

	<b><u>Page Number</u></b>
Corporate Information	2
Corporate Structure	3
Notice Of Annual General Meeting	4 – 6
Statement Accompanying Notice Of Annual General Meeting	7 – 8
Directors' Profile	9 – 10
Chairman's Statement	11 – 15
Audit Committee Report	16 – 19
Statement on Internal Control	20 – 22
Statement of Corporate Governance	23 – 26
Other Disclosure Requirements	27
Financial Statements	28 – 89
List of Properties Owned By The Group	90 – 91
Analysis of Shareholdings/Warrantholdings	92 – 97
Corporate Calendar	98
Proxy Form	Enclosed

## **BOARD OF DIRECTORS**

### **Executive Chairman**

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

### **Managing Director**

Mr. Chew Chuon Jin

### **Executive Director**

Mr. Chew Chuon Ghee

### **Non Executive Directors**

Y.Bhg. Dato' Tan King Tai @ Tan Khoon Hai  
Puan Zahara Bt. Pawanchik P.P.N, P.J.K.

En. Khairilnuar Bin Abdul Rahman

## **SECRETARY**

Mdm. Ker Siew Luan

## **REGISTERED OFFICE**

2-5-26, Harbour Trade Centre,  
No. 2, Gat Lebu Macallum,  
10300 Penang.

Tel : 604-2638 100/200

Fax : 604-2638 500

## **REGISTRAR**

Plantation Agencies Sdn. Bhd.  
Standard Chartered Bank Chambers  
Lebu Pantai,  
10300 Penang.

Tel : 604-2625 333

Fax : 604-2622 018

## **AUDITORS**

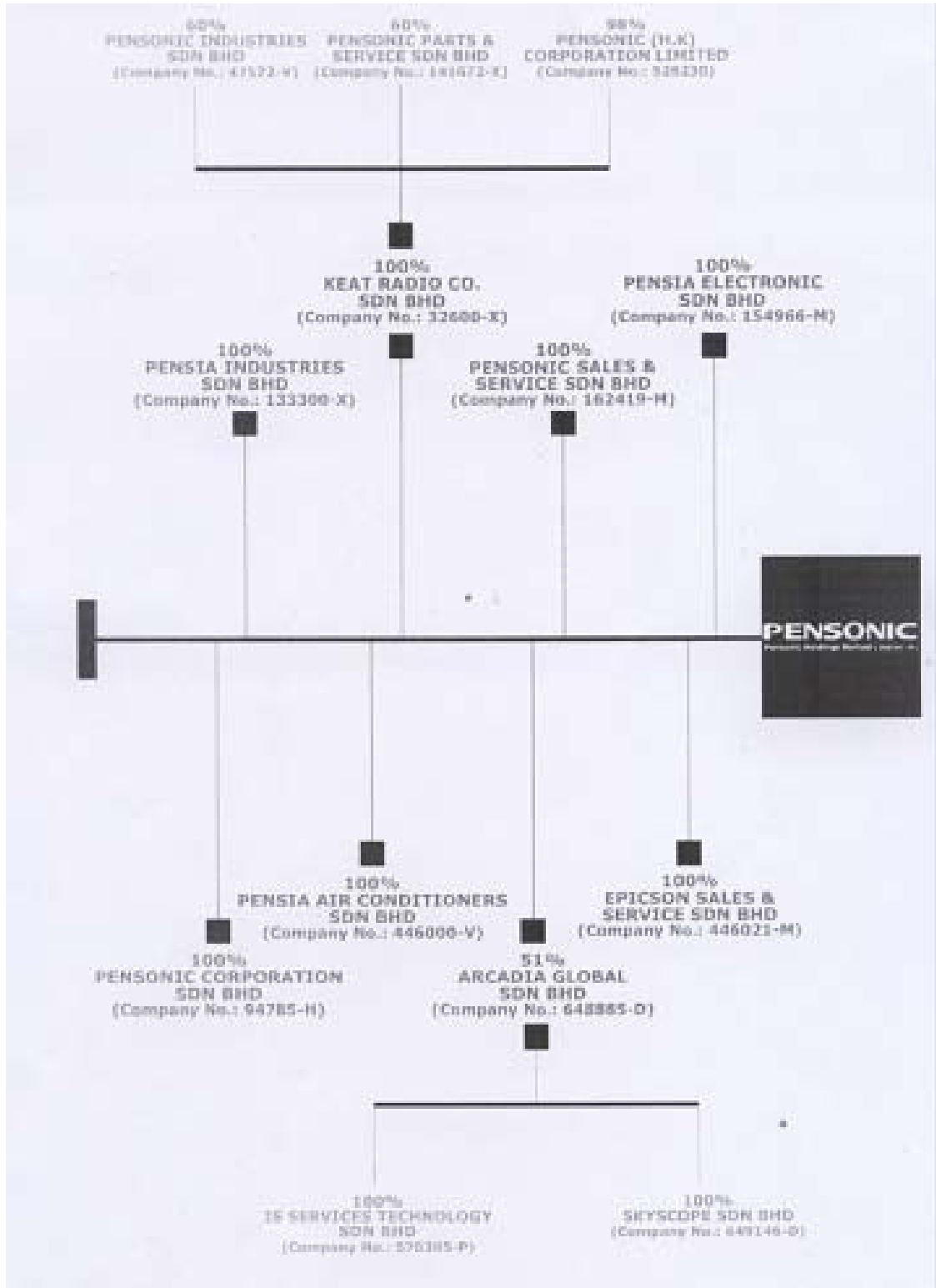
Teh Eng Aun & Co.  
Chartered Accountants

## **PRINCIPAL BANKERS**

Malayan Banking Berhad  
HSBC Bank Malaysia Berhad

# Corporate structure

**PENSONIC** annual report 2005



# Notice of Annual General Meeting

**PENSONIC** annual report 2005

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting of PENSONIC HOLDINGS BERHAD will be held at Laurel 1, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang on Friday, 25th day of November, 2005 at 11.00 a.m. for the following purposes :-

## A G E N D A

1. To receive and adopt the Audited Financial Statements for the financial year ended 31<sup>st</sup> May, 2005 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve a First and Final Dividend of 2 cents per share less tax of 28% for the financial year ended 31<sup>st</sup> May, 2005. (Resolution 2)
3. To approve Directors' Fees for the financial year ended 31<sup>st</sup> May, 2005. (Resolution 3)
4. To re-elect the following Directors who retire in accordance with Article 29(2) of the Company's Articles of Association :-
  - a) Chew Chuon Jin (Resolution 4)
  - b) Zahara Bt. Pawanchik P.P.N., PJK (Resolution 5)
5. To re-appoint Messrs. Teh Eng Aun & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)
6. **AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions :-

### ORDINARY RESOLUTIONS :-

Power To Issue Shares pursuant to Section 132D of the Companies Act, 1965

“ That pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (Bursa Securities) and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company.” (Resolution 7)

# Notice of Annual General Meeting

**PENSONIC** annual report 2005

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

## **Notice of Dividend Entitlement**

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the 11<sup>th</sup> Annual General Meeting, the First and Final dividend of 2 cents per share less tax of 28% in respect of the financial year ended 31<sup>st</sup> May, 2005 will be paid on 30th December, 2005 to depositors registered in the Records of Depositors at the close of business on 15th December, 2005.

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

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15<sup>th</sup> December, 2005 in respect of transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Ker Siew Luan  
Secretary

Penang  
Date : 28th October, 2005

# Notice of Annual General Meeting

**PENSONIC** annual report 2005

## **Notes :-**

1. Every member of the Company is entitled to appoint a proxy or in the case of a corporation, to appoint a representative to attend and vote in his stead. A proxy need not be a member of the Company. The Proxy Form must be signed by the appointer or by his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
2. The Proxy Form must be deposited at the Registered Office of the Company at 2-5-26, Harbour Trade Centre, No. 2, Gat Lebuah Macallum, 10300 Penang, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

## **Explanatory Notes of Special Business :**

3. Resolution Pursuant to Section 132D of the Companies Act, 1965. The Ordinary Resolution proposed under item 6, if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expires at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

## Statement Accompanying Notice of Annual General Meeting

**PENSONIC** annual report 2005

### STATEMENT ACCOMPANYING NOTICE OF THE 11<sup>TH</sup> ANNUAL GENERAL MEETING OF THE COMPANY

(Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements)

1. Names of Directors who are standing for re-election :-
  - (a) Chew Chuon Jin (retiring pursuant to Article 29(2) of the Articles of Association)
  - (b) Zahara Bt. Pawanchik P.P.N., P.J.K. (retiring pursuant to Article 29(2) of the Articles of Association)

2. Details of attendance of Directors at the Board of Directors' Meetings :

Four (4) Board of Directors' Meeting were held during the financial year from 1<sup>st</sup> June, 2004 to 31<sup>st</sup> May, 2005. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follows :-

Name	No. of Meeting attended
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	4
Chew Chuon Jin	4
Dato' Tan King Tai @ Tan Khoon Hai	4
Zahara Bt. Pawanchik P.P.N., P.J.K.	4
Chew Chuon Ghee	3
Khairilnuar Bin Abdul Rahman	4

3. Venue, date and time of the Board of Directors' Meetings :-

All Four (4) Board of Directors' Meeting held during the financial year ended 31<sup>st</sup> May, 2005 took place at 2-5-26, Harbour Trade Centre, No. 2, Gat Lebu Macallum, 10300 Penang.

Date of Meetings	Time
20-09-2004	10.00 a.m.
22-10-2004	10.00 a.m.
26-10-2004	2.00 p.m.
13-01-2005	11.30 a.m.

4. Details of the profile of directors who are standing for re-election are set out in the Directors' Profile on pages 9 to 10 of the Annual Report.
5. None of the directors have any conflict of interest in the Company except for those transactions disclosed in Note 30 to the financial statements.

## Statement Accompanying Notice of Annual General Meeting

**PENSONIC** annual report 2005

6. None of the directors have been convicted for offences within the past ten (10) years other than traffic offences, if any.
7. None of the directors hold any directorship in any public listed company other than Dato' Tan King Tai @ Tan Khoon Hai and En. Khairilnuar Bin Abdul Rahman. Dato' Tan King Tai @ Tan Khoon Hai who is a director of Unimech Group Berhad & Executive Director of UDS Capital Berhad and En. Khairilnuar Bin Abdul Rahman who is a director of UDS Capital Berhad and Denko Berhad.
8. Details of the Directors' securities holdings in the Company, any/or in a related corporations are set out on pages 93 to 97 of the Annual Report.



**Dato' Seri Chew Weng Khak @ Chew Weng Kiak**, a Malaysian, aged 63, was appointed to the Board as an Executive Director. He is the Group Executive Chairman and the founder of **Pensonic Holdings Berhad Group**. He has 40 years experience in the manufacturing and trading of electrical and electronic products. His vision and stewardship over the past 40 years has taken the Group from being a small family operation into a leading electrical and electronic manufacturer in Malaysia. His invaluable experience and vast knowledge of management and production coupled with the business connections he had established in Malaysia and overseas over the years have helped the Group tremendously in achieving its growth. Through his innovative management style and foresight, Dato' Seri Chew Weng Khak @ Chew Weng Kiak has been responsible for and was the catalyst for the numerous advancements and milestones achieved by the Group.

Dato' Seri Chew is the father of Mr. Chew Chuon Jin and Mr. Chew Chuon Ghee.

\* **Chew Chuon Jin**, a Malaysian, aged 36, is the Group Managing Director of the **Pensonic Holdings Berhad Group**. He graduated from the National Cheng Chi University of Taiwan with a Bachelor of Business Administration in 1991. Upon graduation, he worked for Lapro Corporation, a Taiwanese company, as a Management Trainee for 2 years prior to joining the **Pensonic Holdings Berhad Group** in June 1993. Besides managing the overall business of the Pensonic Group, he also has a special focus on product development, brand building and strategic planning. His many years of experience in the electrical home appliances industry and excellent entrepreneurial skills have helped steered the Pensonic Group to greater heights and expanded the Pensonic brand presence into many countries in Asia.

Mr. Chew Chuon Jin is the eldest son of Dato' Seri Chew Weng Khak @ Chew Weng Kiak, the Group Executive Chairman.

**Chew Chuon Ghee**, a Malaysian, aged 33, is an Executive Director of the Pensonic Holdings Berhad Group. He graduated from Eastern Michigan University with a Bachelor Business Administration in 1995. Upon graduation, he initially joined the Pensonic Group as a Marketing Manager. He is now in charge of the management of the sales and marketing functions of the Pensonic Group for both the local as well as the export markets. He also assists the Group Managing Director on special projects.

He is the second son of Dato' Seri Chew Weng Khak @ Chew Weng Kiak, the Group Executive Chairman.

**Dato' Tan King Tai @ Tan Khoon Hai**, a Malaysian, aged 50, was appointed to the Board as an Executive Director of Pensonic Holdings Berhad since 1995. However, he has redesignated to as Non-Independent, Non-Executive Director and Audit Committee member of the Company on 13 December, 2004. He is a member of The Institute of Certified Public Accountants, Ireland. He has over 25 years of working experience in the fields of auditing, accounting and corporate finance. He is a director of Pensia Industries Sdn Bhd and Pensonic Corporation Sdn Bhd., under the Pensonic Group. Dato' Tan King Tai @ Tan Khoon Hai is an Independent Non-Executive Director of Unimech Group Berhad and was appointed as an Executive Director of UDS Capital Berhad on 30 November 2003, both of which are listed on Bursa Malaysia Securities Berhad. He also sits on the board of several other private limited companies.

He has no family relationship with any other Director or Major shareholder of the Group.

\* **Zahara Bt. Pawanchik**, P.P.N., P.J.K., a Malaysian, aged 61, is an Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad. She has been a Director of Pensia Industries Sdn. Bhd. since 1987. Prior to joining Pensia Industries Sdn. Bhd., she was involved in the political arena. She has held various positions in UMNO, Tanjong Division. She was the Divisional Head of Wanita UMNO, Tanjong Division from 1981 to 1987. She is now a Committee Member of the Division. She is responsible for the overall management of Pensia Industries Sdn. Bhd.

She has no family relationship with any other Director or Major shareholder of the Group.

**Khairilnuar Bin Abdul Rahman**, a Malaysian, aged 40, is an Independent Non-Executive Director and Chairman of the Audit Committee of Pensonic Holdings Berhad. He graduated from the Institute of Technology Mara in 1988. Encik Khairilnuar is the Executive Director of Infinity Prospect Sdn. Bhd. since 1993 and also a committee member of UMNO Youth of Kepala Batas Division since 2001. He was appointed on 30 November 2003 as an Independent Non-Executive Director of UDS Capital Berhad, a company listed on Bursa Malaysia Securities Berhad in March 2004.

He has no family relationship with any other Director or Major shareholder of the Group.

\* Directors who are standing for re-election.

# Chairman's Statement

**PENSONIC** annual report 2005

On behalf of the Board of Directors of Pensonic Holdings Berhad, I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and the Company, for the year ended 31 May 2005.

## *Review of Operations*

The global economy growth for 2005 is expected to moderate from its peak level achieved in 2004. The Malaysian economy similarly has also moderated, amidst a slowdown in external demand, with GDP growth slowing to 5.7% in the 1<sup>st</sup> quarter of 2005 from 8.1% and 6.2% registered in the 1<sup>st</sup> half and 2<sup>nd</sup> half of 2004 respectively. Recent indicators also show that the Malaysian economy will continue to cool further. With crude oil price climbing to new highs over the months into 2005, corporate earnings may be negatively impacted due to the upward pressure on energy cost driving up raw materials and components prices. On the domestic front, the government's fuel subsidies policy, despite being reduced gradually, has shielded the economy and consumer demand from the full effects of the escalating oil price.

With the master brand strategy and architecture for its core-brand "PENSONIC" and the establishment of the Brand Management Committee to provide brand guardianship and leadership now firmly in place, the Group has forged ahead with its planned branding activities and initiatives as the business drivers for the Group. The Group has also set-up a PENSONIC Branding Target-Board to manage the key branding focal-points to maximize the impact and results of its branding initiatives.

During the financial year, the Group has embarked to provide specific brand training and workshops to all levels of staff to plant the seeds of the PENSONIC brand vision and values in the entire organization of the Group. These brand trainings are aimed at building a strong internal brand culture within the Group, and to develop the habit of carrying and displaying the brand values in the daily work by all levels of staff. It is the objective of the Group that the whole organization will be the future driving force to elevate PENSONIC into a powerful regional brand.

In September 2004, the Group held its inaugural PENSONIC Brand Launch titled "PENSONIC FOR ASIA - Building a Powerful Malaysian Brand in the Region" in Kuala Lumpur. This launch has been designed as a first step for the Group to share with its business partners and associates the PENSONIC brand strategy, vision and values, and its aspiration going forward. Similar brand launches were also held in the following two months in Thailand and Hong Kong.

# Chairman's Statement

**PENSONIC** annual report 2005

The Group also felt it was the right time now to evolve the PENSONIC logo to gear it towards the era of globalization. The new PENSONIC logo is the final choice from a lengthy selection process involving the management, employees, customers, vendors and its business associates. In mid-May 2005, during the Pensonic Convention 2005 held for its dealers, the Group has held a soft launch of its newly handcrafted PENSONIC logo and the new PENSONIC tagline: PENSONIC – YOUR ENJOYMENT. The new PENSONIC logo takes on a more vibrant, energetic, exciting and friendly design with the brand values infused into it, while the new PENSONIC tagline is an expression of the PENSONIC brand vision. Simultaneously, the Group also introduced the “PENSONIC WITH FRIENDS” Campaign to its dealers. This campaign will spearhead PENSONIC’s next wave of branding activities for the forthcoming financial year.

In line with the PENSONIC brand value of a caring personality, I am also proud to state that our subsidiary company in Hong Kong, Pensonic (H.K.) Corporation Ltd., has been honored with the “CARING COMPANY 2004-2005” award by The Hong Kong Council of Social Service.

During the financial year, the Company has acquired a 51% controlling equity interest in Arcadia Global Sdn. Bhd. to diversify and broaden its earning base. The principle business activity of Arcadia Global Sdn. Bhd. is investment holding, with its two wholly-owned subsidiary companies are involved in the back-end process of manufacturing substrates on a consignment basis for the semiconductor industry. The acquisition has contributed RM0.2 Million to the Net Profit of the Group for the financial year ending 31 May 2005, and is expected to continue to contribute positively to the future earnings of the Group.

The Company has 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 during the financial year to increase the liquidity and marketability of the shares of the Company. A new Employees’ Share Option Scheme (“ESOS”) has also been established to reward its employees and to provide an opportunity for its employees to participate in the future growth of the Group. The said ESOS has been implemented on 11 January 2005 and shall be in force for a period of ten years.

## ***Financial Review***

The Group’s business has continued to grow under a challenging and competitive environment. It recorded a turnover of RM177.7 Million for the financial year under review representing a 17.0% turnover growth over the previous financial year’s turnover of RM151.9 Million. Domestic market turnover contributed 86.7% and export market turnover contributed 13.3% of the total turnover of the Group. An increase of 16.7% was recorded for domestic market turnover while export market turnover increased by 18.9% as compared to the respective turnover of the previous financial year.

# Chairman's Statement

**PENSONIC** annual report 2005

The Group achieved a Net Profit (after taxation and minority interest) of RM3.2 Million as compared to a Net Profit of RM3.1 Million in the previous financial year.

The Net Tangible Asset per share and Earnings per share of the Group for the financial year under review are RM 0.91 (2004 : RM0.93 after adjusting for share-split) and 3.42 sen (2004 : 3.35 sen after adjusting for share-split) respectively.

## *Future Prospects*

The recent Malaysian Ringgit regime change from a fixed peg to a managed float is seen as a positive and growth supportive move, allowing for the re-opening of policy options in managing inflation and economy reform, and will lessen the need for pump-priming by the government. A stronger Malaysian Ringgit is also expected to boost domestic demand, in particular private consumption from stronger purchasing power.

The market consensus for Malaysia's 2006 GDP growth projection is 5.7% with support from stronger private consumption, clearer investment atmosphere and healthier exports. Key concerns that may affect the projection are sustained high oil prices, probable higher interest rates, rising household debts and unforeseen external shocks.

Although the overall economic outlook generally still remains positive, the business and operating environment are expected to be increasingly challenging and competitive. Against the backdrop of this environment, the Group has established its key business strategies to ensure sustainable growth, profitability and long-term competitiveness of the Group into the future.

The Group will place continual focus on building the PENSONIC brand as the core revenue-generator through well-planned branding and marketing initiatives. It will also further develop its distribution-channel network in both the domestic and export markets to increase the market share of the PENSONIC brand.

New product categories with higher profit margins will be introduced by the Group into the PENSONIC product-line. With the ever-growing concern over health issues pertaining to the quality of water and air, the Group sees great business potential for health-related appliances and will be launching the PENSONIC water-purifying and air-purifying products into the market in the last quarter of 2005.

Latin-America Anti-Dumping regulations for certain electrical home appliances, which exclude Malaysia, have opened up the opportunity for the Group to expand its export markets to that part of the world. This was previously not possible due to the flooding of cheap products in these markets from lower cost manufacturing bases, like China.

# Chairman's Statement

**PENSONIC** annual report 2005

Many large international brands had downsized or completely shut-down their manufacturing facilities for small electrical home appliances due to historical cost-burden and the shift to higher-end consumer electronics. However, for the small electrical home appliances category, a substantial number of these international brands still have the continual need to maintain their respective brand presence in the market or are not ready to forego their respective substantial market share built over the many years. This provides vast opportunities for the Group to capitalize on its widely recognized niche in the small electrical home appliances category for further development of its ODM (Original Design Manufacturer) / OEM (Original Equipment Manufacturer) businesses with such international brands.

The Group will also leverage on its strong distribution-channel network with the adoption of a multi-brand agency strategy to tap into different product categories and different market segments not represented by the Group presently. A multi-brand strategy will enable the Group to broaden its revenue base through representation in the full spectrum of the product and market segments in its industry. Active discussions are now ongoing with several renowned international brands for agency rights in the Malaysia market and also the Asia markets.

The Group has recently, through its Hong Kong subsidiary Pensonic (HK) Corporation Ltd., signed a Memorandum of Understanding with the University of Hong Kong to cooperate and execute a research and development project named "The Study of Carbon Fibers and Their Applications in Domestic Electrical Appliances". Carbon fiber and carbon-fiber based material have special characteristics as an electrical heating material, and hence, there is a good market potential for it in a wide range of applications in electrical home appliances. The Group is also looking into the possibilities to produce innovative applications of carbon fiber and carbon-fiber based material beyond the realm of electrical home appliances. The ability to commercialize this research and development in the future will provide the opportunity for high business growth for the Group.

The said Hong Kong subsidiary has also recently established a representative office in Shenzhen, China for the purpose of penetrating PENSONIC products into the China market. The Group is targeting a few selected large hypermarket and chain stores in Southern China as the initial market to venture into for its products.

The Group is actively looking into potential acquisitions and joint-ventures as a long-term growth strategy. These include acquisitions of or joint-ventures with local as well as foreign brands and corporations, which can provide a synergistic effect to the overall business of the Group in terms of revenue, profitability, market channels and operation efficiencies.

I am confident that, with the above business strategies in place combined with the continual effort of the Group to enhance productivity and cost efficiencies in its operations, the Group is on the right track for sustainable growth and profitability into the future.

# Chairman's Statement

**PENSONIC** annual report 2005

## *Dividends*

The Board is recommending a first and final dividend of 2 sen per share less 28% tax (based on the issued and fully paid up share capital of 92,620,000 ordinary shares of RM0.50 each) for the financial year ended 31 May 2005 (2004 : 3 sen per share less 28% tax based on the issued and fully paid up share capital of 46,310,000 ordinary shares of RM1.00 each).

## *Appreciation*

The Board of Directors and I would like to thank our valued shareholders, customers, vendors, business associates, bankers, media, government authorities and regulatory bodies for their continued confidence and support over the year. The business environment is undergoing dramatic changes but I am certain our strategic responses will enable us to continue to be a major force within the electrical home appliances industry. Last but not least, I would also like to extend my heartfelt thanks to my fellow directors, management team and all employees of the Group for their dedication and drive in achieving the objectives and goals of the Group.

**Y.Bhg. Dato' Seri Chew Weng Khak**  
**Group Executive Chairman**

**15th September 2005**

# Audit Committee Report

**PENSONIC** annual report 2005

The primary objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices and to ensure the adequacy and effectiveness of the Group's internal control measures.

## COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations who have served during the financial year ended 31 May 2005 are as follows:-

<b><u>Member</u></b>	<b><u>Designation</u></b>
Encik Khairilnuar Bin Abdul Rahman	Chairman (Independent Non-Executive Director)
Puan Zahara Bt. Pawanchik P.P.N., P.J.K.	Member (Independent Non-Executive Director)
Dato' Tan King Tai @ Tan Khoon Hai	Member (Non-Independent Non-Executive Director)

## TERMS OF REFERENCE

- **Membership**

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, the majority of whom including the Chairman shall be Independent Directors. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experiences as approved by Bursa Malaysia Securities Berhad (BMSB). No alternate director shall be appointed as a member of the Audit Committee. Any vacancy which affects the composition must be filled up within three (3) months. The member shall serve up to the forthcoming Annual General Meeting. An appointment terminates when a member ceases to be a Director.



# Audit Committee Report

**PENSONIC** annual report 2005

- **Authority of the Audit Committee**

The Audit Committee is authorized by the Board with the following rights:

- Explicit authority to investigate any matter within its terms of reference.
- Have the necessary resources required to perform its duties.
- To have full, free and unrestricted access to all information and documents pertaining the Group.
- Have direct communication channels with the external and internal auditors.
- Able to obtain independent professional advice and to invite outsiders with relevant experience to attend and to brief the Audit Committee.
- The attendance of other Directors and employees to any particular Audit Committee meeting of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting.

- **Meetings and Procedures**

The Audit Committee shall meet at least 4 times in a year, and such additional meetings as the Chairman shall decide in order to fulfill its duties. The external auditors may request for a meeting if they consider this necessary.

The Company Secretary shall act as the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by such necessary explanatory documentation to the members of the Audit Committee prior to each meeting. The Secretary shall also be responsible for keeping the minutes of the meetings of the Audit Committee, and circulating them to the members and other members of the Board. Other directors and employees shall attend any particular Audit Committee meeting only at the invitation of the Audit Committee.

During the financial year ended 31 May 2005, the Audit Committee held a total of four (4) meetings, the details of attendance of which are as follows:-

<b><u>Member</u></b>	<b><u>No. of meetings attended</u></b>
Encik Khairilnuar Bin Abdul Rahman	4 of 4
Puan Zahara Bt. Pawanchik P.P.N., P.J.K.	4 of 4
Dato' Tan King Tai @ Tan Khoon Hai	4 of 4

# Audit Committee Report

**PENSONIC** annual report 2005

- **Quorum**

The quorum for an Audit Committee meeting shall consist of two (2) members and a majority of the members present shall be independent directors.

- **Functions and Duties**

The following are the main functions and duties of the Audit Committee collectively:-

- a. Review and assess the adequacy and effectiveness of internal control systems and to consider major findings of internal investigations and management's response.
- b. Review the adequacy of the scope, functions, resources and authority given to the internal audit function.
- c. Review the results of the internal audit program, processes or investigations undertaken to ensure that appropriate action is taken on the recommendation made by the internal auditor.
- d. Recommend to the Board on the appointment of external auditors, their terms of appointment and reference and any matters in relation to their resignation or dismissal.
- e. Review with the external auditors the nature and scope of their audit plan, prior to the commencement of audit work.
- f. Review the assistance and co-operation given by the officers of the Group to the external and internal auditors.
- g. Discuss the problems and reservations arising from the interim and final audits and any matter the external auditors may wish to discuss.
- h. Review the quarterly and annual financial statements prior to approval by the Board, focusing particularly on –
  - Any changes in accounting policies and practices;
  - Significant adjustments and unusual events arising from the audit;
  - The going-concern assumption; and
  - Compliance with accounting standards, Listing Requirements of BMSB and other legal requirements.
- i. Review all related party transactions and situations where conflict of interests may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- j. Undertake such other functions as may be delegated by the Board from time to time.

# Audit Committee Report

**PENSONIC** annual report 2005

## **SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE**

During the financial year ended 31 May 2005, the activities of the Audit Committee included the following:-

- Review of the external auditors' plan, strategy and scope of statutory audits for the financial year.
- Review with the external auditors of the results and issues from their audit, their resolution of such issues and management letters including management's response.
- Review of the unaudited quarterly results, annual financial statements and related announcements prior to submission to the Board for approval and subsequent release to BMSB, to ensure that the financial reporting and disclosure requirements of the relevant authorities had been complied with.
- Review with the internal auditors of their internal audit plan to ensuring that principal risk areas were adequately identified and covered in the plan.
- Review the findings of the internal audit function and to ensure appropriate actions were taken and recommendations implemented.
- Review the procedures for identification of related party transactions of the Group.
- Review the Group's key operational and business risks area and the policies in place to address and minimize such risks.
- Review the Corporate Governance Statement for inclusion in the Group's Annual Report.

## **INTERNAL AUDIT FUNCTION**

The Audit Committee is aware of the importance of independent and adequately resourced internal audit function for the effectiveness of internal control system. The principal responsibilities of the internal audit function are as follows:

- Evaluate the effectiveness of the internal control systems so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively.
- Review, appraise and to ensure compliance with the Group's established policies and procedures as well as the relevant statutory requirements.
- Highlight major weakness in control procedure and make recommendation for improvements to the Audit Committee.

The internal audit function of the Group adopts a risk based approach to monitor and implement an effective internal control system for the Group. The monitoring process forms the basis for continuous improvement to the risk management process of the Group in meeting its overall objectives.

# Statement on Internal Control

**PENSONIC** annual report 2005

## ***Introduction***

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) requires the Board of Directors of public listed companies to include a statement in the Annual Report on the state of internal controls in the Company as a Group. The Board of Directors of Pensonic Holdings Berhad is pleased to provide the following statement on internal control of the Group for the financial year under review prepared in accordance with the “Statement on Internal Control – Guidance for Directors of Public Listed Companies” issued by the Institute of Internal Auditors Malaysia and adopted by BMSB.

## ***Board Responsibilities***

The Board of Directors recognizes the importance of sound internal controls and risk management practices in the maintenance of good corporate governance. The system of internal control is designed to identify and manage the principal risks facing by the Group in pursuit of its objectives. The system covers control relating to financial, operational, risk management and compliance with applicable rules and regulations.

The responsibilities of the Board in relation to the system extend to all subsidiaries of the Group. In view of the limitations inherent in any system of internal control, the Group’s system of internal control can only manage rather than eliminate the risk of failure to achieve corporate objectives and therefore can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

The Group continues to take measures of the adequacy and integrity of the system of internal control. The ongoing process of identification, evaluation and management of significant risk has been in place during the financial year under review. This process is reviewed on a regular basis by the Audit Committee and the Board of Directors. The key features of the internal control system are outlined below.

# Statement on Internal Control

**PENSONIC** annual report 2005

## *System of Internal Control*

The Group maintains a system of internal control that serves to safeguard its assets; identify and manage risk; ensure compliance with statutory and regulatory requirements; and to ensure operational results are closely monitored and substantial variances are promptly explained.

The salient features of the Group's system of internal control include, inter alia:-

- An organizational structure with clearly defined lines of responsibility and delegated authority has been properly communicated to all levels.
- The Group's management with the assistance of a centralized human resource function sets the policies for recruitment, training and appraisal of the employees within the Group.
- Key responsibilities are properly segregated in order that no employee is in total control of the whole transaction.
- The Board of Directors evaluates risks involved and seeks appropriate experts' advice in considering business proposals and operational issues so as to make an effective decision in the best interest of the Group.
- The Group's management sets clearly defined authorization procedures and exercise strict control on compliance therewith by all levels of employees.
- Standard Operating Procedures are clearly documented and implemented, and are regularly reviewed.
- The Group's management regularly visits the various branches and subsidiaries and discusses key operational and business issues with the respective branch and subsidiary's employees.
- The Group's management meets monthly to review the operational and financial performance of the businesses in the Group and its subsidiaries, and to discuss key business, operational and management issues.
- The Board of Directors receives and reviews quarterly performance reports on the Group and its subsidiaries from the management, and discuss on significant business and risk issues.
- The Group's management and internal auditors have conducted reviews on the system of internal control to ensure compliance with the established policies and procedures of the Group. Weaknesses are properly communicated to management and prompt corrective actions have been taken.

# Statement on Internal Control

**PENSONIC** annual report 2005

## *Conclusion*

The Board is of the view that the system of internal control that had been implemented within the Group is sound and effective. The internal control procedures will be reviewed continuously in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness so as to safeguard the Group's assets and shareholders' investments.

This statement is made in accordance with a resolution of the Board of Directors dated 15 September 2005.

# Statement of Corporate Governance

**PENSONIC** annual report 2005

The Malaysian Code of Corporate Governance (“The Code”) sets out the principles and best practices on structures that companies may adopt and implement to achieve the ultimate objectives of maximizing shareholders’ value. The Board of Directors (“The Board”) of Pensonic Holdings Berhad is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group to enhance the shareholders’ value and the financial performance of the Group.

The following statement outlines the key principles of corporate governance and best practices as set out in the Code which the Group has applied for the financial year ended 31 May 2005.

## **DIRECTORS**

### **1. The Board and Board Balance**

The Board of Directors consists of six (6) members comprising three (3) executive directors, and three (3) non-executive directors. Two of the six directors are independent directors. The Board has complied with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad that at least two or one-third of the Board, whichever is the higher is independent directors. The Board considers its current size adequate given the existing scope and nature of the Group’s business operations.

The Board is responsible for implementing the policies and decisions of the Board, overseeing the operations and developing the business and corporate strategies of the Group. The Board also monitors the performance of the Group and ensures that a proper internal control system is in place. The presence of independent non-executive directors is to provide independent and unbiased views of financial and business inputs for the interest of the Group.

### **2. Attendance at Meetings**

The attendance record of the members at Board meetings are as follows:-

<b>Directors</b>	<b>Attendance</b>
<b>Executive Directors</b>	
Dato’ Seri Chew Weng Khak @ Chew Weng Kiak	4/4
Chew Chuon Jin	4/4
Chew Chuon Ghee	3/4
<b>Non-Executive Directors</b>	
Dato’ Tan King Tai @ Tan Khoon Hai	4/4
Zahara Bt. Pawanchik PPN.,PJK.	4/4
Khairilnuar Bin Abdul Rahman	4/4

# Statement of Corporate Governance

**PENSONIC** annual report 2005

### **3. Supply of Information**

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, the Board members have full and unrestricted access to all information concerning the Group's affairs. Prior to the Board meetings, all Board members are provided with the agenda and board papers containing information relevant to the business of the meeting to enable them to obtain further explanations, where necessary, in order to be properly briefed before the meetings. The Board papers including information on major financial, operational and corporate matters of the Group. The Board members also have access to the advice and services of the Company Secretary, senior management and independent professional advisers including the external auditors.

### **4. Appointment and Re-election**

In accordance with Article 29 (1) of the Company's Articles of Association, one-third or the number nearest to one-third of the directors shall retire from office and be subject to retirement by rotation at each Annual General Meeting ("AGM"). The articles also provide that all directors shall retire once in every three (3) years in compliance with the Code. Directors who are appointed before the next AGM will retire and be subject to re-election by shareholders at the next AGM.

The Board is of the opinion that a Nomination Committee is currently not required as the entire Board will be more effective in carrying out any assessment of appointments. The functions of the Nomination Committee are carried out by the full Board.

### **5. Directors' Training**

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. The Directors are required to attend continuous education programmes and seminars to keep abreast with developments in the marketplace. A majority of the directors are in the process of achieving the required Continuing Education Programme ("CEP") points for the year.

## **DIRECTORS' REMUNERATION**

The determination of remuneration packages of the directors are matters for the Board as a whole. The remuneration of the directors is structured to attract, retain and motivate them in order to run the Group successfully.

The Board reviews the remuneration of the directors annually whereby the respective Executive Directors are abstained from discussions and decisions on their own remuneration.



# Statement of Corporate Governance

**PENSONIC** annual report 2005

The aggregate remuneration of the Directors for the financial year ended 31 May 2005 is as follows:-

<b>Category</b>	<b>Fees</b>	<b>Salaries &amp; Other Emoluments</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Executive Directors</b>	60,000	635,500	695,500
<b>Non-Executive Directors</b>	20,000	26,000	46,000

Remuneration categories of the Directors during the financial year are as follows:-

<b>Range of Remuneration In RM</b>	<b>Number of Directors</b>	
	<b>Executive Director</b>	<b>Non-Executive Director</b>
Below 50,000	-	2
50,000 – 100,000	1	-
100,001 – 150,000	-	-
150,001 – 200,000	2	-
200,001 – 250,000	-	-
250,001 – 300,000	1	-

## RELATIONSHIP WITH SHAREHOLDERS

The Group recognizes the importance of effective communication with its shareholders and investors to keep them informed of the major development of the group. Such information is disseminated through the following channels:-

- Annual Report;
- Circulars to shareholders;
- various disclosures and announcement to Bursa Malaysia Securities Berhad; and
- Company's website at [www.pensonic.com](http://www.pensonic.com).

The main forum for dialogue with shareholders remains at the Annual General Meeting which encouraged the shareholders to raise questions pertaining to the operations and financials of the Group.

## ACCOUNTABILITY AND AUDIT

### 1. Financial reporting

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance and prospect through the quarterly and annual financial statements to shareholders. The Board and the Audit Committee have to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Board has reviewed and ensuring that appropriate accounting policies have been used, consistently applied and supported by reasonable judgments and estimates.

# Statement of Corporate Governance

**PENSONIC** annual report 2005

## **2. Internal Control**

The Board has overall responsibility for maintaining a sound and effective system of internal control of the Group, covering not only financial controls but also controls relating to operations, compliance and risk management to safeguard shareholders' investments and the Group's assets. The Board also recognizes that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable and not absolute assurance against material misstatements, loss or fraud.

The internal control system of the Group is supported by an established organizational structure with well-defined authority and responsibility lines, and which comprises of appropriate financial, operational and compliance controls.

## **3. Relationship with Auditors**

The Board, via the Audit Committee, has established a formal and transparent arrangement for maintaining an appropriate relationship with its auditors, both external and internal.

## **4. Statement of Directors' Responsibility**

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended.

In preparing the financial statements for the year ended 31 May 2005, the Directors have:-

- adopted the appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensure applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements; and
- ensure the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records of the Group and Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## **5. Compliance Statement**

Throughout the financial year ended 31 May, 2005, the Group has complied with all the Best Practices of Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

## Other Disclosure Requirements

**PENSONIC** annual report 2005

### **PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**a) Share Buybacks**

During the financial year, there were no share buybacks by the Company.

**b) Options, Warrants or Convertible Securities**

No warrants or convertible securities were exercised by the Company during the financial year.

**c) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

**d) Imposition of Sanctions/Penalties**

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

**e) Non-Audit Fees**

There was no non-audit fees paid to the external auditors during the financial year.

**f) Variation in Results**

There was no material variation between the audited results for the financial year and the unaudited results previously announced.

**g) Material Contracts**

To the best of the Board's knowledge, there are no material contracts involving the Group with any of the major shareholders nor Directors in office as at 31st May, 2005 except those disclosed under Recurrent Related Party Transactions of a Revenue or Trading Nature.

**h) Contracts Relating to Loans**

There were no contracts relating to loans by the Company in respect of the above said item.

**i) Revaluation of Landed Properties**

Saved as disclosed in Note 3(ii) of the Notes to the Financial Statements, the Group does not have a revaluation policy on landed properties.

**j) Profit guarantees**

During the financial year, there were no profit guarantees given by the Company or its subsidiaries.

**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**

	<b>GROUP RM</b>	<b>COMPANY RM</b>
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>

## **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.

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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>
<b><u>DIRECT INTEREST</u></b>					
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.

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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>Acquired</u>	<u>Disposed</u>	<u>As at</u>
	<u>01.06.2004</u>			<u>24.12.2004</u>
				<u>(Recall)</u>
<b><u>DIRECT INTEREST</u></b>				
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>Acquired</u>	<u>Disposed</u>	<u>As at</u>
	<u>05.01.2005</u>			<u>31.05.2005</u>
<b><u>DIRECT INTEREST</u></b>				
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	-	-	-	-

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## **DIRECTORS' INTERESTS IN SHARES (Continued)**

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

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

### **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
---------------	-------	---	---	-------

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

### **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.

## **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: **15<sup>TH</sup> SEPTEMBER 2005**

**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: 15<sup>TH</sup> SEPTEMBER 2005

**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 **15<sup>TH</sup>** day of **SEPTEMBER 2005** )

---

**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

Dated : 15<sup>TH</sup> SEPTEMBER 2005



# Financial Statements

**PENSONIC** annual report 2005

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
<b>NON-CURRENT ASSETS</b>			
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
		48,334,554	32,426,532
<b>CURRENT ASSETS</b>			
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
		116,240,617	106,960,151
<b>CURRENT LIABILITIES</b>			
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
		65,403,678	50,579,128
<b>NET CURRENT ASSETS</b>		50,836,939	56,381,023
		99,171,493	88,807,555

# Financial Statements

**PENSONIC** annual report 2005

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
<b>FINANCED BY :-</b>			
<b>SHARE CAPITAL</b>	<b>15</b>	46,310,000	46,310,000
<b>RESERVES</b>	<b>16</b>	42,748,989	40,577,309
<b>SHAREHOLDERS' EQUITY</b>		89,058,989	86,887,309
<b>MINORITY INTEREST</b>		2,277,207	682,626
<b>LONG TERM AND DEFERRED LIABILITIES :-</b>			
Hire purchase creditors	<b>17</b>	538,972	164,918
Term loans	<b>18</b>	6,198,044	-
Deferred taxation	<b>19</b>	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.

**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>3.42</u>	<u>3.35</u>

\* Share capital revised to RM0.50 per share.

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

# Financial Statements

**PENSONIC** annual report 2005

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(4,480,310)	2,815,087
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		5,823,063	3,007,976
<b>* CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>		1,342,753	5,823,063
<b>* <u>CASH AND CASH EQUIVALENTS</u></b>		<b>RM</b>	<b>RM</b>
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 :-

	<b>2005 RM</b>
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.

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

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

**BALANCE SHEET AS AT 31ST MAY, 2005**

	NOTE	2005 RM	2004 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	-	1
Investment in subsidiary companies	5	41,002,040	28,024,705
		41,002,040	28,024,706
<b>CURRENT ASSETS</b>			
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
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	13	101,004	115,887
		101,004	115,887
<b>NET CURRENT ASSETS</b>			
		45,055,635	54,288,175
		86,057,675	82,312,881
<b>Financed by :-</b>			
<b>SHARE CAPITAL</b>	15	46,310,000	46,310,000
<b>RESERVES</b>	16	39,747,675	36,002,881
<b>SHAREHOLDERS' EQUITY</b>		86,057,675	82,312,881

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



# Financial Statements

**PENSONIC** annual report 2005

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.

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

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

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

	<b>Share capital RM</b>	<b>Share premium RM</b>	<b>Revaluation reserve RM</b>	<b>Retained profits RM</b>	<b>Total RM</b>
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	46,310,000	23,763,721	11,039,207	4,944,747	86,057,675

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**

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,000,296)	(333,432)
Net cash used in financing activities	(1,000,296)	(333,432)

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

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

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

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

**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.

## 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 of 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 :-

	<b>Group</b>	<b>Company</b>
	<b>Straight - line</b>	<b>Straight - line</b>
	<b>Reducing balance</b>	
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%	-

## 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.

## 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.



## 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.

## 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 :

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
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.

## 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
	<u>43,360,422</u>	<u>4,790,904</u>	<u>11,152,553</u>	<u>(790,103)</u>	<u>58,513,776</u>

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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>

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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.



# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 3. PROPERTY, PLANT AND EQUIPMENT (Continued)

### COMPANY 2005

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

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

### COMPANY 2004

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

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

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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 :-

	<b>GROUP</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
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 :-

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

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 4. INTANGIBLE ASSETS

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
a) Trade mark :				
<b>Cost</b>				
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>	-	-
<b>Accumulated amortisation</b>				
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>	-	-
<b>As at 31st May</b>	<u>41,912</u>	<u>35,332</u>	-	-

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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

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

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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
<b>Subsidiaries of Keat Radio Co. Sdn. Bhd.</b>				
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.				
<b>Subsidiaries of Arcadia Global Sdn. Bhd.</b>				
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

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 6. INVENTORIES

	<b>GROUP</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
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 :-

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Bad debts written off	-	232,406	-	-

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 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 RM	2004 RM	2005 RM	2004 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 RM109,000(2004 : RM109,000) pledged to licensed bank for banking facilities granted to the Group.

# Financial Statements

**PENSONIC** annual report 2005

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 RM	2004 RM	2005 RM	2004 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 RM	2004 RM	2005 RM	2004 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.



# Financial Statements

**PENSONIC** annual report 2005

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).

# Financial Statements

PENSONIC annual report 2005

Company No : 300426 - P

## 16. RESERVES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
<b><u>Non-Distributable :-</u></b>				
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	387,266	387,266	11,039,207	8,130,872
b) Capital reserve :				
As at 31st May	4,487,540	4,487,540	-	-
c) Share premium :				
As at 31st May	23,763,721	23,763,721	23,763,721	23,763,721
d) Reserve on consolidation :				
As at 31st May	8,716,627	8,716,627	-	-
<b><u>Distributable :-</u></b>				
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	5,393,835	3,222,155	4,944,747	4,108,288
<b>TOTAL RESERVES</b>				
Total reserves at 31st May are analysed as follows :				
Distributable	5,393,835	3,222,155	4,944,747	4,108,288
Non-distributable	37,355,154	37,355,154	34,802,928	31,894,593
	42,748,989	40,577,309	39,747,675	36,002,881

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 17. HIRE PURCHASE CREDITORS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 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 RM	2004 RM	2005 RM	2004 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 RM	2004 RM	2005 RM	2004 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>	-	-

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 20. REVENUE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 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 RM	2004 RM	2005 RM	2004 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	-	-

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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
<b>Grand Total</b>	<b>741,500</b>	<b>723,500</b>	<b>80,000</b>	<b>80,000</b>

	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	-

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 22. FINANCE COSTS

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
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	-	-
	1,624,796	831,429	-	-
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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
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>

# Financial Statements

**PENSONIC** annual report 2005

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 RM	2004 RM	2005 RM	2004 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)	-	-
	<u>998,107</u>	<u>259,355</u>	<u>746,718</u>	<u>545,283</u>

## 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.



# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 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	91,906,000	91,906,000

## 28. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Contracted but not provided for	950,000	6,386,995	-	-

## 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.

<b>2005</b>	<b>Investment Holding RM</b>	<b>Manufacturing and Assembling RM</b>	<b>Trading RM</b>	<b>Elimination RM</b>	<b>Consolidation RM</b>
<b>Revenue</b>					
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)	-
<b>Total revenue</b>	<b>2,700,000</b>	<b>168,700,642</b>	<b>141,659,374</b>	<b>(135,378,814)</b>	<b>177,681,202</b>
<b>Result</b>					
Segment result (external)	(116,527)	563,890	5,213,369		5,660,732
Finance costs					(1,622,491)
Profit before taxation					4,038,241
Income tax expense					(998,107)
Profit after taxation					3,040,134
Minority interest					131,842
<b>Net profit for the year</b>					<b>3,171,976</b>

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 29. SEGMENT REPORTING (Continued)

	<b>Investment Holding RM</b>	<b>Manufacturing and Assembling RM</b>	<b>Trading RM</b>	<b>Consolidation RM</b>
<b>Other information</b>				
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

# Financial Statements

**PENSONIC** annual report 2005

Company No : 300426 - P

## 29. SEGMENT REPORTING (Continued)

<b>2004</b>	<b>Investment Holding RM</b>	<b>Manufacturing and Assembling RM</b>	<b>Trading RM</b>	<b>Elimination RM</b>	<b>Consolidation RM</b>
<b>Revenue</b>					
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>
<b>Result</b>					
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)

	<b>Investment Holding RM</b>	<b>Manufacturing and Assembling RM</b>	<b>Trading RM</b>	<b>Consolidation RM</b>
<b>Other information</b>				
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 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM
Malaysia	155,331,313	131,194,862	149,615,291	128,970,766	14,296,369	3,252,348
* Outside Malaysia	22,349,893	20,684,844	8,221,003	7,969,433	60,626	2,642,678
	<u>177,681,206</u>	<u>151,879,706</u>	157,836,294	136,940,199	<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 :-

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

- (b) Directors' related transactions

	<b>GROUP</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
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 Khairilanuar 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 :-

	<b>GROUP</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
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

	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
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.



## 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.

## List of Properties Owned by The Group

**PENSONIC** annual report 2005

<b>Registered Owner</b>	<b>Location</b>	<b>Description And Existing Use</b>	<b>Approximately Age of Buildings (Yrs)</b>	<b>Tenure</b>	<b>Land/ Built-Up Area</b>	<b>Net Book Value At 31.05.2005 RM</b>
<b>KRC</b>	Plot 5, Tingkat Perusahaan 6, Phase 4, Prai Industrial Estate, 13600 Prai, Penang.	Industrial land with Factory, warehouse and office	12	Leasehold Expiring in 2052	184,410 acres/ 40,000 sq.ft.	1,841,162
<b>KRC</b>	17, Solok Gurney 1, 10250 Penang	Double storey Residential Building	22	Freehold	2,777 sq.ft/ 3,026 sq.ft.	377,865
<b>KRC</b>	158,160 & 162, Jalan Perak, 10150 Penang.	Shop/ warehouse	Pre-war	Freehold	4,945 sq.ft/ 4,945 sq.ft.	424,931
<b>KRC</b>	Block H1-09, H2-09, H1-10, H1-11, H2-10, H2-11, CI-09, CI-10, C1-11, C2-09, C2-10, C2-11, Taman Pelangi, 13600 Prai	Residential	8	Leasehold	7,200 sq.ft/ 7,200 sq.ft.	402,555
<b>KRC</b>	Lot 2286 & 2287, TS 6, NED, Penang	Development land	-	Freehold	14,348 sq.ft.	415,401
<b>KRC</b>	Shoplot B1-1-27 & B1.1.28 Komtar, Penang	Shoplot	22	Leasehold Expiring in 2075	624 sq.ft/ 624 sq.ft.	424,113

## List of Properties Owned by The Group

**PENSONIC** annual report 2005

Registered Owner	Location	Description And Existing Use	Approximately Age of Buildings (Yrs)	Tenure	Land/ Built-Up Area	Net Book Value At 31.05.2005 RM
<b>PENSONIC INDUSTRIES</b>	Shoplot B1.1.29 Komtar, Penang.	Shoplot	22	Leasehold Expiring in 2075	312 sq.ft.	145,265
<b>PENSIA ELECTRONIC</b>	Plot 98, MK.11, Bukit Tengah Industrial Park, SPT, Prai, Penang.	Industrial land with warehouse and office	8	Leasehold Expiring in 2054	3.05632 acres	6,026,773
<b>PSS</b>	Lot 4, Towering Industrial Centre, 4½ Miles Penampang, 88300 Kota Kinabalu, Sabah.	Warehouse and office	13	Leasehold Expiring in 2037	2700 sq.ft.	298,571
<b>PSS</b>	Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Factory Building and Office	13	Leasehold Expiring in 2069	43560 sq.ft.	10,527,999
<b>PSS</b>	31, Laluan Perusahaan Kledang 9, Kawasan Perindustrian Chandan Raya, 31450 Menglembu.	Factory Building and Office	8	Leasehold Expiring in 2082	5494 sq.ft.	368,081
<b>PSS</b>	Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Factory Building and Office	1	Leasehold Expiring in 2070	43560 sq.ft.	5,182,084
<b>PENSIA INDUSTRIES</b>	Plot 215, MK.13, Bukit Minyak Industrial Park, SPT, Prai, Penang	Industrial land with factory building	2	Leasehold Expiring in 2064	3.00003 acres	5,893,579

# Analysis of Shareholdings / Warrantholdings

**PENSONIC** annual report 2005

## ANALYSIS OF SHAREHOLDINGS/WARRANTHOLDINGS

### SHAREHOLDINGS STATISTICS AS AT 30<sup>TH</sup> SEPTEMBER, 2005

Class of Securities	:	Ordinary Shares of RM0.50 each
	:	Warrants expiring on 4 January 2006 and the exercise period 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.
Authorised Share Capital	:	RM100,000,000.00
Issued & Paid-up Capital	:	RM46,310,000.00
Voting Rights	:	<i>Shareholders</i> Every member of the Company present in person or by proxy or represented by attorney shall on a show of hand have one vote and upon a poll every such member shall have one vote for every share held by him.
	:	<i>Warrantholders</i> Every Warrantholder of the Company present in person or by proxy shall on a show of hand have one vote, and in the case of poll, shall have one vote for every Warrant of which he is a holder in the meeting of Warrantholders.
No. of outstanding warrants	:	22,690,000
Number of shareholders	:	3,699
Number of warrantholders	:	1,202

### Distribution Schedule of Ordinary Shares as at 30<sup>th</sup> September 2005

<u>No. of Holders</u>	<u>Size of Holdings</u>	<u>Total Holdings</u>	<u>% of total issued capital</u>
3	Less than 100 shares	102	0.00
97	101 to 1,000 shares	80,275	0.08
2,848	1,001 to 10,000 shares	13,649,641	14.74
680	10,001 to 100,000 shares	16,339,800	17.64
67	100,001 to less than 5% of issued shares	35,426,374	38.25
4	5% and above of issued shares	27,123,808	29.29
<u>3,699</u>		<u>92,620,000</u>	<u>100.00</u>

# Analysis of Shareholdings / Warrantholdings

**PENSONIC** annual report 2005

PENSONIC HOLDINGS BERHAD (300426-P)			
THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 <sup>TH</sup> SEPTEMBER, 2005 – SHAREHOLDERS			
No	Names	No. of Shares	%
1	Mayban Nominees (Tempatan) Sdn.Bhd. pledged securities a/c for Chew Weng Khak @ Chew Weng Kiak	10,000,000	10.80
2	Chew Weng Khak Realty Sdn.Bhd.	6,667,594	7.20
3	Chew Weng Khak @ Chew Weng Kiak	5,296,214	5.72
4	Permodalan Nasional Berhad	5,160,000	5.57
5	Ambank (M) Berhad pledged securities a/c for Chew Weng Khak Realty Sdn.Bhd.	4,000,000	4.32
6	Metro Genesis Sdn. Bhd.	3,219,000	3.48
7	Chew Weng Khak Realty Sdn.Bhd.	2,021,040	2.18
8	The Kulim-Baling Road Transport Company, Sdn.Bhd.	2,000,000	2.16
9	Tay Ah Hoe	1,855,000	2.00
10	CitiGroup Nominees (Tempatan) Sdn.Bhd. pledged securities a/c for Chew Weng Khak @ Chew Weng Kiak	1,305,200	1.41
11	Ong Wan Bing alias Kie Tjhan	1,088,000	1.17
12	Chew Chuon Jin	1,029,100	1.11
13	ABB Nominee (Tempatan) Sdn. Bhd. pledged securities a/c for Tan King Tai @ Tan Khoon Hai	1,010,000	1.09
14	Chew Chuon Fang	974,200	1.05
15	Ambank (M) Berhad pledged securities a/c for Chew Chuon Jin	900,000	0.97
16	Chew Chuon Ghee	895,500	0.97
17	Tan Yong Siang	827,600	0.89
18	CitiGroup Nominees (Tempatan) Sdn.Bhd. pledged securities a/c for Tan King Tai @ Tan Khoon Hai	800,000	0.86
19	Orchid City Sdn. Bhd.	743,000	0.80
20	Chew Chuon Ghee	634,160	0.68
21	Law Shee Hong	594,600	0.64
22	Tan Ah Nya @ Tan Bee Tiang	574,400	0.62
23	Pee Yu Chi	517,000	0.56
24	Ambank (M) Berhad pledged securities a/c for Chew Chuon Ghee	500,000	0.54
25	AMSEC Nominees (Tempatan) Sdn.Bhd. pledged securities a/c for Tan King Tai @ Tan Khoon Hai (Smart)	500,000	0.54
26	Yap Gim Seng	498,600	0.54
27	Chew Weng Khak @ Chew Weng Kiak	477,774	0.52
28	Public Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Lim Bon Siew (E-KLG)	400,200	0.43
29	Chew Weng Khak @ Chew Weng Kiak	400,000	0.43
30	The Kulim-Baling Road Transport Company, Sdn.Bhd.	400,000	0.43
	Total	55,288,182	59.68

# Analysis of Shareholdings / Warrantholdings

PENSONIC annual report 2005

## SUBSTANTIAL SHAREHOLDERS AS AT 30<sup>TH</sup> SEPTEMBER 2005

Name of Shareholder	← NO. OF SHARES HELD →			
	DIRECT		INDIRECT	
	No.	%	No.	%
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,479,188	18.87	* 12,688,634	13.69
Chew Weng Khak Realty Sdn Bhd	12,688,634	13.69	-	-
Permodalan Nasional Berhad	5,160,000	5.57	-	-

\* Held through Chew Weng Khak Realty Sdn. Bhd.

## STATEMENT OF DIRECTORS' SHAREHOLDINGS As at 30<sup>th</sup> September 2005

	Direct		Deemed	
	No. of Shares	% of Issued Share Capital	No. of Shares	% of Issued Share Capital
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,479,188 *	18.87	@ 12,688,634	13.69
Chew Chuon Jin	1,929,100 *	2.08	@ 12,688,634	13.69
Dato' Tan King Tai @ Tan Khoon Hai	2,815,618 *	3.04	# 4,000	0.00
Zahara Binti Pawanchik	140,000	0.15	-	-
Chew Chuon Ghee	2,089,660 *	2.27	@ 12,688,634	13.69
Khairilnuar Bin Abdul Raman	-	-	-	-

### Note

\* Certain shares are held through nominees companies

@ Held through Chew Weng Khak Realty Sdn. Bhd.

# Held through Tan Khoon Hai Sdn. Bhd.

# Analysis of Shareholdings / Warrantholdings

**PENSONIC** annual report 2005

## Distribution Schedule of Warrants as at 30<sup>th</sup> September, 2005

<u>No. of Holders</u>	<u>Size of Holdings</u>	<u>Total Holdings</u>	<u>% of total issued warrants</u>
1	Less than 100 warrants	46	0.00
267	101 to 1,000 warrants	262,804	1.16
783	1,001 to 10,000 warrants	2,859,310	12.60
120	10,001 to 100,000 warrants	3,382,744	14.91
28	100,001 to less than 5% of issued warrants	9,255,298	40.79
3	5% and above of issued warrants	6,929,798	30.54
<u>1,202</u>		<u>22,690,000</u>	<u>100.00</u>

# Analysis of Shareholdings / Warrantholdings

**PENSONIC** annual report 2005

PENSONIC HOLDINGS BERHAD (300426-P)			
THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 <sup>TH</sup> SEPTEMBER, 2005 - WARRANTHOLDERS			
No	Names	No. of Warrants	%
1	Chew Weng Khak Realty Sdn.Bhd.	2,666,898	11.75
2	Mayban Nominees (Tempatan) Sdn.Bhd. Pledged securities a/c for Chew Weng Khak @ Chew Weng Kiak	2,500,000	11.02
3	Metro Genesis Sdn. Bhd.	1,762,900	7.77
4	Chew Weng Khak @ Chew Weng Kiak	1,076,054	4.74
5	Chew Chuon Ghee	754,100	3.32
6	Phnuah Farn Farn	739,278	3.26
7	Chew Chuon Jin	705,300	3.11
8	Tay Ah Hoe	594,000	2.62
9	Tan King Tai @ Tan Khoon Hai	483,000	2.13
10	Orchid City Sdn. Bhd.	437,276	1.93
11	Chew Chuon Ghee	426,000	1.88
12	Tan Bak Fooi @ Tang Kiat	419,000	1.85
13	Chan Mei Cheng	401,800	1.77
14	Law Shee Hong	322,000	1.42
15	Phnuah Farn Farn	296,200	1.31
16	Tay Keng	247,000	1.09
17	Chew Chuon Fang	228,200	1.01
18	CitiGroup Nominees (Tempatan) Sdn.Bhd. Pledged securities a/c for Tan King Tai @ Tan Khoon Hai	200,000	0.88
19	Teh Giek Hooi	200,000	0.88
20	Tay Siew Kim	194,000	0.86
21	Liew Sow Ying	188,000	0.83
22	Chan Mei Cheng	186,000	0.82
23	Tan Tian Woei	151,000	0.67
24	Tan Kim Hong	150,000	0.66
25	Chew Chuon Ghee	148,790	0.66
26	Mayban Securities Nominees (Tempatan) Sdn.Bhd. Pledged securities a/c for Vivekanandan A/L Ams. Periasamy	132,800	0.59
27	Mayban Securities Nominees (Tempatan) Sdn.Bhd. Pledged securities a/c for Foong Wai Chee (STF)	129,900	0.57
28	Wong Keck Lone	128,000	0.56
29	Ong Sheng Yan @ Wong Jiun Leian	110,000	0.48
30	Mayban Nominees (Tempatan) Sdn.Bhd. Pledged securities a/c for Ting Poi Ling	106,500	0.47
	Total	16,083,996	70.91



# Analysis of Shareholdings / Warrantholdings

**PENSONIC** annual report 2005

## SUBSTANTIAL WARRANTHOLDERS AS AT 30<sup>TH</sup> SEPTEMBER, 2005

<u>Name of Warrantholder</u>	← NO. OF WARRANTS HELD →			
	<u>DIRECT</u>		<u>INDIRECT</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	3,743,598	16.49	*2,668,158	11.76
Chew Weng Khak Realty Sdn Bhd	2,668,158	11.76	-	-
Metro Genesis Sdn Bhd	1,762,900	7.77	-	-
Chew Chuon Ghee	1,328,890	5.86	*2,668,158	11.76

\* Held through Chew Weng Khak Realty Sdn. Bhd.

## **CORPORATE CALENDAR**

26 October, 2004	Preliminary announcement of unaudited results for the first Quarter ended 31st August, 2004.
3 December, 2004	Extraordinary General Meeting.
30 December, 2004	Payment of the first and final dividend of 3% less tax of 28% for the year ended 31st May, 2004.
13 January, 2005	Preliminary announcement of unaudited results for the second Quarter ended 30th November, 2004.
27 April, 2005	Preliminary announcement of unaudited results for the third Quarter ended 28th February, 2005.
31 May, 2005	Financial year end.
22 July, 2005	Preliminary announcement of unaudited results for the fourth Quarter ended 31st May, 2005.
28 October, 2005	Posting of Annual Report to Shareholders.
25 November, 2005	Annual General Meeting & Extraordinary General Meeting.

# Proxy Form

**PENSONIC** annual report 2005

No. of Share

## Proxy Form

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of Pensonic Holdings Berhad hereby appoint \_\_\_\_\_

\_\_\_\_\_ of failing him, the Chairman of

the Meeting as my/our proxy to vote for me/us and on my/our/belief at the Annual

General Meeting of the Company to be held at Laurel 1, Level 1, Evergreen Laurel

Hotel, 53, Persiaran Gurney, 10250 Penang, on Friday, 25<sup>th</sup> November, 2005 at 11.00

a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated belows :-

NO.	RESOLUTION	FOR	AGAINST
1.	Adoption of Reports and financial statement (Resolution 1)		
2.	Declaration of first and final dividend (Resolution 2)		
3.	Approval of payment of Directors' Fees (Resolution 3)		
4.	Re-election of Directors : (i) Chew Chuon Jin (Resolution 4) (ii) Zahara Bt. Pawanchik P.P.N, P.J.K. (Resolution 5)		
5.	Appointment of Auditors (Resolution 6)		
6.	<b>As Special Business</b> Authorising Directors to issue shares not exceeding 10% of the issued share capital (Resolution 7)		

(Please indicate with " X " how you wish to cast your vote)

Date : \_\_\_\_\_ 2005

\_\_\_\_\_  
Signature /Seal

Notes :-

1. This proxy form, duly signed or sealed, must be deposited at the Registered Office of the Company listed on the reverse side of the form not less than 48 hours before the meeting.
2. If you wish to appoint a proxy, please insert the full name of the proxy (in block letters) in the space provided. A proxy need not be a member of the Company.
3. If the appointer is a corporation, this form must be executed under its common seal or under hand of its duly authorised officer or attorney.

*F O L D*

---

STAMP

**PENSONIC HOLDINGS BERHAD**  
(Company No. 300426-P)  
2-5-26, HARBOUR TRADE CENTRE  
NO. 2, GAT LEBUH MACALLUM  
10300 PENANG

---

*F O L D*