

PENSONIC

Holdings Berhad

Incorporated in Malaysia (300426 - P)

Annual Report 2006



home appliances . audio . visual . air conditioner



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CORPORATE INFORMATION**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

Mr. Lee Yew Weng

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 Lebuah Macallum,
10300 Penang.
Tel : 604-2638 100/200
Fax : 604-2638 500

REGISTRAR

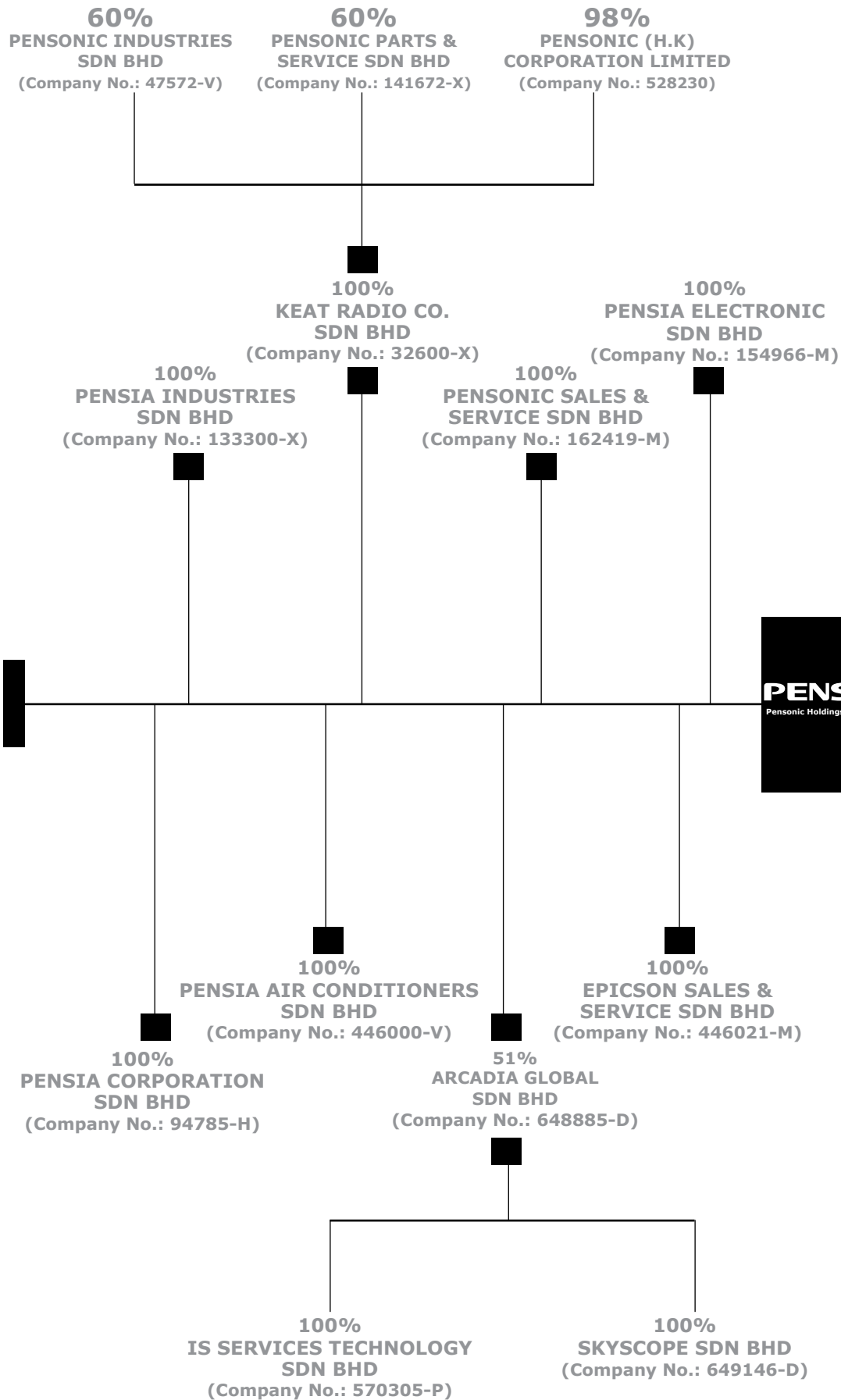
Plantation Agencies Sdn. Bhd.
Standard Chartered Bank Chambers
Lebuh Pantai,
10300 Penang.
Tel : 604-2625 333
Fax : 604-2622 018

AUDITORS

Teh Eng Aun & Co.
Chartered Accountants

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of PENSONIC HOLDINGS BERHAD will be held at Laurel II, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang on Friday, 24 November, 2006 at 11.00 a.m. for the following purposes :-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 May, 2006 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve a First and Final Dividend of 2.5 sen per share less tax of 28% for the financial year ended 31 May, 2006. (Resolution 2)
3. To approve Directors' Fees for the financial year ended 31 May, 2006. (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 Ghee (Resolution 4)
 - b) Khairilnuar Bin Abdul Rahman (Resolution 5)
5. To re-elect the Director, Lee Yew Weng who is retiring under Article 29(6) of the Company's Articles of Association. (Resolution 6)
6. To re-appoint Messrs. Teh Eng Aun & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 7)
7. **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 8)

8. 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 ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 12th Annual General Meeting, the First and Final dividend of 2.5 sen per share less tax of 28% in respect of the financial year ended 31 May, 2006 will be paid on 29 December, 2006 to depositors registered in the Records of Depositors at the close of business on 13 December, 2006.

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 13 December, 2006 in respect of transfers;
- (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
Company Secretary

Penang

Date : 1 November, 2006

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 Lebu 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 7, 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**STATEMENT ACCOMPANYING NOTICE OF THE 12TH 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 Ghee (retiring pursuant to Article 29(2) of the Articles of Association)
 - (b) Khairilnuar Bin Abdul Rahman (retiring pursuant to Article 29(2) of the Articles of Association)
 - (c) Lee Yew Weng (retiring pursuant to Article 29(6) 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 June, 2005 to 31 May, 2006. 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	4
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 May, 2006 took place at 2-5-26, Harbour Trade Centre, No. 2, Gat Lebuah Macallum, 10300 Penang.

Date of Meetings	Time
15-09-2005	10.00 a.m.
26-10-2005	11.00 a.m.
16-01-2006	11.30 a.m.
26-04-2006	11.00 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 11 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.
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.
8. Details of the Directors' securities holdings in the Company, any/or in a related corporations are set out on pages 92 to 96 of the Annual Report.

DIRECTORS' PROFILE

Dato' Seri Chew Weng Khak @ Chew Weng Kiak, a Malaysian, aged 64, 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 37, is the Group Managing Director of 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. He is also a Director and member of the Executive Committee of Malaysian Industry-Government Group For High Technology (MIGHT).

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 34, 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 51, is a Non-Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad. He is a member of The Institute of Certified Public Accountants, Ireland and is currently the President of The Institute of Commercial and Industrial Accountants, Malaysia. 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 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.

* **Lee Yew Weng**, a Malaysian, aged 46, is the Chief Financial Officer of the Pensonic Group and was appointed as an Executive Director of Pensonic Holdings Berhad on 20 June 2006. He joined the Pensonic Group as Group Financial Controller in 2003. He is a Chartered Accountant registered under the Malaysian Institute of Accountants, a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Certified Financial Planner registered with the Financial Planning Association of Malaysia. He has more than 20 years of experience with wide exposure in the fields of taxation, accounting, corporate finance, operations and management. Prior to joining the Pensonic Group, he has served in various senior management positions in professional consultancy firms, commercial organizations and manufacturing concerns. He is now responsible for corporate finance, planning, strategies and development, and assists the Board of Directors in the overall management of the Pensonic Group of 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 62, 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 41, 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

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 2006.

Review of Operations

The Malaysian economy has grown at a steady rate in 2006, registering a real GDP growth of 5.9% in the 2nd. quarter from 5.5% in the 1st. quarter. Economic activity continued to be driven by the private sector. Despite expected moderation in global growth in 2006, it is forecast that the local economy will maintain the growth momentum in the second half of the year with the projects under the Ninth Malaysia Plan (9MP) scheduled to take off. Whilst oil price still remains high, the recent moderation from its peak if sustained will help to stabilize raw materials and components prices, and contain inflationary pressures in the near future. Our central bank's monetary policy to leave key interest rate unchanged is also a positive factor for the domestic economy.

During the financial year, the Group has embarked on a series of branding activities for its core-brand PENSONIC spearheaded by the launch of its PENSONIC WITH FRIENDS campaign. Under this campaign, 12 up-and-coming Malaysian celebrities of various talents and professions had been specially invited to be friends of PENSONIC. Each celebrity is a host to a particular PENSONIC product category. The aim of this campaign is to create an environment of friendliness, caring and enjoyment, with which PENSONIC will position itself to its target markets and foster its relationship with its customers. The series of branding activities are focused on projecting PENSONIC's brand values of leadership, innovative, caring and trustworthiness in differing environments of enjoyment. These activities include new visuals for the PENSONIC billboards, new advertising and promotional materials, carnivals in major cities, dealers' conventions, public relation events, media releases, cooking-demo VCDs, media advertisements, TV and info-commercials. In conjunction with the campaign, the PENSONIC web-site has also been upgraded to host an interactive PENSONIC WITH FRIENDS campaign updates, web-contests and web-voting.

The Group has set-up a flagship PENSONIC Customer Care Centre, which is one of the major initiatives under the PENSONIC brand strategy. The PENSONIC Customer Care Centre is primarily aimed at consolidating the Group's existing services into an integrated system to provide an efficient and quality one-stop after-sale and technical services to its customers and dealers. The centre is an important frontline interface in direct contact with the customers for building a positive brand experience and perception toward the PENSONIC brand. It also hosts a 1-800 toll free Customer Care-line to provide efficient and fast response, and to support PENSONIC's branch offices and customer care centre-network throughout Malaysia.

The pro-active focus and continual investment of the Group in building the PENSONIC brand have progressively achieved the desired objectives and results. With the PENSONIC brand strength and identity growing steadily stronger in both the domestic and export market, the Group is able to take the lead in adjusting product pricing upwards as well as introducing higher profit margin products into the market. During the last quarter of the financial year, the Group has introduced the PENSONIC Natural Pure Water System as its first flagship product under its Well-Being product line to boost its revenue stream. Revenue contribution from this higher profit margin product has progressed well, and the full impact of its contribution shall be known in the forthcoming financial year.

The Group has further move ahead with its business strategy to adopt a multi-brand platform to tap the full spectrum of the market and product segments for electrical home appliances to broaden its revenue base in the domestic market. Leveraging on its strong distribution-channel network and marketing capability in Malaysia, the Group has been awarded the distributorship rights for Malaysia in respect of the GE APPLIANCES brand of the USA and MORPHY RICHARDS brand of the UK during the second half of the financial year. Business activities for these two internationally acclaimed brands will be in full swing in the forthcoming financial year. These brands are targeted at different market and product segments which are not covered by the Group's own-brands PENSONIC and LEBENSSTIL KOLLEKTION, and its agency-brands PRINCESS of Holland and ACONATIC of Thailand.

With its widely recognized niche in the small electrical home appliances category, the Group has capitalized on this strength to develop its ODM (Original Design Manufacturer) / OEM (Original Equipment Manufacturer) business with international brands. ODM/OEM business with existing international brands have continued to grow through larger orders and different product lines, and production roll-out for new customers have also started.

On the export market front, the Group has continued its efforts to grow its exports to its existing markets in Asia and Middle-East. During the financial year, the Group has appointed a new agency in Sri Lanka to distribute PENSONIC products. Since the appointment, exports to Sri Lanka have steadily grown, and have shown good potential for further business development in the future. The Group had set-up a representative office in Shenzhen, China through its Hong Kong subsidiary, Pensonic (HK) Corporation Ltd. to penetrate PENSONIC products into the China market. The target markets are in Southern and Central China, initially through a few selected large hypermarkets and chain-stores.

Financial Review

Through the proper execution of its established key business strategies, the Group's business has continued to grow amidst an increasingly challenging and competitive business and operating environment. The Group recorded a turnover of RM187.3 Million for the financial year under review representing a 5.4% turnover growth over the previous financial year's turnover of RM177.7 Million. An increase of 3.4% was recorded for domestic market turnover while export market turnover increased by 19.4% as compared to the respective turnover of the previous financial year.

The Group achieved a Net Profit (after taxation, pre-acquisition loss and minority interest) of RM3.28 Million as compared to a Net Profit of RM3.17 Million in the previous financial year.

The Net Assets per share attributable to ordinary equity holders of the parent and Earnings per share of the Group for the financial year under review are RM 0.98 (2005 : RM0.96) and 3.54 sen (2005 : 3.42 sen) respectively.

Future Prospects

Going forward, prospects for the overall global economy remain positive, despite the high oil prices and the high interest rates. With the recovery in Japan and Europe, and the underlying growth momentum in the regional economies, especially the large economies remaining strong, the global growth continues to be broader based. Growth is expected to be sustained in the second half of the year. Continued favorable performance in the regional economies would lend further support to intraregional trade and investment. The Malaysian economy is expected to sustain its growth momentum in the second half year. Growth would continue to be driven by domestic demand, particularly private sector activity and by the external sector amidst high commodity prices.

The Group expects the business and operating environment to be increasingly challenging and competitive. To sustain growth, profitability and long-term competitiveness in the mid to long term, the Group will focus on the execution of its established key business strategies plan:

- Continue to invest in long-term brand development to build Pensonic into stronger and preferred brand which will accord the Group to factor in premium pricing over time;
- Progressively introduce new products under its Well-Being product line and other products with higher profit margin to boost the revenue stream of the Group;
- Leverage on the Group's strong distribution channel and marketing strength in the domestic market for the other brands under its multi-brand portfolio. With the PENSONIC brand already gaining a strong foothold in both the domestic and export markets, the Group will reallocate resources to develop its other brands to broaden their reach in the domestic market. The Group's strategy is to extend its market coverage with small appliances for the mass market and high end market, as well as major appliances for the mid to high end market;
- Increase its efforts to penetrate further into the export markets, especially South East Asia, the Middle East and China. The Group has already commenced its marketing activities through its representative office in Shenzhen, China with its specially selected and developed product line-up in the China market. While the China market has vast market potential, it also has its own set of challenges, and the Group will exercise prudence in developing the China market;

- Further exploit on the business potential of the Latin-America market to take advantage of the Latin-America Anti-Dumping regulations for certain electrical home appliances which exclude Malaysia. The Group has recently secured several orders for exports to Latin-America and discussions with other potential customers are in progress.
- Expand the Group's Own Design Manufacturing (ODM) / OEM (Original Equipment Manufacturer) business with international brands, with particular focus in the South East Asia region. The Group is targeting to grow the ODM/OEM business segment from its existing level of 15% to a maximum of 40% of total revenue contribution in the long-term.
- Further develop the business potential of the heating component technology which has now been commercialized through its Hong Kong subsidiary, Pensonic (HK) Corporation Ltd. The subsidiary has created a new business category in heated apparels and related accessories using the heating component technology under its business portfolio. Much interest on the heated apparels and accessories has been generated during a recent trade exhibition and several initial trial orders from customers have been received.
- Continue to seek out targets in the electrical home appliances industry for potential merger and acquisition or joint venture, which can provide a synergistic effect to the overall business of the Group in terms of revenue, profitability, market channels and operation efficiencies. On 30 June 2006, Pensonic Holdings Berhad had entered into two Sale & Purchase of Shares Agreement with Amtek Holdings Berhad to acquire from the latter the entire equity interest in Amtek Marketing Services Sdn. Bhd. (AMSSB) and Amtek Marketing Services Pte. Ltd. (AMSPL). The "CORNELL" trademark for Malaysia and Singapore are included under the acquisitions. The CORNELL brand has a well-established brand image in the Malaysia and Singapore markets that will provide the Group with the opportunity to tap into different market segments. The Group will also have immediate access to the distribution channels of AMSSB in Malaysia and AMSPL in Singapore. The acquisitions will present the opportunity for the Group and AMSSB and AMSPL to co-operate and synergize their operations, in terms of business, operating costs and human resources to achieve higher turnover and profitability. The Group is targeting to grow the revenue contribution from the acquisitions to reach 15% of the Group's total revenue in the next three years. Business strategies for AMSSB and AMSPL have already been planned by the Group as follows:
 - Introduce new product models and categories into the existing product range under the CORNELL brand to broaden revenue base.
 - Tap onto the export distribution channels of the Group for the CORNELL brand, such as Thailand; Vietnam, Hong Kong, Sri Lanka, Middle-East and China.
 - Cross-sell own-brand products under the Group's brand portfolio in the Singapore market.

The Group will continue its focus on cost containment, productivity and operation efficiency to strengthen its competitiveness in the market. With the clear business direction and strategies, I have confidence that the Group will be able sustain its growth and profitability into the future.

Dividends

The Board is recommending a first and final dividend of 2.5 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 2006 (2005 : 2.0 sen per share less 28% tax).

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 continuing to extend their confidence and support towards the Group. I would also like to express my sincere thanks to my fellow directors, management team and all employees of the Group for their continual dedication and diligence to achieve the objectives and goals set for the Group.

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

15 September 2006

AUDIT COMMITTEE REPORT

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 2006 are as follows:-

<u>Member</u>	<u>Designation</u>
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 members of the Audit Committee shall be appointed by the Board of Directors from amongst the Directors and shall consist of no fewer than three (3) members, of whom a majority shall be independent directors of the Company. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or a member who fulfils the requirements as per Paragraph 15.10(1)(c)(ii) of the Listing requirements of Bursa Malaysia Securities Berhad. The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Director. 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.

- **Authority of the Audit Committee**

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- Have the authority to investigate any matter within its terms of reference.
- Have the necessary resources required to perform its duties.
- Have full, free and unrestricted access to all information and documents pertaining to the Group.
- Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- To obtain legal or other independent professional advice and to secure the attendance of outsiders with the experience and expertise if it considers it necessary to do so.
- 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 be the Secretary of the Audit Committee and shall be responsible for the coordination of administrative details including sending out notice of meetings, preparing and keeping minutes of meetings. The minutes of the Audit Committee's meetings are to be extended to the Board of Directors. 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 2006, the Audit Committee held a total of four (4) meetings, the details of attendance of which are as follows:-

<u>Member</u>	<u>No. of meetings attended</u>
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

- **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.

- **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee shall be as follows and will cover the Company and its subsidiaries:

- a. Review and assess the adequacy and effectiveness of the system of internal control and accounting control procedures by reviewing the external auditors' management letters and management response.
- b. Consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal.
- c. Review the adequacy of the scope, functions, resources of the internal audit functions and that it has the necessary authority to carry out its work.
- d. Review the internal audit program, consider the findings of internal audit and the actions and steps taken by management in response to such findings and ensure co-ordination between the internal and external auditors.
- e. Review the quarterly results and year-end financial statements prior to approval by the Board of Directors, focusing particularly on –
 - Any changes in or implementation of major 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.
- f. Review any related party transactions and conflict of interests situation that may arise within the Group including any transaction, procedure or course of conduct that raises question of management integrity.
- g. Review with the external auditors the nature and scope of their audit plan, prior to the commencement of audit work.
- h. Discuss the problems and reservations arising from the interim and final audits and any matter the external auditors may wish to discuss.
- i. Review the assistance and co-operation given by the officers of the Group to the external and internal auditors.
- j. Carry out any other functions as may be determined by the Board from time to time.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 May 2006, the activities of the Audit Committee included the following:-

- Review and discuss the memorandum of matters and issues with external auditors and management's response to all pertinent issues and findings raised and noted by the external auditors during their audit of the financial statements, together with recommendations in respect of their findings.
- Review the unaudited quarterly financial statements and announcements and the year-end audited financial statements of the Group with the management and the external auditors and ensured that the financial reporting and disclosure requirements of the relevant authorities had been complied with prior to approval by the Board of Directors.
- Review the procedures for identification of related party transactions of the Group.
- Review and discuss the Audit Committee Report and Statement on Internal Control for inclusion in the Group's Annual Report.

- Review and discuss the internal audit reports issued by the internal auditors for audit assignments carried out during the year including follow-up reviews of previous audits undertaken and the status of actions taken by management to resolve and rectify major issues raised by the auditors.
- Brief the Board of Directors on any major issues discussed at the Audit Committee meeting for further deliberation or decision as the case may be.
- Review the Group's key operational and business risks area and the policies in place to address and minimize such risks.

INTERNAL AUDIT FUNCTION

The principal objective of Internal Audit Department is to undertake regular reviews of the systems of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

The principal responsibilities of the internal audit function are as follows:

- Review and appraise the adequacy, effectiveness and reliability of internal control systems, policies and procedures.
- Determine the extent of compliance with relevant laws, codes, standards, regulations, policies, plans and procedures.
- Review and verify the means used to safeguard the Group's assets.
- 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

INTRODUCTION

In compliance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") and the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by BMSB, the Board of Directors (the "Board") of Pensonic Holdings Berhad is pleased to provide the following statement, on the nature and scope on internal control of the Group for the financial year ended 31 May 2006.

BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility for the adequacy and integrity of the Group's system of internal control including the review of its effectiveness and establishment of an appropriate control environment and framework. The internal control system covers risk management, financial, operational, management information systems and compliance with relevant laws, rules, directives and guidelines.

The responsibilities of the Board in relation to the system extend to all subsidiaries of the Group. The Group's system of internal control is designed to ensure that the risks encountered by the Group's business in pursuit of its objectives are identified and managed at known and acceptable levels. Nevertheless, as with any internal control system, controls can only manage rather than eliminate the risk of failure 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.

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:-

- Clearly defined lines of authority in the organization structure and delegation of responsibilities, including authorization levels and exercise strict control on compliance therewith by all levels of employees.
- Key responsibilities are properly segregated in order that no employee is in total control of the whole transaction.

- 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.
- The Board 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.
- Standard Operating Procedures are clearly documented and implemented, and are regularly reviewed for improvement to reflect changes in business structures and processes.
- Regular visits to various branches and subsidiaries and discusses key operational and business issues with the respective branch and subsidiary's employees.
- Monthly management meeting 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.
- Regular and comprehensive information provided to management covering financial performance and key performance indicators.
- Regular internal audit visits which provide independent assurance on the effectiveness of the Group's system of internal control and advising management on areas for further improvement. Weaknesses are properly communicated to management and prompt corrective actions have been taken.

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 2006.

STATEMENT OF CORPORATE GOVERNANCE

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 ensure the adoption of good governance throughout the Group in order to protect and enhance the shareholders' value and the performance of the Group.

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 2006 are outlined in the following statement.

DIRECTORS

1. The Board and Board Balance

The Board 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 scope and nature of the Group's business operations during the financial year.

The Board of Directors leads and controls the Group and is responsible for the overall performance of the Group, focusing on strategies, performance, standards of conduct, financial and major business matter. The presence of independent non-executive directors bring an additional element of balance of the Board as they provide independent views, advice and judgment to take account of the interest of the Group and the shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business.

2. Attendance at Meetings

The attendance record of the members at Board meetings during the financial year ended 31 May 2006 are as follows:-

Directors	Attendance
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	4 of 4
Chew Chuon Jin	4 of 4
Chew Chuon Ghee	4 of 4
Dato' Tan King Tai @ Tan Khoon Hai	4 of 4
Zahara Bt. Pawanchik P.P.N., P.J.K.	4 of 4
Khairilnuar Bin Abdul Rahman	4 of 4

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 pertaining to the Group's business and affairs. All Directors are provided with an agenda and a set of Board papers prior to each Board meetings. This allows the Directors to obtain further explanations and clarifications, where necessary, in order to be properly briefed before each meeting. The Directors have access to the advice and service of the Company Secretary and where necessary, obtain independent professional advice at the Company's expense in the furtherance of their duties. The Company Secretary's role is to ensure that the board policies and procedures and any statutory and regulatory requirements pertaining to a Directors' duties and responsibilities are complied with and all proceedings of the Board are recorded in writing for the effective functioning of the Board.

4. Appointment and Re-election

In accordance with the Company's Articles of Association, Directors who are appointed by the Board to fill a casual vacancy shall hold office only until the next Annual General Meeting ("AGM") and shall then be eligible for re-election. The Articles also provide that one-third or the number nearest to one-third of the Directors shall retire from office at every AGM and if eligible, may offer themselves for re-election. Each Director shall retire from office at least once in every three (3) years in compliance with the Code.

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 ("MAP") conducted by Bursatra Sdn. Bhd. During the year under review, the Directors have attended various training programmes and seminars relating to general management, marketing, latest regulatory developments, latest accounting standards, corporate social responsibility, branding and brand management to enhance their knowledge and expertise. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge in discharging their duties as Director in an effective manner.

DIRECTORS' REMUNERATION

The determination of remuneration packages of the directors are matters for the Board as a whole. The remuneration of the Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively.

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

The aggregate remuneration of the Directors for the financial year ended 31 May 2006 is as follows:-

Category	Fees	Salaries & Other Emoluments	Total
	RM	RM	RM
Executive Directors	60,000	703,500	763,500
Non-Executive Directors	20,000	26,000	46,000

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

Range of Remuneration In RM	Number of Directors	
	Executive Director	Non-Executive Director
Below 50,000	-	2
50,000 – 100,000	1	-
100,001 – 150,000	-	-
150,001 – 200,000	1	-
200,001 – 250,000	1	-
250,001 – 300,000	-	-
300,001 – 350,000	1	-

RELATIONSHIP WITH SHAREHOLDERS

The Board and management recognize the importance of transparency and accountability to its shareholders and investors. The Group communicates with its shareholders regularly through timely release of financial results on a quarterly basis, announcements on the Group's business and corporate proposals which provide shareholders with an overview of the Group's performance and operations. All formal queries by Bursa Malaysia and other regulatory authorities are responded to on a timely basis. The Company's website at www.pensonic.com also provides a comprehensive avenue for information dissemination, such as dedicated sections on corporate information, press releases and company news.

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. The Board considers that in preparing the financial statements and announcements, the Group has used appropriate accounting policies and standards, consistently applied and supported by reasonable judgments and estimates.

2. Internal Control

The Board affirms its overall responsibility for the Group's system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard the 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

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's 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 in accordance with applicable approved accounting standards such that the financial statements should give a true and fair view 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 2006, 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 ensuring that proper accounting records are kept and that the financial statements disclose with reasonable accuracy the financial position of the Group and the Company and are in compliance with the Companies Act, 1965 and the applicable approved financial reporting 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 2006, 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**PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS****a) Share Buybacks**

There was no share buybacks exercise carried out by the Company for the financial year ended 31 May 2006.

b) Options, Warrants or Convertible Securities

No warrants or convertible securities were exercised by the Company during the financial year. The amount of share options granted over unissued shares to Directors and employees are disclosed in the Directors' Report.

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

The Company has not sponsored any ADR or GDR programme in the financial year ended 31 May 2006.

d) Imposition of Sanctions/Penalties

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management arising from any significant breach of rules/guidelines 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 31 May 2006 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

The Company did not issue any profit guarantees for the financial year 31 May 2006.

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, 2006**.

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

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	<u>3,280,864</u>	<u>1,881,761</u>

DIVIDENDS

During the financial year, the Company paid a first and final dividend of 2 sen per share less tax 28%, amounting to RM1,333,728 in respect of the financial year ended 31st May, 2005 on 30 December 2005.

The Directors propose a first and final dividend of 2.5 sen per share less tax 28%, amounting to RM1,667,160 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

LEE YEW WENG

(Appointed on 20.6.2006)

In accordance with Article 29 (2) of the Company's Articles of Association, CHEW CHUON GHEE and KHAIRILANUAR BIN ABDUL RAHMAN shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 29(6) of the Company's Article of Association, LEE YEW WENG shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN WARRANTS

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

	As at 01.06.2005	Acquired	Disposed	As at 31.05.2006
DIRECT INTEREST				
The Company :-				
DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK	3,743,598	477,800	2,076,000	2,145,398
CHEW CHUON JIN	705,300	-	-	705,300
DATO' TAN KING TAI @ TAN KHOON HAI	693,404	-	-	693,404*
ZAHARA BT. PAWANCIK P.P.N., P.J.K	-	-	-	-
CHEW CHUON GHEE	1,328,890	-	-	1,328,890
KHAIRILANUAR BIN ABDUL RAHMAN	-	-	-	-

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

INDIRECT INTEREST
CHEW WENG KHAK REALTY SDN. BHD.

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

TAN KHOON HAI SDN. BHD.

DATO' TAN KING TAI @ TAN KHOON HAI	1,000	-	-	1,000
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* Certain Warrants are held through nominee companies.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.50 each			
	As at 01.6.2005	Acquired	Disposed	As at 31.05.2006
DIRECT INTEREST				
The Company :-				
DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK	17,479,188	154,000	-	17,633,188*
CHEW CHUON JIN	1,929,100	-	-	1,929,100*
DATO' TAN KING TAI @ TAN KHOON HAI	2,815,618	639,000	1,010,000	2,444,618*
ZAHARA BT. PAWANCIK P.P.N., P.J.K.	140,000	-	-	140,000
CHEW CHUON GHEE	2,089,660	-	-	2,089,660*
KHAIRILANUAR BIN ABDUL RAHMAN	-	-	-	-

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

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
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* 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

- (1) The duration and exercise period of the Company's 22,690,000 existing outstanding warrants exercisable into 22,690,000 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 was extended for a period of five years to 4 January 2011.

- (2) The Company's Employees' share option scheme ('ESOS') of up to fifteen percent (15%) of the issued and paid-up of the Company had not been exercised during the year.

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 SEPTEMBER 2006**

**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, 2006** 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 SEPTEMBER 2006**

**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** day of **SEPTEMBER, 2006**)

**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)**

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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, 2006** 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
- 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 company for which we have not acted as auditors, as indicated in Note 5 to the financial statements.

We have considered the financial statements and the auditor's reports of the subsidiary company 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

Dated : **15 SEPTEMBER 2006**

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

CONSOLIDATED BALANCE SHEET AS AT 31ST MAY, 2006

	NOTE	2006 RM	2005 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	45,407,893	43,502,200
Intangible assets	4	26,059	41,912
Goodwill on consolidation		4,790,442	4,790,442
		<u>50,224,394</u>	<u>48,334,554</u>
CURRENT ASSETS			
Inventories	6	56,022,372	55,634,393
Trade receivables	7	38,822,147	41,726,286
Other receivables, deposits and prepayments	8	8,372,420	7,979,813
Amount owing by related companies	9	7,016,618	4,942,215
Fixed deposits, cash and bank balances	11	9,185,758	5,957,910
		<u>119,419,315</u>	<u>116,240,617</u>
CURRENT LIABILITIES			
Trade payables	12	13,075,682	9,012,192
Other payables, accruals and deposit received	13	6,942,090	10,382,381
Short term borrowings	14	46,686,991	45,737,017
Tax liabilities		-	272,088
		<u>66,704,763</u>	<u>65,403,678</u>
NET CURRENT ASSETS		<u>52,714,552</u>	<u>50,836,939</u>
		<u>102,938,946</u>	<u>99,171,493</u>

CONSOLIDATED BALANCE SHEET AS AT 31ST MAY, 2006

	NOTE	2006 RM	2005 RM
FINANCED BY :-			
SHARE CAPITAL	15	46,310,000	46,310,000
RESERVES	16	44,658,561	42,748,989
SHAREHOLDERS' EQUITY		90,968,561	89,058,989
MINORITY INTEREST		2,523,754	2,277,207
LONG TERM AND DEFERRED LIABILITIES :-			
Hire purchase payables	17	1,369,700	538,972
Term loans	18	6,864,798	6,198,044
Deferred taxation	19	1,212,133	1,098,281
Total Long Term and Deferred Liabilities		9,446,631	7,835,297
		<u>102,938,946</u>	<u>99,171,493</u>

The accompanying notes form an integral part of the financial statements

**CONSOLIDATED INCOME STATEMENT
 FOR THE YEAR ENDED 31ST MAY, 2006**

	NOTE	2006 RM	2005 RM
REVENUE	20	187,296,457	177,681,202
COST OF SALES		(142,397,311)	(139,506,025)
GROSS PROFIT		44,899,146	38,175,177
OTHER OPERATING INCOME		1,482,421	1,720,778
DISTRIBUTION COSTS		(20,215,154)	(16,337,506)
ADMINISTRATION EXPENSES		(19,622,625)	(17,897,717)
PROFIT FROM OPERATIONS	21	6,543,788	5,660,732
FINANCE COSTS	22	(1,828,394)	(1,622,491)
PROFIT BEFORE TAXATION		4,715,394	4,038,241
INCOME TAX EXPENSE	23	(1,187,983)	(998,107)
PROFIT AFTER TAXATION		3,527,411	3,040,134
MINORITY INTEREST		(246,547)	131,842
NET PROFIT FOR THE YEAR		3,280,864	3,171,976
BASIC EARNINGS PER SHARE (sen)	24	3.54	3.42

The accompanying notes form an integral part of the financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MAY, 2006**

	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, 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
Dividend for the financial year ended 31st May, 2005 (Note 25)	-	-	-	-	-	(1,333,728)	(1,333,728)
Exchange fluctuation reserve	-	-	-	-	(37,564)	-	(37,564)
Net profit for the year	-	-	-	-	-	3,280,864	3,280,864
Balance as at							
31st May, 2006	46,310,000	23,763,721	387,266	4,487,540	8,679,063	7,340,971	90,968,561

The accompanying notes form an integral part of the financial statements

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2006**

	NOTE	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,715,394	4,038,241
Adjustments for :-			
Allowance for doubtful debts		44,662	-
Amortisation of intangible assets			
- Trade mark		17,407	17,096
Amortisation of leasehold land and buildings		409,508	349,123
Depreciation of property, plant and equipment		3,077,394	1,800,444
Interest expense		1,855,559	1,624,796
Gain on disposal of property, plant and equipment		(26,606)	(75,415)
Interest income		(27,165)	(2,305)
Operating profit before working capital changes		10,066,153	7,751,980
Increase in inventories		(397,562)	(4,750,108)
Increase in receivables		(4,498,776)	(7,788,134)
Increase in payables		4,854,702	13,312,027
Cash generated from operations		10,024,517	8,525,765
Taxes paid		(1,683,270)	(1,087,575)
Taxes refund		-	11,613
Interest expense		(1,855,559)	(1,624,796)
Interest income		27,165	2,305
Net cash generated from operating activities		6,512,853	5,827,312
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	26	(4,143,489)	(6,514,553)
Proceeds from disposal of property, plant and equipment		94,000	170,816
Intangible assets applied		(1,554)	(23,676)
** Acquisition of a subsidiary company net of cash acquired		-	(5,538,169)
Net cash used in investing activities		(4,051,043)	(11,905,582)

**CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31ST MAY, 2006**

	NOTE	2006 RM	2005 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loans		1,520,000	3,436,365
Repayment of hire purchase payables		(270,236)	(125,384)
Dividend paid		(1,333,728)	(1,000,296)
Repayment of term loans		(1,037,681)	(712,725)
Net cash (used in)/from financing activities		(1,121,645)	1,597,960
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,340,165	(4,480,310)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		1,342,753	5,823,063
* CASH AND CASH EQUIVALENTS CARRIED FORWARD		2,682,918	1,342,753
* <u>CASH AND CASH EQUIVALENTS</u>			
Cash and bank balances		9,014,798	5,793,047
Fixed deposits with licensed banks		170,960	164,863
Bank overdrafts		(6,393,840)	(4,506,157)
		2,791,918	1,451,753
Less : Fixed deposits pledge to licensed bank		(109,000)	(109,000)
		2,682,918	1,342,753

The accompanying notes form an integral part of the financial statements

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2006****** ACQUISITION OF SUBSIDIARY COMPANY**

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

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

The accompanying notes form an integral part of the financial statements

BALANCE SHEET AS AT 31ST MAY, 2006

	NOTE	2006 RM	2005 RM
NON-CURRENT ASSETS			
Investment in subsidiary companies	5	41,002,040	41,002,040
CURRENT ASSETS			
Other receivables, deposits and prepayments	8	478,266	574,596
Amounts owing by subsidiary companies	10	45,070,312	44,565,708
Cash at banks	11	157,438	16,335
		45,706,016	45,156,639
CURRENT LIABILITIES			
Other payables and accruals	13	102,348	101,004
		102,348	101,004
NET CURRENT ASSETS		45,603,668	45,055,635
		86,605,708	86,057,675
Financed by :-			
SHARE CAPITAL	15	46,310,000	46,310,000
RESERVES	16	40,295,708	39,747,675
SHAREHOLDERS' EQUITY		86,605,708	86,057,675

The accompanying notes form an integral part of the financial statements

INCOME STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2006

	NOTE	2006 RM	2005 RM
REVENUE	20	3,300,000	2,700,000
OTHER OPERATING INCOME		-	303,410
ADMINISTRATION EXPENSES		<u>(430,132)</u>	<u>(419,937)</u>
PROFIT FROM OPERATIONS	21	2,869,868	2,583,473
INCOME TAX EXPENSE	23	<u>(988,107)</u>	<u>(746,718)</u>
NET PROFIT FOR THE YEAR		<u>1,881,761</u>	<u>1,836,755</u>

The accompanying notes form an integral part of the financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MAY, 2006**

	Share capital RM	Share premium RM	Revaluation reserve RM	Retained profits RM	Total RM
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
Net profit for the year	-	-	-	1,881,761	1,881,761
Dividend for the financial year ended 31st May, 2005 (Note 25)	-	-	-	(1,333,728)	(1,333,728)
Balance as at 31st May, 2006	46,310,000	23,763,721	11,039,207	5,492,780	86,605,708

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2006

	2006	2005
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,869,868	2,583,473
Adjustment for :-		
Gain on disposal of property, plant and equipment	-	(49,999)
Operating profit before working capital changes	2,869,868	2,533,474
Decrease/(Increase) in receivables	96,330	(288,041)
Increase/(Decrease) in payables	1,344	(14,883)
Cash generated from operations	2,967,542	2,230,550
Taxes refund	-	11,613
Taxes paid	(988,107)	(767,695)
Net cash generated from operating activities	1,979,435	1,474,468
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances (to)/from subsidiary companies	(504,604)	7,293,036
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 investing activities	(504,604)	(2,725,964)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,333,728)	(1,000,296)
Net cash used in financing activities	(1,333,728)	(1,000,296)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY, 2006**

	2006	2005
	RM	RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	141,103	(2,251,792)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>16,335</u>	<u>2,268,127</u>
* CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>157,438</u>	<u>16,335</u>
* <u>CASH AND CASH EQUIVALENTS</u>	2006	2005
	RM	RM
Cash at banks	<u>157,438</u>	<u>16,335</u>

The accompanying notes form an integral part of the financial statements

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 2006. 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.

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

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

1.3 Property, plant and equipment and Depreciation

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

	Group	
	Straight-line	Reducing balance
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%

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.

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 :

	2006	2005
	RM	RM
1 United States Dollar	3.720	3.800
1 Hong Kong Dollar	0.485	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.

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.

2. FINANCIAL RISK MANAGEMENT POLICIES (Continued)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
2006**
COST OR VALUATION

	At 01.06.2005 RM	Additions RM	Disposals RM	At 31.05.2006 RM
At valuation :-				
Leasehold land	1,523,532	-	-	1,523,532
At cost :-				
Leasehold land				
and buildings	23,599,348	87,608	-	23,686,956
Freehold land	997,287	-	-	997,287
Buildings	10,611,287	-	-	10,611,287
Motor vehicles	3,722,172	1,652,365	(222,500)	5,152,037
Furniture and fittings	1,394,058	95,480	(56,057)	1,433,481
Office equipment	1,214,869	125,441	-	1,340,310
Electrical installation	388,939	10,339	-	399,278
Renovation	3,568,267	548,224	-	4,116,491
Fire protection system	356,499	62,445	-	418,944
Showcase	66,746	-	-	66,746
Factory fittings				
and equipment	523,740	48,832	-	572,572
Moulds	3,658,336	233,835	-	3,892,171
Signboard	203,518	32,025	-	235,543
Tools and equipment	567,770	7,770	-	575,540
Plant and machinery	5,556,695	2,118,351	-	7,675,046
Computer	560,713	437,274	-	997,987
	<u>58,513,776</u>	<u>5,459,989</u>	<u>(278,557)</u>	<u>63,695,208</u>

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

	ACCUMULATED DEPRECIATION			NET BOOK VALUE	
	At 01.06.2005 RM	Charge for the year RM	Disposal RM	At 31.05.2006 RM	At 31.05.2006 RM
At valuation :-					
Leasehold land	279,312	25,392	-	304,704	1,218,828
At cost :-					
Leasehold land and buildings	2,387,832	384,116	-	2,771,948	20,915,008
Freehold land	-	-	-	-	997,287
Buildings	1,712,515	192,954	-	1,905,469	8,705,818
Motor vehicles	2,030,546	370,516	(155,106)	2,245,956	2,906,081
Furniture and fittings	502,095	156,069	(56,057)	602,107	831,374
Office equipment	865,966	117,049	-	983,015	357,295
Electrical installation	221,542	21,044	-	242,586	156,692
Renovation	1,315,083	386,288	-	1,701,371	2,415,120
Fire protection system	227,284	13,116	-	240,400	178,544
Showcase	62,156	459	-	62,615	4,131
Factory fittings and equipment	271,339	36,376	-	307,715	264,857
Moulds	1,970,254	231,370	-	2,201,624	1,690,547
Signboard	153,200	12,438	-	165,638	69,905
Tools and equipment	184,879	42,483	-	227,362	348,178
Plant and machinery	2,386,035	1,382,572	-	3,768,607	3,906,439
Computer	441,538	114,660	-	556,198	441,789
	<u>15,011,576</u>	<u>3,486,902</u>	<u>(211,163)</u>	<u>18,287,315</u>	<u>45,407,893</u>

3. PROPERTY, PLANT AND EQUIPMENT (Continued)
**GROUP
2005**
COST OR VALUATION

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

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

The net book value of the Group's motor vehicles and office equipment amounting to RM2,311,888 (2005:RM1,011,478) are held under hire purchase contracts.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)
COMPANY 2006 - RM NIL
COMPANY
2005

COST	At	Addition	Disposal	At	NET BOOK VALUE	
	01.06.2004			31.05.2005		
	RM	RM	RM	RM	At	At
					01.06.2004	31.05.2005
	RM	RM	RM	RM	RM	RM
Motor vehicle	393,776	-	(393,776)	-		
ACCUMULATED DEPRECIATION						
	At	Charge for	Disposal	At	At	At
	01.06.2004	the year	RM	31.05.2005	01.06.2004	31.05.2005
	RM	RM	RM	RM	RM	RM
Motor vehicle	393,775	-	(393,775)	-		

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

	GROUP	
	2006	2005
	RM	RM
At cost :-		
Freehold land and building	1,246,666	1,246,666
Leasehold land and building	33,465,516	33,465,516
	<u>34,712,182</u>	<u>34,712,182</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.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (iii) Had the revalued asset been carried at cost less accumulated depreciation, the carrying amounts would have been as follows :-

GROUP	Cost RM	Accumulated Depreciation RM	Net book value RM
2006			
Leasehold land	1,115,883	223,176	892,707
2005			
Leasehold land	1,115,883	204,578	911,305

4. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
a) Trade mark :				
Cost				
As at 1st June	134,190	110,514	-	-
Add : Addition during the year	1,554	23,676	-	-
As at 31st May	135,744	134,190	-	-
Accumulated amortisation				
As at 1st June	92,278	75,182	-	-
Add : Amortisation during the year	17,407	17,096	-	-
As at 31st May	109,685	92,278	-	-
As at 31st May	26,059	41,912	-	-

5. INVESTMENT IN SUBSIDIARY COMPANIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares				
- at cost	-	-	22,031,962	22,031,962
- at directors valuation	-	-	19,170,078	19,170,078
			41,202,040	41,202,040
Less : Dividend paid out by a subsidiary company out of retained profit after reevaluation date	-	-	(200,000)	(200,000)
	-	-	41,002,040	41,002,040

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>
		2006	2005	
Keat Radio Co. Sdn. Bhd.	Manufacturing, assembling and sale of electrical and electronic home appliances	100%	100%	Malaysia
Pensonic Sales & Service Sdn. Bhd.	Distribution of electrical and electronic home appliances	100%	100%	Malaysia
Pensonic Corporation Sdn. Bhd.	Trading of electrical and electronic home appliances	100%	100%	Malaysia
Pensia Electronic Sdn. Bhd.	Manufacturing, assembling, and sale of electrical and electronic home appliances	100%	100%	Malaysia

5. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

<u>Name of company</u>	<u>Principal activities</u>	<u>Effective equity interest</u>		<u>Country of incorporation</u>
		2006	2005	
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%	51%	Malaysia
Subsidiaries of Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Distribution of electrical and electronics home appliances	60%	60%	Malaysia
Pensonic Part & Services Sdn. Bhd	Trading of parts of electrical and electronics home appliances	60%	60%	Malaysia
* Pensonic (H.K.) Corporation Limited	Trading of electrical and electronics home appliances	98%	98%	Hong Kong
* The subsidiary company is not audited by us.				
Subsidiaries of Arcadia Global Sdn. Bhd.				
IS Services Technology Sdn. Bhd.	Dealing in back end process in the manufacture of substrates on consignment basis	51%	51%	Malaysia
Skyscope Sdn. Bhd.	Dealing in back end process in the manufacture of substrates on consignment basis	51%	51%	Malaysia

6. INVENTORIES

	GROUP	
	2006	2005
	RM	RM
Raw materials	8,267,663	9,189,987
Finished goods	47,754,709	46,444,406
	<u>56,022,372</u>	<u>55,634,393</u>

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

7. TRADE RECEIVABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Amounts due :-				
- within 1 year	31,562,431	35,965,639	-	-
- after 1 year	7,890,608	6,346,877	-	-
	<u>39,453,039</u>	<u>42,312,516</u>	-	-
Less : Allowance for doubtful debts	(630,892)	(586,230)	-	-
	<u>38,822,147</u>	<u>41,726,286</u>	-	-

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Other receivables, deposits and prepayments	6,086,934	6,031,378	379,000	475,330
Tax recoverable	2,285,486	1,948,435	99,266	99,266
	<u>8,372,420</u>	<u>7,979,813</u>	<u>478,266</u>	<u>574,596</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	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with licensed banks	170,960	164,863	-	-
Cash and bank balances	9,014,798	5,793,047	157,438	16,335
	<u>9,185,758</u>	<u>5,957,910</u>	<u>157,438</u>	<u>16,335</u>

Included in the fixed deposits with licensed banks of the Group are fixed deposits of RM109,000(2005 : RM109,000) pledged to licensed bank for banking facilities granted to the Group.

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	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	2,618,308	6,484,418	-	-
Accruals and deposit received	3,906,108	3,695,717	102,348	101,004
Hire purchase payables (Note 17)	417,674	202,246	-	-
	<u>6,942,090</u>	<u>10,382,381</u>	<u>102,348</u>	<u>101,004</u>

14. SHORT-TERM BORROWINGS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Secured :				
Bank overdrafts	6,393,840	4,506,157	-	-
Bills payables	39,443,488	40,196,345	-	-
Term loans (Note 18)	849,663	1,034,515	-	-
	<u>46,686,991</u>	<u>45,737,017</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.

15. SHARE CAPITAL

	COMPANY	
	2006	2005
	RM	RM
Ordinary shares of RM0.50 each		
Authorised :-	100,000,000	100,000,000
Issued and fully paid-up :-	46,310,000	46,310,000

The duration and exercise period of the Company's 22,690,000 existing outstanding warrants exercisable into 22,690,000 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 was extended for a period of five years to 4 January 2011.

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 2006 is 22,690,000 (2005 : 22,690,000).

16. RESERVES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<u>Non-Distributable :-</u>				
a) Revaluation reserve :				
As at 1st June	387,266	387,266	11,039,207	8,130,872
Add : Surplus on revaluation of subsidiaries	-	-	-	2,908,335
As at 31st May	<u>387,266</u>	<u>387,266</u>	<u>11,039,207</u>	<u>11,039,207</u>
b) Capital reserve :				
As at 31st May	<u>4,487,540</u>	<u>4,487,540</u>	-	-
c) Share premium :				
As at 31st May	<u>23,763,721</u>	<u>23,763,721</u>	<u>23,763,721</u>	<u>23,763,721</u>
d) Reserve on consolidation :				
As at 1st June	8,716,627	8,716,627	-	-
Less: Exchange fluctuation reserve	(37,564)	-	-	-
As at 31st May	<u>8,679,063</u>	<u>8,716,627</u>	-	-
<u>Distributable :-</u>				
e) Retained profits				
As at 1st June	5,393,835	3,222,155	4,944,747	4,108,288
Profit for the year	3,280,864	3,171,976	1,881,761	1,836,755
Dividends	(1,333,728)	(1,000,296)	(1,333,728)	(1,000,296)
As at 31st May	<u>7,340,971</u>	<u>5,393,835</u>	<u>5,492,780</u>	<u>4,944,747</u>
TOTAL RESERVES				
Total reserves at 31st May are analysed as follows :				
Distributable	7,340,971	5,393,835	5,492,780	4,944,747
Non-distributable	37,317,590	37,355,154	34,802,928	34,802,928
	<u>44,658,561</u>	<u>42,748,989</u>	<u>40,295,708</u>	<u>39,747,675</u>

17. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Amounts payable within :-				
1 year after balance sheet date	417,674	202,246	-	-
More than 1 year but not later than 5 years	1,369,700	538,972	-	-
	<u>1,787,374</u>	<u>741,218</u>	-	-

18. TERM LOANS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Secured :-				
Amounts payable within :-				
1 year after balance sheet date	849,663	1,034,515	-	-
More than 1 year but not later than 5 years	3,472,695	2,851,107	-	-
More than 5 years	3,392,103	3,346,937	-	-
	<u>6,864,798</u>	<u>6,198,044</u>	-	-
	<u>7,714,461</u>	<u>7,232,559</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	
	2006 RM	2005 RM	2006 RM	2005 RM
As at 1st June	1,098,281	1,072,702	-	-
Recognised in the income statement	113,852	25,579	-	-
	<u>1,212,133</u>	<u>1,098,281</u>	-	-

20. REVENUE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of goods and services rendered	187,296,457	177,681,202	-	-
Dividend income	-	-	3,300,000	2,700,000
	<u>187,296,457</u>	<u>177,681,202</u>	<u>3,300,000</u>	<u>2,700,000</u>

21. PROFIT FROM OPERATIONS

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
After charging :-				
Allowance for doubtful debts	44,662	-	-	-
Audit fee	97,021	86,352	9,000	9,000
Amortisation of leasehold land and buildings	409,508	349,123	-	-
Amortisation of intangible assets				
- Trade mark	17,407	17,096	-	-
Directors' remuneration (Note a)	809,500	741,500	80,000	80,000
Depreciation of property, plant and equipment	3,077,394	1,800,444	-	-
Lease rental for land and building	409,635	286,347	-	-
Loss on foreign exchange				
- realised	-	79,027	-	-
Research expenses written off	56,342	-	-	-
Rental of forklift	52,200	-	-	-
Rental of premises :-				
- paid to third parties	784,271	692,552	-	-
	<u>784,271</u>	<u>692,552</u>	<u>-</u>	<u>-</u>

21. PROFIT FROM OPERATIONS (Continued)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
And crediting :-				
Gain on foreign exchange				
- realised	4,484	-	-	-
Government grant	1,008,058	633,761	-	-
Gain on disposal of property, plant and equipment	26,606	75,415	-	49,999
Gross dividend received from subsidiary company	-	-	3,300,000	2,700,000
Other income	12,034	-	-	-
Shortfall of profit guarantee	-	253,411	-	253,411
Testing and inspection charges	22,536	12,780	-	-
Rental received	268,237	275,499	-	-
(a) Directors' remuneration				
Executive Directors				
- salaries	622,000	562,000	-	-
- bonuses	81,500	73,500	-	-
- fees	60,000	60,000	60,000	60,000
Total	763,500	695,500	60,000	60,000
Non-Executive Directors				
- salaries	24,000	24,000	-	-
- bonuses	2,000	2,000	-	-
- fees	20,000	20,000	20,000	20,000
Total	46,000	46,000	20,000	20,000
Grand Total	809,500	741,500	80,000	80,000

	Number of directors			
	2006		2005	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
<u>Directors of the Group</u>				
Below RM50,000	-	2	-	2
RM50,000 - RM100,000	-	1	1	-
RM100,001 - RM150,000	-	-	-	-
RM150,001 - RM200,000	1	-	2	-
RM200,001 - RM250,000	1	-	-	-
RM250,001 - RM300,000	-	-	1	-
RM300,001 - RM350,000	1	-	-	-

22. FINANCE COSTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Bank interest	214,669	240,647	-	-
Banker acceptance interest	1,181,648	1,108,327		
Term loans interest	394,796	236,552	-	-
Hire purchase interest	64,446	39,270	-	-
	1,855,559	1,624,796	-	-
Fixed deposits interest received	(6,468)	(2,305)	-	-
Other interest	(20,697)	-	-	-
	1,828,394	1,622,491	-	-

23. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expenses	942,459	1,008,817	-	-
Under/(Over) provision in prior years	116,441	131,711	64,107	(9,282)
Tax deducted at source	-	-	924,000	756,000
Deferred taxation	129,083	(142,421)	-	-
	1,187,983	998,107	988,107	746,718

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	
	2006 RM	2005 RM	2006 RM	2005 RM
Reconciliation of income tax expense :-				
Profit before taxation	4,715,394	4,038,241	2,869,868	2,583,473
Taxation at Malaysian Statutory tax rate 28% (2005 : 28%)	1,595,595	1,677,374	803,563	723,372
Taxation at Foreign Statutory tax rate 17.50% (2005 : 17.50%)	(253,408)	(326,951)	-	-
8% effect on first RM500,000	(51,000)	(120,000)	-	-
Non-deductible expenses	511,879	475,875	120,437	117,583
Under/(Over) provision in prior years	116,441	131,711	64,107	(9,282)
Tax incentive and allowance	(1,036,246)	(548,843)	-	-
Income not subject to tax	(161)	(85,001)	-	(84,955)
Net deferred tax assets not provided for	154,000	-	-	-
Tax losses and capital allowance not recognised	324,592	74,545	-	-
Utilisation of unabsorbed capital allowance	(54,199)	(114,673)	-	-
Utilisation of reinvestment allowance	(43,000)	(74,000)	-	-
Utilisation of unabsorbed losses	(76,510)	(91,930)	-	-
	1,187,983	998,107	988,107	746,718

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 RM15,544,101 (2005 : RM14,393,930) under Section 108 of the Income Tax Act, 1967 and tax exempt income available for distribution amounting to approximately RM4,023,055 (2005 : 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 RM3,280,864 (2005: RM3,171,976) divided by the number of ordinary shares during the year of 92,620,000 (2005: ordinary shares of 92,620,000).

25. DIVIDEND

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
First and final dividend of 2.5 sen per share (2005 : 2 sen per share) less tax at 28% in respect of financial year ended 31st May	1,667,160	1,333,728	1,667,160	1,333,728

The Board of Directors propose a first and final dividend of 2.5 sen per share less tax 28% amounting to RM1,667,160 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, 2007 when approved by shareholders.

26. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM5,459,989 (2005: RM11,152,553) of which of RM1,316,500 (2005 : RM638,000) was acquired by means of hire purchase and RMNIL (2005 : RM4,000,000) was acquired by means of term loan. The balance of RM4,143,489 (2005 : RM6,514,553) was paid by cash.

27. CONTINGENT LIABILITIES

	COMPANY	
	2006	2005
	RM	RM
Guarantees given to financial institutions in respect of banking facilities granted to certain subsidiary companies - unsecured	<u>125,656,211</u>	<u>91,906,000</u>

28. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Contracted but not provided for	<u>-</u>	<u>950,000</u>	<u>-</u>	<u>-</u>

29. SEGMENT REPORTING

i) Business Segments

The Group operations comprise the following business segments :-

- Investment holding : The long term investment in unquoted shares.
- Manufacturing and assembling : The manufacturing and assembling of electrical home appliances and back end process in the manufacture of substrates on consignment basis.
- Trading : The sales and servicing of electrical home appliances.

2006	Investment Holding RM	Manufacturing and Assembling RM	Trading RM	Elimination RM	Consolidation RM
Revenue					
External revenue	-	43,300,491	143,995,966	-	187,296,457
Inter-Segment revenue	3,300,000	137,714,608	448,013	(141,462,621)	-
Total revenue	3,300,000	181,015,099	144,443,979	(141,462,621)	187,296,457
Result					
Segment result (external)	(430,132)	2,237,216	4,736,704		6,543,788
Finance costs					(1,828,394)
Profit before taxation					4,715,394
Income tax expense					(1,187,983)
Profit after taxation					3,527,411
Minority interest					(246,547)
Net profit for the year					3,280,864

29. SEGMENT REPORTING (Continued)

	Investment Holding RM	Manufacturing and Assembling RM	Trading RM	Consolidation RM
Other information				
Segment assets	449,438	82,340,848	79,641,755	162,432,041
Unallocated corporate assets	99,266	1,878,088	443,872	2,421,226
Consolidated total assets	<u>548,704</u>	<u>84,218,936</u>	<u>80,085,627</u>	<u>164,853,267</u>
Segment liabilities	102,348	56,465,125	18,371,788	74,939,261
Unallocated corporate liabilities	-	930,618	281,515	1,212,133
Consolidated total liabilities	<u>102,348</u>	<u>57,395,743</u>	<u>18,653,303</u>	<u>76,151,394</u>
Capital expenditure	-	3,208,107	2,251,882	5,459,989
Depreciation	-	2,448,280	629,114	3,077,394
Non-cash expenses other than depreciation	-	209,938	261,639	471,577

29. SEGMENT REPORTING (Continued)

2005	Investment Holding RM	Manufacturing and Assembling RM	Trading RM	Elimination RM	Consolidation RM
Revenue					
External revenue	-	36,495,340	141,185,862	-	177,681,202
Inter-Segment revenue	2,700,000	132,205,302	473,512	(135,378,814)	-
Total revenue	2,700,000	168,700,642	141,659,374	(135,378,814)	177,681,202
Result					
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
Net profit for the year					3,171,976

29. SEGMENT REPORTING (Continued)

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

29. SEGMENT REPORTING (Continued)

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	
	2006	2005	2006	2005	2006	2005
	RM	RM	RM	RM	RM	RM
Malaysia	160,600,526	155,331,313	149,980,861	149,615,291	5,409,294	14,296,369
* Outside Malaysia	<u>26,695,931</u>	<u>22,349,893</u>	<u>12,451,180</u>	<u>8,221,003</u>	<u>50,695</u>	<u>60,626</u>
	<u>187,296,457</u>	<u>177,681,206</u>	<u>162,432,041</u>	<u>157,836,294</u>	<u>5,459,989</u>	<u>14,356,995</u>
Unallocated assets			<u>2,421,226</u>	<u>1,948,435</u>		
			<u>164,853,267</u>	<u>159,784,729</u>		

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

* Includes various countries across Asia and Middle East.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	COMPANY	
	2006	2005
	RM	RM
Gross dividend received from subsidiary company :-		
- Pensonic Sales & Service Sdn. Bhd.	3,300,000	2,700,000

- (b) Directors' related transactions

	GROUP	
	2006	2005
	RM	RM
Directors' fee payable to :-		
- Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Mr. Chew Chuon Jin, Mr. Chew Chuon Ghee, Dato' Tan King Tai @ Tan Khoon Hai, Puan Zahara Bt. Pawanchik and 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	729,500	661,500

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

	GROUP	
	2006	2005
	RM	RM
Purchase of raw materials from Pensia Plastic Industries Sdn. Bhd.	5,774,433	7,558,430
Electricity charges paid by Pensia Plastic Industries Sdn. Bhd.	248,000	279,000
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

	2006	2005
	RM	RM
Staff costs	<u>12,508,084</u>	<u>8,987,871</u>

The number of employees for the Group (excluding directors) at the end of the financial year was 633 (2005 : 454).

- (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, 2006 are as follows :-

	GROUP		COMPANY	
	Carrying Amounts RM	Fair Value RM	Carrying Amounts RM	Fair Value RM
<u>Financial Assets</u>				
Trade receivables	38,822,147	38,822,147	-	-
Other receivables	3,724,435	3,855,674	-	-
Amount owing by related companies	7,016,618	7,016,618	-	-
Fixed deposits, cash and bank balances	9,185,758	9,185,758	157,438	157,438
<u>Financial Liabilities</u>				
Trade payables	13,075,682	13,075,682	-	-
Other payables	2,618,308	2,757,768	-	-
Short term borrowings	46,686,991	46,686,991	-	-

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. SUBSEQUENT EVENTS

Subsequent to the financial year end, the following events took place :

- (a) On 1 June 2006, a subsidiary, Keat Radio Co. Sdn. Bhd., acquired the remaining 10,000 ordinary shares of HKD1 each, representing 2% of the total paid-up capital of its subsidiary, Pensonic (H.K.) Corporation Limited. With the acquisition, the subsidiary became a wholly owned subsidiary of Keat Radio Co. Sdn. Bhd.
- (b) On 22 June 2006, Pensonic (H.K.) Corporation Limited, a subsidiary company of Keat Radio Co. Sdn. Bhd., increased its authorised capital from HKD1,000,000 to HKD15,000,000 by the creation of 14,000,000 shares of HKD1 each.

On 22 June 2006, Pensonic (H.K.) Corporation Limited also increased its issued and paid-up share capital from HKD500,000 to HKD15,000,000 by the issue of 14,500,000 ordinary shares of HKD1 each at par for cash. Keat Radio Co. Sdn. Bhd. subscribed wholly for its share of the increase in the issued and paid up share capital of Pensonic (H.K.) Corporation Limited.

- (c) The Company has entered into two Sales & Purchase of share agreement on 30 June 2006 with Amtek Holdings Berhad for the proposed acquisition of the entire equity interest in Amtek Marketing Services Sdn. Bhd. and Amtek Marketing Services Pte. Ltd. for a total cash consideration of RM1,000,000 and RM1,009,551 respectively. The Foreign Investment Committee (FIC) has no objection relating to the proposed acquisition.

34. DATE OF AUTHORISATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors on 15th September, 2006.

**LIST OF PROPERTIES
OWNED BY THE GROUP**
Pensonic Holdings Berhad
 company no : 300426-P

Registered Owner	Location	Description And Existing Use	Approximately Age of Buildings (Yrs)	Tenure	Land/ Built-Up Area	Net Book Value At 31.05.2006 RM
KRC	Plot 5, Tingkat Perusahaan 6, Phase 4, Prai Industrial Estate, 13600 Prai, Penang.	Industrial land with Factory, warehouse and office	13	Leasehold Expiring in 2052	184,410 acres/ 40,000 sq.ft.	1,768,387
KRC	17, Solok Gurney 1, 10250 Penang	Double storey Residential Building	23	Freehold	2,777 sq.ft/ 3,026 sq.ft.	422,593
KRC	158,160 & 162, Jalan Perak, 10150 Penang.	Shop/ warehouse	Pre-war	Freehold	4,945 sq.ft/ 4,945 sq.ft.	375,785
KRC	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	9	Leasehold	7,200 sq.ft/ 7,200 sq.ft.	394,504
KRC	Lot 2286 & 2287, TS 6, NED, Penang	Development land	-	Freehold	14,348 sq.ft.	415,401
KRC	Shoplot B1-1-27 & B1.1.28 Komtar, Penang	Shoplot	23	Leasehold Expiring in 2075	624 sq.ft/ 624 sq.ft.	420,526

Registered Owner	Location	Description And Existing Use	Approximately Age of Buildings (Yrs)	Tenure	Land/ Built-Up Area	Net Book Value At 31.05.2006 RM
PENSONIC INDUSTRIES	Shoplot B1.1.29 Komtar, Penang.	Shoplot	23	Leasehold Expiring in 2075	312 sq.ft.	143,158
PENSIA ELECTRONIC	Plot 98, MK.11, Bukit Tengah Industrial Park, SPT, Prai, Penang.	Industrial land with warehouse and office	9	Leasehold Expiring in 2054	3.05632 acres	5,905,730
PSS	Lot 4, Towering Industrial Centre, 4½ Miles Penampang, 88300 Kota Kinabalu, Sabah.	Warehouse and office	14	Leasehold Expiring in 2037	2700 sq.ft.	289,524
PSS	Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Factory Building and Office	14	Leasehold Expiring in 2069	43560 sq.ft.	6,862,437
PSS	31, Laluan Perusahaan Kledang 9, Kawasan Perindustrian Chandan Raya, 31450 Menglembu.	Factory Building and Office	9	Leasehold Expiring in 2082	5494 sq.ft.	363,301
PSS	Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Factory Building and Office	2	Leasehold Expiring in 2070	43560 sq.ft.	5,103,568
PENSIA INDUSTRIES	Plot 215, MK.13, Bukit Minyak Industrial Park, SPT, Prai, Penang	Industrial land with factory building	3	Leasehold Expiring in 2064	3.00003 acres	5,877,705

ANALYSIS OF SHAREHOLDINGS/WARRANTHOLDINGS
SHAREHOLDINGS STATISTICS AS AT 22ND SEPTEMBER, 2006

Class of Securities	:	Ordinary Shares of RM0.50 each
	:	Warrants with exercise period expiring on 4 January 2006, was extended for a period of five years to 4 January 2011.
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>Warranholders</i> Every Warranholder 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 Warranholders.
No. of outstanding warrants	:	22,690,000
Number of shareholders	:	3,743
Number of warranholders	:	1,129

Distribution Schedule of Ordinary Shares as at 22nd September 2006

<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
115	101 to 1,000 shares	96,275	0.10
2,855	1,001 to 10,000 shares	13,780,741	14.88
700	10,001 to 100,000 shares	17,605,900	19.01
66	100,001 to less than 5% of issued shares	34,013,174	36.72
4	5% and above of issued shares	27,123,808	29.29
<u>3,743</u>		<u>92,620,000</u>	<u>100.00</u>

PENSONIC HOLDINGS BERHAD (300426-P)			
THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 22ND SEPTEMBER, 2006 – SHAREHOLDERS			
No.	Names	N	%
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. (Smart)	4,000,000	4.32
6	Chew Weng Khak Realty Sdn.Bhd.	2,021,040	2.18
7	The Kulim-Baling Road Transport Company, Sdn.Bhd.	2,000,000	2.16
8	Chew Weng Khak @ Chew Weng Kiak	1,931,974	2.09
9	Tay Ah Hoe	1,448,000	1.56
10	Phnuah Farn Farn	1,177,900	1.27
11	Ong Wan Bing alias Kie Tjhan	1,088,000	1.17
12	Chew Chuon Jin	1,029,100	1.11
13	Chew Chuon Fang	974,200	1.05
14	CitiGroup Nominees (Tempatan) Sdn.Bhd. pledged securities a/c for Tan King Tai @ Tan Khoon Hai	925,000	1.00
15	Tan Yong Siang	903,400	0.98
16	Ambank (M) Berhad pledged securities a/c for Chew Chuon Jin	900,000	0.97
17	Chew Chuon Ghee	895,500	0.97
18	Law Shee Hong	717,600	0.77
19	Tan King Tai @ Tan Khoon Hai	656,000	0.71
20	Chew Chuon Ghee	634,160	0.68
21	Pee Yu Chi	593,000	0.64
22	Tan Ah Nya @ Tan Bee Tiang	574,400	0.62
23	Orchid City Sdn. Bhd.	522,800	0.56
24	Yap Gim Seng	516,600	0.56
25	Metro Genesis Sdn. Bhd.	511,100	0.55
26	Ambank (M) Berhad pledged securities a/c for Chew Chuon Ghee	500,000	0.54
27	AMSEC Nominees (Tempatan) Sdn.Bhd. Ambank (M) Berhad for Tan King Tai @ Tan Khoon Hai (Smart)	500,000	0.54
28	HLB Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Koh Low @ Koh Kim Toon	469,100	0.51
29	Pristine Classic Sdn. Bhd.	444,900	0.48
30	Tay Siew Kim	412,700	0.45
	Total	53,470,282	57.73

SUBSTANTIAL SHAREHOLDERS AS AT 22ND SEPTEMBER 2006

<u>Name of Shareholder</u>	← NO. OF SHARES 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	17,633,188	19.03	* 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 22ND SEPTEMBER 2006**

	<u>Direct</u>		<u>Deemed</u>	
	No. of Shares	% of Issued Share Capital	No. of Shares	% of Issued Share Capital
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,633,188 *	19.03	@ 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	2,444,618 *	2.63	# 4,000	0.00
Zahara Binti Pawanchik	140,000	0.15	-	-
Chew Chuon Ghee	2,089,660 *	2.26	@ 12,688,634	13.69
Khairilnuar Bin Abdul Raman	-	-	-	-
Lee Yew Weng	-	-	-	-

Note

* Certain shares are held through nominees companies

@ Held through Chew Weng Khak Realty Sdn. Bhd.

Held through Tan Khoon Hai Sdn. Bhd.

Distribution Schedule of Warrants as at 22nd September 2006

<u>No. of Holders</u>	<u>Size of Holdings</u>	<u>Total Holdings</u>	<u>% of total issued warrants</u>
2	Less than 100 warrants	122	0.00
242	101 to 1,000 warrants	238,304	1.05
679	1,001 to 10,000 warrants	2,562,110	11.29
174	10,001 to 100,000 warrants	6,003,578	26.46
29	100,001 to less than 5% of issued warrants	8,032,434	35.40
3	5% and above of issued warrants	5,853,452	25.80
<u>1,129</u>		<u>22,690,000</u>	<u>100.00</u>

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 22ND SEPTEMBER, 2006 - WARRANTHOLDERS			
No.	Names	No. of Warrants	%
1	Chew Weng Khak Realty Sdn.Bhd.	2,666,898	11.75
2	Phnuah Farn Farn	1,686,500	7.43
3	Chew Weng Khak @ Chew Weng Kiak	1,500,054	6.61
4	Chew Chuon Ghee	754,100	3.32
5	Chew Chuon Jin	705,300	3.11
6	Tan King Tai @ Tan Khoon Hai	483,000	2.13
7	Law Shee Hong	443,300	1.95
8	Chew Chuon Ghee	426,000	1.88
9	OSK Nominees (Tempatan) Sdn. Bhd. Pledged securities a/c for Tan Gaik Suan	424,700	1.87
10	Tan Bak Fooi @ Tang Kiat	419,000	1.85
11	Chan Mei Cheng	401,100	1.77
12	Teh Teaw Kee	396,800	1.75
13	Chew Weng Khak @ Chew Weng Kiak	381,444	1.68
14	Tay Ah Hoe	268,400	1.18
15	Chew Weng Khak @ Chew Weng Kiak	263,900	1.16
16	Tay Siew Kim	229,800	1.01
17	Chew Chuon Fang	228,200	1.01
18	Tan Boon Kiat	200,100	0.88
19	CitiGroup Nominees (Tempatan) Sdn.Bhd. Pledged securities a/c for Tan King Tai @ Tan Khoon Hai	200,000	0.88
20	Mayban Securities Nominees (Tempatan) Sdn.Bhd. Pledged securities a/c for Vivekanandan A/L Ams. Periasamy	190,000	0.84
21	Liew Sow Ying	188,000	0.83
22	Chan Mei Cheng	186,000	0.82
23	Chu Cheong Lim	156,000	0.69
24	Chew Chuon Ghee	148,790	0.66
25	Tan Tian Woei	130,000	0.57
26	Wong Keck Lone	128,000	0.56
27	Metro Genesis Sdn. Bhd.	127,500	0.56
28	Wong Jing Shyun	120,000	0.53
29	Ong Sheng Yan @ Wong Jiun Leian	110,000	0.48
30	Tan Lay Keaw	110,000	0.48
	Total	13,672,886	60.24

SUBSTANTIAL WARRANTHOLDERS AS AT 22ND SEPTEMBER, 2006

← NO. OF WARRANTS HELD →

<u>Name of Warrantholder</u>	<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	2,145,398	9.45	*2,668,158	11.76
Chew Weng Khak Realty Sdn Bhd	2,668,158	11.76	-	-
Chew Chuon Ghee	1,328,890	5.86	*2,668,158	11.76
Phnuah Farn Farn	1,720,578	7.58		

* Held through Chew Weng Khak Realty Sdn. Bhd.

CORPORATE CALENDAR

26 October, 2005	Preliminary announcement of unaudited results for the first Quarter ended 31 August, 2005.
27 December, 2005	Extraordinary General Meeting & Warrantheolders' Meeting.
30 December, 2005	Payment of the first and final dividend of 2 sen per share less tax of 28% for the year ended 31 May, 2005.
16 January, 2006	Preliminary announcement of unaudited results for the second Quarter ended 30 November, 2005.
26 April, 2006	Preliminary announcement of unaudited results for the third Quarter ended 28 February, 2006.
31 May, 2006	Financial year end.
27 July, 2006	Preliminary announcement of unaudited results for the fourth Quarter ended 31 May, 2006.
1 November, 2006	Posting of Annual Report to Shareholders.
24 November, 2006	Annual General Meeting & Extraordinary General Meeting.

No. of Shares Held

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/belalf at the Annual General Meeting of the Company to be held at Laurel II, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Friday, 24th November, 2006 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 Ghee (Resolution 4) (ii) Khairiluanar Bin Abdul Rahman (Resolution 5) (iii) Lee Yew Weng (Resolution 6)		
5.	Appointment of Auditors (Resolution 7)		
6.	As Special Business Authorising Directors to issue shares not exceeding 10% of the issued share capital (Resolution 8)		

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

Date : _____ 2006

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.

FOLD

STAMP

PENSONIC HOLDINGS BERHAD

(Company No. 300426-P)

2-5-26, HARBOUR TRADE CENTRE

NO. 2, GAT LEBUH MACALLUM

10300 PENANG, MALAYSIA.

FOLD

PENANG Head Office & Showroom

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

Tel.Fax (604) 5070 393 / 5073 825

PENANG Customer Care Centre

16, Jln Sultan Azlan Shah,
11700 Gelugor, PENANG.

PENANG

143-145, Perak Rd, 10150 PENANG.

KUALA LUMPUR Showroom & Customer Care Centre

Lot 11B, Jln 223 Sec 51A,
46100 Petaling Jaya,
SELANGOR DARUL EHSAN.

Tel.Fax (603) 7954 5200 / 7954 5705

IPOH

31, Laluan Perusahaan Kledang 9,
Kaw Perindustrian Chandan Raya,
31450 Menglembu, Ipoh, PERAK.

MALACCA

385-C, Tmn Peringgit Jaya,
75400 MALACCA.

JOHOR BAHRU

31, Jln Ros Merah Satu/1,
Tmn Johor Jaya, 81100 J.Bahru, JOHOR.

KOTA BHARU

PT-621, Ground Floor,
Batu 2 Jln Pengkalan Chepa,
15400 Kota Bharu, KELANTAN.

KUANTAN

E-1381, Jln Wong Ah Jang,
25100 Kuantan, PAHANG.

LANGKAWI

97, Jln Kelibang, Langkawi Mall,
07000 Kuah, Langkawi, KEDAH.

SABAH

Lot 4, Towering Industrial Centre,
88300 Penampang K.Kinabalu, SABAH.

SARAWAK

Lot 1186, Pending Industrial Estate,
Jln Gedung, 93450 Kuching, SARAWAK.

LABUAN

Lot 7 & 8, Wisma Wong Wo Lo,
Batu Arang, P. O. Box 82182,
87031 W. P. LABUAN.

Tel.Fax (6-087) 4269 77 / 4259 77

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GuangDong, CHINA. PostCode: 519000

Tel.Fax (86-756) 2655 271 / 2655 274

RM 1613, 16/F., Shen Zhen Kerry Centre,
2008 Renminnan Rd., Luo Hu District,
Post Code: 518001, ShenZhen, CHINA

Tel.Fax (86-755) 8230 0548 / 8236 6045

HONG KONG

Unit 2, 4/F Malaysia Building,
50, Gloucester Rd, Wanchai, HONG KONG.

Tel.Fax (852) 2727 0997 / 2758 5088

SINGAPORE

2 Leng Kee Road,
#06-03 Thye Hong Centre,
SINGAPORE 159086.

Tel.Fax (65) 6472 6504 / 6475 9534

BRUNEI

No. D6, Spg 396, Jln. Jerudong,
Bangunan Perkasa 1,
Kampung Sengkurong B,
Bg 1321, BRUNEI DARUSSALAM

Tel.Fax (673) 261 1918 / 261 0801

THAILAND

83/161 - 162 Moo 6, Soi Chinaket 2,
Ngamwongwan Rd, Thungsonghong,
Laksi, Bangkok 10210, THAILAND.

Tel.Fax (66-2) 5806 955 / 5807 443

VIETNAM

418/4D, Tran Phu St.,
Ward 7, District 5,
Ho Chi Minh City, VIETNAM

Tel.Fax (84-8) 8555 052 / 8554 050

4-6 Ho Huan Nghiep St. Dist. 1,
Ho Chi Minh City, VIETNAM.

Tel.Fax (84-8) 822 3929 / 829 7584

INDIA

95, Coral Merchant Street,
Mannady, Chennai, 600001, INDIA.

Tel.Fax (914) 2524 4156 / 2524 1510

SRI LANKA

260/3, Victoria Place, E.M.Vittigala Mawatha,
Colombo 8, SRI LANKA.

Tel.Fax (94-11) 2801 453 / 2801 453

IRAN

4 /3 - 4th Floor, No.13,
Maryam Alley West, Resalat Highway,
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