,776 | - | - | 393,776 | |

| | ACCUMULATED DEPRECIATION | | | NET BOOK VALUE | |
|---------------|-------------------------------------|---------------------------------------|------------------------|---------------------------------|---------------------------------|
| | At 01.06.2003 RM | Charge for the year RM | Disposal RM | At 31.05.2004 RM | At 31.05.2004 RM |
| Motor vehicle | 393,775 | - | - | 393,775 | 1 |

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (i) The property, plant and equipment of certain subsidiary companies pledged to licensed banks for banking facilities granted to the Group are as follows :-

| | GROUP | |
|-----------------------------|-------------------|-------------------|
| | 2005 | 2004 |
| | RM | RM |
| At cost :- | | |
| Freehold land and building | 1,246,666 | 1,246,666 |
| Leasehold land and building | 33,465,516 | 22,268,691 |
| | <u>34,712,182</u> | <u>23,515,357</u> |

- (ii) The valuation for leasehold land were made in 1994 based on a valuation exercise carried out by independent professional valuers using the open market value basis. Pursuant to the transitional provisions of MASB 15, the said assets are stated at their valuation less accumulated depreciation.
- (iii) Had the revalued asset been carried at cost less accumulated depreciation, the carrying amounts would have been as follows :-

| GROUP | Cost | Accumulated | Net |
|----------------|------------------|---------------------|-------------------|
| | RM | Depreciation | book value |
| | RM | RM | RM |
| 2005 | | | |
| Leasehold land | 1,115,883 | 204,578 | 911,305 |
| | <u>1,115,883</u> | <u>204,578</u> | <u>911,305</u> |
| 2004 | | | |
| Leasehold land | 1,115,883 | 185,980 | 929,903 |
| | <u>1,115,883</u> | <u>185,980</u> | <u>929,903</u> |

4. INTANGIBLE ASSETS

| | GROUP | | COMPANY | |
|------------------------------------|----------------|----------------|---------|------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| a) Trade mark : | | | | |
| Cost | | | | |
| As at 1st June | 110,514 | 99,012 | - | - |
| Add : Addition during the year | 23,676 | 11,502 | - | - |
| As at 31st May | <u>134,190</u> | <u>110,514</u> | - | - |
| Accumulated amortisation | | | | |
| As at 1st June | 75,182 | 61,251 | - | - |
| Add : Amortisation during the year | 17,096 | 13,931 | - | - |
| As at 31st May | <u>92,278</u> | <u>75,182</u> | - | - |
| As at 31st May | <u>41,912</u> | <u>35,332</u> | - | - |

5. INVESTMENT IN SUBSIDIARY COMPANIES

| | GROUP | | COMPANY | |
|--|------------|------------|-------------|-------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Unquoted shares | | | | |
| - at cost | - | - | 22,031,962 | 11,962,962 |
| - at directors valuation | - | - | 19,170,078 | 16,261,743 |
| | | | <hr/> | <hr/> |
| | - | - | 41,202,040 | 28,224,705 |
| Less : Dividend paid out by a subsidiary company out of retained profits after revaluation date | - | - | (200,000) | (200,000) |
| | | | <hr/> | <hr/> |
| | - | - | 41,002,040 | 28,024,705 |
| | | | <hr/> <hr/> | <hr/> <hr/> |

During the financial year ended 31st May, 2005 the cost of investment in subsidiaries were revalued by the directors based on the audited net tangible assets of these subsidiaries as at 31st May, 2005.

Particulars of the subsidiary companies are as follows :-

| <u>Name of company</u> | <u>Principal activities</u> | <u>Effective equity interest</u> | | <u>Country of incorporation</u> |
|------------------------------------|--|----------------------------------|------|---------------------------------|
| | | 2005 | 2004 | |
| Keat Radio Co. Sdn. Bhd. | Manufacturing, assembling and sale of electrical and electronic home appliances | 100% | 100% | Malaysia |
| Pensonic Sales & Service Sdn. Bhd. | Distribution of electrical and electronic home appliances | 100% | 100% | Malaysia |
| Pensonic Corporation Sdn. Bhd. | Trading of electrical and electronic home appliances | 100% | 100% | Malaysia |
| Pensia Electronic Sdn. Bhd. | Manufacturing, assembling, and sale of electrical and electronic home appliances | 100% | 100% | Malaysia |

5. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

| <u>Name of company</u> | <u>Principal activities</u> | <u>Effective equity interest</u> | | <u>Country of incorporation</u> |
|---|---|----------------------------------|------|---------------------------------|
| | | 2005 | 2004 | |
| Pensia Industries Sdn. Bhd. | Manufacturing, assembling and sale of electrical and electronic home appliances | 100% | 100% | Malaysia |
| Pensia Air Conditioners Sdn. Bhd. | Assembling and sale of electrical and electronic home appliances | 100% | 100% | Malaysia |
| Epicson Sales & Service Sdn. Bhd. | Trading of electrical and electronic home appliances | 100% | 100% | Malaysia |
| Arcadia Global Sdn. Bhd. | Investment holding | 51% | - | Malaysia |
| Subsidiaries of Keat Radio Co. Sdn. Bhd. | | | | |
| Pensonic Industries Sdn. Bhd. | Distribution of electrical and electronics home appliances | 60% | 60% | Malaysia |
| Pensonic Part & Services Sdn. Bhd | Trading of parts of electrical and electronics home appliances | 60% | 60% | Malaysia |
| * Pensonic (H.K.) Corporation Limited | Trading of electrical and electronics home appliances | 98% | 98% | Hong Kong |

* The subsidiary company is not audited by us.

Subsidiaries of Arcadia Global Sdn. Bhd.

| | | | | |
|----------------------------------|---|-----|---|----------|
| IS Services Technology Sdn. Bhd. | Dealing in back end process in the manufacture of substrates on consignment basis | 51% | - | Malaysia |
| Skyscope Sdn. Bhd. | Dealing in back end process in the manufacture of substrates on consignment basis | 51% | - | Malaysia |

COMPANY NO: 300426 - P**6. INVENTORIES**

| | GROUP | |
|----------------|-------------------|-------------------|
| | 2005 | 2004 |
| | RM | RM |
| Raw materials | 9,189,987 | 8,361,660 |
| Finished goods | 46,444,406 | 42,522,625 |
| | <u>55,634,393</u> | <u>50,884,285</u> |

Raw materials and finished goods are carried at net realisable value.

7. TRADE RECEIVABLES

| | GROUP | | COMPANY | |
|-------------------------------------|-------------------|-------------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Amounts due :- | | | | |
| - within 1 year | 35,457,144 | 27,917,580 | - | - |
| - after 1 year | 6,269,142 | 4,766,597 | - | - |
| | <u>41,726,286</u> | <u>32,684,177</u> | - | - |
| Less : Allowance for doubtful debts | - | (586,230) | - | - |
| | <u>41,726,286</u> | <u>32,097,947</u> | - | - |

The allowance for doubtful debts is net of bad debts written off as follows :-

| | GROUP | | COMPANY | |
|-----------------------|--------------|-------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Bad debts written off | - | 232,406 | - | - |

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|------------------|------------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Other receivables, deposits and prepayments | 6,031,378 | 5,945,107 | 475,330 | 187,289 |
| Tax recoverable | 1,948,435 | 1,919,838 | 99,266 | 89,902 |
| | <u>7,979,813</u> | <u>7,864,945</u> | <u>574,596</u> | <u>277,191</u> |

9. AMOUNT OWING BY RELATED COMPANIES

Amount owing by related companies are unsecured, interest free and with no fixed terms of repayment.

10. AMOUNT OWING BY SUBSIDIARY COMPANIES

The amount owing by subsidiary companies are unsecured, interest free and with no fixed terms of repayment.

11. FIXED DEPOSITS, CASH AND BANK BALANCES

| | GROUP | | COMPANY | |
|------------------------------------|------------------|-------------------|----------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Fixed deposits with licensed banks | 164,863 | 158,686 | - | - |
| Cash and bank balances | 5,793,047 | 10,793,941 | 16,335 | 2,268,127 |
| | <u>5,957,910</u> | <u>10,952,627</u> | <u>16,335</u> | <u>2,268,127</u> |

Included in the fixed deposits with licensed banks of the Group are fixed deposits of RM 109,000(2004 : RM109,000) pledged to licensed bank for banking facilities granted to the Group.

COMPANY NO: 300426 - P**12. TRADE PAYABLES**

The credit terms of trade payables range from 30 days to 90 days.

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

| | GROUP | | COMPANY | |
|-----------------------------------|-------------------|------------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Other payables | 6,484,418 | 2,842,411 | - | 9,004 |
| Accruals and deposit received | 3,695,717 | 1,440,393 | 101,004 | 106,883 |
| Hire purchase creditors (Note 17) | 202,246 | 63,684 | - | - |
| | <u>10,382,381</u> | <u>4,346,488</u> | <u>101,004</u> | <u>115,887</u> |

14. SHORT-TERM BORROWINGS

| | GROUP | | COMPANY | |
|----------------------|-------------------|-------------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Secured : | | | | |
| Bank overdrafts | 4,506,157 | 5,020,564 | - | - |
| Bills payables | 40,196,345 | 28,692,508 | - | - |
| Term loans (Note 18) | 1,034,515 | 30,209 | - | - |
| | <u>45,737,017</u> | <u>33,743,281</u> | <u>-</u> | <u>-</u> |

The bank borrowings and other banking facilities bear interest at rates ranging from 1.25% to 2.00% per annum above the banks' base lending rates and are secured by the followings :-

- i) legal charges over certain properties belonging to subsidiary companies as shown in Note 3 (i) to the financial statements;
- ii) lien on fixed deposits belonging to subsidiary companies as disclosed in Note 11 to the financial statements;
- iii) fresh Corporate Guarantee by the Company;
- iv) Trade Financing General Agreement;
- v) Trade Financing General Agreement for Islamic Financing; and
- vi) negative pledge.

COMPANY NO: 300426 - P

15. SHARE CAPITAL

| | COMPANY | |
|--------------------------------|--------------------|--------------------|
| | 2005 | 2004 |
| | RM | RM |
| Ordinary shares of RM0.50 each | | |
| Authorised :- | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid-up :- | <u>46,310,000</u> | <u>46,310,000</u> |

During the financial year, the Company's issued and fully paid-up capital of 46,310,000 ordinary shares of RM1.00 each was subdivided into 92,620,000 ordinary shares of RM0.50 each.

The Company's authorised capital of 100,000,000 ordinary shares of RM1.00 each was subdivided into 200,000,000 ordinary shares of RM0.50 each.

In connection herewith an additional 11,345,000 warrants exercisable into 11,345,000 shares on the basis of one (1) new warrant for every one (1) existing warrant held arising from the adjustment pursuant to the shares split as provided in the deed poll of the Company dated 6 September 2000 and expiring on 4 January 2006 was issued. The revised exercise price of the warrants is RM1.425.

The exercise period of the warrants may be extended by the Company for a further term of five (5) years from the date expiration subject to the approval of relevant authorities and shareholders.

The new ordinary shares allotted and issued upon exercise of the Warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, entitlements and/or other distributions, the record date which is prior to the relevant subscription date (record date means, in relation to any dividends, rights, allotments or other distributions, the date on which the shareholders of the Company must be registered in order to participate in such dividends, rights, allotments or other distributions).

During the financial year, no warrants were converted into ordinary shares. The number of outstanding warrants as at 31 May 2005 is 22,690,000 (2004 : 11,345,000 - before share split).

16. RESERVES

| | GROUP | | COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| <u>Non-Distributable :-</u> | | | | |
| a) Revaluation reserve : | | | | |
| As at 1st June | 387,266 | 387,266 | 8,130,872 | 8,130,872 |
| Add : Surplus on revaluation of subsidiaries | - | - | 2,908,335 | - |
| As at 31st May | <u>387,266</u> | <u>387,266</u> | <u>11,039,207</u> | <u>8,130,872</u> |
| b) Capital reserve : | | | | |
| As at 31st May | <u>4,487,540</u> | <u>4,487,540</u> | - | - |
| c) Share premium : | | | | |
| As at 31st May | <u>23,763,721</u> | <u>23,763,721</u> | <u>23,763,721</u> | <u>23,763,721</u> |
| d) Reserve on consolidation : | | | | |
| As at 31st May | <u>8,716,627</u> | <u>8,716,627</u> | - | - |
| <u>Distributable :-</u> | | | | |
| e) Retained profits | | | | |
| As at 1st June | 3,222,155 | 450,725 | 4,108,288 | 3,283,572 |
| Profit for the year | 3,171,976 | 3,104,862 | 1,836,755 | 1,158,148 |
| Dividends | (1,000,296) | (333,432) | (1,000,296) | (333,432) |
| As at 31st May | <u>5,393,835</u> | <u>3,222,155</u> | <u>4,944,747</u> | <u>4,108,288</u> |
| TOTAL RESERVES | | | | |
| Total reserves at 31st May are analysed as follows : | | | | |
| Distributable | 5,393,835 | 3,222,155 | 4,944,747 | 4,108,288 |
| Non-distributable | <u>37,355,154</u> | <u>37,355,154</u> | <u>34,802,928</u> | <u>31,894,593</u> |
| | <u>42,748,989</u> | <u>40,577,309</u> | <u>39,747,675</u> | <u>36,002,881</u> |

COMPANY NO: 300426 - P**17. HIRE PURCHASE CREDITORS**

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Amounts payable within :- | | | | |
| 1 year after balance sheet date | 202,246 | 63,684 | - | - |
| More than 1 year but not later than 5 years | 538,972 | 164,918 | - | - |
| | <u>741,218</u> | <u>228,602</u> | - | - |

18. TERM LOANS

| | GROUP | | COMPANY | |
|---|------------------|---------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Secured :- | | | | |
| Amounts payable within :- | | | | |
| 1 year after balance sheet date | 1,034,515 | 30,209 | - | - |
| More than 1 year but not later than 5 years | 2,851,107 | - | - | - |
| More than 5 years | 3,346,937 | - | - | - |
| | <u>6,198,044</u> | - | - | - |
| | <u>7,232,559</u> | <u>30,209</u> | - | - |

Term loans bear interest at rates of 4.25% and 6% per annum and at rates ranging from 1.25% to 1.75% per annum above the banks' base lending rates. Term loans are secured by charges as mentioned in Note 14.

19. DEFERRED TAXATION

| | GROUP | | COMPANY | |
|------------------------------------|------------------|------------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| As at 1st June | 1,072,702 | 1,068,283 | - | - |
| Recognised in the income statement | 25,579 | 4,419 | - | - |
| | <u>1,098,281</u> | <u>1,072,702</u> | - | - |

20. REVENUE

| | GROUP | | COMPANY | |
|--------------------------------------|--------------------|--------------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Sales of goods and services rendered | 177,681,202 | 151,879,706 | - | - |
| Dividend income | - | - | 2,700,000 | 1,950,000 |
| | <u>177,681,202</u> | <u>151,879,706</u> | <u>2,700,000</u> | <u>1,950,000</u> |

21. PROFIT FROM OPERATIONS

Profit from operations has been determined after inclusion of the following charges and credits :-

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| After charging :- | | | | |
| Allowance for doubtful debts | - | 580,063 | - | - |
| Audit fee | 86,352 | 79,338 | 9,000 | 9,000 |
| Amortisation of leasehold land and buildings | 349,123 | 210,975 | - | - |
| Amortisation of intangible assets | | | | |
| - Trade mark | 17,096 | 13,931 | - | - |
| Bad debts written off | - | 232,406 | - | - |
| Directors' remuneration (Note a) | 741,500 | 723,500 | 80,000 | 80,000 |
| Depreciation of property, plant and equipment | 1,800,444 | 1,251,513 | - | - |
| Lease rental for land and building | 286,347 | 223,878 | - | - |
| Loss on foreign exchange | | | | |
| - realised | 79,027 | 35,551 | - | - |
| Loss on disposal of property, plant and equipment | - | 1,208 | - | - |
| Property, plant and equipment written off | - | 5,443 | - | - |
| Research expenses written off | - | 9,953 | - | - |
| Rental of premises :- | | | | |
| - paid to third parties | 692,552 | 300,491 | - | - |
| | <u>692,552</u> | <u>300,491</u> | <u>-</u> | <u>-</u> |

21. PROFIT FROM OPERATIONS (Continued)

| | GROUP | | COMPANY | |
|--|----------------|----------------|---------------|---------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| And crediting :- | | | | |
| Government grant | 633,761 | - | - | - |
| Gain on disposal of property, plant and equipment | 75,415 | 31,499 | 49,999 | - |
| Gross dividend received from subsidiary company | - | - | 2,700,000 | 1,950,000 |
| Other income | - | 4,000 | - | 4,000 |
| Shortfall of profit guarantee | 253,411 | - | 253,411 | - |
| Testing and inspection charges | 12,780 | - | - | - |
| Rental received | 275,499 | 283,289 | - | - |
| (a) Directors' remuneration | | | | |
| Executive Directors | | | | |
| - salaries | 562,000 | 572,000 | - | - |
| - bonuses | 73,500 | 71,500 | - | - |
| - fees | 60,000 | 70,000 | 60,000 | 70,000 |
| Total | 695,500 | 713,500 | 60,000 | 70,000 |
| Non-Executive Directors | | | | |
| - salaries | 24,000 | - | - | - |
| - bonuses | 2,000 | - | - | - |
| - fees | 20,000 | 10,000 | 20,000 | 10,000 |
| Total | 46,000 | 10,000 | 20,000 | 10,000 |
| Grand Total | 741,500 | 723,500 | 80,000 | 80,000 |

| | Number of directors | | | |
|-------------------------------|------------------------|--------------------------------|------------------------|--------------------------------|
| | 2005 | | 2004 | |
| | Executive Directors | Non- Executive Directors | Executive Directors | Non- Executive Directors |
| <u>Directors of the Group</u> | | | | |
| Below RM50,000 | - | 2 | 1 | 1 |
| RM50,000 - RM100,000 | 1 | - | 1 | - |
| RM100,001 - RM150,000 | - | - | 1 | - |
| RM150,001 - RM200,000 | 2 | - | 1 | - |
| RM200,001 - RM250,000 | - | - | - | - |
| RM250,001 - RM300,000 | 1 | - | - | - |
| RM300,001 - RM350,000 | - | - | 1 | - |

COMPANY NO: 300426 - P**22. FINANCE COSTS**

| | GROUP | | COMPANY | |
|----------------------------------|------------------|----------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Bank interest | 240,647 | 104,705 | - | - |
| Banker acceptance interest | 1,108,327 | 666,548 | | |
| Term loans interest | 236,552 | 50,277 | - | - |
| Hire purchase interest | 39,270 | 9,899 | - | - |
| | <u>1,624,796</u> | <u>831,429</u> | - | - |
| Fixed deposits interest received | (2,305) | (8,305) | - | - |
| Other interest | - | (3,501) | - | - |
| | <u>1,622,491</u> | <u>819,623</u> | - | - |

23. INCOME TAX EXPENSE

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Current tax expenses | 1,008,817 | 103,200 | - | - |
| Under/(Over) provision in prior years | 131,711 | 151,736 | (9,282) | (717) |
| Tax deducted at source | - | - | 756,000 | 546,000 |
| Deferred taxation | (142,421) | 4,419 | - | - |
| | <u>998,107</u> | <u>259,355</u> | <u>746,718</u> | <u>545,283</u> |

COMPANY NO: 300426 - P**23. INCOME TAX EXPENSE (Continued)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the Company is as follows :-

| | GROUP | | COMPANY | |
|---|--------------|-------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Reconciliation of income tax expense :- | | | | |
| Profit before taxation | 4,038,241 | 3,423,597 | 2,583,473 | 1,703,431 |
| Taxation at Malaysian Statutory tax rate 28% (2004 : 28%) | 1,677,374 | 991,808 | 723,372 | 476,960 |
| Taxation at Foreign Statutory tax rate 17.50% (2004 : 17.50%) | (326,951) | (42,838) | - | - |
| 8% effect on first RM500,000 | (120,000) | - | - | - |
| Non-deductible expenses | 475,875 | 281,171 | 117,583 | 69,040 |
| Under/(Over) provision in prior years | 131,711 | 151,736 | (9,282) | (717) |
| Tax incentive and allowance | (548,843) | (624,517) | - | - |
| Income not subject to tax | (85,001) | (503,100) | (84,955) | - |
| Tax losses and capital allowance not recognised | 74,545 | 78,095 | - | - |
| Utilisation of unabsorbed capital allowance | (114,673) | (38,000) | - | - |
| Utilisation of reinvestment allowance | (74,000) | - | - | - |
| Utilisation of unabsorbed losses | (91,930) | (35,000) | - | - |
| | 998,107 | 259,355 | 746,718 | 545,283 |

23. INCOME TAX EXPENSE (Continued)

The disproportionate tax charge in relation to the results of the Group for the current year is mainly due to available tax reliefs for tax purposes.

The Company's tax charge for the financial year is in respect of dividend income.

The Group has tax credit of approximately RM14,393,930 (2004 : RM15,921,454) under Section 108 of the Income Tax Act, 1967 and tax exempt income available for distribution amounting to approximately RM4,023,055 (2004 : RM4,023,055) to frank the payment of future dividends subject to the agreement by the Inland Revenue Board Malaysia.

24. BASIC EARNINGS PER SHARE

The basic earnings per share has been calculated based on the group's net profit for the year of RM3,171,976 (2004: RM3,104,862) divided by the number of ordinary shares during the year of 92,620,000 (2004: ordinary shares of 92,620,000 - after share split).

25. DIVIDEND

| | GROUP | | COMPANY | |
|---|--------------|-------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| First and final dividend of 2 sen per share (2004 : 3 sen per share) less tax at 28% in respect of financial year ended 31st May | 1,333,728 | 1,000,296 | 1,333,728 | 1,000,296 |

The Board of Directors propose a first and final dividend of 2 sen per share less tax 28% amounting to RM1,333,728 (based on the issued and fully paid-up share capital of 92,620,000 ordinary shares of RM0.50 each) in respect of the current financial year. This dividend is not recognised as a liability at the balance sheet date and will be accounted for as an appropriation of retained profits in the financial year ending 31st May, 2006 when approved by shareholders.

26. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM11,152,553 (2004: RM5,895,026) of which of RM638,000 (2004 : RM102,000) was acquired by means of hire purchase and RM4,000,000 (RM : Nil) was acquired by means of term loan. The balance of RM6,514,553 (2004 : RM5,793,026) was paid by cash.

27. CONTINGENT LIABILITIES

| | COMPANY | |
|---|-------------------|-------------------|
| | 2005 | 2004 |
| | RM | RM |
| Guarantees given to financial institutions in respect of banking facilities granted to certain subsidiary companies - unsecured | <u>91,906,000</u> | <u>91,906,000</u> |

28. CAPITAL COMMITMENT

| | GROUP | | COMPANY | |
|---------------------------------|----------------|------------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Contracted but not provided for | <u>950,000</u> | <u>6,386,995</u> | <u>-</u> | <u>-</u> |

29. SEGMENT REPORTING

i) Business Segments

The Group operations comprise the following business segments :-

Investment holding : The long term investment in unquoted shares.

Manufacturing and assembling : The manufacturing and assembling of electrical home appliances and back end process in the manufacture of substrates on consignment basis.

Trading : The sales and servicing of electrical home appliances.

| 2005 | Investment Holding RM | Manufacturing and Assembling RM | Trading RM | Elimination RM | Consolidation RM |
|-----------------------|-----------------------------|--|--------------------|----------------------|---------------------|
| Revenue | | | | | |
| External revenue | - | 36,495,340 | 141,185,862 | - | 177,681,202 |
| Inter-Segment revenue | 2,700,000 | 132,205,302 | 473,512 | (135,378,814) | - |
| Total revenue | <u>2,700,000</u> | <u>168,700,642</u> | <u>141,659,374</u> | <u>(135,378,814)</u> | <u>177,681,202</u> |

Result

| | | | | | |
|---------------------------|-----------|---------|-----------|--|-------------------------|
| Segment result (external) | (116,527) | 563,890 | 5,213,369 | | 5,660,732 |
| Finance costs | | | | | <u>(1,622,491)</u> |
| Profit before taxation | | | | | 4,038,241 |
| Income tax expense | | | | | <u>(998,107)</u> |
| Profit after taxation | | | | | 3,040,134 |
| Minority interest | | | | | <u>131,842</u> |
| Net profit for the year | | | | | <u><u>3,171,976</u></u> |

29. SEGMENT REPORTING (Continued)

| | Investment Holding RM | Manufacturing and Assembling RM | Trading RM | Consolidation RM |
|--|-----------------------------|--|-------------------|---------------------|
| Other information | | | | |
| Segment assets | 404,665 | 83,478,956 | 73,952,673 | 157,836,294 |
| Unallocated corporate assets | 99,266 | 1,746,744 | 102,425 | 1,948,435 |
| Consolidated total assets | <u>503,931</u> | <u>85,225,700</u> | <u>74,055,098</u> | <u>159,784,729</u> |
| Segment liabilities | 101,004 | 50,641,889 | 21,125,713 | 71,868,606 |
| Unallocated corporate liabilities | - | 981,843 | 388,526 | 1,370,369 |
| Consolidated total liabilities | <u>101,004</u> | <u>51,623,732</u> | <u>21,514,239</u> | <u>73,238,975</u> |
| Capital expenditure | - | 7,391,960 | 6,965,035 | 14,356,995 |
| Depreciation | - | 1,324,357 | 476,087 | 1,800,444 |
| Non-cash expenses other than depreciation | - | 149,553 | 216,666 | 366,219 |

29. SEGMENT REPORTING (Continued)

| 2004 | Investment Holding RM | Manufacturing and Assembling RM | Trading RM | Elimination RM | Consolidation RM |
|---------------------------|--------------------------------------|--|-----------------------|---------------------------|-----------------------------|
| Revenue | | | | | |
| External revenue | - | 27,953,429 | 123,926,277 | - | 151,879,706 |
| Inter-Segment revenue | 1,950,000 | 124,567,648 | 478,069 | (126,995,717) | - |
| Total revenue | <u>1,950,000</u> | <u>152,521,077</u> | <u>124,404,346</u> | <u>(126,995,717)</u> | <u>151,879,706</u> |
| Result | | | | | |
| Segment result (external) | (246,569) | 677,850 | 3,811,939 | | 4,243,220 |
| Finance costs | | | | | <u>(819,623)</u> |
| Profit before taxation | | | | | 3,423,597 |
| Income tax expense | | | | | <u>(259,355)</u> |
| Profit after taxation | | | | | 3,164,242 |
| Minority interest | | | | | <u>(59,380)</u> |
| Net profit for the year | | | | | <u><u>3,104,862</u></u> |

29. SEGMENT REPORTING (Continued)

| | Investment Holding RM | Manufacturing and Assembling RM | Trading RM | Consolidation RM |
|--|-----------------------------|--|-------------------|---------------------|
| Other information | | | | |
| Segment assets | 2,368,417 | 77,228,123 | 57,343,659 | 136,940,199 |
| Unallocated corporate assets | 89,902 | 1,727,393 | 102,543 | 1,919,838 |
| Consolidated total assets | <u>2,458,319</u> | <u>78,955,516</u> | <u>57,446,202</u> | <u>138,860,037</u> |
| Segment liabilities | 115,887 | 40,377,492 | 10,071,742 | 50,565,121 |
| Unallocated corporate liabilities | - | 802,602 | 449,025 | 1,251,627 |
| Consolidated total liabilities | <u>115,887</u> | <u>41,180,094</u> | <u>10,520,767</u> | <u>51,816,748</u> |
| Capital expenditure | - | 5,340,511 | 554,515 | 5,895,026 |
| Depreciation | - | 792,625 | 458,888 | 1,251,513 |
| Non-cash expenses other than depreciation | - | 104,412 | 938,406 | 1,042,818 |

29. SEGMENT REPORTING (Continued)

ii) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

| | Revenue | | Total assets | | Capital expenditure | |
|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM | RM | RM |
| Malaysia | 155,331,313 | 131,194,862 | 149,615,291 | 128,970,766 | 14,296,369 | 3,252,348 |
| * Outside Malaysia | <u>22,349,893</u> | <u>20,684,844</u> | <u>8,221,003</u> | <u>7,969,433</u> | <u>60,626</u> | <u>2,642,678</u> |
| | <u>177,681,206</u> | <u>151,879,706</u> | <u>157,836,294</u> | <u>136,940,199</u> | <u>14,356,995</u> | <u>5,895,026</u> |
| Unallocated assets | | | <u>1,948,435</u> | <u>1,919,838</u> | | |
| | | | <u>159,784,729</u> | <u>138,860,037</u> | | |

Inter segment pricing is determined on an arm's length basis.

* Includes various countries across Asia and Middle East.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The significant transactions of the Company with its subsidiary companies which are eliminated on consolidation are as follows :-

| | COMPANY | |
|--|----------------|-------------|
| | 2005 | 2004 |
| | RM | RM |
| Gross dividend received from subsidiary company :- | | |
| - Pensonic Sales & Service Sdn. Bhd. | 2,700,000 | 1,950,000 |

(b) Directors' related transactions

| | GROUP | |
|--|--------------|-------------|
| | 2005 | 2004 |
| | RM | RM |
| Directors' fee payable to :- | | |
| - Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Mr. Chew Chuon Jin, Mr. Chew Chuon Ghee, Dato' Tan King Tai @ Tan Khoon Hai, Puan Zahara Bt. Pawanchik and Khairilanuor Bin Abdul Rahman | 80,000 | 80,000 |
| Directors' salaries and bonuses :- | | |
| - Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Mr. Chew Chuon Jin, Mr. Chew Chuon Ghee, Dato' Tan King Tai @ Tan Khoon Hai and Puan Zahara Bt. Pawanchik | 661,500 | 643,500 |

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (c) The significant transactions with companies in which certain Directors have substantial financial interest are as follows :-

| | GROUP | |
|---|----------------|----------------|
| | 2005 | 2004 |
| | RM | RM |
| Purchase of raw materials from Pensia Plastic Industries Sdn. Bhd. | 7,558,430 | 6,589,606 |
| Electricity charges paid by Pensia Plastic Industries Sdn. Bhd. | 279,000 | 338,000 |
| Factory rental paid by Pensia Plastic Industries Sdn. Bhd. | <u>180,000</u> | <u>180,000</u> |

The above transactions are in the ordinary course of business and are based on terms mutually agreed between the parties concerned.

31. CORPORATE INFORMATION

- (a) Registered office and principal place of business

The registered office and principal place of business of the Company is located at 2-5-26, Harbour Trade Centre, No.2, Gat Lebu Macallum, 10300 Penang.

- (b) Employees Information

| | 2005 | 2004 |
|-------------|------------------|------------------|
| | RM | RM |
| Staff costs | <u>8,987,871</u> | <u>7,436,161</u> |

The number of employees for the Group (excluding directors) at the end of the financial year was 454 (2004 : 487).

- (c) The Company is a public limited liability Company, incorporated and domiciled in Malaysia, and listed on the Second Board of Bursa Malaysia Securities Berhad.

COMPANY NO: 300426 - P**32. FAIR VALUES OF FINANCIAL INSTRUMENTS**

The carrying amounts and estimated fair values of financial instruments of the Group and Company as at 31st May, 2005 are as follows :-

| | GROUP | | COMPANY | |
|---|------------------------------------|------------------------------|------------------------------------|------------------------------|
| | Carrying Amounts RM | Fair Value RM | Carrying Amounts RM | Fair Value RM |
| <u>Financial Assets</u> | | | | |
| Trade receivables | 41,726,286 | 41,726,286 | - | - |
| Other receivables | 4,070,514 | 4,070,514 | 253,411 | 253,411 |
| Amount owing by related companies | 4,942,215 | 4,942,215 | - | - |
| Fixed deposits, cash and bank balances | 5,957,910 | 5,957,910 | 16,335 | 16,335 |
| <u>Financial Liabilities</u> | | | | |
| Trade payables | 9,012,192 | 9,012,192 | - | - |
| Other payables | 6,484,418 | 6,484,418 | - | - |
| Short term borrowings | 45,737,017 | 45,737,017 | - | - |

The following methods and assumptions are used to estimate the fair value of each class of financial instruments :

a) Fixed deposits, cash and bank balances

The carrying amounts of fixed deposits, cash and bank balances approximate fair value due to the relatively short term maturity of these instruments.

b) Trade and other receivables and payables

The carrying amounts of trade receivables and payables subject to normal trade credit terms approximate fair value. The carrying amounts of other receivables and payables are reasonable estimate of fair value because of their short maturity.

c) Borrowings

The carrying amounts of short term borrowings approximate fair value because of the short period to maturity of those instruments. The carrying amounts of borrowings approximate their fair values because the interest rates charges reflect the current market interest rates of similar type of borrowings.

33. DATE OF AUTHORISATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors on 15th September, 2005.

COMPANY NO. 300426 - P

**PENSONIC HOLDINGS BERHAD
(300426 - P)
(Incorporated in Malaysia)**

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2005**

| | 2005 | 2004 |
|---|------------------|------------------|
| | RM | RM |
| REVENUE | 2,700,000 | 1,950,000 |
| OTHER OPERATING INCOME | | |
| Gain on disposal of property, plant and equipment | 49,999 | - |
| Other income | - | 4,000 |
| Shortfall of profit guarantee | 253,411 | - |
| | 303,410 | 4,000 |
| ADMINISTRATION EXPENSES | | |
| Accounting fee | 1,305 | - |
| Advertisement | 11,355 | - |
| Audit fee | 9,000 | 9,000 |
| Bank charges | - | 98 |
| Certification fee | 3,800 | - |
| Consultancy fee | 36,000 | 36,000 |
| Entertainment and refreshment | 2,646 | 3,500 |
| Directors' fee | 80,000 | 80,000 |
| Medical fee | 3,861 | 2,473 |
| Insurance | 47,834 | 50,149 |
| Legal fee | - | 5,905 |
| Listing expenses | 87,730 | 13,509 |
| Printing and stationery | 33,906 | 3,182 |
| Professional charges | 85,659 | 35,865 |
| Secretarial fee | 6,225 | 5,416 |
| Travelling expenses | 2,711 | 2,200 |
| Upkeep of motor vehicle | 7,905 | 3,272 |
| | (419,937) | (250,569) |
| PROFIT BEFORE TAXATION | 2,583,473 | 1,703,431 |

This statement has been included for management use only and does not form part of the audited financial statements of the Company.