

# PENSONIC

Holdings Berhad

Incorporated in Malaysia ( 300426 - P )

# 2008

annual report



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Awards Night 2007



The Brand Excellence Awards 2007



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Chairman

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

### Managing Director

Mr. Chew Chuon Jin

### Executive Directors

Mr. Chew Chuon Ghee  
Mr. Lee Yew Weng  
(Resigned on 26 May 2008)

### Non Executive Directors

Y.Bhg. Dato' Seri Tan King Tai @ Tan Khoon Hai  
En. Khairilnuar Bin Abdul Rahman  
Dato' Dr. Ku Abd Rahman Bin Ku Ismail  
(Appointed on 6 November 2007)

## SECRETARY

Mdm. Ker Siew Luan

## REGISTERED OFFICE

2-5-26, Harbour Trade Centre,  
No. 2, Gat Lebuah Macallum,  
10300 Penang.  
Tel : 604-2638 100/200  
Fax : 604-2638 500

## REGISTRAR

Plantation Agencies Sdn. Berhad  
Standard Chartered Bank Chambers  
3rd Floor, Lebuah Pantai,  
10300 Penang.  
Tel : 604-2625 333  
Fax : 604-2622 018

## AUDITORS

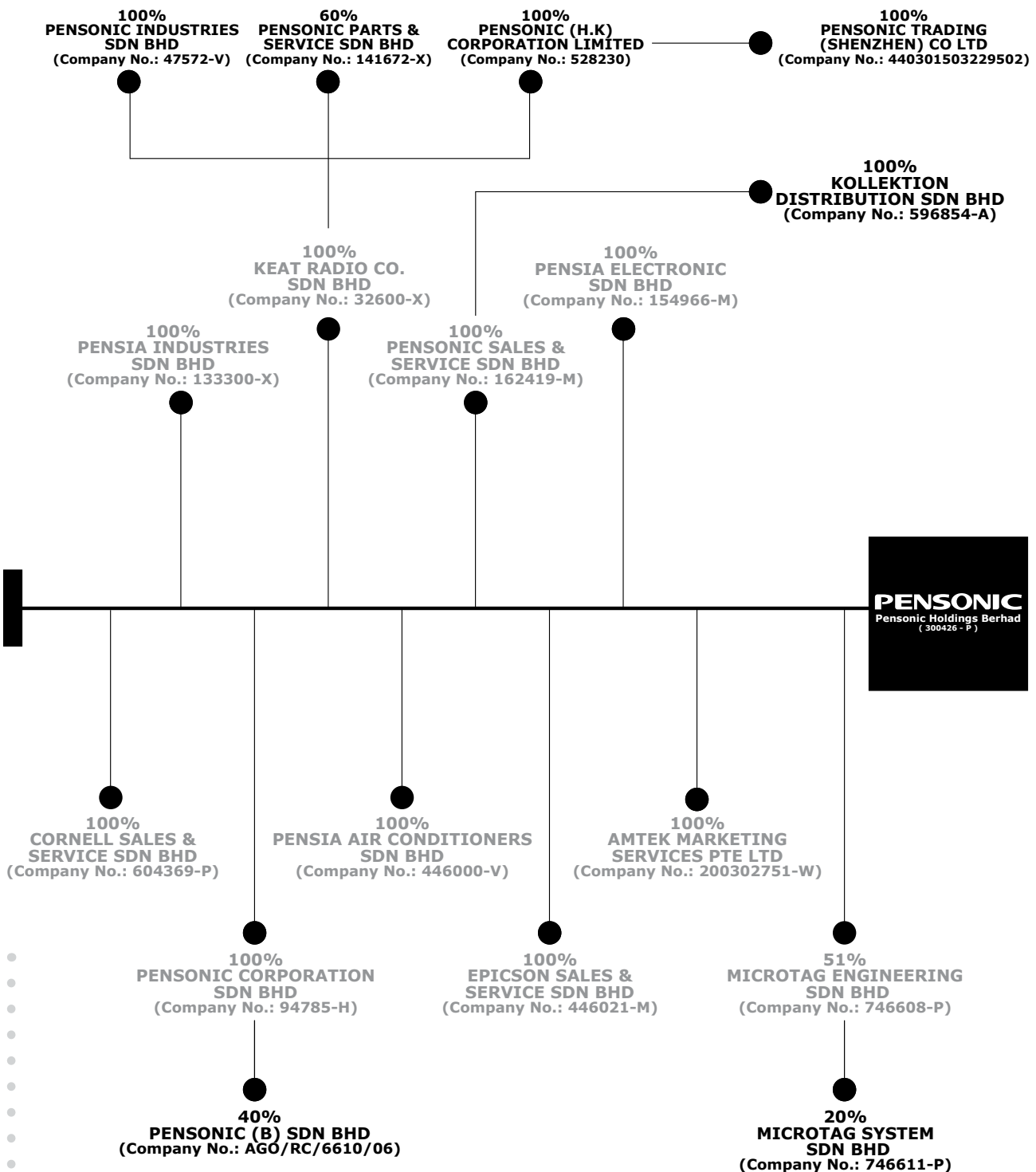
Horwath  
Chartered Accountants

## PRINCIPAL BANKERS

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

corporate information

# CORPORATE STRUCTURE AS AT 6 OCTOBER 2008



corporate structure

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of PENSONIC HOLDINGS BERHAD will be held at Laurel II, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Wednesday, 26 day of November, 2008 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, 2008 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve a Final Dividend of 1.25 sen per share less tax of 25% for the financial year ended 31 May, 2008. (Resolution 2)
3. To approve Directors' Fees for the financial year ended 31 May, 2008. (Resolution 3)
4. i) To re-elect the following Directors who retire in accordance with Article 129 of the Company's Articles of Association:-
  - a) Mr. Chew Chuon Jin (Resolution 4)
  - b) Mr. Chew Chuon Ghee (Resolution 5)
- ii) To re-elect the Director, Dato' Dr. Ku Abd. Rahman Bin Ku Ismail who is retiring under Article 134 of the Company's Articles of Association. (Resolution 6)
5. To re-appoint Messrs. Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 7)

## 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 8)

7. 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 14th Annual General Meeting, the Final dividend of 1.25 sen per share less tax of 25% in respect of the financial year ended 31 May, 2008 will be paid on 30 December, 2008 to depositors registered in the Records of Depositors at the close of business on 11 December, 2008.

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 11 December, 2008 in respect of transfers; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Ker Siew Luan  
Company Secretary

Penang  
Date: 3 November, 2008

## Notes:-

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

## Explanatory Notes of Special Business:

3. Resolution Pursuant to Section 132D of the Companies Act, 1965. The Ordinary Resolution proposed under item 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.

# STATEMENT ACCOMPANYING NOTICE OF THE 14TH ANNUAL GENERAL MEETING OF THE COMPANY

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

1. Names of Directors who are standing for re-election:-

- (a) Chew Chuon Jin (retiring pursuant to Article 129 of the Articles of Association)
- (b) Chew Chuon Ghee (retiring pursuant to Article 129 of the Articles of Association)
- (c) Dato' Dr. Ku Abd Rahman Bin Ku Ismail (retiring pursuant to Article 134 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, 2007 to 31 May, 2008. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follows :-

| <b>Name</b>  | <b>No. Of Meeting Attended</b> |
|--|--------------------------------|
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak                           | 5                              |
| Chew Chuon Jin   | 5                              |
| Dato' Seri Tan King Tai @ Tan Khoon Hai                              | 5                              |
| Zahara Bt. Pawanchik P.P.N., P.J.K. (Deceased on 20 September 2007)  | -                              |
| Dato' Dr. Ku Abd Rahman Bin Ku Ismail (Appointed on 6 November 2007) | 1                              |
| Chew Chuon Ghee  | 4                              |
| Khairilnuar Bin Abdul Rahman   | 3                              |
| Lee Yew Weng (Resigned on 26 May 2008)                               | 4                              |

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, 2008 took place at 2-5-26, Harbour Trade Centre, No. 2, Gat Lebu Macallum, 10300 Penang.

| <b>Date of Meeting</b> | <b>Time</b> |
|------------------------|-------------|
| 30 July 2007           | 11.00 a.m.  |
| 17 September 2007      | 10.00 a.m.  |
| 29 October 2007        | 11.00 a.m.  |
| 30 January 2008        | 11.30 a.m.  |
| 28 April 2008          | 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 29 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' Seri Tan King Tai @ Tan Khoon Hai , En. Khairilnuar Bin Abdul Rahman & Dato' Dr. Ku Abd Rahman Bin Ku Ismail. Dato' Seri Tan King Tai @ Tan Khoon Hai who is a Non-Executive Director of Unimech Group Berhad & Executive Director of UDS Capital Berhad, En.Khairilnuar Bin Abdul Rahman who is a Non-Executive Director of UDS Capital Berhad and Dato' Dr. Ku Abd Rahman Bin Ku Ismail who is a Non-Executive Chairman of Melati Ehsan Holdings 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.



# BOARD OF DIRECTORS

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

A Malaysian, aged 66, 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 of 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 39, 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 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 Malaysia, aged 36, is an Executive Director of Pensonic Holdings Berhad Group. He graduated from Eastern Michigan University with a Bachelor of 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.

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

board of directors

## BOARD OF DIRECTORS

### **DATO' SERI TAN KING TAI @ TAN KHOON HAI**

A Malaysia, aged 53, 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 council member of the Malaysian Association of Company Secretary. He has over 27 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' Seri 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 private limited companies.

He has no family relationship with any other director or major shareholder of the Group.

### **KHAIRILANUAR BIN ABDUL RAHMAN**

A Malaysian, aged 43, 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 1998. 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.

### **DATO' DR. KU ABD RAHMAN BIN KU ISMAIL\***

A Malaysian, aged 56, is an Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad. Dato' Dr. Ku served the Rubber Research Institute of Malaysia as a scientist and subsequently as a senior scientist between the years 1976 and 1988. He then moved on to MARDEC Berhad in 1989 to take up the post of Senior Manager, Operation and Technical and left MARDEC in 1997 with the last post held as Technical Director. He was appointed as the Political Secretary to the Minister of Defence Malaysia in July 1997 and thereafter from 1999 to 2001 as the Political Secretary to Minister of Foreign Affairs, Malaysia. Dato' Dr. Ku joined the Board of Directors of Bina Darulaman Berhad on 1 August 2001 as Managing Director and subsequently resigned on 31 December 2004. On 7 January 2005, he was appointed as the President of Malaysian Friendship and Trade Centre, Taipei, Taiwan (Head of Mission until June 2007). He was appointed onto the Board of Directors of Melati Ehsan Holdings Berhad on 29 January 2007.

He has no family relationship with any other director or major shareholder of the Group.

\* Directors who are standing for re-election

board of directors

On behalf of the Board of Directors of Pensonic Holdings Berhad, I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and the Company, for the year ended 31 May 2008.

## Review of Operations

The Malaysian economy expanded at the fastest pace in more than 3 years in the final quarter of 2007 with real GDP growth of 7.3%. Robust domestic demand driven by strong private consumption spending and investment facilities was the key contributing factor. GDP growth for the 1st Quarter 2008 registered 7.1% for a second consecutive quarter above 7% growth. The growth was broad-based and was led by strong domestic demand although export growth moderated dragged down by a contraction of exports of electronic and electrical products. The ruling coalition's worse than expected results in the Malaysian General Elections in March 2008 and continued political uncertainties in the country also do not abode well for the domestic economy. Going forward, the growth momentum is expected to wane as domestic demand is likely to slow significantly. Inflationary pressures due to increase in fuel prices and utilities tariff hikes coupled with heightened political uncertainty would dampen consumer spending and private investment. In addition, global growth is likely to worsen with an expected slowdown in global demand led by a prolonged US sub-prime mortgage woes and credit crisis. It is also expected that central monetary authorities globally will shift their focus on talking inflation instead of growth on the back of accelerating inflationary pressure.

During the year, the Group launched the PENSONIC 25th Anniversary Celebration. It marks the 25th birthday of the PENSONIC brand since embedding its mark in Malaysian history as the first Malaysian brand for electrical home appliances in 1982. The celebration was the crux of the branding activities of the Group for the year with a host of events and activities lined up for roll-out over a period of 25 weeks. To commemorate the PENSONIC 25th Anniversary, a Limited Edition PENSONIC Maroon Series with a special collection of 25 specially chosen products was launched. The finale of the anniversary celebration ended with the PENSONIC AWARDS NITE during which 13 successful Malaysian personalities, who have been invited to join the 12 PENSONIC Friends family, were given recognition and awarded for their contributions to our country, and for their hard work in crafting a name for themselves respectively.

The Group's focused execution of its multi-brand platform business strategy to broaden its revenue base in the

domestic market has continued to generate positive results although domestic revenue growth was marginal due to keen competition and slowing consumer demand in the domestic market. The domestic market segment grew 1.5% with revenue increasing to RM218.0 Million from RM214.7 Million recorded in the previous financial year. The revenue of the ODM/OEM business sector of the Group fell 18.3% as compared to the previous financial year due to slower demand. Revenue derived from outside Malaysia and exports grew 18.5% from RM87.4 Million to RM103.6 Million. To gain market share and penetration into the export markets, the Group is using a low pricing strategy.

During the financial year, the Group's wholly-owned Hong Kong subsidiary, Pensonic (HK) Corporation Ltd., and its 100% subsidiary, Pensonic Trading (Shenzhen) Co., Ltd. have contributed positively to revenue growth of the Group from the new business category in heated apparels and related accessories using the partly commercialized heating component technology and distribution of PENSONIC products in the China market respectively. The group revenue of Pensonic (HK) Corporation Ltd. and its China subsidiary grew significantly by 84.0% from RM6.9 Million to RM12.7 Million.

On the corporate front, The Group has acquired a 51% equity interest in Microtag Engineering Sdn. Bhd. to gain entry into growing new and high technologies to diversify its revenue base. Microtag Engineering Sdn. Bhd. is principally involved in the provision of auto identification business solutions and applications deploying Radio Frequency Identification (RFID) technology, and other information and telecommunication technologies to private and public sectors. It is expected to contribute positively to the revenue of the Group in the next financial year.

The Group has also vide its wholly owned subsidiary, Pensonic Sales & Service Sdn. Bhd., acquired 2 ordinary shares of RM 1.00 each in Kollektion Distribution Sdn. Bhd. The company is involved in the marketing and sale of electrical and electronic appliances, and is used as vehicle to consolidate and streamline the distribution of its own-brand LEBENSSTIL KOLLEKTION, and agency-brands GE APPLIANCES of the USA, MORPHY RICHARDS of the UK and PRINCESS of Holland.

# CHAIRMAN'S STATEMENT (cont'd)

## Financial Review

The revenue of the Group for the financial year grew 6.5% to RM321.6 Million (2007: RM302.1 Million) against a backdrop of tough business conditions and soaring material and product costs.

Profit before tax for the financial year was RM2.41 Million (2007: RM7.31 Million) representing a decrease of 67.0% over the previous year as a result of gross margin erosion due to increasing material and product costs, and higher finance costs incurred in inventory built-up in anticipation of further cost increases in materials and products. Distribution & Administration Expenses and Other Expenses of the Group were well contained.

The Group recorded a Net Profit for the year of RM1.13 Million (2007: RM1.26 Million). Net Profit for the year attributable to the shareholders of the Company was RM2.46 Million. (2007: RM0.57 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 RM0.99 (2007 : RM0.97) and 2.66 sen (2007 : 0.62 sen) respectively.

## Future Prospects

Although Malaysia's GDP growth has held its ground well so far, the sharp increase in fuel cost and electricity tariffs will likely to drive inflation up and simultaneously lowering GDP growth. The global credit crunch in the global markets also does not augur well for the general global economy. Domestic political uncertainties if do not subside soon will also have a negative effect on the general domestic economy.

In view of all the uncertainties, both domestic and external, the Group expects the business and operating environment to be increasingly challenging and competitive. The key concerns of the Group are the growing costs of doing business and the continual increase in material and product costs. The Group will embark on a consolidation strategy to realign its resources to support its already established key business strategies plan, which has proven to be fruitful and effective to sustain growth, profitability and long-term competitiveness in the mid to long term.

With its new division for Energy Saving Lightings under the PENSONIC brand already set up, the Group will leverage on its well established and vast distribution channel in the domestic market to grow the division. High-margin product range will be expanded for all the Group's own-brands. Product pricing review and strategy will be a key

focus area to minimize the negative impact on gross margins due to increasing material and product costs.

With the increasing revenue contributions from its subsidiaries namely Pensonic (HK) Corporation Ltd. and Pensonic Trading (Shenzhen) Co., Ltd., more resources will be allocated to these subsidiaries to further develop the heated apparels and related accessories business category and distribution of PENSONIC products in the China market respectively.

The Group has increased the capital base of its wholly-owned domestic marketing-arm, Pensonic Sales & Service Sdn. Bhd., to facilitate the company to expand its business and increase its product ranges for the domestic market to further enhance its contribution to the future earnings of the Group. Its previously 60% owned subsidiary, Keat Radio Co. Sdn. Bhd., is now a wholly-owned subsidiary of the Group and its capital base has also been increased to better reflect the extent and nature of its principal activity. The capital base of its wholly-owned export market-arm, Pensonic Industries Sdn. Bhd., has been increased in view of the growing export business of the Group.

The Group will maintain its vigilance and focus on cost containment, productivity and operation efficiency to strengthen the Group's competitiveness in the market. With its business strategies and cautionary measures in place, I am confident that the Group will be able to continue to grow into the future.

## Dividends

The Board is recommending a first and final dividend of 1.25 sen per share less 25% tax for the financial year ended 31 May 2008 (2007 : 2.5 sen per share less 27% tax).

## Appreciation

The Board of Directors and I would like to thank our valued shareholders, customers, vendors, business associates, bankers, media, government authorities and regulatory bodies for their continuing confidence and support towards the Group. I would also like to express our appreciation to 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.

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

Group Executive Chairman  
22 September 2008

# chairman's statement

# STATEMENT OF CORPORATE GOVERNANCE

Pursuant to paragraph 15.26 of the Bursa Malaysia Securities Berhad Listing Requirements, the Directors are under obligations to issue a statement pertaining to the status of compliance by the Company and its subsidiaries ("The Group") with The Code of Corporate Governance ("The Code"). The principles and best practices on structures that companies may adopt and implement to achieve the ultimate objective of maximizing long term shareholders' value are set-out in The Code.

It is the commitment of the Board of Directors (the "Board") of Pensonic Holdings Berhad 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. For the financial year ended 31 May 2008, the Group has applied the key principles of corporate governance and best practices as set out in the Code as outlined in the following statement.

## DIRECTORS

### 1. The Board and Board Balance

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

The Board of Directors is involved in the areas of reviewing the Group's strategic plan and identifying critical business risks. It also lays down 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 independent non-executive directors 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, and their presence brings an additional element of balance on the Board.

### 2. Appointment and Re-election

The Company's Articles of Association governs the appointment and re-election onto its Board. 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. In compliance with the Code, each Director shall retire from office at least once in every three (3) years.

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.

### 3. Attendance at Meetings

The attendance record of the members at Board meetings during the financial year ended 31 May 2008 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' Seri Tan King Tai @ Tan Khoon Hai                              | 5 of 5     |
| Lee Yew Weng (Resigned on 26 May 2008)                               | 4 of 5     |
| Khairilnuar Bin Abdul Rahman   | 3 of 5     |
| Dato' Dr. Ku Abd Rahman Bin Ku Ismail (Appointed on 6 November 2007) | 1 of 5     |



# STATEMENT OF CORPORATE GOVERNANCE (cont'd)

## DIRECTORS (cont'd)

### 4. Information Dissemination

It is recognized by the Board that timely and quality information are required for sound decision making process. Accordingly, 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 tabled to their attention for consideration. The Directors are also provided with an agenda and a set of Board papers prior to each Board meetings to ensure the Directors have sufficient time to obtain explanations and clarifications, where necessary. The Directors also get advice of the Company Secretary and have a transparent dealing with the external auditors in order to discharge their stewardship responsibilities. Where and when deemed 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

It is acknowledged by the Board on 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. The Directors have attended various training programmes and seminars during the year under review in areas relating to general management, latest regulatory developments, financial reporting, branding and corporate governance, to enhance their knowledge and expertise. To further enhance their skills and knowledge in discharging their duties as Director in an effective manner, the Directors will continue to participate in other relevant training programmes. The adequacy and suitability of the training requirements of the Directors on a regular basis is reviewed by the Board.

## DIRECTORS' REMUNERATION

The remuneration package for the Directors after 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 remuneration of the Directors is reviewed annually by the Board whereby the respective Executive Directors are abstained from discussions and decisions on their own remuneration.

The aggregate remuneration of the Directors for the financial year ended 31 May 2008 is as follows:-

| Category                | Fees   | Salaries & Other Emoluments | Total     |
|-------------------------|--------|-----------------------------|-----------|
|                         | RM     | RM                          | RM        |
| Executive Directors     | 50,000 | 1,230,026*                  | 1,280,026 |
| Non-Executive Directors | 30,000 | 43,120*                     | 73,120    |

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### DIRECTORS' REMUNERATION (cont'd)

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

| Range of Remuneration<br>In (RM) | Number of Directors |                        |
|----------------------------------|---------------------|------------------------|
|                                  | Executive Director  | Non-Executive Director |
| Below 50,000                     | –                   | 3*                     |
| 50,000 – 100,000                 | –                   | –                      |
| 100,001 – 150,000                | –                   | –                      |
| 150,001 – 200,000                | 1*                  | –                      |
| 200,001 – 250,000                | –                   | –                      |
| 250,001 – 300,000                | 1                   | –                      |
| 300,001 – 350,000                | –                   | –                      |
| 350,001 – 400,000                | 1                   | –                      |
| 400,001 – 450,000                | 1                   | –                      |

\* Including Directors who deceased / resigned during the financial year.

### INVESTOR RELATION AND SHAREHOLDER COMMUNICATION

It is acknowledged by the Board of 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. If required, relevant information is provided in a Circular to its shareholders. Regular communication by the Group with its shareholders are made through timely release of financial results, statement of affairs and other material financial information on quarterly basis. The Board responds to all formal queries by Bursa Securities and other regulatory authorities on a timely manner. A comprehensive avenue for information dissemination, with dedicated sections on corporate information, press releases and company news are provided via the Company's website at [www.pensonic.com](http://www.pensonic.com).

The main forum for dialogue with shareholders remains at the general meetings. 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. General meetings are held by the Company 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 are 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)

## ACCOUNTABILITY AND AUDIT

### 1. Financial reporting

It is the responsibility of the Board 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. Reasonable diligence is exercised by the Board and the Audit Committee 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 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 of the Group and the Company have 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. Regular risk assessment and internal control reviews are conducted to identify control inefficiency and major risks areas affecting business operations and viability. It is recognized by the Board that the system of internal control has inherent limitations, and it 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

The Group has established a transparent and appropriate professional relationship with the Group's Auditors both external and internal through the Audit Committee.

## COMPLIANCE STATEMENT

The Board recognizes the importance of the Group practicing good corporate governance. 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 2008, 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 2008.

## 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 2008 are as follows:-

| Member                                   | Designation  |
|--|--|
| Encik Khairilnuar Bin Abdul Rahman       | Chairman<br>(Independent Non-Executive Director)   |
| Puan Zahara Bt. Pawanchik P.P.N., P.J.K. | Member<br>(Independent Non-Executive Director)     |
| Dato' Seri Tan King Tai @ Tan Khoon Hai  | Member<br>(Non-Independent Non-Executive Director) |
| Dato' Dr. Ku Abd Rahman Bin Ku Ismail    | Member<br>(Independent Non-Executive Director)     |

## TERMS OF REFERENCE

### • Membership

- The Company must appoint an Audit Committee from amongst its Board of Directors which fulfils the following requirements:-
  - (a) the Committee must be composed of no fewer than 3 members;
  - (b) all members of the Audit Committee must be non-executive directors, with a majority of them being independent directors; and
  - (c) at least one member of the Committee:
    - (i) must be a member of the Malaysian Institute of Accountants; or
    - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
      - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
      - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
    - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- The members of the Audit Committee shall elect a Chairman from among themselves who shall be an independent director.
- No alternate director shall be appointed as a member of the Audit Committee.
- In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.
- The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

# AUDIT COMMITTEE REPORT (cont'd)

## TERMS OF REFERENCE (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.

The Head of Finance, the representatives of internal auditors and external auditors shall normally attend the Audit Committee meetings. Other directors and employees may attend any particular Audit Committee meeting only at the invitation of the Audit Committee. The Audit Committee shall meet with the external auditors without the presence of any executive directors and employees of the Company, whenever deemed necessary.

During the financial year ended 31 May 2008, 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 Khairiluanar Bin Abdul Rahman                                  | 4 of 4                   |
| Puan Zahara Bt. Pawanchik P.P.N., P.J.K.                             | 4 of 4                   |
| Dato' Seri Tan King Tai @ Tan Khoon Hai                              | 4 of 4                   |
| Dato' Dr. Ku Abd Rahman Bin Ku Ismail (Appointed on 6 November 2007) | 1 of 4                   |

### • Quorum

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

### • 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 resources which are required to perform its duties.
- Have full and unrestricted access to any information 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 or other advice.
- Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

### • Functions of the Audit Committee

The Audit Committee shall, amongst others, discharge the following functions:

- To review the following and report the same to the Board of Directors:
  - (i) with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;
  - (ii) with the external auditor, his evaluation of the system of internal controls;
  - (iii) with the external auditor, his audit report, his management letter and the management's response;
  - (iv) the assistance given by the Company's employees to the external auditor;
  - (v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (vii) to review any appraisal or assessment of the performance of members of the internal audit function;



# AUDIT COMMITTEE REPORT (cont'd)

## TERMS OF REFERENCE (cont'd)

### • **Functions of the Audit Committee (cont'd)**

- (viii) to approve any appointment or termination of senior staff members of the internal audit function;
  - (ix) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - (x) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (a) changes in or implementation of major accounting policy changes;
    - (b) significant and unusual events;
    - (c) significant adjustments arising from the audit;
    - (d) the going concern assumption; and
    - (e) compliance with accounting standards and other legal requirements;
  - (xi) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions on management integrity;
  - (xii) any letter of resignation from the external auditors; and
  - (xiii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.
- To recommend the nomination of a person or persons as external auditors.
  - To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.
  - To carry out any other functions as may be agreed by the Audit Committee and the Board of Directors.

## SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2008, 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 Company has appointed an independent professional accounting firm to provide outsourced internal audit function for the Group in order to assist the Audit Committee in discharging its duties and responsibilities. The internal audit activities have been carried out in accordance with the internal audit plan which has been approved by the Audit Committee. The internal audit function reports directly to the Audit Committee and provides the Committee with independent and objective assurance on the adequacy and integrity of its system of internal controls.

# STATEMENT ON INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard its shareholders' investments and the Group's assets.

Pursuant to Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements, the Board is pleased to present its Statement of Internal Control for the financial year ended 31 May 2008, which has been prepared in accordance with the "Statement on Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by 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 recognises the importance of a sound system of internal control and a structured risk management framework to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

## RISK MANAGEMENT

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

## INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm, Messrs. UHY Diong to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on their audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has been put in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

## STATEMENT ON INTERNAL CONTROL (cont'd)

### SYSTEM OF INTERNAL CONTROL

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.
- 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

Based on the internal auditors' report for the financial year ended 31 May 2008, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to further strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of the Bursa Malaysia Securities Berhad Listing Requirements.

This statement is made in accordance with a resolution of the Board of Directors dated 19 September 2008.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES ON FINANCIAL STATEMENTS

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 flows 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 2008, 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 2008, and the profit and loss for the financial year ended 31 May 2008 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 2008.
- **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 2008 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)

- **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 27 November 2007 are as follows :

| <b>Related Party</b>                | <b>Nature of Transaction</b> | <b>Interested Directors, major shareholders and connected persons</b>   | <b>Value of RRPT (In RM)</b> |
|-------------------------------------|------------------------------|---|------------------------------|
| 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> | 292,000                      |
| 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> | 7,084,783                    |
| 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> | 120,000                      |

# financial statements

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# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 May 2008.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

|   | <b>The Group<br/>RM</b> | <b>The Company<br/>RM</b> |
|---|-------------------------|---------------------------|
| Net profit for the financial year attributable to shareholders of the Company | <b><u>2,461,893</u></b> | <b><u>1,333,211</u></b>   |

## DIVIDENDS

During the financial year, the Company paid 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.

A final dividend of 1.25 sen per share less tax at 25% amounting to RM868,313 in respect of the financial year ended 31 May 2008 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 2008, 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 2008, 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 there were no known bad debts 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 require the writing off of bad debts or render 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.

## DIRECTORS' REPORT (cont'd)

### 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' Seri Tan King Tai @ Tan Khoon Hai

Khairilnuar Bin Abdul Rahman

Dato' Dr. Ku Abdul Rahman Bin Ku Ismail

(appointed on 6.11.2007)

Zahara Bt. Pawanchik, PPN, PJK

(deceased on 20.9.2007)

Lee Yew Weng

(resigned on 26.5.2008)



## DIRECTORS' REPORT (cont'd)

### 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:-

|   | Number of Ordinary Shares of RM0.50 each in the Company |         |           |                 |                |                 |
|---|---|---------|-----------|-----------------|----------------|-----------------|
|   | Direct Interest   |         |           | Deemed Interest |                |                 |
|   | At<br>1.6.2007/*  | Bought  | (Sold)    | At<br>31.5.2008 | At<br>1.6.2007 | At<br>31.5.2008 |
| Dato' Seri Chew Weng Khak @<br>Chew Weng Kiak | 18,519,088  | –       | (858,000) | 17,661,088      | 12,688,634     | 13,322,794      |
| Chew Chuon Jin                                | 1,929,100   | –       | –         | 1,929,100       | 12,688,634     | 13,322,794      |
| Chew Chuon Ghee                               | 2,089,660   | –       | (634,160) | 1,455,500       | 12,688,634     | 13,322,794      |
| Dato' Seri Tan King Tai @<br>Tan Khoon Hai    | 2,444,618   | 178,000 | –         | 2,622,618       | 4,000          | 4,000           |
| Dato' Dr. Ku Abdul<br>Rahman Bin Ku Ismail    | –*  | 5,000   | –         | 5,000           | –              | –               |

\* date of appointment

|   | Number of Warrants over Ordinary Shares of RM0.50 each in the Company |        |        |                 |                |                 |
|---|---|--------|--------|-----------------|----------------|-----------------|
|   | Direct Interest   |        |        | Deemed Interest |                |                 |
|   | At<br>1.6.2007  | Bought | (Sold) | At<br>31.5.2008 | At<br>1.6.2007 | At<br>31.5.2008 |
| Dato' Seri Chew Weng Khak<br>@ 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' Seri Tan King Tai @<br>Tan Khoon Hai    | 693,404   | –      | –      | 693,404         | 1,000          | 1,000           |

#### Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Industries Sdn. Bhd.

|  | Direct Interest                            |        |        |                 |
|--|--|--------|--------|-----------------|
|  | At<br>1.6.2007                             | Bought | (Sold) | At<br>31.5.2008 |
|  | Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 30,000 | –      | –               |

#### Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Parts & Service Sdn. Bhd.

|                | Direct Interest                            |        |        |                 |
|----------------|--|--------|--------|-----------------|
|                | At<br>1.6.2007                             | Bought | (Sold) | At<br>31.5.2008 |
|                | Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 1      | –      | –               |
| Chew Chuon Jin | 50,001                                     | –      | –      | 50,001          |

## DIRECTORS' REPORT (cont'd)

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

|                | Number of Ordinary Shares of RM1.00 each in a Subsidiary,<br>Microtag Engineering Sdn. Bhd. |        |        |                 |
|----------------|---|--------|--------|-----------------|
|                | Direct Interest   |        |        | At<br>31.5.2008 |
|                | At<br>1.6.2007  | Bought | (Sold) |                 |
| Chew Chuon Jin | 1   | –      | (1)    | –               |

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 29 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 16 SEPTEMBER 2008**

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

**CHEW CHUON JIN**

## STATEMENT BY DIRECTORS

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 31 to 72 have been properly drawn up in accordance with the provisions of the Companies Act, 1965 in Malaysia 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 financial position of the Group and the Company as at 31 May 2008 and of their financial performance and cash flows for the financial year then ended.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 16 SEPTEMBER 2008**

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

**CHEW CHUON JIN**

## STATUTORY DECLARATION

I, Dato' Seri Chew Weng Khak @ Chew Weng Kiak, 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 31 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 Dato'  
Seri Chew Weng Khak @ Chew Weng Kiak at  
Georgetown in the State of Penang on this  
16 SEPTEMBER 2008

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

Before me

**KARUPAYEE KAMALAM A/P R. MOTTAI**  
Commissioner for Oaths

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

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pensonic Holdings Berhad ("the Company") and its subsidiaries ("the Group") set out on pages 31 to 72, which comprise the balance sheets as at 31 May 2008, and the income statements, statements of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Companies Act, 1965 in Malaysia ("the Act") and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("Financial Reporting Standards"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements have been properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at 31 May 2008 and of their financial performance and cash flows for the financial year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Act, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act 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 Act.
- (b) 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 7 to the financial statements.
- (c) 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.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Act and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### Horwath

Firm No: AF 1018  
Chartered Accountants

Penang  
16 September 2008

### Eddy Chan Wai Hun

Approval No: 2182/10/09 (J)  
Partner

# CONSOLIDATED BALANCE SHEET

## AS AT 31 MAY 2008

|   | Note | 2008<br>RM         | 2007<br>RM<br>(Restated) |
|---|------|--------------------|--------------------------|
| <b>NON-CURRENT ASSETS</b>                   |      |                    |                          |
| Property, plant and equipment               | 4    | <b>28,638,829</b>  | 29,507,026               |
| Prepaid lease payments                      | 5    | <b>9,970,767</b>   | 10,146,009               |
| Investment property                         | 6    | <b>1,334,313</b>   | 1,344,573                |
| Investments in associates                   | 8    | <b>172,120</b>     | 57,887                   |
| Intangible assets                           | 9    | <b>1,636,152</b>   | 1,631,465                |
| Deferred tax assets                         | 10   | <b>2,020,350</b>   | 257,000                  |
|   |      | <b>43,772,531</b>  | 42,943,960               |
| <b>CURRENT ASSETS</b>                       |      |                    |                          |
| Assets held for sale                        | 11   | <b>418,055</b>     | –                        |
| Inventories                                 | 12   | <b>94,334,242</b>  | 78,073,634               |
| Trade receivables                           | 13   | <b>68,163,306</b>  | 73,404,535               |
| Other receivables, deposits and prepayments | 14   | <b>19,697,928</b>  | 22,618,821               |
| Current tax assets                          |      | <b>1,585,366</b>   | 2,306,759                |
| Cash and cash equivalents                   | 15   | <b>15,694,824</b>  | 12,779,296               |
|   |      | <b>199,893,721</b> | 189,183,045              |
| <b>CURRENT LIABILITIES</b>                  |      |                    |                          |
| Trade payables                              | 16   | <b>42,313,176</b>  | 42,701,226               |
| Other payables and accruals                 | 17   | <b>7,192,135</b>   | 11,135,124               |
| Hire purchase payables                      | 18   | <b>464,161</b>     | 472,498                  |
| Bank borrowings                             | 19   | <b>92,766,456</b>  | 75,507,544               |
| Current tax liabilities                     |      | <b>3,146,146</b>   | 3,848,975                |
|   |      | <b>145,882,074</b> | 133,665,367              |
| <b>NET CURRENT ASSETS</b>                   |      | <b>54,011,647</b>  | 55,517,678               |
| <b>NON-CURRENT LIABILITIES</b>              |      |                    |                          |
| Deferred tax liabilities                    | 10   | <b>1,110,000</b>   | 1,145,000                |
| Hire purchase payables                      | 18   | <b>650,320</b>     | 1,052,092                |
| Term loans                                  | 20   | <b>4,235,596</b>   | 4,965,513                |
|   |      | <b>5,995,916</b>   | 7,162,605                |
| <b>NET ASSETS</b>                           |      | <b>91,788,262</b>  | 91,299,033               |
| <b>FINANCED BY:-</b>                        |      |                    |                          |
| Share capital                               | 21   | <b>46,310,000</b>  | 46,310,000               |
| Reserves                                    |      | <b>44,541,246</b>  | 43,668,597               |
| <b>SHAREHOLDERS' EQUITY</b>                 |      | <b>90,851,246</b>  | 89,978,597               |
| Minority interest                           |      | <b>937,016</b>     | 1,320,436                |
| <b>TOTAL EQUITY</b>                         |      | <b>91,788,262</b>  | 91,299,033               |

The annexed notes form an integral part of these financial statements

## CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

|                                     | Note | 2008<br>RM    | 2007<br>RM    |
|-------------------------------------|------|---------------|---------------|
| REVENUE                             | 22   | 321,600,670   | 302,103,558   |
| COST OF SALES                       |      | (260,803,235) | (235,878,746) |
| GROSS PROFIT                        |      | 60,797,435    | 66,224,812    |
| OTHER INCOME                        |      | 1,205,040     | 2,474,991     |
| ADMINISTRATIVE AND GENERAL EXPENSES |      | (26,340,350)  | (27,336,589)  |
| SELLING AND DISTRIBUTION EXPENSES   |      | (29,127,371)  | (30,707,530)  |
| FINANCE COSTS                       |      | (4,100,658)   | (3,336,231)   |
| SHARE OF LOSSES OF ASSOCIATES       |      | (20,267)      | (12,223)      |
| PROFIT BEFORE TAX                   | 23   | 2,413,829     | 7,307,230     |
| TAX EXPENSE                         | 25   | (1,278,088)   | (6,044,566)   |
| NET PROFIT FOR THE YEAR             |      | 1,135,741     | 1,262,664     |
| ATTRIBUTABLE TO:-                   |      |               |               |
| - Shareholders of the Company       |      | 2,461,893     | 573,421       |
| - Minority interest                 |      | (1,326,152)   | 689,243       |
|                                     |      | 1,135,741     | 1,262,664     |
| EARNINGS PER SHARE (SEN)            | 26   |               |               |
| - Basic                             |      | 2.66          | 0.62          |
| - Diluted                           |      | 2.66          | 0.62          |

The annexed notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

|                                     | Non-distributable   |                     |                       |                           | Distributable                      |                        |                            |                         | Total equity<br>RM |
|-------------------------------------|---------------------|---------------------|-----------------------|---------------------------|------------------------------------|------------------------|----------------------------|-------------------------|--------------------|
|                                     | Share capital<br>RM | Share premium<br>RM | Capital reserve<br>RM | Revaluation surplus<br>RM | Currency translation reserve<br>RM | Retained profits<br>RM | Shareholders' equity<br>RM | Minority interest<br>RM |                    |
| 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 27)             | -                   | -                   | -                     | -                         | -                                  | (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              | 46,310,000          | 23,763,721          | 4,487,540             | 387,266                   | 66,211                             | 14,963,859             | 89,978,597                 | 1,320,436               | 91,299,033         |
| Dividend paid (Note 27)             | -                   | -                   | -                     | -                         | -                                  | (1,690,315)            | (1,690,315)                | -                       | (1,690,315)        |
| Acquisition of subsidiaries         | -                   | -                   | -                     | -                         | -                                  | -                      | -                          | 942,732                 | 942,732            |
| Currency translation differences    | -                   | -                   | -                     | -                         | 101,071                            | -                      | 101,071                    | -                       | 101,071            |
| Net profit/(loss) for the year      | -                   | -                   | -                     | -                         | -                                  | 2,461,893              | 2,461,893                  | (1,326,152)             | 1,135,741          |
| Total recognised income and expense | -                   | -                   | -                     | -                         | 101,071                            | 2,461,893              | 2,562,964                  | (1,326,152)             | 1,236,812          |
| Balance at 31 May 2008              | <b>46,310,000</b>   | <b>23,763,721</b>   | <b>4,487,540</b>      | <b>387,266</b>            | <b>167,282</b>                     | <b>15,735,437</b>      | <b>90,851,246</b>          | <b>937,016</b>          | <b>91,788,262</b>  |

The annexed notes form an integral part of these financial statements

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

|   | Note | 2008<br>RM   | 2007<br>RM   |
|---|------|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |      |              |              |
| Profit before tax                                       |      | 2,413,829    | 7,307,230    |
| Adjustments for:-                                       |      |              |              |
| Allowance for doubtful debts                            |      | 309,945      | 1,076,944    |
| Allowance for doubtful debts written back               |      | (36,490)     | -            |
| Amortisation and depreciation                           |      | 2,480,220    | 3,781,873    |
| Bad debts written-off                                   |      | -            | 2,441,409    |
| Gain on disposal of property, plant and equipment       |      | (24,996)     | (27,826)     |
| Gain on disposal of subsidiaries                        |      | -            | (68,267)     |
| Impairment loss on goodwill                             |      | 48,366       | -            |
| Interest expense  |      | 4,100,658    | 3,336,231    |
| Interest income   |      | (45,287)     | (42,148)     |
| Inventories written-off                                 |      | 3,269        | 985,529      |
| Negative goodwill                                       |      | -            | (610,412)    |
| Property, plant and equipment written-off               |      | 8,497        | -            |
| Share of losses of associates                           |      | 20,267       | 12,223       |
| Unrealised loss on foreign exchange                     |      | 316,561      | 409,144      |
| Operating profit before working capital changes         |      | 9,594,839    | 18,601,930   |
| Increase in inventories                                 |      | (16,263,877) | (17,509,967) |
| Decrease/(Increase) in receivables                      |      | 2,617,318    | (35,929,626) |
| (Decrease)/Increase in payables                         |      | (4,263,701)  | 24,553,296   |
| Cash absorbed by operations                             |      | (8,315,421)  | (10,284,367) |
| Interest paid   |      | (4,647,391)  | (3,336,231)  |
| Interest received                                       |      | 40,002       | 37,079       |
| Tax paid  |      | (3,235,367)  | (2,394,080)  |
| Tax refunded  |      | 177,493      | -            |
| Net cash used in operating activities                   |      | (15,980,684) | (15,977,599) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |      |              |              |
| Acquisition of associate                                |      | (20,000)     | (70,110)     |
| Acquisition of minority interest                        |      | -            | (468)        |
| Acquisition of subsidiaries                             | 28   | (201,886)    | (1,177,577)  |
| Additional investment in associate                      |      | (114,500)    | -            |
| Disposal of subsidiaries                                | 28   | 5,783,400    | (88,564)     |
| Proceeds from disposal of property, plant and equipment |      | 33,869       | 28,100       |
| Purchase of intangible assets                           |      | -            | (870,000)    |
| Purchase of property, plant and equipment               | 28   | (1,771,991)  | (1,730,083)  |
| Net cash from/(used in) investing activities            |      | 3,708,892    | (3,908,702)  |

The annexed notes form an integral part of these financial statements



## CONSOLIDATED CASH FLOW STATEMENT (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

|   | Note | 2008<br>RM        | 2007<br>RM         |
|---|------|-------------------|--------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                   |                    |
| Dividend paid   |      | (1,690,315)       | (1,667,160)        |
| Increase in short-term bank borrowings (net)                |      | 16,954,485        | 21,226,934         |
| Issue of shares to minority shareholders                    |      | 979,999           | –                  |
| Repayment of hire purchase obligations                      |      | (478,896)         | (450,817)          |
| Repayment of term loans                                     |      | (684,687)         | (821,319)          |
| Net cash from financing activities                          |      | <u>15,080,586</u> | <u>18,287,638</u>  |
| Currency translation differences                            |      | (187,688)         | (171,898)          |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <u>2,621,106</u>  | <u>(1,770,561)</u> |
| <b>Cash and cash equivalents brought forward</b>            |      | <u>886,769</u>    | <u>2,657,330</u>   |
| <b>Cash and cash equivalents carried forward</b>            | 28   | <u>3,507,875</u>  | <u>886,769</u>     |

The annexed notes form an integral part of these financial statements

# BALANCE SHEET

## AS AT 31 MAY 2008

|   | Note | 2008<br>RM        | 2007<br>RM |
|---|------|-------------------|------------|
| <b>NON-CURRENT ASSETS</b>                   |      |                   |            |
| Investments in subsidiaries                 | 7    | <b>30,792,513</b> | 17,772,513 |
| <b>CURRENT ASSETS</b>                       |      |                   |            |
| Amounts owing by subsidiaries               | 7    | <b>40,079,939</b> | 48,443,037 |
| Other receivables, deposits and prepayments | 14   | <b>179,000</b>    | 5,962,400  |
| Current tax assets                          |      | <b>164,523</b>    | 155,032    |
| Cash and cash equivalents                   | 15   | <b>547,231</b>    | 678,879    |
|   |      | <b>40,970,693</b> | 55,239,348 |
| <b>CURRENT LIABILITIES</b>                  |      |                   |            |
| Non-trade payables and accruals             | 17   | <b>97,000</b>     | 988,551    |
|   |      | <b>97,000</b>     | 988,551    |
| <b>NET CURRENT ASSETS</b>                   |      |                   |            |
|   |      | <b>40,873,693</b> | 54,250,797 |
| <b>NET ASSETS</b>                           |      |                   |            |
|   |      | <b>71,666,206</b> | 72,023,310 |
| <b>FINANCED BY:-</b>                        |      |                   |            |
| Share capital                               | 21   | <b>46,310,000</b> | 46,310,000 |
| Reserves                                    |      | <b>25,356,206</b> | 25,713,310 |
| <b>SHAREHOLDERS' EQUITY</b>                 |      |                   |            |
|   |      | <b>71,666,206</b> | 72,023,310 |

The annexed notes form an integral part of these financial statements

## INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

|                                     | Note | 2008<br>RM | 2007<br>RM  |
|-------------------------------------|------|------------|-------------|
| REVENUE                             | 22   | 2,400,000  | 8,500,000   |
| OTHER INCOME                        |      | -          | 357,000     |
| ADMINISTRATIVE AND GENERAL EXPENSES |      | (490,979)  | (362,926)   |
| PROFIT BEFORE TAX                   | 23   | 1,909,021  | 8,494,074   |
| TAX EXPENSE                         | 25   | (575,810)  | (2,239,234) |
| NET PROFIT FOR THE YEAR             |      | 1,333,211  | 6,254,840   |

The annexed notes form an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

|                         | Share<br>capital<br>RM | Non-<br>distributable<br>Share<br>premium<br>RM | Distributable<br>(Accumulated<br>losses)/<br>Retained<br>profits<br>RM | Shareholders'<br>equity<br>RM |
|-------------------------|------------------------|---|--|-------------------------------|
| Balance at 1 June 2006  | 46,310,000             | 23,763,721                                      | (2,638,091)  | 67,435,630                    |
| Dividend paid (Note 27) | –                      | –   | (1,667,160)  | (1,667,160)                   |
| Net profit for the year | –                      | –   | 6,254,840  | 6,254,840                     |
| Balance at 31 May 2007  | 46,310,000             | 23,763,721                                      | 1,949,589  | 72,023,310                    |
| Dividend paid (Note 27) | –                      | –   | (1,690,315)  | (1,690,315)                   |
| Net profit for the year | –                      | –   | 1,333,211  | 1,333,211                     |
| Balance at 31 May 2008  | <b>46,310,000</b>      | <b>23,763,721</b>                               | <b>1,592,485</b>   | <b>71,666,206</b>             |

The annexed notes form an integral part of these financial statements

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

|   | Note | 2008<br>RM       | 2007<br>RM  |
|---|------|------------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                  |             |
| Profit before tax   |      | 1,909,021        | 8,494,074   |
| Adjustments for:-   |      |                  |             |
| Dividend income   |      | (2,400,000)      | (8,500,000) |
| Gain on disposal of subsidiaries                            |      | -                | (357,000)   |
| Operating loss before working capital changes               |      | (490,979)        | (362,926)   |
| Increase in receivables                                     |      | (3,636,902)      | (3,172,725) |
| (Decrease)/Increase in payables                             |      | (7,000)          | 1,652       |
| Cash absorbed by operations                                 |      | (4,134,881)      | (3,533,999) |
| Tax refunded  |      | 38,699           | -           |
| Net cash used in operating activities                       |      | (4,096,182)      | (3,533,999) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |                  |             |
| Acquisition of subsidiaries                                 | 28   | (884,552)        | (1,125,000) |
| Disposal of subsidiaries                                    | 28   | 5,783,400        | 642,600     |
| Dividends received  |      | 1,776,000        | 6,205,000   |
| Subscription of additional shares in subsidiaries           |      | (1,019,999)      | -           |
| Net cash from investing activities                          |      | 5,654,849        | 5,722,600   |
| <b>CASH FLOWS FROM FINANCING ACTIVITY</b>                   |      |                  |             |
| Dividend paid   |      | (1,690,315)      | (1,667,160) |
| Net cash used in financing activity                         |      | (1,690,315)      | (1,667,160) |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |      | <b>(131,648)</b> | 521,441     |
| <b>Cash and cash equivalents brought forward</b>            |      | <b>678,879</b>   | 157,438     |
| <b>Cash and cash equivalents carried forward</b>            | 15   | <b>547,231</b>   | 678,879     |

The annexed notes form an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 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 principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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 consolidated financial statements set out on pages 31 to 35 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in associates. The separate financial statements of the Company set out on pages 36 to 39 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 16 September 2008.

### 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 in Malaysia 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 2007, the Group and the Company adopted the following revised FRSs which are relevant to their operations and effective for financial periods beginning on or after 1 October 2006:-

FRS 117 *Leases*

FRS 124 *Related Party Disclosures*

The adoption of these revised FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as disclosed in Note 2.6 below.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

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

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 for financial periods beginning on or after   |                |
|-------------------------|---|----------------|
| FRS 107                 | Cash Flow Statements  | 1 July 2007    |
| FRS 111                 | Construction Contracts  | 1 July 2007    |
| FRS 112                 | Income Taxes  | 1 July 2007    |
| FRS 118                 | Revenue   | 1 July 2007    |
| FRS 120                 | Accounting for Government Grants and Disclosure of Government Assistance                                | 1 July 2007    |
| Amendment to FRS 121    | The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation                | 1 July 2007    |
| FRS 134                 | Interim Financial Reporting   | 1 July 2007    |
| FRS 137                 | Provisions, Contingent Liabilities and Contingent Assets  | 1 July 2007    |
| FRS 139                 | Financial Instruments: Recognition and Measurement  | 1 January 2010 |
| 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 Financial Reporting in Hyperinflationary Economies      | 1 July 2007    |
| IC Interpretation 8     | Scope of FRS 2  | 1 July 2007    |

FRS 111, the amendment to FRS 121 and IC Interpretations 1, 2, 5, 6 and 7 will not be applicable to the Group and the Company. The adoption of the revised FRS 107, FRS 112, FRS 118, FRS 120, FRS 134, FRS 137 and IC Interpretation 8 is not expected to have any significant impacts on the financial statements. By virtue of the exemption given by FRS 139, the impacts on the financial statements upon initial application of this FRS are not disclosed.

#### 2.2 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### 2.3 Associates

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, investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are 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 associates.

#### 2.4 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 32 to the financial statements.

##### Fair Values

The carrying amounts of financial assets and liabilities which are repayable on demand or 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.

#### 2.5 Property, Plant and Equipment

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

Freehold land is not depreciated. 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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### 2.6 Prepaid Lease Payments

FRS 117 *Leases* requires an entity to treat a lease of land as an operating lease with its upfront payments being classified as prepaid lease payments and amortised on a straight-line basis over the lease term.

In accordance with the transitional provisions of FRS 117, the reclassification of leasehold land from property, plant and equipment to prepaid lease payments has been accounted for retrospectively with its unamortised revalued amount being retained as the surrogate carrying amount of the prepaid lease payments.

The effects of adopting FRS 117 together with the related restatements of comparative information are disclosed in Notes 4, 5 and 35 to the financial statements.

#### 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 associates are stated at cost less impairment losses, if any.

#### 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 Non-current Assets Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification as held for sale, the carrying amount of the relevant asset is measured in accordance with applicable FRSS. Upon classification as held for sale, the asset, other than financial assets and investment property stated at fair value, is measured at the lower of its carrying amount and fair value less costs to sell. Any initial or subsequent write-down to, or any subsequent increase in, fair value less costs to sell is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### 2.11 Impairment of Assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets 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.

#### 2.12 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.

#### 2.13 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.

#### 2.14 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.

#### 2.15 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.

#### 2.16 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### 2.17 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.

#### 2.18 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.

#### 2.19 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### 2.19 Income Recognition (cont'd)

##### **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 periods 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.

##### **Rental Income**

Rental income is recognised on an accrual basis.

#### 2.20 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.

#### 2.21 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### 2.22 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.

#### 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 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 2008

### 4. PROPERTY, PLANT AND EQUIPMENT

| The Group  | Freehold land RM | Long-term leasehold land RM | Short-term leasehold land 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>At Cost</b>                                     |                  |                             |                              |              |   |                        |   |                           |                   |             |              |
| Balance at 1 June 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   |
| - As previously reported                           | -                | (9,332,099)                 | (2,413,532)                  | -            | -   | -                      | -   | -                         | -                 | -           | (11,745,631) |
| - Effect of adopting FRS 117                       | 308,000          | -                           | -                            | 23,328,765   | 2,114,572                                   | 12,579,789             | 4,959,560                                 | 302,289                   | 5,283,606         | 1,636,330   | 50,512,911   |
| - As restated                                      | -                | -                           | -                            | -            | 140,523                                     | -                      | -   | -                         | 25,000            | 220,908     | 386,431      |
| Acquisition of subsidiaries                        | -                | -                           | -                            | -            | 156,486                                     | 374,986                | 592,111                                   | 7,748                     | 290,536           | 531,216     | 1,953,083    |
| Additions  | -                | -                           | -                            | -            | (87,956)                                    | (7,365,491)            | (811,079)                                 | -                         | (74,000)          | (151,702)   | (8,490,228)  |
| Disposal of subsidiaries                           | -                | -                           | -                            | -            | (19,575)                                    | -                      | -   | -                         | (69,716)          | (25,060)    | (114,351)    |
| Disposals  | -                | -                           | -                            | -            | 61,482                                      | -                      | -   | -                         | 6,635             | (4,024)     | 64,093       |
| Currency translation differences                   | -                | -                           | -                            | -            | -   | -                      | -   | -                         | -                 | -           | -            |
| Balance at 31 May 2007                             | 308,000          | -                           | -                            | 23,328,765   | 2,365,532                                   | 5,589,284              | 4,740,592                                 | 310,037                   | 5,462,061         | 2,207,668   | 44,311,939   |
| <b>Balance at 1 June 2007</b>                      |                  |                             |                              |              |   |                        |   |                           |                   |             |              |
| - As previously reported                           | 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   |
| - Effect of adopting FRS 117                       | -                | (9,332,099)                 | (2,413,532)                  | -            | -   | -                      | -   | -                         | -                 | -           | (11,745,631) |
| - As restated                                      | 308,000          | -                           | -                            | 23,328,765   | 2,365,532                                   | 5,589,284              | 4,740,592                                 | 310,037                   | 5,462,061         | 2,207,668   | 44,311,939   |
| Reclassification                                   | -                | -                           | -                            | -            | 292,954                                     | (225,730)              | 10,001                                    | -                         | (84,903)          | 7,678       | -            |
| Reclassification to assets held for sale (Note 11) | (308,000)        | -                           | -                            | (132,000)    | -   | -                      | -   | -                         | -                 | -           | (440,000)    |
| Acquisition of subsidiaries                        | -                | -                           | -                            | -            | 23,498                                      | -                      | -   | -                         | -                 | -           | 23,498       |
| Additions  | -                | -                           | -                            | -            | 210,897                                     | 270,125                | 736,574                                   | 6,750                     | 98,790            | 517,642     | 1,840,778    |
| Disposals/Written-off                              | -                | -                           | -                            | -            | (59,342)                                    | -                      | (49,389)                                  | -                         | (163,868)         | (112,729)   | (385,328)    |
| Currency translation differences                   | -                | -                           | -                            | -            | (15,406)                                    | -                      | -   | -                         | (1,967)           | 7,230       | (10,143)     |
| Balance at 31 May 2008                             | -                | -                           | -                            | 23,196,765   | 2,818,133                                   | 5,633,679              | 5,437,778                                 | 316,787                   | 5,310,113         | 2,627,489   | 45,340,744   |

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 31 MAY 2008**

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

|  | Freehold land | Long-term leasehold land | Short-term leasehold land | Buildings   | Furniture, fittings and office equipment | Plant and machinery | Renovation and electrical installation | Signboard and showcase | Motor vehicles | Computer  | Total       |
|--|---------------|--------------------------|---------------------------|-------------|--|---------------------|--|------------------------|----------------|-----------|-------------|
|  | RM            | RM                       | RM                        | RM          | RM                                       | RM                  | RM                                     | RM                     | RM             | RM        | RM          |
| <b>Accumulated Depreciation</b>                    |               |                          |                           |             |  |                     |  |                        |                |           |             |
| Balance at 1 June 2006                             | -             | -                        | -                         | 3,475,950   | 1,030,684                                | 6,453,388           | 2,190,174                              | 228,252                | 2,322,885      | 1,079,809 | 18,205,522  |
| - As previously reported                           | -             | 897,175                  | 527,205                   | (897,175)   | (527,205)                                | -                   | -                                      | -                      | -              | -         | (1,424,380) |
| - Effect of adopting FRS 117                       | -             | -                        | -                         | -           | -  | -                   | -                                      | -                      | -              | -         | -           |
| - As restated                                      | -             | -                        | -                         | 3,475,950   | 1,030,684                                | 6,453,388           | 2,190,174                              | 228,252                | 2,322,885      | 1,079,809 | 16,781,142  |
| Acquisition of subsidiaries                        | -             | -                        | -                         | -           | 80,174                                   | -                   | -                                      | -                      | 16,675         | 182,033   | 278,882     |
| Depreciation                                       | -             | -                        | -                         | 412,003     | 216,356                                  | 1,784,324           | 484,384                                | 9,228                  | 453,821        | 236,215   | 3,596,331   |
| 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                             | -             | -                        | -                         | 3,887,953   | 1,331,668                                | 3,223,595           | 2,104,917                              | 237,480                | 2,694,534      | 1,324,766 | 14,804,913  |
| Balance at 1 June 2007                             | -             | -                        | -                         | 3,887,953   | 1,331,668                                | 3,223,595           | 2,104,917                              | 237,480                | 2,694,534      | 1,324,766 | 16,404,535  |
| - As previously reported                           | -             | 1,032,192                | 567,430                   | (1,032,192) | (567,430)                                | -                   | -                                      | -                      | -              | -         | (1,599,622) |
| - Effect of adopting FRS 117                       | -             | -                        | -                         | -           | -  | -                   | -                                      | -                      | -              | -         | -           |
| - As restated                                      | -             | -                        | -                         | 3,887,953   | 1,331,668                                | 3,223,595           | 2,104,917                              | 237,480                | 2,694,534      | 1,324,766 | 14,804,913  |
| Reclassification                                   | -             | -                        | -                         | -           | 89,847                                   | (86,433)            | 14,182                                 | -                      | (24,032)       | 6,436     | -           |
| Reclassification to assets held for sale (Note 11) | -             | -                        | -                         | (21,945)    | -  | -                   | -                                      | -                      | -              | -         | (21,945)    |
| Acquisition of subsidiaries                        | -             | -                        | -                         | -           | 2,350                                    | -                   | -                                      | -                      | -              | -         | 2,350       |
| Depreciation                                       | -             | -                        | -                         | 406,983     | 193,712                                  | 328,064             | 377,606                                | 9,237                  | 408,191        | 570,925   | 2,294,718   |
| Disposals/Written-off                              | -             | -                        | -                         | -           | (43,613)                                 | -                   | (49,389)                               | -                      | (163,197)      | (111,759) | (367,958)   |
| Currency translation differences                   | -             | -                        | -                         | -           | (12,441)                                 | -                   | -                                      | -                      | (1,967)        | 4,245     | (10,163)    |
| Balance at 31 May 2008                             | -             | -                        | -                         | 4,272,991   | 1,561,523                                | 3,465,226           | 2,447,316                              | 246,717                | 2,913,529      | 1,794,613 | 16,701,915  |
| <b>Carrying Amount</b>                             |               |                          |                           |             |  |                     |  |                        |                |           |             |
| Balance at 1 June 2006                             | 308,000       | -                        | -                         | 19,852,815  | 1,083,888                                | 6,126,401           | 2,769,386                              | 74,037                 | 2,960,721      | 556,521   | 33,731,769  |
| Balance at 31 May 2007                             | 308,000       | -                        | -                         | 19,440,812  | 1,033,864                                | 2,365,689           | 2,635,675                              | 72,557                 | 2,767,527      | 882,902   | 29,507,026  |
| Balance at 31 May 2008                             | -             | -                        | -                         | 18,923,774  | 1,256,610                                | 2,168,453           | 2,990,462                              | 70,070                 | 2,396,584      | 832,876   | 28,638,829  |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

The carrying amounts of property, plant and equipment acquired under hire purchase agreements are as follows :-

| Carrying Amount                          | 2008<br>RM       | 2007<br>RM       |
|--|------------------|------------------|
| Furniture, fittings and office equipment | 24,767           | –                |
| Motor vehicles                           | 1,860,541        | 2,215,619        |
|  | <b>1,885,308</b> | <b>2,215,619</b> |

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

| Carrying Amount | 2008<br>RM        | 2007<br>RM        |
|-----------------|-------------------|-------------------|
| Freehold land   | –                 | 308,000           |
| Buildings       | 14,594,467        | 18,398,338        |
|                 | <b>14,594,467</b> | <b>18,706,338</b> |

#### 5. PREPAID LEASE PAYMENTS

##### The Group

|                              | Long-term<br>leasehold land<br>RM | Short-term<br>leasehold land<br>RM | Total<br>RM       |
|------------------------------|-----------------------------------|------------------------------------|-------------------|
| <b>At Cost / Valuation</b>   |                                   |                                    |                   |
| Balance at 1 June 2006       |                                   |                                    |                   |
| - As previously reported     | –                                 | –                                  | –                 |
| - Effect of adopting FRS 117 | 9,332,099                         | 2,413,532                          | 11,745,631        |
| - As restated                | 9,332,099                         | 2,413,532                          | 11,745,631        |
| Movement during the year     | –                                 | –                                  | –                 |
| Balance at 31 May 2007       | 9,332,099                         | 2,413,532                          | 11,745,631        |
| Representing items:-         |                                   |                                    |                   |
| - At cost                    | 9,332,099                         | 890,000                            | 10,222,099        |
| - At valuation               | –                                 | 1,523,532                          | 1,523,532         |
|                              | 9,332,099                         | 2,413,532                          | 11,745,631        |
| Balance at 1 June 2007       |                                   |                                    |                   |
| - As previously reported     | –                                 | –                                  | –                 |
| - Effect of adopting FRS 117 | 9,332,099                         | 2,413,532                          | 11,745,631        |
| - As restated                | 9,332,099                         | 2,413,532                          | 11,745,631        |
| Movement during the year     | –                                 | –                                  | –                 |
| Balance at 31 May 2008       | <b>9,332,099</b>                  | <b>2,413,532</b>                   | <b>11,745,631</b> |
| Representing items:-         |                                   |                                    |                   |
| - At cost                    | 9,332,099                         | 890,000                            | 10,222,099        |
| - At valuation               | –                                 | 1,523,532                          | 1,523,532         |
|                              | 9,332,099                         | 2,413,532                          | 11,745,631        |



## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 5. PREPAID LEASE PAYMENTS (cont'd)

|                                 | Long-term<br>leasehold land<br>RM | Short-term<br>leasehold land<br>RM | Total<br>RM             |
|---------------------------------|-----------------------------------|------------------------------------|-------------------------|
| <b>Accumulated Amortisation</b> |                                   |                                    |                         |
| Balance at 1 June 2006          |                                   |                                    |                         |
| - As previously reported        | -                                 | -                                  | -                       |
| - Effect of adopting FRS 117    | 897,175                           | 527,205                            | 1,424,380               |
| - As restated                   | 897,175                           | 527,205                            | 1,424,380               |
| Amortisation                    | 135,017                           | 40,225                             | 175,242                 |
| Balance at 31 May 2007          | <u>1,032,192</u>                  | <u>567,430</u>                     | <u>1,599,622</u>        |
| Balance at 1 June 2007          |                                   |                                    |                         |
| - As previously reported        | -                                 | -                                  | -                       |
| - Effect of adopting FRS 117    | 1,032,192                         | 567,430                            | 1,599,622               |
| - As restated                   | 1,032,192                         | 567,430                            | 1,599,622               |
| Amortisation                    | 135,017                           | 40,225                             | 175,242                 |
| Balance at 31 May 2008          | <u><b>1,167,209</b></u>           | <u><b>607,655</b></u>              | <u><b>1,774,864</b></u> |
| <b>Carrying Amount</b>          |                                   |                                    |                         |
| Balance at 1 June 2006          | 8,434,924                         | 1,886,327                          | 10,321,251              |
| Balance at 31 May 2007          | <u>8,299,907</u>                  | <u>1,846,102</u>                   | <u>10,146,009</u>       |
| Balance at 31 May 2008          | <u><b>8,164,890</b></u>           | <u><b>1,805,877</b></u>            | <u><b>9,970,767</b></u> |

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 amortisation, the carrying amount would have been RM855,510 (2007 : RM874,109).

Certain leasehold land with carrying amounts of RM3,322,782 (2007 : RM10,146,009) are pledged to banks for banking facilities granted to certain subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 6. Investment Property

#### The Group

|                                     | Freehold<br>land<br>RM | Leasehold<br>shoplots<br>RM | Buildings<br>RM | Total<br>RM      |
|-------------------------------------|------------------------|-----------------------------|-----------------|------------------|
| <b>At Cost</b>                      |                        |                             |                 |                  |
| Balance at 1 June 2006              | 689,287                | 630,000                     | 117,379         | 1,436,666        |
| Movement during the year            | –                      | –                           | –               | –                |
| Balance at 31 May 2007              | 689,287                | 630,000                     | 117,379         | 1,436,666        |
| Movement during the year            | –                      | –                           | –               | –                |
| Balance at 31 May 2008              | <b>689,287</b>         | <b>630,000</b>              | <b>117,379</b>  | <b>1,436,666</b> |
| <b>Accumulated Depreciation</b>     |                        |                             |                 |                  |
| Balance at 1 June 2006              | –                      | 66,314                      | 15,479          | 81,793           |
| Depreciation                        | –                      | 8,262                       | 2,038           | 10,300           |
| Balance at 31 May 2007              | –                      | 74,576                      | 17,517          | 92,093           |
| Depreciation                        | –                      | 8,262                       | 1,998           | 10,260           |
| Balance at 31 May 2008              | –                      | <b>82,838</b>               | <b>19,515</b>   | <b>102,353</b>   |
| <b>Carrying Amount</b>              |                        |                             |                 |                  |
| Balance at 1 June 2006              | 689,287                | 563,686                     | 101,900         | 1,354,873        |
| Balance at 31 May 2007              | 689,287                | 555,424                     | 99,862          | 1,344,573        |
| Balance at 31 May 2008              | <b>689,287</b>         | <b>547,162</b>              | <b>97,864</b>   | <b>1,334,313</b> |
| <b>Fair Value</b>                   |                        |                             |                 |                  |
| Estimated fair value at 31 May 2007 | 1,240,000              | 528,000                     | 100,000         | 1,868,000        |
| Estimated fair value at 31 May 2008 | <b>1,770,000</b>       | <b>551,000</b>              | <b>100,000</b>  | <b>2,421,000</b> |

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

|                        | 2008<br>RM       | 2007<br>RM |
|------------------------|------------------|------------|
| <b>Carrying Amount</b> |                  |            |
| Freehold land          | <b>689,287</b>   | 689,287    |
| Leasehold shoplots     | <b>408,158</b>   | 414,342    |
| Buildings              | <b>97,864</b>    | 99,862     |
|                        | <b>1,195,309</b> | 1,203,491  |

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 2008

### 7. INVESTMENTS IN SUBSIDIARIES

#### The Company

|                   | <b>2008</b>       | <b>2007</b> |
|-------------------|-------------------|-------------|
|                   | <b>RM</b>         | <b>RM</b>   |
| <b>At Cost</b>    |                   |             |
| Balance at 1 June | <b>17,772,513</b> | 21,831,962  |
| Additions         | <b>13,020,000</b> | 2,009,551   |
| Disposals         | -                 | (6,069,000) |
| Balance at 31 May | <b>30,792,513</b> | 17,772,513  |

The details of the subsidiaries are as follows:-

| Name of Subsidiary                              | Country of Incorporation | Ownership Interest Held |      | Principal Activity   |
|---|--------------------------|-------------------------|------|--|
|   |                          | 2008                    | 2007 |  |
| Keat Radio Co. Sdn. Bhd.                        | Malaysia                 | <b>100%</b>             | 100% | Manufacture, assembly and sale of electrical and electronic appliances   |
| Pensia Electronic Sdn. Bhd.                     | Malaysia                 | <b>100%</b>             | 100% | Manufacture, assembly and sale of electrical and electronic appliances   |
| Pensia Industries Sdn. Bhd.                     | Malaysia                 | <b>100%</b>             | 100% | Manufacture, assembly and sale of electrical and electronic appliances   |
| Pensonic Sales & Service Sdn. Bhd.              | Malaysia                 | <b>100%</b>             | 100% | Distribution of electrical and electronic appliances                     |
| Cornell Sales & Service Sdn. Bhd.               | Malaysia                 | <b>100%</b>             | 100% | Distribution of electrical and electronic appliances                     |
| Amtek Marketing Services Pte. Ltd.*             | Singapore                | <b>100%</b>             | 100% | Distribution of electrical and electronic appliances                     |
| Pensonic Corporation Sdn. Bhd.                  | Malaysia                 | <b>100%</b>             | 100% | Trading of electrical and electronic appliances                          |
| Epicson Sales & Service Sdn. Bhd.               | Malaysia                 | <b>100%</b>             | 100% | Trading of electrical and electronic appliances                          |
| Pensia Air Conditioners Sdn. Bhd.               | Malaysia                 | <b>100%</b>             | 100% | Assembly and sale of electrical and electronic appliances                |
| Mircotag Engineering Sdn. Bhd.                  | Malaysia                 | <b>51%</b>              | 0%   | Provision of business solutions via the application of AutoID Technology |
| <b>Subsidiaries of Keat Radio Co. Sdn. Bhd.</b> |                          |                         |      |  |
| Pensonic Industries Sdn. Bhd.                   | Malaysia                 | <b>60%</b>              | 60%  | Distribution of electrical and electronic appliances                     |
| Pensonic (H.K.) Corporation Limited*            | Hong Kong                | <b>100%</b>             | 100% | Trading of electrical and electronic appliances                          |
| Pensonic Parts & Service Sdn. Bhd.              | Malaysia                 | <b>60%</b>              | 60%  | Trading and service of parts of electrical and electronic appliances     |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

| Name of Subsidiary  | Country of Incorporation | Ownership Interest Held |      | Principal Activity                              |
|---|--------------------------|-------------------------|------|---|
|   |                          | 2008                    | 2007 |   |
| <b>Subsidiary of Pensonic (H.K.) Corporation Limited</b>    |                          |                         |      |   |
| Pensonic Trading (Shenzhen) Co., Ltd.*                      | China                    | 100%                    | 100% | Trading of electrical and electronic appliances |
| <b>Subsidiary of Pensonic Sales &amp; Service Sdn. Bhd.</b> |                          |                         |      |   |
| Kollektion Distribution Sdn. Bhd.                           | Malaysia                 | 100%                    | 0%   | Distribution of home appliances                 |

\* Not audited by Horwath

#### Acquisition of Subsidiaries

In June 2007, the Company acquired 50% of the equity interest in Microtag Engineering Sdn. Bhd. for RM1. The acquisition of Microtag Engineering Sdn. Bhd. gave rise to goodwill of RM38,789 as disclosed in Note 9 to the financial statements.

In June 2007, the Group, through Pensonic Sales & Service Sdn. Bhd., acquired 100% of the equity interest in Kollektion Distribution Sdn. Bhd., a company incorporated in Malaysia, for RM2. The acquisition of Kollektion Distribution Sdn. Bhd. gave rise to goodwill of RM9,577 as disclosed in Note 9 to the financial statements.

The subsidiaries' 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 RM137,000.

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         | 21,148          |
| Receivables                           | 3,900           |
| Cash and cash equivalents             | 682,668         |
| Payables                              | (793,346)       |
| Minority interest                     | 37,267          |
| Net identifiable liabilities acquired | <u>(48,363)</u> |

#### Subscription of Additional Shares in Subsidiaries

In November 2007, the Company subscribed for additional 1,019,999 new ordinary shares of RM1 each in Microtag Engineering Sdn. Bhd. for a cash consideration of RM1,019,999.

In December 2007, the Company subscribed for additional 12,000,000 new ordinary shares of RM1 each in Pensonic Sales & Service Sdn. Bhd. by way of capitalisation of part of the amount owing by Pensonic Sales & Service Sdn. Bhd. to the Company.

#### 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 2008

### 8. INVESTMENTS IN ASSOCIATES

#### The Group

|                                | <b>2008</b>     | <b>2007</b> |
|--------------------------------|-----------------|-------------|
|                                | <b>RM</b>       | <b>RM</b>   |
| Unquoted shares, at cost       | <b>204,610</b>  | 70,110      |
| Share of post-acquisition loss | <b>(32,490)</b> | (12,223)    |
|                                | <b>172,120</b>  | 57,887      |

The details of the associates are as follows:-

| Name of Associate         | Country of Incorporation | Ownership Interest Held |      | Principal Activity                              |
|---------------------------|--------------------------|-------------------------|------|---|
|                           |                          | 2008                    | 2007 |   |
| Pensonic (B) Sdn. Bhd.    | Brunei                   | <b>40%*</b>             | 30%* | Trading of electrical and electronic appliances |
| Microtag System Sdn. Bhd. | Malaysia                 | <b>20%#</b>             | 0%   | Dormant   |

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

# Interest held through a subsidiary, Microtag Engineering Sdn. Bhd.

The summarised financial information of the associates are as follows:-

|                       | <b>2008</b>      | <b>2007</b> |
|-----------------------|------------------|-------------|
|                       | <b>RM</b>        | <b>RM</b>   |
| Total assets          | <b>1,471,000</b> | 1,002,167   |
| Total liabilities     | <b>1,027,431</b> | 813,812     |
| Revenue               | <b>1,962,488</b> | 1,451,307   |
| Net loss for the year | <b>83,419</b>    | 40,744      |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

#### 9. INTANGIBLE ASSETS

##### The Group

|  | Goodwill<br>RM | Trademarks<br>RM | Total<br>RM      |
|--|----------------|------------------|------------------|
| Balance at 1 June 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        |
| Additions from acquisition of subsidiaries | 48,366         | –                | 48,366           |
| Impairment loss on goodwill                | (48,366)       | –                | (48,366)         |
| Currency translation differences           | 4,687          | –                | 4,687            |
| Balance at 31 May 2008                     | <b>766,152</b> | <b>870,000</b>   | <b>1,636,152</b> |

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.

#### 10. Deferred Tax Assets/(Liabilities)

##### The Group

|   | 2008<br>RM         | 2007<br>RM  |
|---|--------------------|-------------|
| Balance at 1 June   | <b>(888,000)</b>   | (1,212,133) |
| Deferred tax income relating to origination and reversal of temporary differences | <b>997,010</b>     | 308,118     |
| Deferred tax income relating to reduction in tax rate                             | <b>43,040</b>      | 81,500      |
| Recognition of previously unrecognised deferred tax assets                        | <b>758,300</b>     | –           |
| Deferred tax liabilities underprovided in prior year                              | –                  | (146,485)   |
| Disposal of subsidiaries  | –                  | 81,000      |
| Balance at 31 May   | <b>910,350</b>     | (888,000)   |
| Disclosed as:-  |                    |             |
| - Deferred tax assets   | <b>2,020,350</b>   | 257,000     |
| - Deferred tax liabilities  | <b>(1,110,000)</b> | (1,145,000) |
|   | <b>910,350</b>     | (888,000)   |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 10. Deferred Tax Assets/(Liabilities) (cont'd)

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

|  | <b>2008</b>        | <b>2007</b> |
|--|--------------------|-------------|
|  | <b>RM</b>          | <b>RM</b>   |
| Taxable temporary differences of property, plant and equipment | <b>(1,120,000)</b> | (1,145,000) |
| Deductible temporary differences of:-                          |                    |             |
| - financial instruments  | <b>79,000</b>      | 106,000     |
| - property, plant and equipment                                | <b>6,750</b>       | 2,000       |
| Unused capital allowances                                      | <b>24,000</b>      | 3,000       |
| Unused tax losses  | <b>1,920,600</b>   | 146,000     |
|  | <b>910,350</b>     | (888,000)   |

Save as disclosed above, as at 31 May 2008, 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 RM9,000 (2007 : RM11,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences and unused tax losses over the taxable temporary differences as follows:-

|  | <b>2008</b>      | <b>2007</b> |
|--|------------------|-------------|
|  | <b>RM</b>        | <b>RM</b>   |
| Deductible temporary differences of financial instruments      | <b>244,000</b>   | 136,000     |
| Unused tax losses  | <b>6,434,000</b> | 10,044,000  |
| Taxable temporary differences of property, plant and equipment | <b>(35,000)</b>  | (41,000)    |
|  | <b>6,643,000</b> | 10,139,000  |

### 11. ASSETS HELD FOR SALE

#### The Group

|  | <b>2008</b>    | <b>2007</b> |
|--|----------------|-------------|
|  | <b>RM</b>      | <b>RM</b>   |
| Balance at 1 June  | -              | -           |
| Reclassification from property, plant and equipment (Note 4) | <b>418,055</b> | -           |
| Balance at 31 May  | <b>418,055</b> | -           |

During the current financial year, the Group, through one of its subsidiaries, has entered into a sale and purchase agreement to sell the aforementioned assets. The sale has yet to be completed as at the balance sheet date.

The aforementioned assets have been pledged to a bank for banking facilities granted to a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

#### 12. INVENTORIES

##### The Group

|                  | 2008<br>RM        | 2007<br>RM        |
|------------------|-------------------|-------------------|
| Raw materials    | 6,272,476         | 6,202,354         |
| Finished goods   | 86,118,978        | 71,871,280        |
| Goods in transit | 1,942,788         | –                 |
|                  | <b>94,334,242</b> | <b>78,073,634</b> |

#### 13. TRADE RECEIVABLES

##### The Group

|                              | 2008<br>RM        | 2007<br>RM        |
|------------------------------|-------------------|-------------------|
| Trade receivables            | 69,701,405        | 74,759,329        |
| Allowance for doubtful debts | (1,538,099)       | (1,354,794)       |
|                              | <b>68,163,306</b> | <b>73,404,535</b> |

Included herein is an amount of RM735,995 (2007 : RM701,026) owing by an associate.

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

|                  | 2008<br>RM        | 2007<br>RM        |
|------------------|-------------------|-------------------|
| Ringgit Malaysia | 49,343,879        | 52,058,171        |
| Hong Kong Dollar | 3,068,996         | 2,663,563         |
| Renminbi         | –                 | 16,603            |
| Singapore Dollar | 2,884,215         | 2,520,428         |
| US Dollar        | 12,866,216        | 16,145,770        |
|                  | <b>68,163,306</b> | <b>73,404,535</b> |

The credit terms of trade receivables range from 30 to 90 (2007 : 30 to 90) days.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

#### The Group

Included in other receivables are advance payments to suppliers totalling RM8,029,523 (2007 : RM5,492,037).

The currency exposure profile of other receivables, deposits and prepayments is as follows:-

|                  | <b>2008</b>       | <b>2007</b> |
|------------------|-------------------|-------------|
|                  | <b>RM</b>         | <b>RM</b>   |
| Ringgit Malaysia | <b>14,616,897</b> | 22,346,782  |
| Hong Kong Dollar | <b>2,693,453</b>  | 262,585     |
| Singapore Dollar | <b>6,728</b>      | 9,454       |
| US Dollar        | <b>2,380,850</b>  | -           |
|                  | <b>19,697,928</b> | 22,618,821  |

#### The Group and the Company

Included in other receivables as at 31 May 2007 was the balance receivable from disposal of subsidiaries amounting to RM5,783,400.

### 15. CASH AND CASH EQUIVALENTS

|                                    | <b>The Group</b>  |             | <b>The Company</b> |             |
|------------------------------------|-------------------|-------------|--------------------|-------------|
|                                    | <b>2008</b>       | <b>2007</b> | <b>2008</b>        | <b>2007</b> |
|                                    | <b>RM</b>         | <b>RM</b>   | <b>RM</b>          | <b>RM</b>   |
| Fixed deposits with licensed banks | <b>667,499</b>    | 631,613     | -                  | -           |
| Cash and bank balances             | <b>15,027,325</b> | 12,147,683  | <b>547,231</b>     | 678,879     |
|                                    | <b>15,694,824</b> | 12,779,296  | <b>547,231</b>     | 678,879     |

Certain fixed deposits totalling RM618,742 (2007 : RM583,517) 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% (2007 : 1.8% to 3.9%) per annum.

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

|                  | <b>The Group</b>  |             | <b>The Company</b> |             |
|------------------|-------------------|-------------|--------------------|-------------|
|                  | <b>2008</b>       | <b>2007</b> | <b>2008</b>        | <b>2007</b> |
|                  | <b>RM</b>         | <b>RM</b>   | <b>RM</b>          | <b>RM</b>   |
| Ringgit Malaysia | <b>13,219,073</b> | 9,446,370   | <b>547,231</b>     | 678,879     |
| Hong Kong Dollar | <b>237,318</b>    | 370,839     | -                  | -           |
| Renminbi         | <b>224,318</b>    | 31,538      | -                  | -           |
| Singapore Dollar | <b>473,800</b>    | 443,860     | -                  | -           |
| US Dollar        | <b>1,540,315</b>  | 2,486,689   | -                  | -           |
|                  | <b>15,694,824</b> | 12,779,296  | <b>547,231</b>     | 678,879     |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 16. TRADE PAYABLES

#### The Group

Included herein is an amount of RM1,104,819 (2007 : RM969,556) owing to a company in which certain directors have substantial financial interests.

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

|                  | <b>2008</b>       | <b>2007</b> |
|------------------|-------------------|-------------|
|                  | <b>RM</b>         | <b>RM</b>   |
| Ringgit Malaysia | <b>29,497,760</b> | 27,100,717  |
| Hong Kong Dollar | <b>339,982</b>    | 825,994     |
| Renminbi         | -                 | 8,266       |
| Singapore Dollar | <b>131,337</b>    | 87,258      |
| US Dollar        | <b>12,344,097</b> | 14,678,991  |
|                  | <b>42,313,176</b> | 42,701,226  |

The credit terms of trade payables range from 30 to 90 (2007 : 30 to 90) days.

### 17. OTHER PAYABLES AND ACCRUALS

#### The Group

Included in other payables as at 31 May 2008 is the advance payments received from a customer amounting to RM564,314.

The currency exposure profile of other payables and accruals is as follows:-

|                  | <b>2008</b>      | <b>2007</b> |
|------------------|------------------|-------------|
|                  | <b>RM</b>        | <b>RM</b>   |
| Ringgit Malaysia | <b>5,678,192</b> | 10,144,194  |
| Hong Kong Dollar | <b>138,097</b>   | 146,373     |
| Singapore Dollar | <b>827,423</b>   | 844,557     |
| US Dollar        | <b>548,423</b>   | -           |
|                  | <b>7,192,135</b> | 11,135,124  |

#### The Group and the Company

Included in other payables as at 31 May 2007 was the balance payable for acquisition of subsidiaries amounting to RM884,551.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 18. HIRE PURCHASE PAYABLES

#### The Group

|   | 2008<br>RM | 2007<br>RM |
|---|------------|------------|
| Minimum hire purchase payments:-                    |            |            |
| - not later than one year                           | 510,830    | 538,426    |
| - later than one year and not later than five years | 682,016    | 1,117,603  |
|   | 1,192,846  | 1,656,029  |
| Future finance charges                              | (78,365)   | (131,439)  |
| Present value of hire purchase liabilities          | 1,114,481  | 1,524,590  |
| Current:-   |            |            |
| - not later than one year                           | 464,161    | 472,498    |
| Non-current:-                                       |            |            |
| - later than one year and not later than five years | 650,320    | 1,052,092  |
|   | 1,114,481  | 1,524,590  |

The effective interest rates of hire purchase payables range from 4.4% to 8.4% (2007 : 4.4% to 8.4%) per annum.

### 19. BANK BORROWINGS

#### The Group

|   | 2008<br>RM | 2007<br>RM |
|---|------------|------------|
| <b>Unsecured</b>                        |            |            |
| Bank overdrafts                         | 5,556,735  | 5,515,051  |
| Banker acceptances                      | 53,253,803 | 42,327,254 |
| <b>Secured</b>                          |            |            |
| Bank overdrafts                         | 6,011,472  | 5,793,959  |
| Banker acceptances                      | 27,233,271 | 21,205,335 |
| Current portion of term loans (Note 20) | 711,175    | 665,945    |
|   | 92,766,456 | 75,507,544 |

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, 6, 11 and 15 to the financial statements. The effective interest rates range from 3.4% to 8.8% (2007 : 3.5% to 8.8%) per annum.

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

|                  | 2008<br>RM | 2007<br>RM |
|------------------|------------|------------|
| Ringgit Malaysia | 92,553,727 | 74,614,320 |
| Singapore Dollar | 107,458    | 139,889    |
| US Dollar        | 105,271    | 753,335    |
|                  | 92,766,456 | 75,507,544 |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 20. TERM LOANS

#### The Group

|   | 2008<br>RM       | 2007<br>RM       |
|---|------------------|------------------|
| <b>Secured</b>                                      |                  |                  |
| Term loans  | 4,946,771        | 5,631,458        |
| Current portion (Note 19)                           | (711,175)        | (665,945)        |
| Non-current portion                                 | <u>4,235,596</u> | <u>4,965,513</u> |
| Repayment analysis is as follows:-                  |                  |                  |
| - not later than one year                           | 711,175          | 665,945          |
| - later than one year and not later than five years | 3,373,760        | 3,096,665        |
| - later than five years                             | 861,836          | 1,868,848        |
|   | <u>4,946,771</u> | <u>5,631,458</u> |

Term loans are secured against certain land and buildings of the Group as disclosed in Note 4 and 5 to the financial statements. The loans are repayable over 10 years commencing July 2004, February 2005 and October 2005 respectively. The effective interest rates are 7.8% (2007 : 6% to 7.8%) per annum.

### 21. SHARE CAPITAL

#### The Group and The Company

|  | 2008<br>RM         | 2007<br>RM         |
|--|--------------------|--------------------|
| Authorised:-                               |                    |                    |
| 200,000,000 ordinary shares of RM0.50 each | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid-up:-                 |                    |                    |
| 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 2008, 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 21. SHARE CAPITAL (cont'd)

#### Share Warrants (cont'd)

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 2008, there were 22,690,000 (2007 : 22,690,000) unexercised warrants at an exercise price of RM1.425 per share.

### 22. REVENUE

Revenue of the Group represents income from the sale of goods, net of returns and discount allowed.

Revenue of the Company represents gross dividend income from subsidiaries.

### 23. PROFIT BEFORE TAX

|  | The Group        |            | The Company   |            |
|--|------------------|------------|---------------|------------|
|  | 2008<br>RM       | 2007<br>RM | 2008<br>RM    | 2007<br>RM |
| Profit before tax is arrived at after charging:- |                  |            |               |            |
| Allowance for doubtful debts                     | <b>309,945</b>   | 1,076,944  | -             | -          |
| Amortisation of prepaid lease payments           | <b>175,242</b>   | 175,242    | -             | -          |
| Auditors' remuneration                           |                  |            |               |            |
| - current year                                   | <b>140,483</b>   | 142,282    | <b>14,000</b> | 14,000     |
| - prior years                                    | <b>(10,965)</b>  | (27,695)   | <b>9,000</b>  | (8,000)    |
| Bad debts written-off                            | -                | 2,441,409  | -             | -          |
| Depreciation                                     |                  |            |               |            |
| - investment property                            | <b>10,260</b>    | 10,300     | -             | -          |
| - property, plant and equipment                  | <b>2,294,718</b> | 3,596,331  | -             | -          |
| Directors' remuneration*                         |                  |            |               |            |
| Present directors                                |                  |            |               |            |
| - fees   | <b>80,000</b>    | 90,000     | <b>80,000</b> | 90,000     |
| - non-fee emoluments                             | <b>1,065,600</b> | 1,255,580  | -             | -          |
| Past directors                                   |                  |            |               |            |
| - non-fee emoluments                             | <b>207,546</b>   | -          | -             | -          |
| Other directors                                  |                  |            |               |            |
| - non-fee emoluments                             | <b>755,614</b>   | 629,071    | -             | -          |
| Impairment loss on goodwill                      | <b>48,366</b>    | -          | -             | -          |
| Interest expense                                 | <b>4,100,658</b> | 3,336,231  | -             | -          |
| Inventories written-off                          | <b>3,269</b>     | 985,529    | -             | -          |
| Loss on foreign exchange                         |                  |            |               |            |
| - realised                                       | <b>383,645</b>   | 322,983    | -             | -          |
| - unrealised                                     | <b>316,561</b>   | 409,144    | -             | -          |
| Property, plant and equipment written-off        | <b>8,497</b>     | -          | -             | -          |
| Rental expense                                   |                  |            |               |            |
| - equipment                                      | <b>76,950</b>    | 69,750     | -             | -          |
| - premises                                       | <b>1,575,377</b> | 1,800,511  | -             | -          |
| - others   | <b>189,012</b>   | 143,708    | -             | -          |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

#### 23. PROFIT BEFORE TAX (cont'd)

|   | The Group      |            | The Company |            |
|---|----------------|------------|-------------|------------|
|   | 2008<br>RM     | 2007<br>RM | 2008<br>RM  | 2007<br>RM |
| and crediting:-                           |                |            |             |            |
| Allowance for doubtful debts written back | <b>36,490</b>  | -          | -           | -          |
| Bad debts recovered                       | -              | 5,000      | -           | -          |
| Gain on disposal                          |                |            |             |            |
| - property, plant and equipment           | <b>24,996</b>  | 27,826     | -           | -          |
| - subsidiaries                            | -              | 68,267     | -           | 357,000    |
| Government grant                          | -              | 265,980    | -           | -          |
| Interest income                           | <b>45,287</b>  | 42,148     | -           | -          |
| Negative goodwill**                       | -              | 610,412    | -           | -          |
| Realised gain on foreign exchange         | <b>755,092</b> | 1,006,444  | -           | -          |
| Rental income                             |                |            |             |            |
| - investment property                     | <b>42,200</b>  | 67,827     | -           | -          |
| - others                                  | <b>120,000</b> | 140,000    | -           | -          |

\* The directors' remuneration represents the entire key management personnel compensation of the Group and the Company as there were no other key management personnel apart from all the directors who have the authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Group and the Company.

\*\* Included in other income

#### 24. EMPLOYEE BENEFITS EXPENSE

##### The Group

|                              | 2008<br>RM        | 2007<br>RM |
|------------------------------|-------------------|------------|
| Short-term employee benefits | <b>17,521,808</b> | 18,135,603 |
| Defined contribution plans   | <b>1,342,672</b>  | 1,359,551  |
|                              | <b>18,864,480</b> | 19,495,154 |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 25. TAX EXPENSE

|  | The Group        |            | The Company    |            |
|--|------------------|------------|----------------|------------|
|  | 2008<br>RM       | 2007<br>RM | 2008<br>RM     | 2007<br>RM |
| Tax based on results for the year:-                        |                  |            |                |            |
| Malaysian income tax                                       | 2,304,180        | 2,822,760  | 574,000        | 2,265,000  |
| Overseas income tax  | 22,966           | -          | -              | -          |
| Deferred tax   | (1,040,050)      | (389,618)  | -              | -          |
|  | <b>1,287,096</b> | 2,433,142  | <b>574,000</b> | 2,265,000  |
| Recognition of previously unrecognised deferred tax assets | (758,300)        | -          | -              | -          |
| Tax under/(over) provided in prior years:-                 |                  |            |                |            |
| Malaysian income tax                                       | 751,021          | 3,464,037  | 1,810          | (25,766)   |
| Overseas income tax  | (1,729)          | 902        | -              | -          |
| Deferred tax   | -                | 146,485    | -              | -          |
|  | <b>1,278,088</b> | 6,044,566  | <b>575,810</b> | 2,239,234  |

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  |           |
|---|--------------|-----------|--------------|-----------|
|   | 2008<br>%    | 2007<br>% | 2008<br>%    | 2007<br>% |
| Applicable tax rate                                     | 26.00        | 27.00     | 26.00        | 27.00     |
| Non-deductible expenses                                 | 26.10        | 22.72     | 4.07         | 0.80      |
| Non-taxable income                                      | (1.52)       | (4.69)    | -            | (1.13)    |
| Tax incentives claimed                                  | (0.17)       | (6.27)    | -            | -         |
| Increase/(Decrease) in unrecognised deferred tax assets | 4.92         | (3.03)    | -            | -         |
| Effect of lower tax rate                                | (2.01)       | (2.43)    | -            | -         |
| Average effective tax rate                              | <b>53.32</b> | 33.30     | <b>30.07</b> | 26.67     |

Pursuant to the Finance Act, 2007 (Act 683) gazetted on 28 December 2007, the statutory income tax rate has been reduced from 27% to 26% for the financial year under review.

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 NIL (2007 : RM653,000).

As at 31 May 2008, the Company has sufficient tax credits and tax exempt accounts to frank/distribute its retained profits in full if paid out as dividends.

### 26. 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 RM2,461,893 (2007 : RM573,421) by the weighted average number of ordinary shares in issue during the financial year of 92,620,000 (2007 : 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 27. DIVIDEND PAID

#### The Group and the Company

|  | 2008<br>RM       | 2007<br>RM       |
|--|------------------|------------------|
| Final dividend of 2.5 sen per share less tax at 28% in respect of financial year ended 31 May 2006 | -                | 1,667,160        |
| Final dividend of 2.5 sen per share less tax at 27% in respect of financial year ended 31 May 2007 | <b>1,690,315</b> | -                |
|  | <b>1,690,315</b> | <b>1,667,160</b> |

A final dividend of 1.25 sen per share less tax at 25% amounting to RM868,313 in respect of the financial year ended 31 May 2008 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

### 28. NOTES TO CASH FLOW STATEMENTS

#### Acquisition of Subsidiaries

The cash flow effects of the acquisition of subsidiaries as mentioned in Note 7 to the financial statements are as follows:-

|   | The Group        |             |
|---|------------------|-------------|
|   | 2008<br>RM       | 2007<br>RM  |
| Property, plant and equipment                         | <b>21,148</b>    | 107,549     |
| Inventories   | -                | 5,550,767   |
| Receivables   | <b>3,900</b>     | 8,634,817   |
| Fixed deposits pledged to bank                        | -                | 460,000     |
| Cash and cash equivalents (including bank overdrafts) | <b>682,668</b>   | (52,577)    |
| Payables  | <b>(793,346)</b> | (9,245,340) |
| Borrowings (excluding bank overdrafts)                | -                | (2,862,167) |
| Tax liabilities                                       | -                | (118,198)   |
| Minority interest                                     | <b>37,267</b>    | -           |
| Net identifiable (liabilities)/assets acquired        | <b>(48,363)</b>  | 2,474,851   |
| Goodwill  | <b>48,366</b>    | 145,112     |
| Negative goodwill                                     | -                | (610,412)   |
| Gross consideration                                   | <b>3</b>         | 2,009,551   |
| Balance payable (Note 17)                             | -                | (884,551)   |
| Payment for prior year acquisition                    | <b>884,551</b>   | -           |
| Net consideration paid                                | <b>884,554</b>   | 1,125,000   |
| Cash and cash equivalents acquired                    | <b>(682,668)</b> | 52,577      |
| Acquisition of subsidiaries, net of cash acquired     | <b>201,886</b>   | 1,177,577   |



## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### Acquisition of Subsidiaries (cont'd)

|                                    | The Company    |            |
|------------------------------------|----------------|------------|
|                                    | 2008<br>RM     | 2007<br>RM |
| Gross consideration                | 1              | 2,009,551  |
| Balance payable (Note 17)          | -              | (884,551)  |
| Payment for prior year acquisition | <b>884,551</b> | -          |
| Net consideration paid             | <b>884,552</b> | 1,125,000  |

#### 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. The cash flow effects of the disposal of subsidiaries are as follows:-

|   | The Group        |             |
|---|------------------|-------------|
|   | 2008<br>RM       | 2007<br>RM  |
| Property, plant and equipment                         | -                | 2,668,316   |
| Inventories   | -                | 23,943      |
| Receivables   | -                | 2,585,173   |
| Tax assets  | -                | 10,076      |
| Cash and cash equivalents (including bank overdrafts) | -                | 731,164     |
| Payables  | -                | (357,376)   |
| Borrowings (excluding bank overdrafts)                | -                | (1,296,651) |
| Tax liabilities                                       | -                | (275,191)   |
| Minority interest                                     | -                | (2,003,833) |
| Net identifiable assets disposed of                   | -                | 2,085,621   |
| Goodwill  | -                | 4,272,112   |
| Gain on disposal                                      | -                | 68,267      |
| Gross consideration                                   | -                | 6,426,000   |
| Balance receivable (Note 14)                          | -                | (5,783,400) |
| Receipt of prior year disposal                        | <b>5,783,400</b> | -           |
| Net consideration received*                           | <b>5,783,400</b> | 642,600     |
| Cash and cash equivalents disposed of                 | -                | (731,164)   |
| Disposal of subsidiaries, net of cash disposed of     | <b>5,783,400</b> | (88,564)    |

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

#### Purchase of Property, Plant and Equipment

|   | The Group        |            |
|---|------------------|------------|
|   | 2008<br>RM       | 2007<br>RM |
| Cost of property, plant and equipment purchased | <b>1,840,778</b> | 1,953,083  |
| Amount financed through hire purchase           | <b>(68,787)</b>  | (223,000)  |
| Net cash disbursed                              | <b>1,771,991</b> | 1,730,083  |

#### Cash and Cash Equivalents

|   | The Group           |              |
|---|---------------------|--------------|
|   | 2008<br>RM          | 2007<br>RM   |
| Fixed deposits with licensed banks        | <b>667,499</b>      | 631,613      |
| Cash and bank balances                    | <b>15,027,325</b>   | 12,147,683   |
| Bank overdrafts                           | <b>(11,568,207)</b> | (11,309,010) |
|   | <b>4,126,617</b>    | 1,470,286    |
| Fixed deposits pledged to banks (Note 15) | <b>(618,742)</b>    | (583,517)    |
|   | <b>3,507,875</b>    | 886,769      |

### 29. RELATED PARTY DISCLOSURES

Other than the directors' remuneration as disclosed in Note 23 to the financial statements, significant transactions with related parties during the financial year are as follows:-

|   | The Group        |            | The Company      |            |
|---|------------------|------------|------------------|------------|
|   | 2008<br>RM       | 2007<br>RM | 2008<br>RM       | 2007<br>RM |
| Dividends received from subsidiaries            | -                | -          | <b>2,400,000</b> | 6,205,000  |
| Electricity charges charged to a related party* | <b>292,000</b>   | 280,300    | -                | -          |
| Purchase of goods from a related party*         | <b>7,084,783</b> | 7,114,583  | -                | -          |
| Rental of premises charged by a director        | <b>85,000</b>    | -          | -                | -          |
| Rental of premises charged to a related party*  | <b>120,000</b>   | 140,000    | -                | -          |
| Sale of goods to an associate                   | <b>1,389,846</b> | 1,363,261  | -                | -          |

\* Being a company in which certain directors have substantial financial interests

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 30. 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 investments in associates, 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    |             |
|-----------------|--------------------|-------------|
|                 | 2008               | 2007        |
|                 | RM                 | RM          |
| Malaysia        | <b>218,016,538</b> | 214,716,358 |
| Other countries | <b>103,584,132</b> | 87,387,200  |
|                 | <b>321,600,670</b> | 302,103,558 |

|                             | Segment Assets     |             | Capital Expenditure |           |
|-----------------------------|--------------------|-------------|---------------------|-----------|
|                             | 2008               | 2007        | 2008                | 2007      |
|                             | RM                 | RM          | RM                  | RM        |
| Malaysia                    | <b>220,624,313</b> | 218,439,690 | <b>1,827,482</b>    | 2,820,395 |
| China (including Hong Kong) | <b>10,756,985</b>  | 4,669,529   | <b>19,975</b>       | 9,600     |
| Singapore                   | <b>7,839,619</b>   | 5,764,527   | <b>14,469</b>       | 100,637   |
|                             | <b>239,220,917</b> | 228,873,746 | <b>1,861,926</b>    | 2,930,632 |

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

##### The Group

|                                 | 2008<br>RM     | 2007<br>RM     |
|---------------------------------|----------------|----------------|
| Contracted but not provided for | <u>202,395</u> | <u>434,000</u> |

#### 32. CONTINGENT LIABILITY - UNSECURED

##### The Company

|  | 2008<br>RM         | 2007<br>RM         |
|--|--------------------|--------------------|
| Financial guarantees granted for subsidiaries' credit facilities | <u>199,956,000</u> | <u>146,606,000</u> |

#### 33. 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 32 to the financial statements.

##### Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 31 May 2008 and 2007 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

### 34. 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

#### 35. COMPARATIVE FIGURES

As detailed in Notes 2.6, 4 and 5 to the financial statements, the following comparative figures as at 31 May 2007 have been restated following the adoption of FRS 117 *Leases*:-

|                               | As previously<br>reported<br>RM | Effect of adopting<br>FRS 117<br>RM | As restated<br>RM |
|-------------------------------|---------------------------------|-------------------------------------|-------------------|
| Property, plant and equipment | 39,653,035                      | (10,146,009)                        | 29,507,026        |
| Prepaid lease payments        | –                               | 10,146,009                          | 10,146,009        |

#### 36. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (i) In June 2008, the Group, through Keat Radio Co. Sdn. Bhd. ("KRC"), acquired the remaining 40% of the equity interest in Pensonic Industries Sdn. Bhd. ("PSI"), a company incorporated in Malaysia, for RM4,000. PSI is consequently become the wholly-owned subsidiary of the Group.
- (ii) In June 2008, the Group, through KRC, further subscribed for an additional 2,400,000 new ordinary shares of RM1 each in PSI for RM2,400,000 which is satisfied by way of capitalisation of the amount owing by PSI to KRC.

## 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 31.05.2008 RM |
|---------------------|---|--|--------------------------------------|----------------------------|-------------------------------|---------------------------------|
| KRC                 | Plot 5, Tingkat Perusahaan 6, Phase 4, Prai Industrial Estate, 13600 Prai, Penang.  | Industrial land with warehouse and office          | 15                                   | Leasehold Expiring in 2052 | 1.8441 acres/ 40,000 sq.ft.   | 1,631,384                       |
| KRC                 | 17, Solok Gurney 1, 10250 Penang  | Double storey residential building                 | 25                                   | Freehold                   | 2,777 sq.ft/ 3,026 sq.ft.     | 418,055                         |
| KRC                 | 158,160 & 162, Jalan Perak, 10150 Penang.   | Shop/ warehouse                                    | Pre-war                              | Freehold                   | 4,945 sq.ft.                  | 371,750                         |
| 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, Penang | Residential  | 11                                   | Leasehold                  | 7,200 sq.ft.                  | 378,882                         |
| KRC                 | Lot 2286 & 2287, TS 6, NED, Penang  | Development land                                   | –                                    | Freehold                   | 14,348 sq.ft.                 | 415,401                         |
| KRC                 | Shoplot B1.1.27 & B1.1.28 Komtar, Penang  | Shoplot  | 25                                   | Leasehold Expiring in 2075 | 624 sq.ft.                    | 408,158                         |
| PENSONIC INDUSTRIES | Shoplot B1.1.29 Komtar, Penang.   | Shoplot  | 25                                   | Leasehold Expiring in 2075 | 312 sq.ft.                    | 139,004                         |
| PENSIA ELECTRONIC   | Plot 98, MK.11, Bukit Tengah Industrial Park, SPT, Prai, Penang.  | Industrial land with factory, warehouse and office | 11                                   | Leasehold Expiring in 2054 | 3.05632 acres/ 112,050 sq.ft. | 5,669,343                       |
| PSS                 | Lot 4, Towering Industrial Centre, 4½ Miles Penampang, 88300 Kota Kinabalu, Sabah.  | Warehouse and office                               | 16                                   | Leasehold Expiring in 2037 | 2,700 sq.ft.                  | 271,429                         |
| PSS                 | Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.  | Warehouse and office                               | 16                                   | Leasehold Expiring in 2069 | 43,560 sq.ft.                 | 6,647,986                       |

## 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 31.05.2008 RM |
|-------------------|---|--|--------------------------------------|----------------------------|---------------------------|---------------------------------|
| PSS               | 31, Laluan Perusahaan Kledang 9, Kawasan Perindustrian Chandan Raya, 31450 Menglembu. | Warehouse and office                       | 11                                   | Leasehold Expiring in 2082 | 5,494 sq.ft.              | 353,740                         |
| PSS               | Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.                      | Warehouse and office                       | 4                                    | Leasehold Expiring in 2070 | 43,560 sq.ft.             | 4,946,535                       |
| PENSIA INDUSTRIES | Plot 215, MK.13, Bukit Minyak Industrial Park, SPT, Prai, Penang                      | Industrial land with factory and warehouse | 5                                    | Leasehold Expiring in 2064 | 3 acres/<br>75,260 sq.ft. | 5,669,986                       |



# ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS

## AS AT 6 OCTOBER 2008

### SHAREHOLDINGS & WARRANTHOLDINGS 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<br>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<br>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      | : 3,393   |
| Number of Warranholders     | : 1,043   |

### 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                      |
| 142            | 101 to 1,000 shares                      | 117,975           | 0.13                      |
| 2,517          | 1,001 to 10,000 shares                   | 12,173,141        | 13.14                     |
| 657            | 10,001 to 100,000 shares                 | 16,852,200        | 18.19                     |
| 69             | 100,001 to less than 5% of issued shares | 31,285,714        | 33.78                     |
| 5              | 5% and above of issued shares            | 32,190,868        | 34.76                     |
| <b>3,393</b>   |  | <b>92,620,000</b> | <b>100.00</b>             |

## ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd) AS AT 6 OCTOBER 2008

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

| No. | Names  | No. of Shares     | %            |
|-----|--|-------------------|--------------|
| 1   | Mayban Nominees (Tempatan) Sdn. Bhd.<br>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<br>pledged securities a/c for Chew Weng Khak Realty Sdn. Bhd. (Smart)                | 4,634,160         | 5.00         |
| 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   | Public Nominees (Tempatan) Sdn. Bhd.<br>pledged securities a/c for Phnuah Farn Farn (E-BMM)            | 1,764,600         | 1.91         |
| 9   | The Kulim-Baling Road Transport Company, Sdn. Bhd.   | 1,474,000         | 1.59         |
| 10  | Nation Rex Sdn. Bhd.   | 1,426,200         | 1.54         |
| 11  | Tan Yong Siang   | 1,415,200         | 1.53         |
| 12  | Chew Chuon Jin   | 1,029,100         | 1.11         |
| 13  | Ambank (M) Berhad<br>pledged securities a/c for Chew Chuon Jin (Retail Banking)                        | 987,000           | 1.07         |
| 14  | Chew Chuon Fang  | 974,200           | 1.05         |
| 15  | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>pledged securities a/c for Tan King Tai @ Tan Khoon Hai     | 965,000           | 1.04         |
| 16  | Law Shee Hong  | 964,100           | 1.04         |
| 17  | Public Nominees (Tempatan) Sdn. Bhd.<br>pledged securities a/c for Chan Mei Cheng (E-BMM)              | 942,600           | 1.02         |
| 18  | Chew Chuon Ghee  | 895,500           | 0.97         |
| 19  | Tay Ah Hoe   | 887,000           | 0.96         |
| 20  | Law Shee Hong  | 741,300           | 0.80         |
| 21  | Tan King Tai @ Tan Khoon Hai   | 656,000           | 0.71         |
| 22  | Ong Wan Bing Alias Kie Tjhan   | 624,500           | 0.67         |
| 23  | Tan Ah Nya @ Tan Bee Tiang   | 584,400           | 0.63         |
| 24  | Amsec Nominees (Tempatan) Sdn. Bhd.<br>pledged securities a/c for Tan King Tai @ Tan Khoon Hai (Smart) | 530,000           | 0.57         |
| 25  | Ambank (M) Berhad<br>pledged securities a/c for Chew Chuon Ghee (Retail Banking)                       | 522,000           | 0.56         |
| 26  | Yap Gim Seng   | 516,600           | 0.56         |
| 27  | Tan Tong Chait   | 500,000           | 0.54         |
| 28  | Pristine Classic Sdn. Bhd.   | 444,900           | 0.48         |
| 29  | Muafakat Rakyat Johor Sdn. Bhd.  | 400,000           | 0.43         |
| 30  | Alic Chen  | 350,000           | 0.38         |
|     | <b>Total</b>   | <b>55,738,082</b> | <b>60.19</b> |

# ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd)

## AS AT 6 OCTOBER 2008

### SUBSTANTIAL SHAREHOLDERS

| Name of Shareholder                        | ← NO. OF SHARES HELD → |       |              |       |
|--|------------------------|-------|--------------|-------|
|  | DIRECT                 |       | INDIRECT     |       |
|  | No.                    | %     | No.          | %     |
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 17,661,088             | 19.07 | * 13,322,794 | 14.38 |
| Chew Weng Khak Realty Sdn. Bhd.            | 13,322,794             | 14.38 | –            | –     |
| Permodalan Nasional Berhad                 | 5,160,000              | 5.57  | –            | –     |

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

### STATEMENT OF DIRECTORS' SHAREHOLDINGS

| Name of Directors<br><br>The Company       | DIRECT        |                              | DEEMED        |                              |
|--|---------------|------------------------------|---------------|------------------------------|
|  | No. of Shares | % of Issued<br>Share Capital | No. of Shares | % of Issued<br>Share Capital |
|  |               |                              |               |                              |
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 17,661,088 *  | 19.07                        | @ 13,322,794  | 14.38                        |
| Chew Chuon Jin                             | 2,016,100 *   | 2.18                         | @ 13,322,794  | 14.38                        |
| Dato' Seri Tan King Tai @ Tan Khoon Hai    | 2,622,618 *   | 2.83                         | # 4,000       | –                            |
| Chew Chuon Ghee                            | 1,477,500 *   | 1.60                         | @ 13,322,794  | 14.38                        |
| Dato' Dr. Ku Abd Rahman Bin Ku Ismail      | 5,000         | 0.01                         | –             | –                            |

#### The Subsidiaries

|  |        |       |   |   |
|--|--------|-------|---|---|
| Pensonic Industries Sdn Bhd                |        |       |   |   |
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 30,000 | 30.00 | – | – |
| Pensonic Parts & Service Sdn Bhd           |        |       |   |   |
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 1      | –     | – | – |
| Chew Chuon Jin                             | 50,001 | 40.00 | – | – |

#### 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<br>Warrants |
|----------------|--|-------------------|-------------------------------|
| 1              | Less than 100 shares                     | 46                | 0.00                          |
| 222            | 101 to 1,000 shares                      | 217,704           | 0.97                          |
| 619            | 1,001 to 10,000 shares                   | 2,347,710         | 10.82                         |
| 166            | 10,001 to 100,000 shares                 | 5,188,154         | 23.86                         |
| 33             | 100,001 to less than 5% of issued shares | 10,769,434        | 45.99                         |
| 2              | 5% and above of issued shares            | 4,166,952         | 18.36                         |
| <b>1,043</b>   |  | <b>22,690,000</b> | <b>100.00</b>                 |

## ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd) AS AT 6 OCTOBER 2008

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

| 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.<br>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   | 473,100           | 2.09         |
| 9   | Chan Mei Cheng   | 428,500           | 1.89         |
| 10  | Chew Chuon Ghee  | 426,000           | 1.88         |
| 11  | Tan Bak Fooi @ Tang Kiat   | 419,000           | 1.85         |
| 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<br>pledged securities a/c for Tan Gaik Suan  | 324,700           | 1.43         |
| 15  | Tan Tong Chait   | 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  | Phnuah Farn Farn   | 233,800           | 1.03         |
| 22  | Chew Chuon Fang  | 228,200           | 1.01         |
| 23  | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>pledged securities a/c for Tan King Tai @ Tan Khoon Hai (471821)                | 200,000           | 0.88         |
| 24  | Mayban Securities Nominees (Tempatan) Sdn. Bhd.<br>pledged securities a/c for Vivekanandan a/l Ams. Periasamy (R90-Margin) | 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.<br>pledged securities a/c for Phnuah Farn Farn (E-BMM)                                | 148,000           | 0.65         |
|     | <b>Total</b>   | <b>14,328,586</b> | <b>63.17</b> |

# ANALYSIS OF SHAREHOLDINGS / WARRANTHOLDINGS (cont'd) AS AT 6 OCTOBER 2008

## 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 | -          | -     |
| Chew Chuon Ghee                            | 1,328,890                | 5.86  | *2,668,158 | 11.76 |
| Phnuah Farn Farn                           | 1,276,578                | 5.63  | -          | -     |

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



# FINANCIAL CALENDAR

## ANNOUNCEMENT OF RESULTS

|                 |   |
|-----------------|---|
| 29 October 2007 | Preliminary announcement of unaudited consolidated results for the first quarter ended 31 August 2007.    |
| 30 January 2008 | Preliminary announcement of unaudited consolidated results for the second quarter ended 30 November 2007. |
| 29 April 2008   | Preliminary announcement of unaudited consolidated results for the third quarter ended 29 February 2008.  |
| 29 July 2008    | Preliminary announcement of unaudited consolidated results for the fourth quarter ended 31 May 2008.      |

## DIVIDENDS

|                  |   |
|------------------|---|
| 28 December 2007 | Payment of the final dividend of 2.5sen per share less tax of 27% for the year ended 31 May 2007.                                 |
| 2 November 2008  | Notice of the entitlement and payment of the final dividend of 1.25 sen per share less tax of 25% for the year ended 31 May 2008. |

## ANNUAL REPORT & GENERAL MEETINGS

|                  |   |
|------------------|---|
| 2 November 2008  | Notice of the 14 <sup>th</sup> Annual General Meeting, Extraordinary General Meeting and posting of the 2008 Annual Report to shareholders. |
| 26 November 2008 | 14 <sup>th</sup> Annual General Meeting & Extraordinary General Meeting.  |

# PENSONIC HOLDINGS BERHAD

(Company No. 300426-P)

(Incorporated in Malaysia under the Companies Act, 1965)

No. of Shares Held

## 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 II, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Wednesday, 26 November, 2008 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:<br>(i) (a) Mr. Chew Chuon Jin (Resolution 4)<br>(b) Mr. Chew Chuon Ghee (Resolution 5)<br>(ii) Dato' Dr. Ku Abd. Rahman Bin Ku Ismail (Resolution 6) |     |         |
| 5.  | Appointment of Auditors (Resolution 7)   |     |         |
| 6.  | As Special Business<br>Authorising Directors to issue shares not exceeding 10% of the issued share capital (Resolution 8)  |     |         |

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

Date: \_\_\_\_\_2008

\_\_\_\_\_  
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.

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



Fold along this line



# Malaysia

## 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

## 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

No. A 141 & A 143, Ground Floor, Jln Wong  
Ah Jang, 25100 Kuantan, PAHANG

## KUALA LUMPUR Showroom & Customer Care Centre

Lot 11A, 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 Peringkat Jaya,  
75400 MALACCA

## SABAH

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

## SARAWAK

Lot 1186, Pendling 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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# Pensonic Sales and Service Centres

## Overseas

### CHINA

119, Xingye Rd., Xiangzhou, Zhuhai City,  
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