

# PENSONIC

Holdings Berhad

Incorporated in Malaysia (300426-F)

# 2007

annual report



home appliances . audio . visual . air conditioner





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**PENSONIC** HOLDINGS BERHAD (300426-P)

# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### Executive Chairman

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

### Managing Director

Mr. Chew Chuon Jin

### Executive Directors

Mr. Chew Chuon Ghee

Mr. Lee Yew Weng

### Non Executive Directors

Y.Bhg. Dato' Tan King Tai @ Tan Khoon Hai

En. Khairilnuar Bin Abdul Rahman

Puan Zahara Bt. Pawanchik P.P.N, P.J.K.

(Deceased on 20 September 2007)

## SECRETARY

Mdm. Ker Siew Luan

## REGISTERED OFFICE

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

Tel : 604-2638 100/200

Fax : 604-2638 500

## REGISTRAR

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

Tel : 604-2625 333

Fax : 604-2622 018

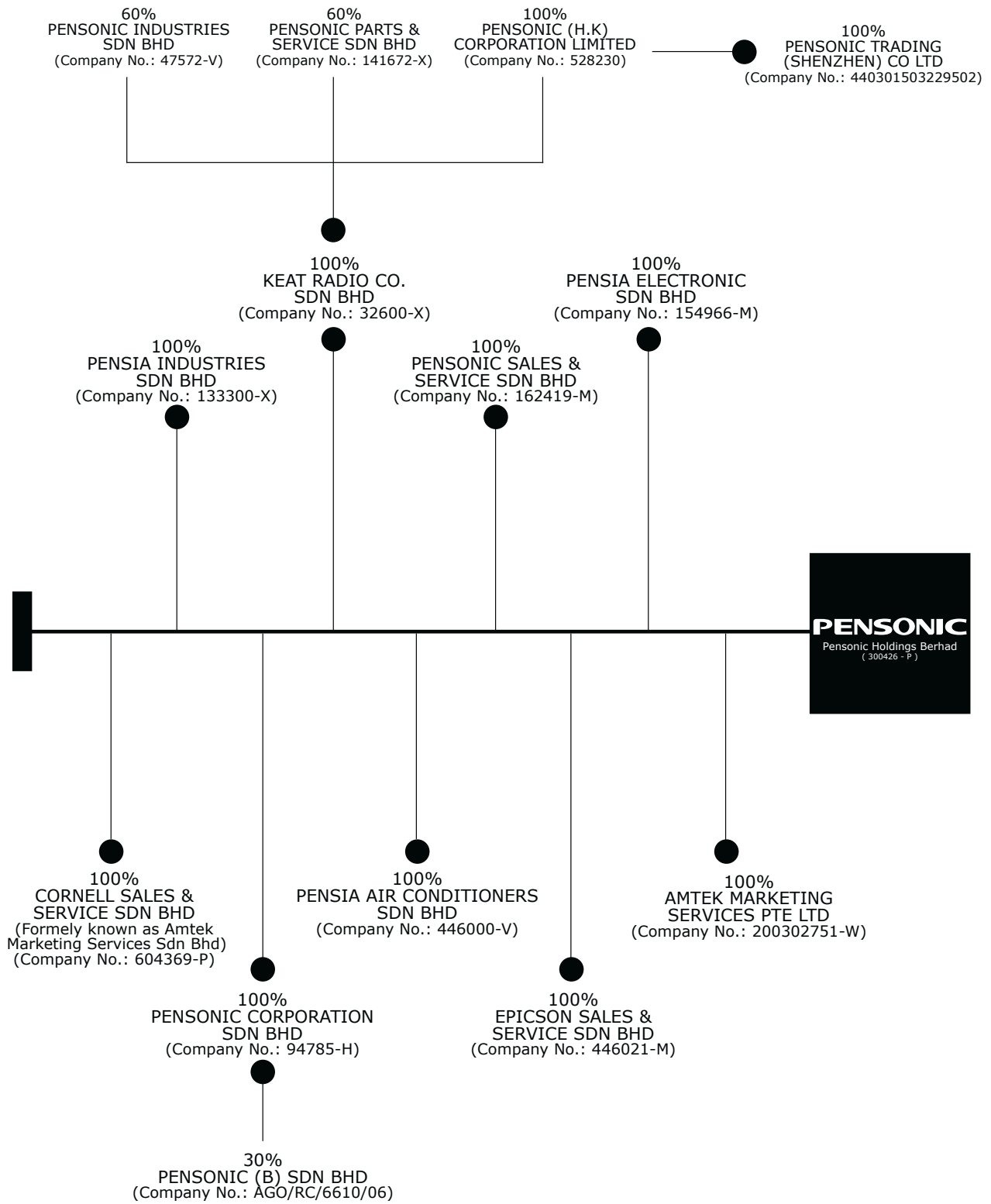
## AUDITORS

Horwath  
Chartered Accountants

## PRINCIPAL BANKERS

Malayan Banking Berhad  
HSBC Bank Malaysia Berhad  
CIMB Bank Berhad  
RHB Bank Berhad  
OCBC Bank (Malaysia) Berhad

# CORPORATE STRUCTURE



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of PENSONIC HOLDINGS BERHAD will be held at Laurel I, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Tuesday, 27 November 2007 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 2007 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve a Final Dividend of 2.5 sen per share less tax of 27% for the financial year ended 31 May 2007. (Resolution 2)
3. To approve Directors' Fees for the financial year ended 31 May 2007. (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) Dato' Seri Chew Weng Khak @ Chew Weng Kiak (Resolution 4)
  - b) Dato' Tan King Tai @ Tan Khoon Hai (Resolution 5)
5. To re-appoint Messrs. Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

## 6. AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:-

### ORDINARY RESOLUTION:-

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

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

7. To consider and if thought fit, to pass the following resolution as Special Resolution:- (Resolution 8)

### SPECIAL RESOLUTION:-

Proposed Alteration of the Articles of Association

"That the whole of the Articles of Association of the Company be deleted in its entirety and that new Articles of Association as per Appendix A of the Exempt Circular to Shareholders dated 5 November 2007 be adopted."

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



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the 13th Annual General Meeting, the Final dividend of 2.5 sen per share less tax of 27% in respect of the financial year ended 31 May 2007 will be paid on 28 December 2007 to depositors registered in the Records of Depositors at the close of business on 12 December 2007.

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 12 December 2007 in respect of ordinary transfers; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Ker Siew Luan  
Company Secretary

Penang  
Date: 5 November 2007

### 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 authorized in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. 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 6, if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire 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.
4. Resolution Pursuant to the Proposed Alteration of the Articles of Association. The Special Resolution proposed under item 7, if approved, the Articles of Association of the Company will be replaced with Appendix A set out in the Exempt Circular to Shareholders dated 5 November 2007 which was circulated together with the Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(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) Dato' Seri Chew Weng Khak @ Chew Weng Kiak (retiring pursuant to Article 29(2) of the Articles of Association)

(b) Dato' Tan King Tai @ Tan Khoon Hai (retiring pursuant to Article 29(2) of the Articles of Association)

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

Five (5) Board of Directors' Meeting were held during the financial year from 1 June 2006 to 31 May 2007. 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	5
Chew Chuon Jin	5
Dato' Tan King Tai @ Tan Khoon Hai	5
Zahara Bt. Pawanchik P.P.N., P.J.K. (Deceased on 20 September 2007)	4
Chew Chuon Ghee	4
Khairilnuar Bin Abdul Rahman	4
Lee Yew Weng	5

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

All Five (5) Board of Directors' Meeting held during the financial year ended 31 May 2007 took place at 2-5-26, Harbour Trade Centre, No. 2, Gat Lebu Macallum, 10300 Penang.

Date of Meeting	Time
27 July 2006	11.00 a.m.
15 September 2006	10.00 a.m.
27 October 2006	11.00 a.m.
29 January 2007	11.30 a.m.
27 April 2007	11.00 a.m.

4. Details of the profile of Directors who are standing for re-election are set out in the Board of Directors on pages 7 & 8 of the Annual Report.

5. None of the Directors have any conflict of interest in the Company except for those transactions disclosed in Note 27 to the financial statements.

6. None of the Directors have been convicted of 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, and/or in related corporations are set out on pages 75 to 79 of the Annual Report.



### **Dato' Seri Chew Weng Khak @ Chew Weng Kiak\***

A Malaysian, aged 65, 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 more than 40 years experience in the manufacturing and distribution 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 home appliances manufacturer and distributor 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, both of whom are executive directors of Pensonic Holdings Berhad.

### **Chew Chuon Jin**

A Malaysian, aged 38, 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) and a committee member of the National Branding Task Force set-up by the Ministry of International Trade and Industry.

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 35, 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.

## BOARD OF DIRECTORS (cont'd)

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### **Lee Yew Weng**

A Malaysian, aged 47, 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 25 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 organisations 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.

### **Dato' Tan King Tai @ Tan Khoon Hai\***

A Malaysian, aged 52, 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.

### **Zahara Bt. Pawanchik, P.P.N., P.J.K.**

A Malaysian, aged 63 (deceased on 20 September 2007), was 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 was a Committee Member of the Division. She was 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 42, 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.

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 of the Company, for the year ended 31 May 2007.

### Review of Operations

The economic growth of Malaysia has remained favorable in the 1st. half of 2007 registering a real GDP growth of 5.6%, as the slower external sector was mitigated by stronger growth in domestic demand. Despite some moderation in the external environment, it is expected that Malaysia's diversified economic structure will continue to keep the growth momentum going and minimize any adverse development in the external sector. Sustained strong global commodity demand, implementation of projects under the Ninth Malaysia Plan (9MP) and a potential recovery in consumption growth will provide the impetus for growth in the domestic economy.

During the year, the Group has continued to infuse substantial doses of branding initiatives and activities to further built its core-brand PENSONIC. With the positive results and strength built up from the last season of PENSONIC FRIENDS campaign, the Group had launched a second season of the campaign for 2006 - 2007. New branding activities and events, promotional materials, advertisements and billboard visuals to project PENSONIC's brand values of leadership, innovative, caring and trustworthy in differing environments of enjoyment were rolled out during the year.

The Group's 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 has reaped positive results. The Group now has 3 own-brands, namely PENSONIC, LEBENSSTIL KOLLEKTION and CORNELL under its brand portfolio. Agency-brands which are also distributed by the Group are GE APPLIANCES of the USA, MORPHY RICHARDS of the UK, PRINCESS of Holland and ACONATIC of Thailand. The Group has leveraged on its strong distribution-channel network and marketing capability in Malaysia with its multi-brand portfolio to extend its market coverage and reach in the domestic market. The domestic market segment revenue increased by 33.7% to RM214.7 Million from RM160.6 Million recorded in the previous financial year.

The Group has also capitalized on its strength in the small electrical appliances category to develop its ODM (Original Design Manufacturer) / OEM (Original Equipment Manufacturer) business with international brands. The revenue of the ODM/OEM business sector of the Group grew 53% as compared to the previous financial year.

On the export market front, the Group's continual efforts to grow its exports in its existing markets and opening of new markets have fared very well. Besides its existing markets in Asia and Middle-East, the Group has now also extended its export market reach to Argentina, Turkey and Sri Lanka. During the financial year, the Group has through its wholly-owned Hong Kong subsidiary, Pensonic (HK) Corporation Ltd., incorporated a 100% subsidiary, Pensonic Trading (Shenzhen) Co., Ltd. in China to streamline and enhance its distribution base for PENSONIC products in the China market. The new business category under the Hong Kong subsidiary, Pensonic (HK) Corporation Ltd. in heated apparels and related accessories using the commercialized heating component technology has also started to generate revenue. The Group has also invested through its wholly-owned subsidiary, Pensonic Corporation Sdn. Bhd. a 30% equity interest in an associate company, Pensonic (B) Sdn. Bhd., in Brunei to market and distribute the Group's products in the Brunei market. The revenue generated from the export market grew substantially by 227.3% to RM87.4 Million from RM26.7 Million recorded in the previous financial year.

## CHAIRMAN'S STATEMENT (cont'd)

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On 30 June 2006, the Group has acquired from Amtek Holdings Berhad the entire equity interest in Amtek Marketing Services Sdn. Bhd. (now known as Cornell Sales & Service Sdn. Bhd.) and Amtek Marketing Services Pte. Ltd. The "CORNELL" trademark, which is a well-established brand for electrical home appliances in Malaysia and Singapore, is included under the acquisition. Both these newly acquired subsidiaries have respectively made positive contributions to the revenue and profitability of the Group through the careful execution of business strategies planned for them.

During the financial year, the Group has disposed of its 51% of the equity interest in Arcadia Global Sdn. Bhd. (together with its subsidiaries) which is engaged in a non-core business and does not provide any synergistic effect to the main business activity of the Group as a whole.

### Financial Review

The key business strategies established for the Group have proven to be effective although the business and operating environment remained challenging and competitive. The revenue of the Group for the financial year recorded a substantial increase of 61.3% to RM302.1 Million (2006: RM187.3 Million).

Profit before tax for the financial year was RM7.31 Million (2006: RM4.72 Million) representing a 54.9% increase over the previous year.

The Group recorded a Net Profit for the year of RM1.26 Million (2006: RM3.53 Million). The lower Net Profit for the year was mainly due to under-provision of tax expense for prior years. Net Profit for the year attributable to the shareholders of the Company was RM0.57 Million. (2006: RM3.28 Million).

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 0.97 (2006 : RM0.98) and 0.62 sen (2006 : 3.54 sen) respectively.

### Future Prospects

It is forecast that the growth in the domestic economy will sustain and the growth momentum will persist into the 2nd half of 2007 and into 2008. Although Malaysia is not totally insulated from the turbulence in the financial markets and possible consequential moderation in global demand, the strong domestic conditions will continue to provide a solid foundation for economic growth in the country. With domestic inflation expected to remain low, key interest rate will likely to be kept steady with room to cut interest rates to boost domestic consumption if the external sector shows down dramatically.

The business and operating environment is expected to continue to be increasingly challenging and competitive. The Group will continue to focus on the execution of its already established key business strategies plan for the Group, which has proven to be fruitful and effective to sustain growth, profitability and long-term competitiveness in the mid to long term.



The Group will maintain the priority to continue to invest in long-term brand development of its core-brand PENSONIC, with resources also allocated to build its other own-brands LEBENSSTIL KOLLEKTION and CORNELL to broaden and deepen their reach in the domestic market. Product range will be expanded for all the own-brands, especially in high profit margin products.

The success of its PENSONIC Natural Pure Water System has prompted the Group to look into the viability of setting-up of a dedicated division to focus on the distribution and marketing of water purifying systems. With the strength of the PENSONIC brand and the Group's well established and vast distribution channel in the domestic market, the Group is also exploring the potential of setting-up a new division for Energy Saving Lightings under the PENSONIC brand. The Energy Saving Lighting has a very substantial captive market in Malaysia which is now dominated by only a few international players.

To streamline the marketing and distribution activities of the various brands under its portfolio, in June 2007 the Group through its wholly own subsidiary, Pensonic Sales & Service Sdn. Bhd., acquired 100% of the equity interest in Kollektion Distribution Sdn. Bhd. (formerly known as Lebensstil (M) Sdn. Bhd.) ("KDSB"). The principal activity of KDSB is in the distribution of home appliances under the LEBENSSTIL KOLLEKTION, GE APPLIANCES and PRINCESS brands. The Group's subsidiary, Cornell Sales & Service Sdn. Bhd. (formerly known as Amtek Marketing Services Sdn. Bhd.) will be engaged in the distribution of the MORPHY RICHARDS brand in addition to the CORNELL brand in the domestic market.

With the positive results achieved by the Group in developing its export market business, continual efforts and focus to penetrate into new export markets will be intensified. In the forthcoming financial year, its indirect wholly owned subsidiary Pensonic Trading (Shenzhen) Co., Ltd. in China is expected to generate increasing revenue with the commencement of distribution to a number of huge hypermarket chains in China.

The Group will continue to expand its ODM (Original Design Manufacturer) / OEM (Original Equipment Manufacturer) business with international brands which has steadily grown. With the new business category under the Hong Kong subsidiary, Pensonic (HK) Corporation Ltd. showing good potential for development, marketing efforts of the heated apparels and related accessories using the commercialized heating technology will also be increased.

The Group is looking into future technologies which have potential for future development to enhance the growth and profitability of the Group. In June 2007, the Group has acquired 50% of the equity interest in Microtag Engineering Sdn. Bhd. ("MESB"). The principal activity of MESB is in the provision of auto identification business solutions and applications deploying Radio Frequency Identification (RFID) technology, and other information and telecommunication technologies. MESB is expected to contribute positively to the Group in the future.

Cost containment, productivity and operation efficiency to strengthen the Group's competitiveness in the market will continue to be key focus areas. I am confident that the Group will be able to sustain its growth and profitability into the future with its well planned business strategies.

## CHAIRMAN'S STATEMENT (cont'd)

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### Dividend

The Board is recommending a final dividend of 2.5 sen per share less 27% tax for the financial year ended 31 May 2007 (2006 : 2.5 sen per share less 28% tax).

### Appreciation

The Board of Directors and I would like to express our appreciation to our valued shareholders, customers, vendors, business associates, bankers, media, government authorities and regulatory bodies for their continuing confidence and support towards the Group. I would also like to thank my fellow directors, management team and all employees of the Group for their unwavering commitment and diligence to accomplish the objectives and goals of the Group.

Lastly, on behalf of the Board of Directors, management and staff of the Group, I wish to express my condolences to the family of the late Puan Zahara Bt. Pawanchik, who has served for many years as an Independent Non-Executive Director of the Group, on her sudden demise on 20 September 2007.

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

Group Executive Chairman

21 September 2007

# STATEMENT OF CORPORATE GOVERNANCE

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Pursuant to paragraph 15.26 of the Bursa Malaysia Securities Berhad Listing Requirements, the Directors are required to issue a statement in relation to the status of compliance by the Company and its subsidiaries ("The Group") with The Code of Corporate Governance ("The Code"). The Code sets out the principles and best practices on structures that companies may adopt and implement to achieve the ultimate objective of maximizing long term 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 following statement outlines the key principles of corporate governance and best practices as set out in the Code which the Group has applied for the financial year ended 31 May 2007.

## DIRECTORS

### 1. The Board and Board Balance

The Board consists of seven (7) members comprising four (4) executive directors, and three (3) non-executive directors. Two of the seven 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 composition and size are adequate given the scope of responsibilities for managing the Group's business operations.

The Board of Directors are involved in the areas of reviewing strategic plan, identifying critical business risks and set the appropriate policies for managing the related risks to ensure that good internal control is in place for operational efficiency and effectiveness of the Group. The presence of independent non-executive directors brings an additional element of balance on the Board as they provide independent views, advice and judgment and take into account the interests of the Group and the various parties involved which include shareholders, employees, customers, suppliers and other communities in which the Group conducts its business.

### 2. 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 not required currently as the full Board is involved in carrying out any assessment of appointments.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### 3. Attendance at Meetings

The attendance record of the members at Board meetings during the financial year ended 31 May 2007 are as follows:-

Directors	Attendance
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	5 of 5
Chew Chuon Jin	5 of 5
Chew Chuon Ghee	4 of 5
Dato' Tan King Tai @ Tan Khoon Hai	5 of 5
Lee Yew Weng	5 of 5
Zahara Bt. Pawanchik P.P.N., P.J.K.	4 of 5
Khairilnuar Bin Abdul Rahman	4 of 5

### 4. Information Dissemination

The Board recognizes that timely and quality information is required for sound decision making process. As such, the Board members are given full and unrestricted access to whatever information required pertaining to the Group's business activities and state of affairs. Important matters are brought to their attention for consideration. In addition, the Directors are provided with an agenda and a set of Board papers prior to each Board meetings. This provide for sufficient time for the Directors to obtain explanations and clarifications, where necessary. In discharging their stewardship responsibilities, the Directors also get advice of the Company Secretary and have a transparent dealing with the external auditors. Where necessary, the Board also seeks independent professional advice and the related cost will be borne by the Company. It is the Company Secretary's role to ensure that proper policies and procedures are in place and the governing statutory and regulatory requirements pertaining to a Directors' duties and responsibilities are complied with and that all proceedings of the Board are recorded in writing for the effective functioning of the Board.

### 5. Directors' Training

The Board acknowledges the importance of continuous education and training to enable the Directors to discharge their responsibilities effectively. All the Directors have successfully undergone 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, latest regulatory developments, financial reporting, branding and corporate governance, to enhance their knowledge and expertise. The Directors will continue to participate in other relevant training programmes to further enhance their skills and knowledge in discharging their duties as Director in an effective manner. The Board reviews the adequacy and suitability of the training requirements of the Directors on a regular basis.

## DIRECTORS' REMUNERATION

In determining the remuneration package for the Directors, due consideration is given on individual contribution and a rewarding remuneration package granted to retain and attract Directors with the relevant experience and expertise to manage 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.



## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

The aggregate remuneration of the Directors for the financial year ended 31 May 2007 is as follows:-

Category	Fees	Salaries & Other Emoluments	Total
	RM	RM	RM
Executive Directors	60,000	1,179,720	1,239,720
Non-Executive Directors	30,000	75,860	105,860

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	-

### INVESTOR RELATION AND SHAREHOLDER COMMUNICATION

The Board acknowledges the need for its shareholders, investors and stakeholders to be informed of all material business matters affecting the Group. The shareholders, investors and stakeholders are kept abreast with the development in the Group through the various announcements made to the Bursa Securities and if required, via information provided in a Circular to its shareholders. The Group also communicates with its shareholders regularly through timely release of financial results, statement of affairs and other material financial information on quarterly basis. All formal queries by Bursa Securities and other regulatory authorities are responded to on a timely manner. The Company's website at [www.pensonic.com](http://www.pensonic.com) also provides a comprehensive avenue for information dissemination, with dedicated sections on corporate information, press releases and company news.

The main forum for dialogue with shareholders remains at the general meetings, where shareholders are encouraged to participate in the proceedings of the general meetings and to direct questions concerning the business and financial performance of the Group to the Board. The Company holds its general meetings at places that are easily accessible and at a time convenient to the shareholders to encourage them to attend the meetings.

Notices of meetings convening the general meetings and related circulars were sent to the shareholders in accordance with the regulatory and statutory provisions. All notices were advertised in a national English newspaper within the prescribed deadlines.

Minutes of the proceedings of the general meetings were properly maintained and the shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

# STATEMENT OF CORPORATE GOVERNANCE (cont'd)

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## ACCOUNTABILITY AND AUDIT

### 1. Financial reporting

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial position and prospects through the quarterly and annual financial reporting to the shareholders. The Board and the Audit Committee have exercised reasonable diligence to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. The Board has ensured that the Audited Financial Statements give a true and fair view of the state of affairs of the Group and the Company and have been prepared based on applicable accounting policies which is in compliance with the accounting standards applicable to entities other than private entities issued by the Malaysian Accounting Standards Board, and are supported by reasonable judgments and estimates. The accounting policies had also been consistently applied (except those new accounting policies which are being adopted for the first time during the financial year) under the new Financial Reporting Standards ("FRSs").

### 2. Internal Control

The Board assumes responsibility on the Group's financial and operational controls, and ensures compliance with the related rules and legislation. Risk assessment and internal control review are conducted on a regular basis to identify control inefficiency and major risks areas affecting business operations and viability. The Board also recognizes that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable 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 professional relationship with the Group's Auditors both external and internal.

## COMPLIANCE STATEMENT

The Board recognizes the importance of the Group practicing good corporate governance and it is a corporate policy to continually improve on its corporate governance practices and structure to achieve an optimal governance framework. Throughout the financial year ended 31 May 2007, the Group has complied with all the best practices set out in the Code.

# AUDIT COMMITTEE REPORT

Pursuant to paragraph 15.16 of the Bursa Malaysia Securities Berhad Listing Requirements, the Board hereby presents its Audit Committee Report for the financial year ended 31 May 2007.

## COMPOSITION OF THE AUDIT COMMITTEE

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.

The members of the Audit Committee and their respective designations who have served during the financial year ended 31 May 2007 are as follows:-

Member	Designation
Encik Khairilnuar Bin Abdul Rahman	Chairman (Independent Non-Executive Director)
Puan Zahara Bt. Pawanchik P.P.N., P.J.K. (Deceased on 20 September 2007)	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 the members 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 is empowered by the Board of Directors with the following authority:

- 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.
- Be able to obtain independent professional and other advices and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- The Audit Committee shall at its discretion invite the attendance of other Directors and employees to any particular Audit Committee meeting and must be specific to the relevant meeting.

## AUDIT COMMITTEE REPORT (cont'd)

- **Meetings and Procedures**

The Audit Committee shall meet at least 4 times in a year, and at 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 2007, the Audit Committee held a total of four (4) meetings, the details of attendance of which are as follows:-

Member	No. of meetings attended
Encik Khairilnuar Bin Abdul Rahman	4 of 4
Puan Zahara Bt. Pawanchik P.P.N., P.J.K. (Deceased on 20 September 2007)	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 cover the Company and its subsidiaries and are as follows:

- 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.
- Consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal.
- 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.
- 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 Bursa Malaysia Securities Berhad and other legal requirements.
- 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.
- Review with the external auditors the nature and scope of their audit plan, prior to the commencement of audit work.
- Discuss the problems and reservations arising from the interim and final audits and any matter the external auditors may wish to discuss.
- Review the assistance and co-operation given by the officers of the Group to the external and internal auditors.
- Carry out any other functions as may be determined by the Board from time to time.



### SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2007, 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 to ensure that the Group complied with the provisions of the Companies Act, the Bursa Malaysia Securities Berhad Listing Requirements, the approved accounting standards of the Malaysian Accounting Standards Board ("MASB") and other statutory and regulatory requirements.
- Ensure 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.

The Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established above during the financial year.

### 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 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.

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

- Assist the Board in reviewing the adequacy, integrity and effectiveness of the Group's existing internal control system;
- Support the Audit Committee in determining the future requirements for internal control system and to co-develop a prioritized action plan;
- Perform a risk assessment of the Group to identify the business processes within the Group that internal audit should focus on;
- 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; and
- Allocate audit resources to areas within the Group that provide the management and the Audit Committee with efficient and effective level of audit coverage.

# STATEMENT ON INTERNAL CONTROL

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## INTRODUCTION

The Malaysian Code on Corporate Governance requires that a listed company maintain a sound system of internal control to safeguard its shareholders' investment and its assets.

The Board is pleased to present its Statement of Internal Control for the financial year ended 31 May 2007, which is prepared pursuant to Paragraph 15.27(b) of the Bursa Securities Listing Requirements, and in accordance with the "Standard of Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors and adopted by Bursa Malaysia Securities Berhad.

For the purpose of this Statement, the Group means the Company and its subsidiary companies. As the Company does not have control over the operations, management and internal control system of the associated companies, this Statement does not cover the associated companies.

## 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, due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage and mitigate, rather than to eliminate, the risk of failure and therefore can only provide reasonable and not absolute assurance against material misstatement, loss and fraud. With the changing environment, the Board reviews and evaluates the effectiveness, adequacy and integrity of the system on a regular and on an ongoing basis for its relevance in achieving the Group's objectives. In addition, the cost of control procedures should not outweigh or exceed the benefits to be gained from such control procedures.

## 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 principal features of the Group's system of internal control during the financial year are as follows:-

- 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 are established and clearly defined.
- The Group's management aided by a centralized human resource function sets the policies for recruitment, training and appraisal of the employees within the Group.
- Standard Operating Procedures are clearly documented and implemented, and are regularly reviewed for improvement to reflect changes in business structures, processes and environment.

## STATEMENT ON INTERNAL CONTROL (cont'd)

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- Adherence to the Group's Policies and Procedures by the management and employees of the Group in carrying out their respective day-to-day duties.
- Key responsibilities are properly segregated to ensure that no employee is in total control of the whole transaction.
- Regular and comprehensive information is provided to management, which includes financial performance and key performance indicators.
- 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.
- The Board evaluates the 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.
- Regular visits to various branches and subsidiaries and discusses key operational and business issues with the respective branch and subsidiary's employees.
- Regular internal audit visits to provide independent assurance on the effectiveness of the Group's system of internal control and advising management on areas for further improvement, and that any weaknesses is properly communicated to management and prompt corrective actions have been taken.

### CONCLUSION

The Board is of the view that the internal control system of the Group was sound and sufficient to safeguard its shareholders' investment and its assets during the financial year under review. The Board will continuously review and evaluate the Group's internal control system to further improve and enhance the control procedures in the light of changing environment to achieve the objectives of the Group.

This statement is made in accordance with a resolution of the Board of Directors dated 21 September 2007.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES ON FINANCIAL STATEMENTS

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The Directors are required 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 of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended in accordance with the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

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

In preparing the financial statements for the financial year ended 31 May 2007, the Directors are satisfied that the Company and the Group had maintained adequate and proper accounting records and sufficient internal control to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position as at 31 May 2007, and the profit and loss for the financial year ended 31 May 2007 of the Company and the Group. The Directors have:

- adopted the appropriate accounting policies and applied them consistently (except those new accounting policies which are being adopted for the first time) under the new Financial Reporting Standards ("FRSs");
- made judgments and estimates that are reasonable and prudent;
- ensured applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements;
- ensured the financial statements have been prepared on a going concern basis; and
- provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate to enable them to give their audit report on the financial statements.

## OTHER DISCLOSURE REQUIREMENTS

### In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad

- **SHARE BUY BACK**

There was no share buybacks exercise carried out by the Company for the financial year ended 31 May 2007.

- **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The Company did not issue any options or convertible securities during the financial year.

- **UTILISATION OF PROCEEDS**

The Company did not raise proceeds from any corporate exercise during the financial year.

- **AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME**

The Company did not sponsor any ADR or GDR programme during the financial year.

- **SANCTIONS AND/OR PENALTIES**

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

- **NON-AUDIT FEE**

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

- **VARIATION IN RESULTS**

There were no material variances between the audited results for the financial year ended 31 May 2007 and the unaudited results previously announced. The Company did not announce any profit estimates, forecasts and projections for the financial year.

- **PROFIT GUARANTEE**

The Company did not give any profit guarantee during the financial year.

- **MATERIAL CONTRACTS INVOLVING DIRECTORS'/MAJOR SHAREHOLDERS' INTERESTS**

During the financial year, the Company did not enter into any material contract involving Directors'/major shareholders' interests.

- **CONTRACTS RELATING TO LOANS**

There were no contracts relating to loans by the Company.

- **REVALUATION POLICY**

Saved as disclosed in Note 2.6 of the Notes to the Financial Statements, the Group does not have a revaluation policy on landed properties.

## OTHER DISCLOSURE REQUIREMENTS (cont'd)

### In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad

- RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE**

Details of the RRPT entered into during the financial year in accordance with the shareholders' mandate obtained at the Extraordinary General Meeting of the Company held on 24 November 2006 are as follows:

Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Connected Persons	Value of RRPT (In RM)
Pensia Plastic Industries Sdn. Bhd.	Electricity charges charged	<ul style="list-style-type: none"><li>Dato' Seri Chew Weng Khak @ Chew Weng Kiak</li><li>Chew Chuon Jin</li><li>Chew Chuon Ghee</li></ul>	280,300
Pensia Plastic Industries Sdn. Bhd.	Purchase of goods	<ul style="list-style-type: none"><li>Dato' Seri Chew Weng Khak @ Chew Weng Kiak</li><li>Chew Chuon Jin</li><li>Chew Chuon Ghee</li></ul>	7,114,583
Pensia Plastic Industries Sdn. Bhd.	Rental of premises charged	<ul style="list-style-type: none"><li>Dato' Seri Chew Weng Khak @ Chew Weng Kiak</li><li>Chew Chuon Jin</li><li>Chew Chuon Ghee</li></ul>	140,000



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# financial statements

**PENSONIC** HOLDINGS BERHAD (300426-P)

# DIRECTORS' REPORT

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The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 May 2007.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	The Group RM	The Company RM
Net profit for the financial year attributable to shareholders of the Company	<u>573,421</u>	<u>6,254,840</u>

## DIVIDENDS

During the financial year, the Company paid a final dividend of 2.5 sen per share less tax at 28% amounting to RM1,667,160 in respect of the financial year ended 31 May 2006.

A final dividend of 2.5 sen per share less tax at 27% amounting to RM1,690,315 in respect of the financial year ended 31 May 2007 will be proposed for shareholders' approval 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.

## ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

## EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") of the Company was approved by the shareholders at an extraordinary general meeting held on 3 December 2004 and all relevant authorities.

As at 31 May 2007, the Company has not granted any option to the Group's eligible employees.

### SHARE WARRANTS

Pursuant to a deed poll dated 6 September 2000, the Company issued 11,345,000 share warrants on 5 January 2001 in conjunction with a rights issue of 11,345,000 new ordinary shares of RM1.00 each in the Company. Each warrant entitles the registered holder at any time during the exercise period from 5 January 2001 to 4 January 2006 to subscribe for 1 new ordinary share of RM1.00 in the Company at an exercise price of RM2.85 per share.

Pursuant to a share split into 2 new ordinary shares of RM0.50 each for every 1 existing ordinary share of RM1.00 held in the Company, an additional 11,345,000 new warrants were issued to the existing warrant holders on 5 January 2005 and the exercise price was also adjusted accordingly from RM2.85 per share to RM1.425 per share.

Upon obtaining the approvals from the shareholders and warrant holders at an extraordinary general meeting and warrant holders' meeting respectively held on 27 December 2005 and all relevant authorities, the exercise period of the warrants was extended for an additional 5 years to 4 January 2011.

As at 31 May 2007, there were 22,690,000 unexercised warrants at an exercise price of RM1.425 per share.

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.

### CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets which would be unlikely to realise their book values 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 that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

### VALUATION METHOD

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

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

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

No contingent liability or other liability of the Group or the Company 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 the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

Except for any effects arising from the changes in accounting policies following the adoption of the new/ revised Financial Reporting Standards, the results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

### DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Dato' Seri Chew Weng Khak @ Chew Weng Kiak  
Chew Chuon Jin  
Chew Chuon Ghee  
Dato' Tan King Tai @ Tan Khoon Hai  
Lee Yew Weng  
Zahara Bt. Pawanchik, PPN, PJK  
Khairilnuar Bin Abdul Rahman

**DIRECTORS OF THE COMPANY (cont'd)**

Particulars of the interests in shares in the Company and its related corporations of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

	<b>Number of Ordinary Shares of RM0.50 each in the Company</b>					
	<b>Direct Interest</b>			<b>Deemed Interest</b>		
	<b>At 1.6.2006</b>	<b>Bought</b>	<b>(Sold)</b>	<b>At 31.5.2007</b>	<b>At 1.6.2006</b>	<b>At 31.5.2007</b>
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,633,188	885,900	-	18,519,088	12,688,634	12,688,634
Chew Chuon Jin	1,929,100	-	-	1,929,100	12,688,634	12,688,634
Chew Chuon Ghee	2,089,660	-	-	2,089,660	12,688,634	12,688,634
Dato' Tan King Tai @ Tan Khoon Hai	2,444,618	-	-	2,444,618	4,000	4,000
Zahara Bt. Pawanchik, PPN, PJK	140,000	-	-	140,000	-	-

	<b>Number of Warrants over Ordinary Shares of RM0.50 each in the Company</b>					
	<b>Direct Interest</b>			<b>Deemed Interest</b>		
	<b>At 1.6.2006</b>	<b>Bought</b>	<b>(Sold)</b>	<b>At 31.5.2007</b>	<b>At 1.6.2006</b>	<b>At 31.5.2007</b>
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,145,398	-	-	2,145,398	2,668,158	2,668,158
Chew Chuon Jin	705,300	-	-	705,300	2,668,158	2,668,158
Chew Chuon Ghee	1,328,890	-	-	1,328,890	2,668,158	2,668,158
Dato' Tan King Tai @ Tan Khoon Hai	693,404	-	-	693,404	1,000	1,000

	<b>Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Industries Sdn. Bhd.</b>				
	<b>Direct Interest</b>				
	<b>At 1.6.2006</b>	<b>Bought</b>	<b>(Sold)</b>	<b>At 31.5.2007</b>	
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	30,000	-	-	30,000	

	<b>Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Parts &amp; Service Sdn. Bhd.</b>				
	<b>Direct Interest</b>				
	<b>At 1.6.2006</b>	<b>Bought</b>	<b>(Sold)</b>	<b>At 31.5.2007</b>	
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	-	-	1	
Chew Chuon Jin	50,001	-	-	50,001	

## **DIRECTORS' REPORT** (cont'd)

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### **DIRECTORS OF THE COMPANY (cont'd)**

By virtue of their interests in shares in the Company, Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act, 1965.

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for certain directors who may be deemed to derive benefits by virtue of those related party transactions as disclosed in Note 27 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **AUDITORS**

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 17 SEPTEMBER 2007**

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

**CHEW CHUON JIN**



## STATEMENT BY DIRECTORS

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We, Dato' Seri Chew Weng Khak @ Chew Weng Kiak and Chew Chuon Jin, being two of the directors of Pensonic Holdings Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 33 to 72 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 May 2007 and of their results and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 17 SEPTEMBER 2007**

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

**CHEW CHUON JIN**

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## STATUTORY DECLARATION

I, Lee Yew Weng, being the director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 72 are, to the best of my knowledge and belief, 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 Lee Yew Weng at Georgetown in the State of Penang on this 17 September 2007

**Lee Yew Weng**

Before me

**Govindasamy A/L G. Muttusamy, PJM**  
Commissioner for Oaths

# REPORT OF THE AUDITORS TO THE MEMBERS OF

## **PENSONIC HOLDINGS BERHAD** (Incorporated in Malaysia)

Company No: 300426-P

We have audited the financial statements set out on pages 33 to 72. The preparation of the financial statements is 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 standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe 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 for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:-
  - (i) the state of affairs of the Group and the Company as at 31 May 2007 and their results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and 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 auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

The financial statements for the preceding financial year were audited by another firm of auditors whose report dated 15 September 2006 expressed an unqualified opinion on those statements.

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

**Eddy Chan Wai Hun**  
Approval No: 2182/10/07 (J)  
Partner

Penang

17 September 2007

# CONSOLIDATED BALANCE SHEET

AS AT 31 MAY 2007

	Note	2007 RM	2006 RM (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	39,653,035	44,053,020
Investment property	5	1,344,573	1,354,873
Investment in associate	7	57,887	–
Intangible assets	8	1,631,465	4,790,442
Deferred tax assets	9	257,000	–
		42,943,960	50,198,335
<b>CURRENT ASSETS</b>			
Inventories	10	78,073,634	56,022,372
Trade receivables	11	73,404,535	38,822,147
Other receivables, deposits and prepayments	12	22,618,821	13,129,611
Current tax assets		2,306,759	2,285,486
Cash and cash equivalents	13	12,779,296	9,185,758
		189,183,045	119,445,374
<b>CURRENT LIABILITIES</b>			
Trade payables	14	42,701,226	13,075,682
Other payables and accruals	15	11,135,124	6,524,416
Hire purchase payables	16	472,498	417,674
Bank borrowings	17	75,507,544	46,686,991
Current tax liabilities		3,848,975	–
		133,665,367	66,704,763
<b>NET CURRENT ASSETS</b>		55,517,678	52,740,611
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	9	1,145,000	1,212,133
Hire purchase payables	16	1,052,092	1,369,700
Term loans	18	4,965,513	6,864,798
		7,162,605	9,446,631
<b>NET ASSETS</b>		91,299,033	93,492,315
<b>FINANCED BY:-</b>			
Share capital	19	46,310,000	46,310,000
Reserves		43,668,597	44,658,561
<b>SHAREHOLDERS' EQUITY</b>		89,978,597	90,968,561
Minority interest		1,320,436	2,523,754
<b>TOTAL EQUITY</b>		91,299,033	93,492,315

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
REVENUE	20	302,103,558	187,296,457
COST OF SALES		(235,878,746)	(142,397,311)
GROSS PROFIT		66,224,812	44,899,146
OTHER INCOME		2,474,991	1,509,586
ADMINISTRATIVE AND GENERAL EXPENSES		(27,336,589)	(19,622,625)
SELLING AND DISTRIBUTION EXPENSES		(30,707,530)	(20,215,154)
FINANCE COSTS		(3,336,231)	(1,855,559)
SHARE OF LOSS OF ASSOCIATE		(12,223)	-
PROFIT BEFORE TAX	21	7,307,230	4,715,394
TAX EXPENSE	23	(6,044,566)	(1,187,983)
NET PROFIT FOR THE YEAR		1,262,664	3,527,411
<b>ATTRIBUTABLE TO:-</b>			
- Shareholders of the company		573,421	3,280,864
- Minority interest		689,243	246,547
		1,262,664	3,527,411
<b>Earnings per share (sen)</b>	24		
- Basic		0.62	3.54
- Diluted		0.62	3.54

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 May 2007

	Non-distributable			Distributable			Total equity RM			
	Share capital RM	Share premium RM	Capital reserve RM	Revaluation surplus RM	Reserve on consolidation RM	Currency translation reserve RM		Retained profits RM	Shareholders' equity RM	Minority interest RM
Balance at 1 June 2005	46,310,000	23,763,721	4,487,540	387,266	8,716,627	-	5,393,835	89,058,989	2,277,207	91,336,196
Dividend paid (Note 25)	-	-	-	-	-	-	(1,333,728)	(1,333,728)	-	(1,333,728)
Currency translation differences	-	-	-	-	-	(37,564)	-	(37,564)	-	(37,564)
Net profit for the year	-	-	-	-	-	-	3,280,864	3,280,864	246,547	3,527,411
Total recognised income and expense	-	-	-	-	-	(37,564)	3,280,864	3,243,300	246,547	3,489,847
Balance at 31 May 2006	46,310,000	23,763,721	4,487,540	387,266	8,716,627	(37,564)	7,340,971	90,968,561	2,523,754	93,492,315
Effect of adopting FRS 3	-	-	-	-	(8,716,627)	-	8,716,627	-	-	-
Adjusted balance at 1 June 2006	46,310,000	23,763,721	4,487,540	387,266	-	(37,564)	16,057,598	90,968,561	2,523,754	93,492,315
Dividend paid (Note 25)	-	-	-	-	-	-	(1,667,160)	(1,667,160)	-	(1,667,160)
Acquisition of minority interest	-	-	-	-	-	-	-	-	111,272	111,272
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(2,003,833)	(2,003,833)
Currency translation differences	-	-	-	-	-	103,775	-	103,775	-	103,775
Net profit for the year	-	-	-	-	-	-	573,421	573,421	689,243	1,262,664
Total recognised income and expense	-	-	-	-	-	103,775	573,421	677,196	689,243	1,366,439
Balance at 31 May 2007	<b>46,310,000</b>	<b>23,763,721</b>	<b>4,487,540</b>	<b>387,266</b>	<b>-</b>	<b>66,211</b>	<b>14,963,859</b>	<b>89,978,597</b>	<b>1,320,436</b>	<b>91,299,033</b>

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		7,307,230	4,715,394
Adjustments for:-			
Allowance for doubtful debts		1,076,944	44,662
Bad debts written-off		2,441,409	-
Depreciation		3,781,873	3,486,902
Gain on disposal of property, plant and equipment		(27,826)	(26,606)
Gain on disposal of subsidiaries		(68,267)	-
Interest expense		3,336,231	1,855,559
Interest income		(42,148)	(27,165)
Inventories written-off		985,529	-
Negative goodwill		(610,412)	-
Share of loss of associate		12,223	-
Unrealised loss on foreign exchange		409,144	-
Operating profit before working capital changes		18,601,930	10,048,746
Increase in inventories		(17,509,967)	(387,979)
(Increase)/Decrease in receivables		(35,929,626)	745,371
Increase in payables		24,553,296	407,771
Cash (absorbed by)/generated from operations		(10,284,367)	10,813,909
Interest paid		(3,336,231)	(1,855,559)
Interest received		37,079	22,364
Tax paid		(2,394,080)	(1,683,270)
Net cash (used in)/from operating activities		(15,977,599)	7,297,444
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of associate		(70,110)	-
Acquisition of minority interest		(468)	-
Acquisition of subsidiaries	26	(1,177,577)	-
Disposal of subsidiaries	26	(88,564)	-
Proceeds from disposal of property, plant and equipment		28,100	94,000
Purchase of intangible assets		(870,000)	-
Purchase of property, plant and equipment	26	(1,730,083)	(4,143,489)
Net cash used in investing activities		(3,908,702)	(4,049,489)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(1,667,160)	(1,333,728)
Increase/(Decrease) in short-term bank borrowings (net)		21,226,934	(752,857)
Repayment of hire purchase obligations		(450,817)	(270,344)
Repayment of term loans		(821,319)	(1,038,098)
Term loans raised		-	1,520,000
Net cash from/(used in) financing activities		18,287,638	(1,875,027)
Currency translation differences		(171,898)	(37,564)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,770,561)</b>	<b>1,335,364</b>
<b>Cash and cash equivalents brought forward</b>		<b>2,657,330</b>	<b>1,321,966</b>
<b>Cash and cash equivalents carried forward</b>	26	<b>886,769</b>	<b>2,657,330</b>

The annexed notes form an integral part of these financial statements.



# BALANCE SHEET

AS AT 31 MAY 2007

	Note	2007 RM	2006 RM (Restated)
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	6	17,772,513	21,831,962
<b>CURRENT ASSETS</b>			
Amounts owing by subsidiaries	6	48,443,037	45,070,312
Other receivables, deposits and prepayments	12	5,962,400	379,000
Current tax assets		155,032	99,266
Cash and cash equivalents	13	678,879	157,438
		<b>55,239,348</b>	45,706,016
<b>CURRENT LIABILITIES</b>			
Non-trade payables and accruals	15	988,551	102,348
		<b>988,551</b>	102,348
<b>NET CURRENT ASSETS</b>		<b>54,250,797</b>	45,603,668
<b>NET ASSETS</b>		<b>72,023,310</b>	67,435,630
<b>FINANCED BY:-</b>			
Share capital	19	46,310,000	46,310,000
Reserves		25,713,310	21,125,630
<b>SHAREHOLDERS' EQUITY</b>		<b>72,023,310</b>	67,435,630

The annexed notes form an integral part of these financial statements.

# INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
REVENUE	20	8,500,000	3,300,000
OTHER INCOME		357,000	–
ADMINISTRATIVE AND GENERAL EXPENSES		(362,926)	(430,132)
PROFIT BEFORE TAX	21	8,494,074	2,869,868
TAX EXPENSE	23	(2,239,234)	(988,107)
NET PROFIT FOR THE YEAR		<u>6,254,840</u>	<u>1,881,761</u>

The annexed notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	← Non-distributable →			Distributable Retained profits/ (Accumulated losses) RM	Shareholders' equity RM
	Share capital RM	Share premium RM	Revaluation surplus RM		
Balance at 1 June 2005					
- As previously reported	46,310,000	23,763,721	11,039,207	4,944,747	86,057,675
- Effect of adopting FRS 127	-	-	(11,039,207)	(8,130,871)	(19,170,078)
- As restated	46,310,000	23,763,721	-	(3,186,124)	66,887,597
Dividend paid (Note 25)	-	-	-	(1,333,728)	(1,333,728)
Net profit for the year	-	-	-	1,881,761	1,881,761
Balance at 31 May 2006	<u>46,310,000</u>	<u>23,763,721</u>	<u>-</u>	<u>(2,638,091)</u>	<u>67,435,630</u>
Balance at 1 June 2006					
- As previously reported	46,310,000	23,763,721	11,039,207	5,492,780	86,605,708
- Effect of adopting FRS 127	-	-	(11,039,207)	(8,130,871)	(19,170,078)
- As restated	46,310,000	23,763,721	-	(2,638,091)	67,435,630
Dividend paid (Note 25)	-	-	-	(1,667,160)	(1,667,160)
Net profit for the year	-	-	-	6,254,840	6,254,840
Balance at 31 May 2007	<u>46,310,000</u>	<u>23,763,721</u>	<u>-</u>	<u>1,949,589</u>	<u>72,023,310</u>

The annexed notes form an integral part of these financial statements.

# CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		8,494,074	2,869,868
Adjustments for:-			
Dividend income		(8,500,000)	(3,300,000)
Gain on disposal of subsidiaries		(357,000)	-
Operating loss before working capital changes		(362,926)	(430,132)
Increase in receivables		(3,172,725)	(408,274)
Increase in payables		1,652	1,344
Cash absorbed by operations		(3,533,999)	(837,062)
Tax paid		-	(64,107)
Net cash used in operating activities		(3,533,999)	(901,169)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries	26	(1,125,000)	-
Disposal of subsidiaries	26	642,600	-
Dividends received		6,205,000	2,376,000
Net cash from investing activities		5,722,600	2,376,000
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividend paid		(1,667,160)	(1,333,728)
Net cash used in financing activity		(1,667,160)	(1,333,728)
<b>Net increase in cash and cash equivalents</b>		<b>521,441</b>	<b>141,103</b>
<b>Cash and cash equivalents brought forward</b>		<b>157,438</b>	<b>16,335</b>
<b>Cash and cash equivalents carried forward</b>	13	<b>678,879</b>	<b>157,438</b>

The annexed notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Second Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 2-5-26, Harbour Trade Centre, 2, Gat Lebu Macallum, 10300 Penang and its principal place of business is located at Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.

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

The consolidated financial statements set out on pages 33 to 36 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 37 to 40 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 September 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (hereinafter referred to as "Financial Reporting Standards" or "FRSs").

The financial statements are presented in Ringgit Malaysia (RM).

On 1 June 2006, the Group and the Company adopted the following new/revised FRSs which are relevant to their operations and effective for financial periods beginning on or after 1 January 2006:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.1 Basis of Preparation of Financial Statements (cont'd)

FRS 138 Intangible Assets  
FRS 140 Investment Property

The adoption of these new/revised FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as disclosed in Note 2.2 below.

The Group and the Company have not applied the following FRSs and Interpretations which have been issued as at the balance sheet date but are not yet effective:-

Standard/Interpretation		Effective Date
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 117	Leases	1 October 2006
Amendment to FRS 119 <sub>2004</sub>	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 139	Financial Instruments: Recognition and Measurement	Yet to be announced
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

FRS 6, the amendments to FRS 119<sub>2004</sub> and FRS 121 and all the Interpretations will not be applicable to the Group and the Company. By virtue of the exemptions given by FRS 117, FRS 124 and FRS 139, the impacts on the financial statements upon initial application of these FRSs are not disclosed.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Changes in Accounting Policies

Significant changes in the accounting policies of the Group and the Company following the adoption of the new/revised FRSs are summarised below:-

#### **FRS 3 Business Combinations**

FRS 3 defines goodwill as the excess of the cost of business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. FRS 3 requires that when the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date exceeds the cost of business combination, the excess (hereinafter referred to as "negative goodwill"), after reassessment, shall be recognised in the income statement.

Negative goodwill was previously credited directly to equity as reserve on consolidation. In accordance with the transitional provisions of FRS 3, negative goodwill as at 1 June 2006 has been derecognised with a corresponding adjustment to retained profits as at that date as shown in the consolidated statement of changes in equity.

#### **FRS 127 Consolidated and Separate Financial Statements**

FRS 127 requires a parent to account for investments in subsidiaries in its separate financial statements at cost or in accordance with FRS 139 Financial Instruments: Recognition and Measurement.

Investments in subsidiaries were previously stated at valuation based on the net tangible asset ("NTA") values of the subsidiaries as allowed by FRS 125<sub>2004</sub> Accounting for Investments. As the management considers that the NTA values do not necessarily reflect the underlying fair values of the investments as specified in FRS 139, retrospective adjustments have been made to adopt the cost model by restating the opening balances of the investments and relevant reserves as disclosed in Note 6 to the financial statements and the statement of changes in equity respectively.

#### **FRS 140 Investment Property**

FRS 140 requires an entity to measure an investment property, being a property held to earn rentals and/or for capital appreciation, at cost less accumulated depreciation and accumulated impairment losses, if any, or at fair value.

Investment property was previously classified as property, plant and equipment. The Group has elected the cost model to account for investment property retrospectively in accordance with the transitional provisions of FRS 140. The effects of adopting FRS 140 together with the related restatements of comparative information are disclosed in Notes 4 and 5 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the financial year using the purchase method. The results of the subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (hereinafter referred to as "negative goodwill"), after reassessment, is recognised in the income statement.

### 2.4 Associate

An associate is an entity, other than a subsidiary or a joint venture, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

In the consolidated financial statements, investment in associate is accounted for using the equity method. Under the equity method, the investment in associate is initially recognised at cost and the carrying amount is subsequently adjusted to recognise the Group's share of the post-acquisition profit or loss and other changes in equity of the associate.

### 2.5 Financial Instruments

#### Recognised Financial Instruments

The accounting policies for recognised financial instruments are disclosed in the individual policies associated with each item.

#### Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 30 to the financial statements.

#### Fair Values

The carrying amounts of financial assets and liabilities with short maturity periods are assumed to approximate their fair values.

The fair values of long-term loans and borrowings are estimated based on the current rates offered to the Group for loans and borrowings with the same remaining maturities.

The fair values of financial guarantees granted by the Company are not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any.

The last revaluation of certain leasehold land of the Group was made in 1994 and has not been updated. The Group has availed itself the transitional provision of IAS 16 Property, Plant and Equipment issued by the Malaysian Accounting Standards Board to retain the carrying amount of the land on the basis of its previous revaluation subject to continuity in its depreciation and impairment policies. A revaluation increase is credited to equity as revaluation surplus or recognised as income in the income statement to the extent that the increase reverses a revaluation decrease of the same asset previously recognised as an expense. A revaluation decrease is recognised as an expense in the income statement or debited against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus of that asset.

Freehold land is not depreciated. Leasehold land is depreciated on a straight-line basis over the lease terms of 58 to 72 years. Other property, plant and equipment are depreciated principally on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2% - 5%
Furniture, fittings and office equipment	5% - 20%
Plant and machinery	8% - 20%
Renovation and electrical installation	10%
Signboard and showcase	10%
Motor vehicles	10% - 20%
Computer	33% - 50%

The residual value, useful life and depreciation method of an asset are reviewed at least at each balance sheet date and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.7 Investment Property

An investment property, being a property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated. Leasehold shoplots are depreciated on a straight-line basis over the lease terms of 76 to 77 years. Buildings are depreciated on a reducing balance basis over the estimated useful lives of the assets using an annual rate of 2%.

### 2.8 Investments

As required by the Companies Act, 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries and associate are stated at cost less impairment losses, if any.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.9 Intangible Assets

Intangible assets, other than goodwill, are stated at cost less accumulated amortisation and accumulated impairment losses, if any. An intangible asset with an indefinite useful life is not amortised but is tested for impairment annually and whenever there is an indication that the asset may be impaired.

### 2.10 Impairment of Assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets within the scope of FRS 139 Financial Instruments: Recognition and Measurement, are reviewed at each balance sheet date to determine whether there is any indication that an item of asset may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill and intangible asset with an indefinite useful life are tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised as an expense in the income statement or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss of an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in the income statement or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss of goodwill is not reversed.

### 2.11 Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.12 Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

### 2.13 Payables

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Finance Lease

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

### 2.15 Loans and Borrowings

All loans and borrowings are initially recognised at cost which is the fair value of the proceeds received. The loans and borrowings are subsequently stated at amortised cost using the effective interest method. The effective interest rate is the historical rate for a fixed rate instrument and the current market rate for a floating rate instrument.

All borrowing costs are recognised as an expense in the period in which they are incurred.

### 2.16 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the balance sheet date, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in the income statement. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, ie directly in equity or in the income statement.

In translating the financial position and results of an entity whose functional currency is not the required presentation currency, ie Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the average exchange rate for the financial year. All resulting exchange differences are recognised directly in equity.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation occurring after 1 June 2006 are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate. As allowed by the transitional provisions of FRS 121 The Effects of Changes in Foreign Exchange Rates, goodwill and fair value adjustments arising from the acquisition which occurred before 1 June 2006 have not been restated and continue to be treated as assets and liabilities of the Company. Accordingly, these goodwill and fair value adjustments are reported using the exchange rate at acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.17 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the balance sheet date are recognised as a liability whereas dividends proposed or declared after the balance sheet date are disclosed by way of note to the financial statements.

### 2.18 Income Recognition

#### Sale of Goods

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

#### Dividend Income

Dividend income is recognised when the shareholder's right to receive payment is established.

#### Interest Income

Interest income is recognised using the effective interest method.

#### Government Grant

Government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grant and that the grant will be received. Government grant is recognised as income over the period necessary to match it with the related costs which it is intended to compensate, on a systematic basis. Grant related to income is presented under "other income" in the income statement.

### 2.19 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for under the balance sheet liability method in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base except for those temporary differences associated with goodwill, negative goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.20 Employee Benefits

#### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by the employee.

#### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the state pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised as an expense in the period in which the associated services are rendered by the employee.

#### Equity Compensation Benefits

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are recognised as an expense with a corresponding increase in equity over the vesting period. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

### 2.21 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and 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.

## 3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

### Critical Judgements

In the process of applying the accounting policies of the Group and the Company, the management makes the following judgements that can significantly affect the amounts recognised in the financial statements:-

#### (i) Allowance for Inventories

Reviews are made periodically by the management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

#### (ii) Allowance for Doubtful Debts

The Group and the Company make allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowance is applied to receivables where events or changes in circumstances indicate that the balances may not be recoverable. The management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where expectations are different from previous estimates, the difference will impact the carrying amounts of receivables.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (cont'd)

### Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### (i) Depreciation

Property, plant and equipment and investment property are depreciated over the estimated useful lives of the assets. The management estimates the useful lives to be within 2 to 50 years. Changes in the expected level of usage and technological development will impact the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised.

#### (ii) Impairment of Assets

When the recoverable amount of an asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows.

#### (iii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact the tax provisions in the period in which the outcome is determined.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 4. PROPERTY, PLANT AND EQUIPMENT

### The Group

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Leasehold shoplots RM	Buildings RM	Furniture, fittings and equipment RM	Plant and machinery RM	Renovation and electrical installation RM	Signboard and showcase RM	Motor vehicles RM	Computer RM	Total RM
<b>Cost/Valuation</b>												
Balance at 1 June 2005	997,287	9,332,099	2,413,532	630,000	23,358,536	2,003,909	10,171,001	4,341,447	270,264	3,853,741	1,141,960	58,513,776
- As previously reported	(689,287)	-	-	(630,000)	(117,379)	-	-	-	-	-	-	(1,436,666)
- Effect of adopting FRS 140												
- As restated	308,000	9,332,099	2,413,532	-	23,241,157	2,003,909	10,171,001	4,341,447	270,264	3,853,741	1,141,960	57,077,110
Additions	-	-	-	-	87,608	166,720	2,408,788	618,113	32,025	1,652,365	494,370	5,459,989
Disposals	-	-	-	-	-	(56,057)	-	-	-	(222,500)	-	(278,557)
Balance at 31 May 2006	308,000	9,332,099	2,413,532	-	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	62,258,542
Represented by:-												
- Cost	308,000	9,332,099	890,000	-	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	60,735,010
- Valuation	-	-	1,523,532	-	-	-	-	-	-	-	-	1,523,532
Balance at 1 June 2006	997,287	9,332,099	2,413,532	630,000	23,446,144	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	63,695,208
- As previously reported	(689,287)	-	-	(630,000)	(117,379)	-	-	-	-	-	-	(1,436,666)
- Effect of adopting FRS 140												
- As restated	308,000	9,332,099	2,413,532	-	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	62,258,542
Acquisition of subsidiaries	-	-	-	-	-	140,523	-	-	-	25,000	220,908	386,431
Additions	-	-	-	-	-	156,486	374,986	592,111	7,748	290,536	531,216	1,953,083
Disposal of subsidiaries	-	-	-	-	-	(87,956)	(7,365,491)	(811,079)	-	(74,000)	(151,702)	(8,490,228)
Disposals	-	-	-	-	-	(19,575)	-	-	-	(69,716)	(25,060)	(114,351)
Currency translation differences	-	-	-	-	-	61,482	-	-	-	6,635	(4,024)	64,093
Balance at 31 May 2007	308,000	9,332,099	2,413,532	-	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	56,057,570
Represented by:-												
- Cost	308,000	9,332,099	890,000	-	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	54,534,038
- Valuation	-	-	1,523,532	-	-	-	-	-	-	-	-	1,523,532
Balance at 31 May 2007	308,000	9,332,099	2,413,532	-	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	56,057,570

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### The Group

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Leasehold shoplots RM	Buildings RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovation and electrical installation RM	Signboard and showcase RM	Motor vehicles RM	Computer RM	Total RM
<b>Accumulated Depreciation</b>												
Balance at 1 June 2005	-	762,158	486,980	58,024	3,072,499	875,006	4,770,908	1,769,895	215,355	2,097,154	903,597	15,011,576
- As previously reported	-	-	-	(58,024)	(13,400)	-	-	-	-	-	-	(71,424)
- Effect of adopting FRS 140	-	-	-	-	-	-	-	-	-	-	-	-
- As restated	-	762,158	486,980	-	3,059,099	875,006	4,770,908	1,769,895	215,355	2,097,154	903,597	14,940,152
Depreciation	-	135,017	40,225	-	416,851	211,735	1,682,480	420,279	12,897	380,837	176,212	3,476,533
Disposals	-	-	-	-	-	(56,057)	-	-	-	(155,106)	-	(211,163)
Balance at 31 May 2006	-	897,175	527,205	-	3,475,950	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	18,205,522
<b>Balance at 1 June 2006</b>												
Balance at 1 June 2006	-	897,175	527,205	66,314	3,491,429	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	18,287,315
- As previously reported	-	-	-	(66,314)	(15,479)	-	-	-	-	-	-	(81,793)
- Effect of adopting FRS 140	-	-	-	-	-	-	-	-	-	-	-	-
- As restated	-	897,175	527,205	-	3,475,950	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	18,205,522
Acquisition of subsidiaries	-	-	-	-	-	80,174	-	-	-	16,675	182,033	278,882
Depreciation	-	135,017	40,225	-	412,003	216,356	1,784,324	484,384	9,228	453,821	236,215	3,771,573
Disposal of subsidiaries	-	-	-	-	-	(55,836)	(5,014,117)	(569,641)	-	(35,767)	(146,551)	(5,821,912)
Disposals	-	-	-	-	-	(19,560)	-	-	-	(69,715)	(24,802)	(114,077)
Currency translation differences	-	-	-	-	-	79,850	-	-	-	6,635	(1,938)	84,547
Balance at 31 May 2007	-	1,032,192	567,430	-	3,887,953	1,331,668	3,223,595	2,104,917	237,480	2,694,534	1,324,766	16,404,535
<b>Carrying Amount</b>												
Balance at 1 June 2005	308,000	8,569,941	1,926,552	-	20,182,058	1,128,903	5,400,093	2,571,552	54,909	1,756,587	238,363	42,136,958
Balance at 31 May 2006	308,000	8,434,924	1,886,327	-	19,852,815	1,083,888	6,126,401	2,769,386	74,037	2,960,721	556,521	44,053,020
Balance at 31 May 2007	308,000	8,299,907	1,846,102	-	19,440,812	1,033,864	2,365,689	2,635,675	72,557	2,767,527	882,902	39,653,035

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The short-term leasehold land stated at valuation was revalued in 1994 based on valuation by independent professional valuers using an open market value basis. Had the land been carried at historical cost less accumulated depreciation, the carrying amount would have been RM874,109 (2006 : RM892,707).

Certain motor vehicles with a total carrying amount of RM2,215,619 (2006 : RM2,311,888) were acquired under hire purchase agreements.

The carrying amounts of property, plant and equipment pledged to banks for banking facilities granted to certain subsidiaries are as follows:-

Carrying Amount	2007 RM	2006 RM
Freehold land	308,000	308,000
Long-term leasehold land	8,299,907	8,434,924
Short-term leasehold land	1,846,102	1,886,327
Buildings	18,398,338	18,786,751
Plant and machinery	-	1,583,333
	<b>28,852,347</b>	<b>30,999,335</b>

## 5. INVESTMENT PROPERTY

### The Group

	Freehold land RM	Leasehold shoplots RM	Buildings RM	Total RM
<b>Cost</b>				
Balance at 1 June 2005				
- As previously reported	-	-	-	-
- Effect of adopting FRS 140	689,287	630,000	117,379	1,436,666
- As restated	689,287	630,000	117,379	1,436,666
Movement during the year	-	-	-	-
Balance at 31 May 2006	689,287	630,000	117,379	1,436,666
Balance at 1 June 2006				
- As previously reported	-	-	-	-
- Effect of adopting FRS 140	689,287	630,000	117,379	1,436,666
- As restated	689,287	630,000	117,379	1,436,666
Movement during the year	-	-	-	-
Balance at 31 May 2007	<b>689,287</b>	<b>630,000</b>	<b>117,379</b>	<b>1,436,666</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 5. INVESTMENT PROPERTY (cont'd)

	Freehold land RM	Leasehold shoplots RM	Buildings RM	Total RM
<b>Accumulated Depreciation</b>				
Balance at 1 June 2005				
- As previously reported	-	-	-	-
- Effect of adopting FRS 140	-	58,024	13,400	71,424
- As restated	-	58,024	13,400	71,424
Depreciation	-	8,290	2,079	10,369
Balance at 31 May 2006	-	66,314	15,479	81,793
Balance at 1 June 2006				
- As previously reported	-	-	-	-
- Effect of adopting FRS 140	-	66,314	15,479	81,793
- As restated	-	66,314	15,479	81,793
Depreciation	-	8,262	2,038	10,300
Balance at 31 May 2007	-	<b>74,576</b>	<b>17,517</b>	<b>92,093</b>
<b>Carrying Amount</b>				
Balance at 1 June 2005	689,287	571,976	103,979	1,365,242
Balance at 31 May 2006	689,287	563,686	101,900	1,354,873
Balance at 31 May 2007	<b>689,287</b>	<b>555,424</b>	<b>99,862</b>	<b>1,344,573</b>
<b>Fair Value</b>				
Estimated fair value at 31 May 2007	<b>1,240,000</b>	<b>528,000</b>	<b>100,000</b>	<b>1,868,000</b>

The carrying amounts of investment property pledged to banks for banking facilities granted to a subsidiary are as follows:-

	2007 RM	2006 RM
<b>Carrying Amount</b>		
Freehold land	689,287	689,287
Leasehold shoplots	414,342	420,526
Buildings	99,862	101,900
	<b>1,203,491</b>	1,211,713

The fair value of investment property was determined based on management's estimate by reference to market information.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 6. INVESTMENTS IN SUBSIDIARIES

### The Company

	2007 RM	2006 RM
Balance at 1 June		
- As previously reported at valuation	41,002,040	41,002,040
- Effect of adopting FRS 127	<b>(19,170,078)</b>	<b>(19,170,078)</b>
- As restated at cost	<b>21,831,962</b>	21,831,962
Additions	2,009,551	–
Disposals	<b>(6,069,000)</b>	–
Balance at 31 May, at cost	<b>17,772,513</b>	21,831,962

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Ownership Interest Held		Principal Activity
		2007	2006	
Keat Radio Co. Sdn. Bhd.	Malaysia	100%	100%	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100%	100%	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacture, assembly and sale of electrical and electronic appliances
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100%	100%	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd. (formerly known as Amtek Marketing Services Sdn. Bhd.)	Malaysia	100%	–	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd.*	Singapore	100%	–	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100%	100%	Trading of electrical and electronic appliances
Epicson Sales & Service Sdn. Bhd.	Malaysia	100%	100%	Trading of electrical and electronic appliances

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Country of Incorporation	Ownership Interest Held		Principal Activity
		2007	2006	
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100%	100%	Assembly and sale of electrical and electronic appliances
Arcadia Global Sdn. Bhd.*	Malaysia	-	51%	Investment holding
<b>Subsidiaries of Keat Radio Co. Sdn. Bhd.</b>				
Pensonic Industries Sdn. Bhd.	Malaysia	60%	60%	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited*	Hong Kong	100%	98%	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60%	60%	Trading of parts of electrical and electronic appliances
<b>Subsidiaries of Arcadia Global Sdn. Bhd.</b>				
IS Services Technology Sdn. Bhd.*	Malaysia	-	51%	Manufacture of substrates
Skyscope Sdn. Bhd.*	Malaysia	-	51%	Manufacture of substrates
<b>Subsidiary of Pensonic (H.K.) Corporation Limited</b>				
Pensonic Trading (Shenzhen) Co., Ltd.*	China	100%	-	Trading of electrical and electronic appliances

\* Not audited by Horwath

### Acquisition of Minority Interest

In June 2006, the Group, through Keat Radio Co. Sdn. Bhd., acquired the remaining 2% of the equity interest in Pensonic (H.K.) Corporation Limited for RM468.

The additional 2% share of the subsidiary's loss since the acquisition date included in the Group's net profit for the financial year attributable to shareholders of the Company amounted to approximately RM18,000.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 6. INVESTMENTS IN SUBSIDIARIES (cont'd)

### Acquisition of Subsidiaries

In July 2006, the Company acquired 100% of the equity interest in Cornell Sales & Service Sdn. Bhd. (formerly known as Amtek Marketing Services Sdn. Bhd.) and Amtek Marketing Services Pte. Ltd. for RM1,000,000 and RM1,009,551 respectively.

The acquisition of Cornell Sales & Service Sdn. Bhd. (formerly known as Amtek Marketing Services Sdn. Bhd.) gave rise to negative goodwill of RM610,412 as disclosed in Note 21 to the financial statements.

The subsidiaries' profit since the acquisition date included in the Group's net profit for the financial year attributable to shareholders of the Company amounted to approximately RM331,000. Had the acquisition date been 1 June 2006, the management estimates that the Group's revenue and net profit for the financial year attributable to shareholders of the Company would have been approximately RM304,440,000 and RM498,000 respectively.

The carrying amounts of the subsidiaries' assets and liabilities immediately before the acquisition, determined in accordance with Financial Reporting Standards and approximating their fair values recognised at the acquisition date, are as follows:-

	RM
Property, plant and equipment	107,549
Inventories	5,550,767
Receivables	8,634,817
Cash and cash equivalents	519,643
Payables	(9,245,340)
Borrowings	(2,974,387)
Tax liabilities	(118,198)
Net identifiable assets acquired	<u>2,474,851</u>

### Incorporation of Subsidiary

In August 2006, the Group, through Pensonic (H.K.) Corporation Limited, incorporated Pensonic Trading (Shenzhen) Co., Ltd. with a total paid-up capital of HKD1,000,000 (equivalent to approximately RM473,000).

### Disposal of Subsidiaries

In May 2007, the Company disposed of its 51% of the equity interest in Arcadia Global Sdn. Bhd. (together with its subsidiaries) for RM6,426,000.

### Amounts Owing By Subsidiaries

The amounts owing by the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 7. INVESTMENT IN ASSOCIATE

### The Group

	2007 RM	2006 RM
Unquoted shares, at cost	70,110	–
Share of post-acquisition loss	(12,223)	–
	57,887	–

The details of the associate are as follows:-

Name of Associate	Country of Incorporation	Ownership Interest Held		Principal Activity
		2007	2006	
Pensonic (B) Sdn. Bhd.	Brunei	30%*	0%	Trading of electrical and electronic appliances

\* Interest held through a subsidiary, Pensonic Corporation Sdn. Bhd.

The summarised financial information of the associate is as follows:-

	2007 RM	2006 RM
Total assets	1,002,167	N/A
Total liabilities	813,812	N/A
Revenue	1,451,307	N/A
Net loss for the year	40,744	N/A

## 8. INTANGIBLE ASSETS

### The Group

	Goodwill RM	Trademarks RM	Total RM
Balance at 1 June 2005	4,790,442	–	4,790,442
Movement during the year	–	–	–
Balance at 31 May 2006	4,790,442	–	4,790,442
Additions from:-			
- acquisition of minority interest	111,740	–	111,740
- acquisition of subsidiaries	145,112	–	145,112
- separate acquisition	–	870,000	870,000
Disposal of subsidiaries	(4,272,112)	–	(4,272,112)
Currency translation differences	(13,717)	–	(13,717)
Balance at 31 May 2007	761,465	870,000	1,631,465



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 8. INTANGIBLE ASSETS (cont'd)

Trademarks were acquired by way of an assignment of full and absolute rights thereto from the registered proprietor. As those rights were assigned without a specified time frame, the management has assessed the trademarks as having an indefinite useful life subject to continuity in proper maintenance and use in good faith.

## 9. DEFERRED TAX ASSETS/(LIABILITIES)

### The Group

	2007 RM	2006 RM
Balance at 1 June	(1,212,133)	(1,098,281)
Deferred tax income/(expense) relating to origination and reversal of temporary differences	308,118	(117,483)
Deferred tax income relating to reduction in tax rate	81,500	-
Deferred tax liabilities (under)/overprovided in prior year	(146,485)	3,631
Disposal of subsidiaries	81,000	-
Balance at 31 May	(888,000)	(1,212,133)
Disclosed as:-		
- Deferred tax assets	257,000	-
- Deferred tax liabilities	(1,145,000)	(1,212,133)
	(888,000)	(1,212,133)

The deferred tax assets/(liabilities) are in respect of the following items:-

	2007 RM	2006 RM
Taxable temporary differences of property, plant and equipment	(1,145,000)	(1,212,133)
Deductible temporary differences of:-		
- financial instruments	106,000	-
- property, plant and equipment	2,000	-
Unused capital allowances	3,000	-
Unused tax losses	146,000	-
	(888,000)	(1,212,133)

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 9. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Save as disclosed above, as at 31 May 2007, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM11,000 (2006 : RM15,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused capital allowances and tax losses over the taxable temporary differences as follows:-

	2007 RM	2006 RM
Deductible temporary differences of:-		
- financial instruments	136,000	-
- inventories	335,000	-
Unused capital allowances	-	86,000
Unused tax losses	4,055,000	6,991,000
Taxable temporary differences of property, plant and equipment	(40,000)	(53,000)
	<u>4,486,000</u>	<u>7,024,000</u>

## 10. INVENTORIES

### The Group

	2007 RM	2006 RM
Raw materials	6,202,354	8,267,663
Finished goods	71,871,280	47,754,709
	<u>78,073,634</u>	<u>56,022,372</u>

## 11. TRADE RECEIVABLES

### The Group

	2007 RM	2006 RM
Trade receivables	74,759,329	39,453,039
Allowance for doubtful debts	(1,354,794)	(630,892)
	<u>73,404,535</u>	<u>38,822,147</u>

Included herein is an amount of RM701,026 (2006 : NIL) owing by the associate.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 11. TRADE RECEIVABLES (cont'd)

The currency exposure profile of trade receivables is as follows:-

	2007 RM	2006 RM
Ringgit Malaysia	52,058,171	33,453,698
Hong Kong Dollar	2,663,563	1,188,745
Renminbi	16,603	-
Singapore Dollar	2,520,428	-
US Dollar	16,145,770	4,179,704
	<b>73,404,535</b>	<b>38,822,147</b>

The credit terms of trade receivables range from 30 to 180 days.

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### The Group and the Company

Included herein is the balance receivable from disposal of subsidiaries amounting to RM5,783,400 (2006 : NIL).

## 13. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with licensed banks	631,613	170,960	-	-
Cash and bank balances	12,147,683	9,014,798	678,879	157,438
	<b>12,779,296</b>	<b>9,185,758</b>	<b>678,879</b>	<b>157,438</b>

Certain fixed deposits totalling RM583,517 (2006 : RM134,588) have been pledged to banks for banking facilities granted to certain subsidiaries. The effective interest rates of fixed deposits range from 1.8% to 3.9% (2006 : 3.7% to 3.9%) per annum.

The currency exposure profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	9,446,370	6,905,586	678,879	157,438
Hong Kong Dollar	370,839	388,086	-	-
Renminbi	31,538	-	-	-
Singapore Dollar	443,860	-	-	-
US Dollar	2,486,689	1,892,086	-	-
	<b>12,779,296</b>	<b>9,185,758</b>	<b>678,879</b>	<b>157,438</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 14. TRADE PAYABLES

### The Group

Included herein is an amount of RM969,556 (2006 : RM352,308) owing to a company in which certain directors have substantial financial interests.

The currency exposure profile of trade payables is as follows:-

	2007 RM	2006 RM
Ringgit Malaysia	27,100,717	10,731,909
Hong Kong Dollar	825,994	877,593
Renminbi	8,266	-
Singapore Dollar	87,258	-
US Dollar	14,678,991	1,466,180
	<u>42,701,226</u>	<u>13,075,682</u>

The credit terms of trade payables range from 30 to 120 days.

## 15. OTHER PAYABLES AND ACCRUALS

### The Group and the Company

Included herein is the balance payable for acquisition of subsidiaries amounting to RM884,551 (2006 : NIL).

## 16. HIRE PURCHASE PAYABLES

### The Group

	2007 RM	2006 RM
Minimum hire purchase payments:-		
- not later than one year	538,426	499,918
- later than one year and not later than five years	1,117,603	1,497,826
	<u>1,656,029</u>	1,997,744
Future finance charges	(131,439)	(210,370)
Present value of hire purchase liabilities	<u>1,524,590</u>	<u>1,787,374</u>
Current:-		
- not later than one year	472,498	417,674
Non-current:-		
- later than one year and not later than five years	1,052,092	1,369,700
	<u>1,524,590</u>	<u>1,787,374</u>

The effective interest rates of hire purchase payables range from 4.4% to 8.4% (2006 : 4.4% to 8.4%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 17. BANK BORROWINGS

### The Group

	2007 RM	2006 RM
<b>Unsecured</b>		
Bank overdrafts	2,199,516	1,402,960
Banker acceptances	15,695,000	12,240,687
<b>Secured</b>		
Bank overdrafts	9,109,494	4,990,880
Banker acceptances	47,837,589	27,202,801
Current portion of term loans (Note 18)	665,945	849,663
	<b>75,507,544</b>	<b>46,686,991</b>

Unsecured bank borrowings are guaranteed by the Company. Secured bank borrowings are secured against certain land, buildings, shoplots and fixed deposits of the Group as disclosed in Notes 4, 5 and 13 to the financial statements. The effective interest rates range from 3.5% to 8.8% (2006 : 4% to 8.8%) per annum.

The currency exposure profile of bank borrowings is as follows:-

	2007 RM	2006 RM
Ringgit Malaysia	74,614,320	46,686,991
Singapore Dollar	139,889	-
US Dollar	753,335	-
	<b>75,507,544</b>	<b>46,686,991</b>

## 18. TERM LOANS

### The Group

	2007 RM	2006 RM
<b>Secured</b>		
Term loans	5,631,458	7,714,461
Current portion (Note 17)	(665,945)	(849,663)
Non-current portion	<b>4,965,513</b>	<b>6,864,798</b>

Repayment analysis is as follows:-

- not later than one year	665,945	849,663
- later than one year and not later than five years	3,096,665	3,472,695
- later than five years	1,868,848	3,392,103
	<b>5,631,458</b>	<b>7,714,461</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 18. TERM LOANS (cont'd)

Term loans are secured against certain land and buildings of the Group as disclosed in Note 4 to the financial statements. The loans are repayable over 10 years commencing July 2004, February 2005 and October 2005 respectively. The effective interest rates range from 6% to 7.8% (2006 : 4.3% to 7.7%) per annum.

## 19. SHARE CAPITAL

	2007 RM	2006 RM
<b>Authorised:-</b>		
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid-up:-</b>		
92,620,000 ordinary shares of RM0.50 each	<u>46,310,000</u>	<u>46,310,000</u>

### Employees' Share Option Scheme

The Employees' Share Option Scheme ("ESOS") of the Company was approved by the shareholders at an extraordinary general meeting held on 3 December 2004 and all relevant authorities.

As at 31 May 2007, the Company has not granted any option to the Group's eligible employees.

### Share Warrants

Pursuant to a deed poll dated 6 September 2000, the Company issued 11,345,000 share warrants on 5 January 2001 in conjunction with a rights issue of 11,345,000 new ordinary shares of RM1.00 each in the Company. Each warrant entitles the registered holder at any time during the exercise period from 5 January 2001 to 4 January 2006 to subscribe for 1 new ordinary share of RM1.00 in the Company at an exercise price of RM2.85 per share.

Pursuant to a share split into 2 new ordinary shares of RM0.50 each for every 1 existing ordinary share of RM1.00 held in the Company, an additional 11,345,000 new warrants were issued to the existing warrant holders on 5 January 2005 and the exercise price was also adjusted accordingly from RM2.85 per share to RM1.425 per share.

Upon obtaining the approvals from the shareholders and warrant holders at an extraordinary general meeting and warrant holders' meeting respectively held on 27 December 2005 and all relevant authorities, the exercise period of the warrants was extended for an additional 5 years to 4 January 2011.

As at 31 May 2007, there were 22,690,000 (2006 : 22,690,000) unexercised warrants at an exercise price of RM1.425 per share.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 20. REVENUE

Revenue of the Group represents income from the sale of goods.

Revenue of the Company represents gross dividend income from subsidiaries.

## 21. PROFIT BEFORE TAX

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before tax is arrived at after charging:-				
Allowance for doubtful debts	1,076,944	44,662	-	-
Auditors' remuneration				
- current year	142,282	97,021	14,000	9,000
- prior years	(27,695)	(16,545)	(8,000)	-
Bad debts written-off	2,441,409	-	-	-
Depreciation				
- investment property	10,300	10,369	-	-
- property, plant and equipment	3,771,573	3,476,533	-	-
Directors' remuneration				
- fees	90,000	80,000	90,000	80,000
- non-fee emoluments	1,255,580	729,500	-	-
Interest expense	3,336,231	1,855,559	-	-
Inventories written-off	985,529	-	-	-
Loss on foreign exchange				
- realised	322,983	96,639	-	-
- unrealised	409,144	-	-	-
Rental expense				
- equipment	17,550	-	-	-
- forklift	52,200	52,200	-	-
- premises	1,800,511	1,260,194	-	-
- others	143,708	82,840	-	-
and crediting:-				
Bad debts recovered	5,000	-	-	-
Gain on disposal				
- property, plant and equipment	27,826	26,606	-	-
- subsidiaries	68,267	-	357,000	-
Government grant	265,980	1,008,058	-	-
Interest income	42,148	27,165	-	-
Negative goodwill*	610,412	-	-	-
Realised gain on foreign exchange	1,006,444	111,548	-	-
Rental income				
- investment property	67,827	85,203	-	-
- others	140,000	183,034	-	-

\* Included in other income

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 22. EMPLOYEE BENEFITS EXPENSE

### The Group

	2007 RM	2006 RM
Short-term employee benefits	18,135,603	14,159,495
Defined contribution plans	1,359,551	990,068
	<u>19,495,154</u>	<u>15,149,563</u>

## 23. TAX EXPENSE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax based on results for the year:-				
Malaysian income tax	2,822,760	942,459	2,265,000	924,000
Deferred tax	(389,618)	117,483	-	-
	<u>2,433,142</u>	<u>1,059,942</u>	<u>2,265,000</u>	<u>924,000</u>
Tax under/(over) provided in prior years:-				
Malaysian income tax	3,464,037	131,672	(25,766)	64,107
Overseas income tax	902	-	-	-
Deferred tax	146,485	(3,631)	-	-
	<u>6,044,566</u>	<u>1,187,983</u>	<u>2,239,234</u>	<u>988,107</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2007 %	2006 %	2007 %	2006 %
Applicable tax rate	27.00	28.00	27.00	28.00
Non-deductible expenses	22.72	10.73	0.80	4.20
Non-taxable income	(4.69)	(5.99)	(1.13)	-
Tax incentives claimed	(6.27)	(1.03)	0.00	-
Decrease in unrecognised deferred tax assets	(3.03)	(7.14)	-	-
Effect of lower tax rate	(2.43)	(2.09)	-	-
Average effective tax rate	<u>33.30</u>	<u>22.48</u>	<u>26.67</u>	<u>32.20</u>

Pursuant to the Finance Act, 2006 (Act 661) gazetted on 31 December 2006, the statutory income tax rate has been reduced from 28% to 27% for the financial year under review.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 23. TAX EXPENSE (cont'd)

The tax saving of the Group for which credit has been taken in the current year as a result of the realisation of unused tax losses brought forward that had not been accounted for previously amounted to approximately RM653,000 (2006 : RM81,000).

As at 31 May 2007, the Company has sufficient tax credits and tax exempt accounts to frank/distribute its retained profits in full if paid out as dividends.

## 24. EARNINGS PER SHARE

### The Group

The basic earnings per share is calculated by dividing the Group's net profit for the financial year attributable to shareholders of the Company of RM573,421 (2006 : RM3,280,864) by the weighted average number of ordinary shares in issue during the financial year of 92,620,000 (2006 : 92,620,000) shares.

The diluted earnings per share equals the basic earnings per share due to the anti-dilutive effect of the share warrants which has been ignored in calculating the diluted earnings per share.

## 25. DIVIDEND PAID

### The Group and the Company

	2007 RM	2006 RM
Final dividend of 2 sen per share less tax at 28% in respect of financial year ended 31 May 2005	-	1,333,728
Final dividend of 2.5 sen per share less tax at 28% in respect of financial year ended 31 May 2006	<u>1,667,160</u>	-
	<u>1,667,160</u>	<u>1,333,728</u>

A final dividend of 2.5 sen per share less tax at 27% amounting to RM1,690,315 in respect of the financial year ended 31 May 2007 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 26. NOTES TO CASH FLOW STATEMENTS

### Acquisition and Disposal of Subsidiaries

The cash flow effects of the acquisition and disposal of subsidiaries as mentioned in Note 6 to the financial statements are as follows:-

	The Group	
	Acquisition RM	Disposal RM
Property, plant and equipment	107,549	2,668,316
Inventories	5,550,767	23,943
Receivables	8,634,817	2,585,173
Tax assets	–	10,076
Fixed deposits pledged to bank	460,000	–
Cash and cash equivalents (including bank overdrafts)	(52,577)	731,164
Payables	(9,245,340)	(357,376)
Borrowings (excluding bank overdrafts)	(2,862,167)	(1,296,651)
Tax liabilities	(118,198)	(275,191)
Minority interest	–	(2,003,833)
Net identifiable assets acquired/disposed of	2,474,851	2,085,621
Goodwill	145,112	4,272,112
Negative goodwill/Gain on disposal	(610,412)	68,267
Gross consideration	2,009,551	6,426,000
Balance payable (Note 15)/receivable (Note 12)	(884,551)	(5,783,400)
Net consideration paid/received*	1,125,000	642,600
Cash and cash equivalents acquired/disposed of	52,577	(731,164)
Acquisition/Disposal of subsidiaries, net of cash acquired/ disposed of	1,177,577	(88,564)

\* Cash flow effects on separate financial statements of the Company

### Purchase of Property, Plant and Equipment

	The Group	
	2007 RM	2006 RM
Cost of property, plant and equipment purchased	1,953,083	5,459,989
Amount financed through hire purchase	(223,000)	(1,316,500)
Net cash disbursed	1,730,083	4,143,489

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 26. NOTES TO CASH FLOW STATEMENTS (cont'd)

### Cash and Cash Equivalents

	The Group	
	2007 RM	2006 RM
Fixed deposits with licensed banks	631,613	170,960
Cash and bank balances	12,147,683	9,014,798
Bank overdrafts	<u>(11,309,010)</u>	<u>(6,393,840)</u>
	1,470,286	2,791,918
Fixed deposits pledged to banks (Note 13)	<u>(583,517)</u>	<u>(134,588)</u>
	<u><b>886,769</b></u>	<u><b>2,657,330</b></u>

## 27. RELATED PARTY DISCLOSURES

Other than the directors' remuneration as disclosed in Note 21 to the financial statements, significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Dividends received from subsidiaries	-	-	6,205,000	2,376,000
Electricity charges charged to Pensia Plastic Industries Sdn. Bhd.*	280,300	248,000	-	-
Purchase of goods from Pensia Plastic Industries Sdn. Bhd.*	7,114,583	5,774,433	-	-
Rental of premises charged to Pensia Plastic Industries Sdn. Bhd.*	140,000	180,000	-	-
Sale of goods to associate, Pensonic (B) Sdn. Bhd.	<u>1,363,261</u>	-	-	-

\* Being a company in which certain directors, namely Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee, have substantial financial interests

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 28. SEGMENT REPORTING

### The Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment revenue, 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 investment in associate, interest-earning assets, interest-bearing liabilities, income tax assets and liabilities and their related income and expenses.

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

### Business Segments

The Group is principally engaged in the manufacture, assembly, sale and distribution of electrical and electronic appliances. Business segment information has not been prepared as the Group's revenue, operating results, assets, liabilities, capital expenditure, depreciation and other non-cash expenses are mainly confined to one business segment.

### Geographical Segments

The business segment of the Group is managed principally in Malaysia, China (including Hong Kong) and Singapore. The products are distributed mainly in Malaysia and to other countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets and capital expenditure are based on the geographical location of assets.

	Segment Revenue	
	2007 RM	2006 RM
Malaysia	214,716,358	160,600,526
Other countries	87,387,200	26,695,931
	<u>302,103,558</u>	<u>187,296,457</u>

	Segment Assets		Capital Expenditure	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysia	218,439,690	163,048,607	2,820,395	5,409,294
China (including Hong Kong)	4,669,529	4,138,656	9,600	50,695
Singapore	5,764,527	–	100,637	–
	<u>228,873,746</u>	<u>167,187,263</u>	<u>2,930,632</u>	<u>5,459,989</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 29. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

### The Group

	2007 RM	2006 RM
Contracted but not provided for	<u>434,000</u>	<u>-</u>

## 30. CONTINGENT LIABILITY - UNSECURED

### The Company

	2007 RM	2006 RM
Financial guarantees granted for subsidiaries' credit facilities	<u>146,606,000</u>	<u>125,656,000</u>

## 31. FINANCIAL INSTRUMENTS

### Recognised Financial Instruments

The information about the extent and nature of significant recognised financial instruments is disclosed in the individual notes associated with each item.

### Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 30 to the financial statements.

### Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 31 May 2007 and 2006 approximate their fair values.

The fair values of financial guarantees granted by the Company are not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

## 32. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including currency risk, interest rate risk, credit risk and liquidity risk. The overall financial risk management objective of the Group is to maximise shareholders' value by minimising the potential adverse impacts of these risks on its financial position, performance and cash flows.

The Board of Directors explicitly assumes the responsibilities of financial risk management which is carried out mainly through risk reviews and internal control systems.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

## 32. FINANCIAL RISK MANAGEMENT (cont'd)

### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. Such exposure is partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and bank balances in foreign currency accounts to meet future obligations in foreign currencies.

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from borrowings.

The Group manages its exposure to interest rate risk by seeking to obtain the most favourable interest rates available without increasing its other financial risk exposures.

### Credit Risk

The Group's exposure to credit risk arises mainly from receivables. The maximum credit risk exposure is best represented by the total carrying amount of these financial assets in the balance sheet.

The Group manages its exposure to credit risk by assessing counter parties' financial standings on an ongoing basis, setting and monitoring counter parties' limits and credit terms. The Group does not have any major concentration of credit risk relating to any individual customer or counter party.

### Liquidity Risk

The Group practises prudent liquidity risk management by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

## 33. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (i) In June 2007, the Company acquired 50% of the equity interest in Microtag Engineering Sdn. Bhd. ("MESB"), a company incorporated in Malaysia, for RM1. The intended principal activity of MESB is the provision of auto identification business solutions and applications deploying Radio Frequency Identification technology, and other information and telecommunication technologies.
- (ii) In June 2007, the Group, through Pensonic Sales & Service Sdn. Bhd., acquired 100% of the equity interest in Kollektion Distribution Sdn. Bhd. (formerly known as Lebensstil (M) Sdn. Bhd.) ("KDSB"), a company incorporated in Malaysia, for RM2. The intended principal activity of KDSB is the distribution of home appliances.

## LIST OF PROPERTIES OWNED BY THE GROUP

Registered Owner	Location	Description And Existing Use	Approximately Age of Buildings (Yrs)	Tenure	Land/ Built-Up Area	Net Book Value At 31.05.2007 RM
KRC	Plot 5, Tingkat Perusahaan 6, Phase 4, Prai Industrial Estate, 13600 Prai, Penang.	Industrial land with warehouse and office	14	Leasehold Expiring in 2052	184,410 acres/ 40,000 sq.ft.	1,698,509
KRC	17, Solok Gurney 1, 10250 Penang	Double storey residential building	24	Freehold	2,777 sq.ft./ 3,026 sq.ft.	420,301
KRC	158,160 & 162, Jalan Perak, 10150 Penang.	Shop/ warehouse	Pre-war	Freehold	4,945 sq.ft./ 4,945 sq.ft.	373,747
KRC	Block H1-09, H1-10, H1-11, H2-09, H2-10, H2-11, CI-09, CI-10, C1-11, C2-09, C2-10, C2-11, Taman Pelangi, 13600 Prai	Residential	10	Leasehold	7,200 sq.ft./ 7,200 sq.ft.	386,614
KRC	Lot 2286 & 2287, TS 6, NED, Penang	Development land	-	Freehold	14,348 sq.ft.	415,402
KRC	Shoplot B1.1.27 & B1.1.28 Komtar, Penang	Shoplot	24	Leasehold Expiring in 2075	624 sq.ft./ 624 sq.ft.	414,342
PENSONIC INDUSTRIES	Shoplot B1.1.29 Komtar, Penang.	Shoplot	24	Leasehold Expiring in 2075	312 sq.ft.	141,082
PENSIA ELECTRONIC	Plot 98, MK.11, Bukit Tengah Industrial Park, SPT, Prai, Penang.	Industrial land with factory, warehouse and office	10	Leasehold Expiring in 2054	3.05632 acres	5,786,598
PSS	Lot 4, Towering Industrial Centre, 4½ Miles Penampang, 88300 Kota Kinabalu, Sabah.	Warehouse and office	15	Leasehold Expiring in 2037	2,700 sq.ft.	280,476
PSS	Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	15	Leasehold Expiring in 2069	43,560 sq.ft.	6,755,212

## LIST OF PROPERTIES OWNED BY THE GROUP (cont'd)

Registered Owner	Location	Description And Existing Use	Approximately Age of Buildings (Yrs)	Tenure	Land/ Built-Up Area	Net Book Value At 31.05.2007 RM
PSS	31, Laluan Perusahaan Kledang 9, Kawasan Perindustrian Chandan Raya, 31450 Menglembu.	Warehouse and office	10	Leasehold Expiring in 2082	5,494 sq.ft.	358,521
PSS	Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	3	Leasehold Expiring in 2070	43,560 sq.ft.	5,025,051
PENSIA INDUSTRIES	Plot 215, MK.13, Bukit Minyak Industrial Park, SPT, Prai, Penang	Industrial land with factory and warehouse	4	Leasehold Expiring in 2064	3.00003 acres	5,773,845



# ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS

AS AT 8 OCTOBER 2007

## SHAREHOLDINGS STATISTICS

Class of Securities	:	Ordinary Shares of RM0.50 each
	:	Warrants with exercise period expired 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	:	Shareholders 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.
	:	Warranholders 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	:	3,538
Number of Warranholders	:	1,067

## DISTRIBUTION SCHEDULE OF ORDINARY SHARES

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
3	Less than 100 shares	102	0.00
144	101 to 1,000 shares	122,175	0.13
2,643	1,001 to 10,000 shares	12,860,641	13.89
672	10,001 to 100,000 shares	17,299,100	18.68
72	100,001 to less than 5% of issued shares	34,781,274	37.55
4	5% and above of issued shares	27,556,708	29.75
<u>3,538</u>		<u>92,620,000</u>	<u>100.00</u>

## ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd)

AS AT 8 OCTOBER 2007

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS – SHAREHOLDERS

No.	Names	No. of Shares	%
1	Mayban Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Chew Weng Khak @ Chew Weng Kiak	10,000,000	10.80
2	Chew Weng Khak Realty Sdn. Bhd.	6,667,594	7.20
3	Chew Weng Khak @ Chew Weng Kiak	5,729,114	6.19
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	Chew Weng Khak @ Chew Weng Kiak	1,931,974	2.09
8	The Kulim-Baling Road Transport Company, Sdn. Bhd.	1,474,000	1.59
9	Public Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Phnuah Farn Farn (E-BMM)	1,464,600	1.58
10	Tan Yong Siang	1,415,200	1.53
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	965,000	1.04
15	Ambank (M) Berhad pledged securities a/c for Chew Chuon Jin	900,000	0.97
16	Chew Chuon Ghee	895,500	0.97
17	Tay Ah Hoe	887,000	0.96
18	Chew Weng Khak @ Chew Weng Kiak	858,000	0.93
19	Law Shee Hong	725,300	0.78
20	Law Shee Hong	717,600	0.77
21	Tan King Tai @ Tan Khoon Hai	656,000	0.71
22	Chew Chuon Ghee	634,160	0.68
23	Tan Ah Nya @ Tan Bee Tiang	577,400	0.62
24	AMSEC Nominees (Tempatan) Sdn. Bhd. Ambank (M) Berhad for Tan King Tai @ Tan Khoon Hai (Smart)	530,000	0.57
25	Yap Gim Seng	516,600	0.56
26	Ambank (M) Berhad pledged securities a/c for Chew Chuon Ghee	500,000	0.54
27	Pristine Classic Sdn. Bhd.	444,900	0.48
28	Phnuah Farn Farn	414,500	0.45
29	Muafakat Rakyat Johor Sdn. Bhd.	400,000	0.43
30	Alic Chen	350,000	0.38
	Total	53,926,782	58.22

# ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd)

AS AT 8 OCTOBER 2007

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	NO. OF SHARES HELD			
	DIRECT		INDIRECT	
	No.	%	No.	%
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	18,519,088	19.99	* 12,688,634	13.70
Chew Weng Khak Realty Sdn. Bhd.	12,688,634	13.70	–	–
Permodalan Nasional Berhad	5,160,000	5.57	–	–

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

## STATEMENT OF DIRECTORS' SHAREHOLDINGS

	DIRECT		DEEMED	
	No. of Shares	% of Issued	No. of Shares	% of Issued
		Share Capital		Share Capital
Dato Seri Chew Weng Khak @ Chew Weng Kiak	*18,519,088	19.99	@ 12,688,634	13.70
Chew Chuon Jin	* 1,929,100	2.08	@ 12,688,634	13.70
Dato' Tan King Tai @ Tan Khoon Hai	* 2,622,618	2.83	# 4,000	–
Zahara Bt Pawanchik	–	–	–	–
Chew Chuon Ghee	* 2,089,660	2.26	@ 12,688,634	13.70
Khairilnuar Bin Abdul Rahman	–	–	–	–
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

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Warrants
1	Less than 100 warrants	46	–
224	101 to 1,000 warrants	219,704	0.97
637	1,001 to 10,000 warrants	2,454,310	10.82
172	10,001 to 100,000 warrants	5,413,554	23.86
31	100,001 to less than 5% of issued warrants	10,435,434	45.99
2	5% and above of issued warrants	4,166,952	18.36
<b>1,067</b>		<b>22,690,000</b>	<b>100.00</b>

## ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd)

AS AT 8 OCTOBER 2007

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS -WARRANTHOLDERS

No.	Names	No. of Warrants	%
1	Chew Weng Khak Realty Sdn. Bhd.	2,666,898	11.75
2	Chew Weng Khak @ Chew Weng Kiak	1,500,054	6.61
3	Phnuah Farn Farn	1,008,700	4.45
4	JF Apex Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Koh Yu Kiew (STA 2)	1,000,000	4.41
5	Chew Chuon Ghee	754,100	3.32
6	Chew Chuon Jin	705,300	3.11
7	Tan King Tai @ Tan Khoon Hai	483,000	2.13
8	Chan Mei Cheng	431,100	1.90
9	Chew Chuon Ghee	426,000	1.88
10	Tan Bak Fook @ Tang Kiat	419,000	1.85
11	Chan Mei Cheng	393,500	1.73
12	Chew Weng Khak @ Chew Weng Kiak	381,444	1.68
13	Chua Jui Meng	364,100	1.60
14	OSK Nominees (Tempatan) Sdn. Berhad pledged securities a/c for Tan Gaik Suan	324,700	1.43
15	Tan Tong Chatt	310,000	1.37
16	Loh Ban Mooi	270,000	1.19
17	Chew Weng Khak @ Chew Weng Kiak	263,900	1.16
18	Teh Bee Cheong	250,000	1.10
19	Ting Jian Ming	240,000	1.06
20	Khaw Siang Hee	234,000	1.03
21	Chew Chuon Fang	228,200	1.01
22	Phnuah Farn Farn	211,800	0.93
23	Citigroup Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Tan King Tai @ Tan Khoon Hai	200,000	0.88
24	Mayban Securities Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Vivekanandan A/L AMS Periasamy	190,100	0.84
25	Liew Sow Ying	188,000	0.83
26	Teh Teaw Kee	178,900	0.79
27	Chua Cheong Lim	160,000	0.71
28	Khaw Siang Siang	150,000	0.66
29	Chew Chuon Ghee	148,790	0.66
30	Public Nominees (Tempatan) Sdn. Bhd. pledged securities a/c for Phnuah Farn Farn	148,000	0.65
	Total	14,229,586	62.72

# ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd)

AS AT 8 OCTOBER 2007

## SUBSTANTIAL WARRANTHOLDERS

Name of Warrantholder	← NO. OF WARRANTS HELD →			
	DIRECT		INDIRECT	
	No.	%	No.	%
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,145,398	9.46	*2,668,158	11.76
Chew Weng Khak Realty Sdn. Bhd.	2,668,158	11.76	–	–
Phnuah Farn Farn	1,402,578	6.18	–	–

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

## CORPORATE CALENDAR

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26 October 2006	Preliminary announcement of unaudited results for the first Quarter ended 31 August 2006.
29 December 2006	Payment of the first and final dividend of 2.5sen per share less tax of 28% for the year ended 31 May 2006.
29 January 2007	Preliminary announcement of unaudited results for the second Quarter ended 30 November 2006.
27 April 2007	Preliminary announcement of unaudited results for the third Quarter ended 28 February 2007.
31 May 2007	Financial year end.
1 June 2007	Extraordinary General Meeting in relation to the proposed change of Auditors.
30 July 2007	Preliminary announcement of unaudited results for the fourth Quarter ended 31 May 2007.
5 November 2007	Posting of Annual Report to Shareholders.
27 November 2007	Annual General Meeting & Extraordinary General Meeting.

## Proxy Form

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a member/members of Pensonic Holdings Berhad  
hereby appoint \_\_\_\_\_ or failing him, the  
Chairman of the meeting as my/our proxy to vote for me/us and on my/our/belief at the Annual General  
Meeting of the Company to be held at Laurel I, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250  
Penang, on Tuesday, 27 November 2007 at 11.00 a.m. or at any adjournment thereof.

My/Our proxy is to vote as indicated below :

NO	RESOLUTION	FOR	AGAINST
1.	Adoption of Reports and financial statement (Resolution 1)		
2.	Approval of Final Dividend (Resolution 2)		
3.	Approval of payment of Directors' Fees (Resolution 3)		
4.	Re-election of Directors: (i) Dato' Seri Chew Weng Khak @ Chew Weng Kiak (Resolution 4) (ii) Dato' Tan King Tai @ Tan Khoon Hai (Resolution 5)		
5.	Appointment of Auditors (Resolution 6)		
6.	As Special Business (i) Authorising Directors to issue shares not exceeding 10% of the issued share capital (Resolution 7) (ii) Proposed Alteration of the Articles & Association (Resolution 8)		

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

Date: \_\_\_\_\_ 2007

\_\_\_\_\_  
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 along the line

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STAMP

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

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fold along the line



**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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**CHINA**

119, Xingye Rd., XiangZhou, ZhuHai City,  
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

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**SUDAN**

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El Bar Elsharkey Shihin EA Kom Menofia  
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Ibrahim Hassan Didi Magu,  
Male' MALDIVES.  
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M. Hele'nbelige  
Asare Hi'ngu  
Male Republic of Maldives  
**Tel.Fax** (960) 999 5434

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Suad Commercial Complex, KUWAIT.  
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Republic of Guinea  
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IBB-Al Odian Street,  
Beside of The Majeb Al-Mansoob  
IBB-Republic of Yemen.  
**Tel.Fax** (967) 4419 066 / 4404 515

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**Tel.Fax** 507 229-2900

**KOREA**

Potonggang District Pyongyang  
The Democratic People's Republic of Korea

**PENSONIC**  
*Your Enjoyment*

**Pensonic Holdings Berhad** - Incorporated in Malaysia ( 300426 - P )

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

Tel : 604-507 0393 Fax : 604-507 3825

[info@pensonic.com](mailto:info@pensonic.com)

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