

PENSONIC

Holdings Berhad

Incorporated in Malaysia (300426-P)



2011

Annual Report

• home appliances

• audio

• visual

• air conditioner

Pensonic Holdings Berhad will invest RM250 million over the next 10 years to set up a home appliance manufacturing hub and an international distribution network.

- Putrajaya International Convention Centre, KL | 19th April 2011 -



"Pensonic Holdings Bhd will spearhead an initiative to establish a manufacturing hub and international distribution network of Electrical Home Appliances [EHA] and an international distribution network. This initiative aims to capture the rising market opportunities in the Southeast Asian region and the Middle East. It emphasizes strong product branding and product R & D, and will enhance the position of Malaysia in the regional EHA sector, particularly in own branding manufacturing [OBM] and the original design manufacturing [ODM] regimes. With a strong human resources development program to be put in place and a commitment to local sourcing, the

project is expected to play a key role in developing more SMI suppliers and providing quality jobs to people at large," announced by the Prime Minister Dato' Sri Najib Tun Razak at the PICC for ETP Progress update #5.

"Pensonic Holdings Bhd has always been an active participant with the Government in promoting Industrial Development in Malaysia, especially in offering opinion and suggestions on the support of the SMI/ SME and also assist the Government in formulating strategies in brand building", said Dixon Chew, the Group Managing Director.

To eventually involve in the ETP (Economic Transformation Programme), Pensonic started with the invitation to be a member of E & E lab in the NKEA workshops back in May 2010. Then Pensonic has shared its experiences in branding management, supply chain management, international

marketing and also revealed to the lab on a 5-years corporate expansion plan that aims to increase the sales to 3 folds in 5 years' time. This project with an investment of RM250mil over the next 10 years is expected to be able to develop more SMI/SME suppliers and has a GNI contribution of about RM500 million and also creates 850 increment of employment opportunities by 2020.

For Pensonic, the vision of this project is also to create a Major Malaysian Player in EHA, which will compete at PAR with other regional and global players in the targeted markets and through this business endeavor, contribute significantly to Malaysia's ETP that aims to propel Malaysia towards a high income nation by the year 2020!

3 Prestigious Awards in the first quarter of 2011



Brand Excellence Award (Merchandise) Industry Excellence Awards
The Putra Brand Award 2011 Special Mention Award in Personal Household & Outdoor Appliances by Matrade
The Best Brands in Consumer in Electrical Home Appliances by The BrandLaureate Awards

310Kelvin Launch

- Pavillion KL | 23rd November 2010 -



Mariah Carey "Merry Christmas II You" Went GOLD in Malaysia by Pensonic



Malaysia Charity Education Ride

- Straits Quay, Penang | 25th September 2011 -



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman

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

Managing Director

Mr. Chew Chuon Jin

Executive Director

Mr. Chew Chuon Ghee

Non Executive Directors

Y. Bhg. Dato' Dr. Ku Abd Rahman Bin Ku Ismail

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

En. Khairilnuar Bin Tun Abdul Rahman (*Resigned on 21 June 2011*)

Mr. Loh Eng Wee (*Appointed on 15 September 2011*).

SECRETARY

Mr. Lee Hong Lim (MIA No. 12949)

REGISTERED OFFICE

87, Muntri Street

10200 Penang.

Tel : 604-2638 100/200

Fax : 604-2638 500

Email : tcms@tcms.com.my

REGISTRAR

Plantation Agencies Sdn. Bhd.

Standard Chartered Bank Chambers

Lebuh Pantai, 10300 Penang.

Tel : 604-2625 333

Fax : 604-2622 018

AUDITORS

KPMG

Chartered Accountants

PRINCIPAL BANKERS

Malayan Banking Berhad

HSBC Bank Malaysia Berhad

CIMB Bank Berhad

RHB Bank Berhad

OCBC Bank (Malaysia) Berhad

Malaysian Industrial Development Finance Berhad

Hong Leong Bank Berhad

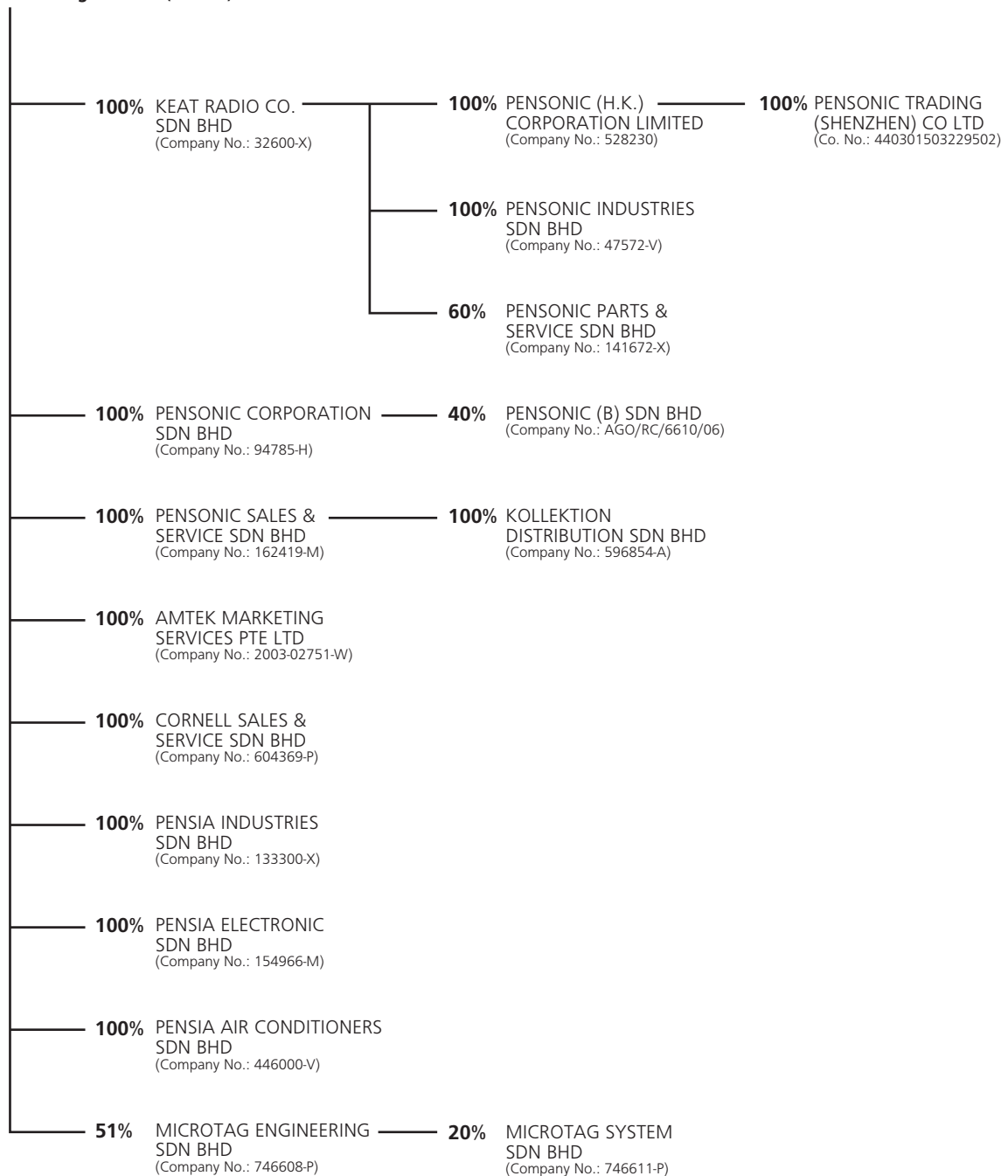


CORPORATE STRUCTURE

AS AT 5 OCTOBER 2011

PENSONIC

Pensonic Holdings Berhad (300426-P)



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of PENSONIC HOLDINGS BERHAD will be held at Laurel Ballroom, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Friday, 25th day of November, 2011 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:-

A G E N D A

As Ordinary Businesses

1. To receive the Audited Financial Statements for the financial year ended 31 May, 2011 together with the Directors and Auditors Report thereon. (Please refer to Notes A)
2. To approve a Final Dividend of 1.75 sen per share less tax at 25% for the financial year ended 31 May, 2011 as recommended by the Directors in their report. (Resolution 1)
3. To approve Directors' Fees for the financial year ended 31 May, 2011. (Resolution 2)
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 3)
 - b) Mr. Chew Chuon Ghee (Resolution 4)
- ii) To re-elect Mr. Loh Eng Wee as Director who is retiring under Article 134 of the Company's Articles of Association. (Resolution 5)
5. To re-appoint the retiring auditors, Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

As Special Businesses

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

- i) Ordinary Resolution

AUTHORITY TO ISSUE SHARES

(Resolution 7)

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorized to issue and allot shares in the Company from time to time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

- ii) Ordinary Resolution

PROPOSED RENEWAL OF SHAREHOLDER'S MANDATE FOR RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

(Resolution 8)

"THAT, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders dated 3 November 2011 provided that such transactions are made at arm's length and are in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

THAT disclosure will be made in the annual report of the breakdown of aggregate value of transactions conducted during the financial year pursuant to the shareholders' mandate, amongst others based on the type of recurrent related party transactions made and the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company and that such approval shall take effect upon the passing of this resolution and shall remain in effect until:

- a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or
- c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

AND THAT the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions authorized by the Proposed Renewal of Shareholders' Mandate."

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

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the 17th Annual General Meeting, the Final dividend of 1.75 sen per share less tax of 25% in respect of the financial year ended 31 May, 2011 will be paid on 30 December, 2011 to depositors registered in the Records of Depositors at the close of business on 15 December, 2011.

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

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15 December, 2011 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

Lee Hong Lim (MIA 12949)
Company Secretary

Penang
Date : 3 November, 2011

Notes:-

- A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Proxy:-

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 87, Muntri Street, 10200 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. The proposed Resolution No. 7, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the last AGM held on 26 November 2010 which will lapse at the conclusion of the 17th AGM.



STATEMENT ACCOMPANYING NOTICE OF THE 17TH 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) Mr. Chew Chuon Jin (*retiring pursuant to Article 129 of the Articles of Association*)
 - b) Mr. Chew Chuon Ghee (*retiring pursuant to Article 129 of the Articles of Association*)
 - c) Mr. Loh Eng Wee (*retiring pursuant to Article 134 of the Articles of Association*)

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

Four (4) Board of Directors' Meeting were held during the financial year from 1 June, 2010 to 31 May, 2011. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follows:

Name	No. Of Meeting Attended
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	4
Mr. Chew Chuon Jin	3
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4
Y.Bhg. Dato' Dr. Ku Abd Rahman Bin Ku Ismail	4
Mr. Chew Chuon Ghee	3
En. Khairilnuar Bin Tun Abdul Rahman (<i>Resigned on 21/06/2011</i>)	3
Mr. Loh Eng Wee (<i>Appointed on 15/09/2011</i>)	-

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

All four (4) Board of Directors' Meeting held during the financial year ended 31 May, 2011 took place at Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.

Date of Meeting	Time
28 October 2010	10:30 a.m.
27 January 2011	3.45 p.m.
25 April 2011	3.45 p.m.
27 July 2011	3.45 p.m.

4. Details of the profile of Directors are set out in the Board of Directors on pages 8 to 9 of the Annual Report.
5. None of the Directors have any conflict of interest in the Company except for those transactions disclosed in Note 24 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 Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, Y.Bhg. Dato' Dr. Ku Abd Rahman Bin Ku Ismail and Mr. Loh Eng Wee. Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai is the Independent Non Executive Director of Unimech Group Berhad, Executive Director /Finance Director of Muar Ban Lee Group Berhad & Independent Non Executive of Denko Industrial Corporation Berhad. Y.Bhg. Dato' Dr. Ku Abd Rahman Bin Ku Ismail is the Non-Executive Chairman of Melati Ehsan Holdings Berhad. Mr. Loh Eng Wee is the Independent Non Executive Director of Tatt Giap Group Berhad .
8. Details of the Directors' securities holdings in the Company, and/or in related corporations are set out on pages 92 to 93 of the Annual Report.

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BOARD OF DIRECTORS

Y.BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK

A Malaysian, aged 69, was appointed to the Board as the Group Executive Chairman. 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, Y.Bhg. 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.

Y.Bhg. Dato' Seri Chew is the father of Mr. Chew Chuon Jin and Mr. Chew Chuon Ghee, the Group Managing Director and Executive Director of Pensonic Holding Berhad respectively.

MR. CHEW CHUON JIN*

A Malaysian, aged 42, is the Group Managing Director of Pensonic Holdings Berhad Group. He graduated from the National Cheng Chi University of Taiwan with 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 Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, the Group Executive Chairman.

MR. CHEW CHUON GHEE*

A Malaysian, aged 39, is the 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 Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, the Group Executive Chairman.

Keep the water warm
always with Pensonic
thermo Pot
Eco-Friendly Portable
Electric Thermo Pot with
Auto-Dispense Function

Y.BHG. TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI

A Malaysian, aged 56, 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 Companies Secretaries. He has over 30 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. Tan Sri is an Independent Non-Executive Director of Unimech Group Berhad and was appointed as Independent Non-Executive Director of Denko Industrial Corporation Berhad on 27 December 2010, both of which are listed on Bursa Malaysia Securities Berhad. With effect from 30 June 2009, he was appointed as Executive Director/ Finance Director of Muar Ban Lee Group Berhad, a company 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.

Y.BHG. DATO' DR. KU ABD RAHMAN BIN KU ISMAIL

A Malaysian, aged 59, is an Independent Non-Executive Director of Pensonic Holdings Berhad and subsequently appointed as the Chairman of Audit Committee on 23 June 2011. 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. 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.

MR. LOH ENG WEE*

A Malaysian, aged 42, was appointed as the Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad on 15 September 2011. Mr. Loh graduated from University Malaya in 1994 with a Bachelors of Law (Hons). He did his chambering in Cheong Wai Meng & Van Buerle in 1994 and was admitted as an advocate and solicitor in 1995. He subsequently joined San & Associate as their advocate and solicitor, and in 1997, he was appointed as the partner of the firm. Mr. Loh's legal specialisation includes matters relating to banking, corporate, civil, land and conveyancing. He is an Independent Non-Executive Director and Audit Committee member of Tatt Giap Group Berhad, which is 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.

* Directors who are standing for re-election



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Company for the financial year ended 31 May 2011.

Operating Environment:

Over the year, the world economy has improved in 2010 since the height of the recession in mid 2009. However, concerns remain over the deterioration of the European debt crisis, the potential effects of U.S. counter-cyclical measures and continuing currency tensions resulted in the slow recovery in consumer market spending. Despite the sluggish market sentiments for year 2011, PENSONIC steered through a challenging operating environment to emerge as a more resilient company.

In the past 12 months, we have been consolidating our operations through reorganization, streamlining processes and re-engineering the businesses. The Group has strategized to focus on high profit margin products and shedding of unprofitable product range. As our Group focuses on these strategic transformation especially in local market, group revenue reflects this developmental phase, with revenue consolidating at approximately RM 298 million, a decrease by 2% from a year ago. However, the Group recorded gross profit of RM 60 million, an increase by 14% over the last financial year. Gross profit margin rose to 20% from 17% in year 2010. This had proven that our margin driven strategies have been successful through shedding of unprofitable product range and improvements of the Group's operation effectiveness. Apart from this, turnover for overseas segment had increased from RM35 million to RM74 million resulted from aggressive expansion and growth strategy carried out for overseas segment during the financial year.

Operating results:

In connection with the corporate restructuring for the commencement of Economic Transformation Programme ("ETP") in year 2012, the Group had written off bad debts and slow moving stocks of RM1.76 million and RM1.36 million during the financial year. Besides, there is also an impairment loss of goodwill of RM630K recognised in relation to the Group's operations in Hong Kong during the financial year. These significant events resulted in our net profit after tax decreased by RM0.15 million to RM3.02 million (2010: RM3.17 million) during the financial year. Net profit attributable to the shareholders of the Company was RM3.338 million (2010: RM3.347 million) for the full year of 2011. The Group's earnings per share is 3.60 cents in 2011, as compared to 3.61 cents in 2010.

The Group's statement of financial position remained healthy as it was in a net cash position backed by cash and cash equivalents of RM3.58 million as at May 31, 2011. Total borrowings reduced from RM84.8 million to RM84.3 million as of May 31, 2011 shown the group continues to maintain its leverage level. Our net asset value per share grew to RM1.05 from RM1.03 previously. Nevertheless, we believe that the Group is in a stronger position with an improved balance sheet to embark on an exciting new phase of growing our existing businesses and to look out for interesting acquisitions.





A positive outlook

Under the Economic Transformation Programme (“ETP”), PENSONIC will lead an Entry Point Project (“EPP”), to establish a Manufacturing Hub and International Distribution Network of Electrical Home Appliances (“EHA”) which aims to capture the rising market opportunities in the Southeast Asian region and the Middle East. We are optimistic of the Group’s prospects ahead. To this end, we have outlined the following growth strategies for the current financial year.

(i) *Expanding clientele in our core business*

Throughout the year, the name PENSONIC has become synonymous with reliability and durability and the group has evolved into a well known player in the electrical home appliances market through decades of brand-building. We would continue to focus on expanding and strengthening our brand presence in traditional markets, both locally and globally, through increase in our distribution network by aggressive marketing and advertising strategy. We will also continuously deliver quality products and services in meeting customers’ satisfaction, and to always consolidate our position as the leader in quality and reliability.

(ii) *Developing new segment of product range through Research and Development*

In the past, our group engaged in innovative Original Design Manufacturer (ODM) business with a major global electrical home appliances brand owner, creating a further milestone in our corporate growth.

Going forward, management is taking the opportunity to re-organize our workflow and to introduce new product range to meet the competition and the growing needs of our customers as well as ODM business partner. We plan to devote significant effort on product research and development that will strengthen the identity of the product range through Own Branding Manufacturing (OBM) and further boost to the branding initiatives.

(iii) *Identifying suitable Merger & Acquisition (“M&A”) opportunities*

Further, we would constantly explore potential merger and acquisition to broaden our capabilities and diverse to serve a wider range of customers. In future, we are heading for a “multi-brand” concept as one of our key strategies for growth. Having synergistic business to complement the Group’s existing core competencies would place the Group in a good state to capture even more opportunities not only in local market, but in the global market as a whole in the future.

We are now accelerating our growth plans through creating new innovative business model, as well as focusing on the core strengths and competences, we hope to grow the existing businesses and look for brand acquisitions to prudently expand our presence in the world. However, we are cautiously optimistic of the impact of sovereign debts crisis, unemployment in developed countries and the recent downgrading of the US’s sovereign rating from AAA to AA+ on the world and its impact on the region as well as global market.

CHAIRMAN'S STATEMENT (CONT'D)

Raising the bar

From its humble origin as a small retailer cum workshop for electrical home appliances back in year 1965, our group had transformed into a leading brand in the region. We believe the main difference between us and our competitors is our established market presence and brand recognition, as well as our scalable business model.

Whichever way you look at PENSONIC today – whether it will be exploring new market opportunities, creating new brands, innovation, maintaining customer relationships, tightening cost structures, or charting a course for sustainable profitable growth – PENSONIC are constantly raising the bar. We are hopeful that 2012, our group will reach another level of growth and towards achieving our vision of becoming a successful Asia Brand.

Dividend

The Board is recommending a final dividend of 1.75 sen per share less 25% tax for the financial year ended 31 May 2011. (2010: 3.0% per share less 25% tax)

Appreciation

During the financial year, the team at PENSONIC worked hard and weathered through it by working together with our bankers, business associates and vendors. I take this opportunity to thank the management and staff of PENSONIC for their commitment to always rise up challenge. To our Board of Directors, I would like to express my sincere gratitude for your constructive feedback and never failing support. To our Customers, Business Partners and Shareholders, we are ever so grateful. I am optimistic of PENSONIC's future performance.

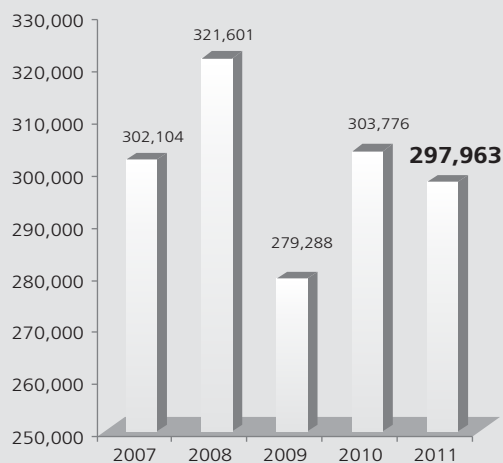
Y.Bhg. Dato' Seri Chew Weng Khak
@ Chew Weng Kiak
Group Executive Chairman
26 September 2011

FINANCIAL HIGHLIGHTS

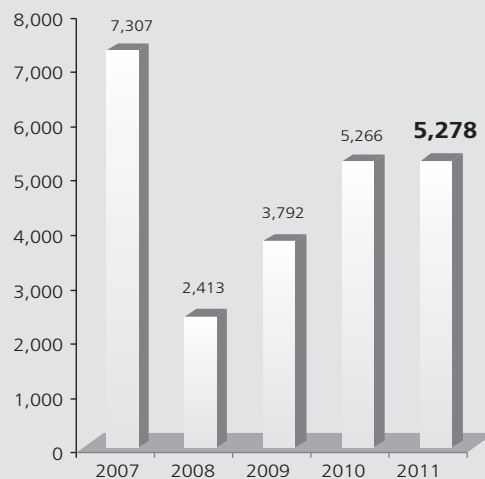
AS AT 31 MAY 2011

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	302,104	321,601	279,288	303,776	297,963
Profit Before Tax	7,307	2,413	3,792	5,266	5,278
Profit For The Year	1,262	1,135	2,177	3,169	3,016
Net dividend proposed	1,667	868	868	1,042	1,216
BALANCE SHEET					
Total Assets	232,127	243,667	217,858	218,813	223,421
Share Capital	46,310	46,310	46,310	46,310	46,310
Total Equity	91,299	91,788	93,137	95,409	97,139
FINANCIAL RATIOS					
Return on shareholders' equity	0.63%	2.72%	2.41%	3.53%	3.44%
Earning Per Share (sen)	0.62	2.66	2.41	3.61	3.60
Net assets per share (RM)	0.60	0.99	1.01	1.03	1.05
Dividend Rate	5.00%	2.50%	2.50%	3.00%	3.50%

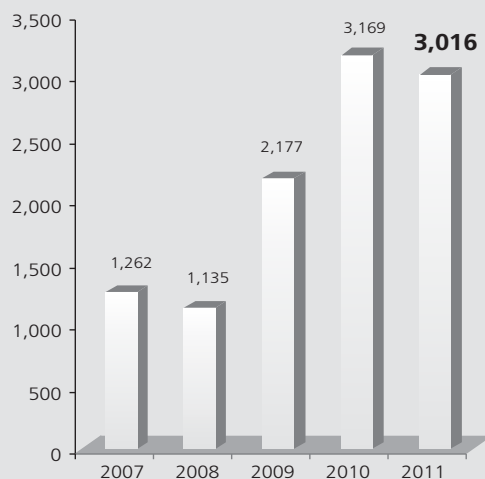
Revenue
RM'000



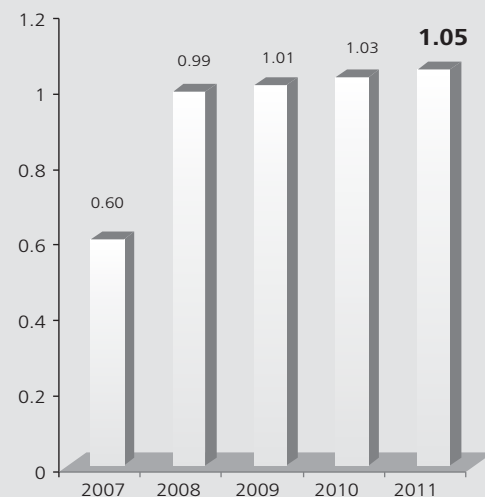
Profit Before Tax
RM'000



Profit For The Year
RM'000



Net assets per share
RM



STATEMENT OF CORPORATE GOVERNANCE

The Board of PENSONIC fully appreciates the importance of adopting high standards of corporate governance within the Group in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Board views corporate governance to be synonymous with four key concepts; namely transparency, accountability, integrity as well as corporate performance.

The Board of PENSONIC believes in inculcating a culture that seeks to balance conformance requirements with the need to deliver long-term strategic success through performance, predicated on entrepreneurship, control and ownership, without compromising personal or corporate ethics and integrity.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is pleased to provide a narrative statement on the application of the Principles and the extent of compliance with the Best Practices as set out in Part 1 and 2 of the MCCG respectively.

Principles statement

The following statement sets out how the Company has applied the Principles as set out in Part 1 of the MCCG.

A. DIRECTORS

The Board

The Board plays a pivotal role in the stewardship of the Group's direction and operations, including enhancing long-term shareholders' value. In order to fulfil this role, the Board is explicitly responsible for reviewing and adopting a strategic plan for business performance; overseeing the proper conduct of the Group's business; identifying principal risks and ensuring the implementation of systems to manage risks; succession planning; developing an investor relations programme; and reviewing the adequacy and integrity of the Group's internal control systems and management information systems.

Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. This demarcation of roles both complements and reinforces the supervisory role of the Board.

The Board has a formal schedule of matters specifically reserved to it for decision. Such matters include the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and monitoring the financial and operating performance of the Group. This arrangement enables the direction and control of the Group to be firmly in the Board's hand.

The role and function of the Board, which includes the differing roles of Executive Directors and Non-Executive Directors as well as the schedule of matters reserved for the Board, are clearly delineated in a Board Charter.

Meetings

The Board ordinarily meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Due notice is given of scheduled meetings and matters to be dealt with. All Board meeting proceedings are minuted, including the issues discussed and the conclusions made in discharging its duties and responsibilities.

During the financial year, the Board met on four (4) occasions, where it deliberated upon and considered a variety of matters, including approving the Group's financial results, strategic and investments decisions, annual operating and capital budgets as well as financial and operating performance of its subsidiary companies. Principal risks that have a significant impact on the Group's business or on its financial position, were identified, including measures to mitigate such risks.

The agenda for each Board meeting and papers relating to the agenda items are disseminated to all Directors at least five (5) days before the meeting, in order to provide sufficient time for the Directors to review the Board papers and seek clarifications, if any.

All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting. Details of each Director's meeting attendances are as follows:

Meetings Attended (out of 4)

Directors		Number of Meetings attended
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	Group Chairman	4/4
Mr. Chew Chuon Jin	Group Managing Director	3/4
Mr. Chew Chuon Ghee	Executive Director	3/4
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	Non Independent Non Executive Director	4/4
Y.Bhg. Dato' Dr.Ku Abd Rahman Bin Ku Ismail	Independent Non Executive Director	4/4
En. Khairilnauar Bin Tun Abdul Rahman (Resigned on 21/6/2011)	Independent Non Executive Director	3/4
Mr. Loh Eng Wee (Appointed on 15/9/2011)	Independent Non Executive Director	-

Information Dissemination

The Chairman undertakes primary responsibility for organising information necessary for the Board to deal with the agenda and in ensuring that all Directors have full and timely access to the information relevant to matters that will be deliberated at the Board meeting. The Board is supplied with a comprehensive balance of financial and non-financial information covering strategic, operational, financial, regulatory and marketing and human resources issues for informed decision making and effective discharge of its responsibilities.

Such information is supported by key performance indicators, which provide an ongoing overview of business performance through the use of balanced scorecard reporting approach. Detailed periodic briefings on the industry outlook and Company performance are also conducted for Directors to ensure that the Board is well informed on the Group's position, corporate trends, prospects and emerging issues.

The Audit Committee, Investment Committee and Executive Committee play a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Committees partly function as a filter to ensure that only pertinent matters are tabled at the Board level.

All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making; that Board procedures are followed and all the statutory and regulatory requirements are met. The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained. The Board believes that the Company Secretary is capable of carrying out his duties to ensure the effective functioning of the Board and his removal from the post, if contemplated, is a matter for consideration by the Board as a whole.

All Directors have full and immediate access to information relating to the Company's business and affairs in the discharge of their duties. There is also a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary, in furtherance of their duties, at the Company's expense.

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STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

A. DIRECTORS (CONT'D)

Directors' training

The Board, through the Nominating Committee, ensures a structured orientation and continuous education programme is in place for new and existing members of the Board. The programme includes, amongst others, briefings and updates on the organisational structure, salient matters covered under the Board Charter, key strategic, operational, financial and compliance aspects of the Group, the Group's performance management system, a presentation by the Group Managing Director, informal discussions with members of the Board and scheduled site visits. This is geared towards ensuring that all Directors are familiar with and are able to appreciate the Group's operating environment and business dynamics to enable them to contribute effectively during Board's deliberations.

All Directors have successfully completed the Mandatory Accreditation Programme under the auspicious of Bursa Malaysia. During the year, the Directors have pursued relevant courses and attended seminars to keep abreast with industry, regulatory and compliance issues, trends and best practices, including updates on the new FRSs. Seminars and training programmes attended by the Directors for the year are as follows:

1. LR of Bursa Malaysia: Overview and key obligations of public listed companies
2. Asia Pacific's New Corporate Landscape: Due Diligence in uncertain times
3. Managing risk in perilous times: Practical steps in managing business operations

The Company Secretary circulates guidelines on statutory and regulatory requirements periodically for the Board's reference which include briefing updates to the Board every quarter. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge, as appropriate.

Re-election

The Company's Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. Directors appointed by the Board in each financial year are subject to re-election by the shareholders at the next Annual General Meeting following their appointments. The election of each Director is voted on separately.

To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for re-election is furnished in a separate statement accompanying the Notice of the Annual General Meeting.

B. 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 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 2011 is as follows:

Categories Fees	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Directors	50,000	1,084,424	1,134,424
Non- Executive Directors	30,000	59,060	89,060

B. DIRECTORS REMUNERATION (CONT'D)

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

Range of Remuneration In RM	Number of Directors	
	Executive Director	Non-Executive Director
Below 50,000	-	3
50,000 – 100,000	-	-
100,001 – 150,000	-	-
150,001 – 200,000	-	-
200,000 – 250,000	-	-
250,001 – 300,000	1	-
300,000 and above	2	-

C. 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.

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.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to Bursa Malaysia as well as the Chairman's statement and review of operations in the Annual Report.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting.

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STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

D. ACCOUNTABILITY AND AUDIT (CONT'D)

Directors' Responsibility Statement In Respect Of The Preparation Of The Audited Financial Statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their operations results and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards for entities other than private entities issued by the MASB and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State Of Internal Control

The Board acknowledges its responsibilities for the Group's systems of internal control covering not only financial controls but also operational and compliance controls as well as risk management.

The Statement on Internal Control furnished on pages 22 to 23 of the Annual Report provides an overview about the state of internal controls within the Group.

Relationship With The Auditor

Key features underlying the relationship of the Audit Committee with the external auditor are included in the Audit Committee's terms of reference as detailed on pages 20 to 21 of the Annual Report.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee.

Report on pages 20 and 21 of the Annual Report.

Corporate Social Responsibility

The Group is committed to sustainable development. Safety, health and environment as well as community responsibilities are integral to the way in which the Group conducts its business. Pensonic's commitment to corporate social responsibility extends beyond corporate philanthropy as the Group actively seeks the participation of its employees in such programmes.

Compliance Statement

The Company has complied throughout the financial year with all the Best Practices of corporate governance set out in Part 2 of the MCCG, except for Best Practice AAVII in respect of the identification of a Senior Independent Non-Executive Director in the Annual Report, to whom concerns may be conveyed.

Given the current composition of the Board, in particular the strong and independent element and the separation of the roles of Chairman and Group Managing Director, the Board does not consider it necessary at this juncture to identify a Senior Independent Non-Executive Director.

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 2011.

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 2011 are as follows:

Member	Designation
Y.Bhg. Dato' Dr Ku Abd Rahman Bin Ku Ismail (Appointed on 23/06/2011)	Chairman (Independent Non-Executive Director)
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	Member (Non-Independent Non-Executive Director)
Mr. Loh Eng Wee (Appointed on 15/09/2011)	Member (Independent Non-Executive Director)
En. Khairilnuar Bin Tun Abdul Rahman (Resigned on 21/06/2011)	Chairman (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.

• 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.

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AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (CONT'D)

• Meetings and Procedures (CONT'D)

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 2011, the Audit Committee held a total of four (4) meetings, the details of attendance of which are as follows:

Member	No. of meetings attended
Y.Bhg. Dato' Dr. Ku Abd Rahman Bin Ku Ismail	4 of 4
Y.Bhg. Tan Sri Dato' Seri Tan King @ Tan Khoo Hai	4 of 4
Mr. Loh Eng Wee (Appointed on 15/09/2011)	-
En. Khairilnuar Bin Tun Abdul Rahman (Resigned on 21/06/2011)	3 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;
 - 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;

TERMS OF REFERENCE (CONT'D)

• Functions of the Audit Committee (CONT'D)

- 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 2011, 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 International Accounting Standards Board ("IASB") 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.

The fee paid to an independent professional accountancy firm amounted to RM19,190 (RM17,850 in 2010).

STATEMENT ON INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of Bursa Securities Listing Requirements, the Board of Directors of Pensonic Holdings Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the *Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance')* issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. 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 are continuously being reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and management practice proactive significant risks identification in the processes and activities of the Group, 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 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 the 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 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.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report for the financial year ended 31 May 2011, 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 period, 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 strengthen the internal control environment of the Group.

This statement is issued in accordance with a resolution of the Directors dated 4 October 2011.

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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 2011, 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 2011, and the profit and loss for the financial year ended 31 May 2011 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.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility is an integral part of any organisation's way of succeeding in business and contributing to the welfare of employees in particular and society at large and also to all communities in the environment it operates. This approach to business – balancing economic, social and environmental interests is commonly referred to as Corporate Responsibility or Sustainability. In this context, the Board of Directors of Pensonic Holdings Berhad regards the need for Corporate Responsibility (CR) as an integral part of a business's operations and practices.

CR initiatives undertaken by the Group are summarized below:

Environment

The Group acknowledges responsibility for care of the environment. The Group considers safety and environmental factors in all operating decisions and explores feasible opportunities to minimize any adverse impact from manufacturing operations, waste disposal to product design and packaging.

Manufacturing Operation

At Pensonic, sustainable production and operations mean taking measures to supply and manufacture products in an economically, environmentally and socially sustainable way. It is Pensonic's interest that it takes the necessary measures today to operate responsibly and, safeguard the environment in order to protect its current and future investments.

The notion of sustainable development extends beyond factories to include the entire product lifecycle. Creating shared value is Pensonic's concept of corporate responsibility, which means that as employees create value for the company, they must also benefit the community. It is a business strategy that brings value to society by examining multiple points where Pensonic touches society and make long term investments that benefit its stakeholders.

Products

Pensonic's fan is awarded 5-star rating by Energy Commission (EC) for its efficiency in energy consumption.

In line with the government's policy banning the use of incandescent light in phases starting on 2011, Pensonic's sale range for lighting is the energy-saving Compact Florescent Light (CFL).

Pensonic launched its new Eco range product in 2010, the Eco Thermopot which is eco-friendly and energy-saving with stylish design.

Community

During the year, the Group contributed to the communities through donation and sponsorship to various organizations and charities, including the followings:

1. Persatuan Meninggikan Akhlak Che Lu Khor
2. Che Kia Khor Moral Uplifting Society, KL
3. Che Hoon Khor Moral Uplifting Society Foundation
4. Ji Her Charity & Moral Uplifting Society
5. Che Huan Khor Moral Uplifting Society
6. Che Zhong Khor Moral Uplifting Society, Betong
7. Che Wei Khor Charity & Moral Uplifting
8. Pertubuhan Amal & Pendidikan Akhlak Ji Le Shan She Lundu
9. Yayasan Dialisis Pertubuhan Pendidikan Akhlak, Taiping
10. TWH Building Community
11. SMJK Jit Sin (Orkestra Cina)
12. SMJK Jit Sin (Pancaragam)
13. Federation Oil Factory –School Building Fund Donation
14. Penang International Ballroom Dancing Championship

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONT'D)

Community (CONT'D)

In addition to the above, the Group contributed to the communities for social events, including the followings:

1. Penang Chinese Town Hall
2. The Federated Teochew Associations of Malaya
3. Kwong Wah Yit Poh Press Bhd
4. Church Of The Holy Name Of Jesus
5. Teochew Merchants Association Penang
6. Persatuan Penganut Hock Teik Cheng Sin, Bandar Baru
7. Tek Chiao Tze Ch'ih Ko
8. Pusat Budidaya Cemerlang

Workplace

The Group believes that employee's involvement is vital to the success of the Group. The Group strives to motivate and retain the best employees by providing continuous training by sending them to attend relevant courses to upgrade their knowledge and skills within their job scope.

The Group also organizes annual get-together for its employees where they will get to know each other better outside the workplace which can greatly enhance their workplace relationship.

As an employer, the Group recognizes and accepts its responsibilities for providing and maintaining a safe and healthy workplace for all its employees, contractors and visitors. Information on safety issues are communicated through various Health & Safety Committees, Safety Representatives, Notice Boards and regular management briefings.

Ethical Policy

In addition, the Board of Directors of the Company had adopted the Code of Business Conduct and Ethics and the Conflict of Interests Policy for Board members. The Code is intended to focus the Board and each director on the duties and responsibilities of directors, provide guidance to directors to help them recognize and deal with ethical issues, provide mechanism to report unethical conduct, and help foster a culture of honesty and accountability. Each director must comply with the letter and spirit of this Code. No code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles for directors. Directors are encouraged to bring up questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chairman of the Nomination Committee, who may consult with inside or outside legal counsel as appropriate.

We believe that principles of honesty, ethical practices, integrity and fairness are the cornerstones of a respectable and successful business. These principles are the heart of the Company's philosophy and values. They are vital elements for establishing trust in our relationships with shareholders and stakeholders. They cannot be compromised. It is therefore important for our organisations, at every level, to understand and see value in upholding such principles, which must be applied holistically in all aspects of the Company's and organizational objectives as an economic.

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 2011.
- **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 2011 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 (e) (i) of the Notes to the Financial Statements, the Group does not have a revaluation policy on landed properties
- **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 25 November 2011 are as follows :

Related Party	Nature of Transaction	Interested Directors, major shareholders and connected persons	Value of RRPT (In RM)
Pensia Plastic Industries Sdn. Bhd	Electricity charges charged	Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak Mr. Chew Chuon Jin Mr. Chew Chuon Ghee	340,000
Pensia Plastic Industries Sdn. Bhd.	Purchase of goods	Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak Mr. Chew Chuon Jin Mr. Chew Chuon Ghee	7,004,200
Pensia Plastic Industries Sdn. Bhd.	Sub contract charged	Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak Mr. Chew Chuon Jin Mr. Chew Chuon Ghee	1,089,305
Pensia Plastic Industries Sdn. Bhd.	Rental of premises charged	Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak Mr. Chew Chuon Jin Mr. Chew Chuon Ghee	120,000



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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 May 2011.

Principal activities

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year attributable to :		
Owners of the Company	3,338,437	184,140
Minority interests	(322,624)	-
	3,015,813	184,140

Reserves and provisions

There were no material transfer to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 1.50 sen per share less 25% tax, totalling RM1,041,975 in respect of the financial year ended 31 May 2010 on 30 December 2010.

A first and final dividend of 1.75 sen per share less 25% tax amounting to approximately RM1,215,638 in respect of the financial year ended 31 May 2011 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2012.

Directors of the Company

Directors who served since the date of the last report are :

Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak
Mr. Chew Chuon Jin
Mr. Chew Chuon Ghee
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Y.Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail
En. Khairilnuar Bin Tun Abdul Rahman (*Resigned on 21/06/2011*)
Mr. Loh Eng Wee (*Appointed on 15/09/2011*)

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DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 MAY 2011

Directors' interests

The interests and deemed interests in the ordinary shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

The Company	Number of ordinary shares of RM0.50 each			
	Balance at 1.6.2010	Bought	(Sold)	Balance at 31.5.2011
<u>- Direct interest</u>				
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,661,088	-	(4,500,000)	13,161,088
Mr. Chew Chuon Jin	2,180,100	4,500,000	-	6,680,100
Mr. Chew Chuon Ghee	1,592,500	-	-	1,592,500
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	2,522,618	1,015,000	-	3,537,618
Y.Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	5,000	-	-	5,000

- Deemed interest

Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,322,794	-	-	13,322,794
Mr. Chew Chuon Jin	13,322,794	-	-	13,322,794
Mr. Chew Chuon Ghee	13,322,794	-	-	13,322,794
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,000	-	-	4,000

Number of warrants over ordinary shares of RM0.50 each

The Company	Balance at 1.6.2010	Bought/ (Sold)	(Expired)	Balance at 31.5.2011
<u>- Direct interest</u>				
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,145,398	(645,300)	(1,500,098)	-
Mr. Chew Chuon Jin	705,300	-	(705,300)	-
Mr. Chew Chuon Ghee	1,328,890	(1,328,800)	(90)	-
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	693,404	-	(693,404)	-

- Deemed interest

Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,668,158	-	(2,668,158)	-
Mr. Chew Chuon Jin	2,668,158	-	(2,668,158)	-
Mr. Chew Chuon Ghee	2,668,158	-	(2,668,158)	-
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	1,000	-	(1,000)	-

Number of ordinary shares of RM1 each

Subsidiary	Balance at 1.6.2010	Bought/ (Sold)	(Sold)	Balance at 31.5.2011
Pensonic Parts & Service Sdn. Bhd.				
<u>- Direct interest</u>				
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	-	-	1
Mr. Chew Chuon Jin	50,001	-	-	50,001

Directors' interests (CONT'D)

Based on the Register of Directors' Shareholdings, Encik Khairilnuar Bin Tun Abdul Rahman did not have any interests in the ordinary shares of the Company during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) 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, other than those transactions entered in the ordinary course of business between the Company and its related corporations with companies in which certain Directors are deemed to have a substantial financial interest as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Warrants

Pursuant to a deed poll dated 6 September 2000, the Company issued 11,345,000 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.

Thereafter, upon obtaining the approval from the shareholders and warrant holders at an Extraordinary General Meeting and warrant holders' meeting 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.

The warrants had since expired during the financial year on 4 January 2011.

Issue of shares and debentures

There were no other changes in the authorised, issued and paid-up capital of the Company and no debentures were in issue during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 MAY 2011

Other statutory information (CONT'D)

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, other than the impairment of goodwill as disclosed in Note 19 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 May 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant event during the year

During the year, the Company was nominated to undertake an Entry Point Project ("EPP") under the Economic Transformation Programme ("ETP") as announced by the Prime Minister of Malaysia. The EPP involves amongst others, the establishment of a Manufacturing Hub and International Distribution Network for Electrical Home Appliances ("EHA") as well as product research and development with the aim to consolidate supply chain, strengthen product range and build a strong Malaysian presence or brand for EHA domestically and in the ASEAN and Middle East markets.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

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

Mr. Chew Chuon Jin

Penang,
Date : 26 September 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2011

	Note	31.5.2011 RM	31.5.2010 RM Restated	1.6.2009 RM Restated
Assets				
Property, plant and equipment	3	43,497,547	43,305,577	38,937,505
Investment properties	4	1,177,875	898,083	1,324,093
Investment in associates	6	162,580	162,763	155,480
Intangible assets	7	1,024,146	1,633,704	1,647,856
Deferred tax assets	8	1,353,832	1,838,531	2,038,485
Total non-current assets		47,215,980	47,838,658	44,103,419
Trade and other receivables	10	74,089,207	68,711,666	71,030,196
Inventories	11	86,154,197	83,868,074	86,622,628
Current tax assets		562,687	425,503	768,082
Cash and cash equivalents	12	15,399,034	17,553,977	15,333,768
Non-current assets held for sale	9	-	415,401	-
Total current assets		176,205,125	170,974,621	173,754,674
Total assets		223,421,105	218,813,279	217,858,093
Equity				
Share capital	13	46,310,000	46,310,000	46,310,000
Reserves	14	50,649,123	48,596,277	46,144,947
Total equity attributable to owners of the Company		96,959,123	94,906,277	92,454,947
Minority interests		180,420	503,044	681,818
Total equity		97,139,543	95,409,321	93,136,765
Liabilities				
Loans and borrowings	15	3,443,439	4,184,718	3,692,390
Deferred tax liabilities	8	1,042,466	1,299,759	1,200,000
Total non-current liabilities		4,485,905	5,484,477	4,892,390
Trade and other payables	16	40,263,042	36,969,688	31,196,046
Loans and borrowings	15	80,880,096	80,572,079	87,208,944
Current tax liabilities		652,519	377,714	1,423,948
Total current liabilities		121,795,657	117,919,481	119,828,938
Total liabilities		126,281,562	123,403,958	124,721,328
Total equity and liabilities		223,421,105	218,813,279	217,858,093

The notes on pages 43 to 87 are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	17	297,963,037	303,776,169
Cost of sales		(238,012,481)	(251,326,315)
Gross profit		<u>59,950,556</u>	<u>52,449,854</u>
Administrative and general expenses		(19,073,088)	(17,535,960)
Selling and distribution expenses		(33,323,377)	(28,568,792)
Other operating income		1,670,842	2,210,240
Other operating expenses		(631,020)	(214,725)
Results from operating activities		<u>8,593,913</u>	<u>8,340,617</u>
Finance costs	18	(3,316,109)	(3,082,084)
Operating profit		<u>5,277,804</u>	<u>5,258,533</u>
Share of profit of equity accounted associates		756	7,283
Profit before tax	19	<u>5,278,560</u>	<u>5,265,816</u>
Income tax expense	21	(2,262,747)	(2,097,086)
Profit for the year		<u>3,015,813</u>	<u>3,168,730</u>
Other comprehensive expense, net of tax			
Foreign currency translation differences of foreign operations		(243,616)	(27,867)
Total comprehensive income for the year		<u>2,772,197</u>	<u>3,140,863</u>
Profit for the year attributable to :			
Owners of the Company		3,338,437	3,347,504
Minority interests		(322,624)	(178,774)
Profit for the year		<u>3,015,813</u>	<u>3,168,730</u>
Total comprehensive income/(expense) attributable to :			
Owners of the Company		3,094,821	3,319,637
Minority interests		(322,624)	(178,774)
Total comprehensive income for the year		<u>2,772,197</u>	<u>3,140,863</u>
Basic earnings per ordinary share (sen)	22	<u>3.60</u>	<u>3.61</u>

The notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2011

	Attributable to owners of the Company										Total equity RM
	Non-distributable					Distributable					
Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interests RM	Total equity RM	
At 1 June 2009	46,310,000	2,402,828	21,360,893	387,266	210,883	4,487,540	17,295,537	92,454,947	681,818	93,136,765	
Foreign currency translation differences of foreign operations	-	-	-	-	(27,867)	-	-	(27,867)	-	(27,867)	
Total other comprehensive income for the year	-	-	-	-	(27,867)	-	-	(27,867)	-	(27,867)	
Profit for the year	-	-	-	-	-	3,347,504	3,347,504	3,347,504	(178,774)	3,168,730	
Total comprehensive income/(expense) for the year	-	-	-	-	(27,867)	-	3,347,504	3,319,637	(178,774)	3,140,863	
Dividend	-	-	-	-	-	-	(868,307)	(868,307)	-	(868,307)	
At 31 May 2010/1 June 2010	46,310,000	2,402,828	21,360,893	387,266	183,016	4,487,540	19,774,734	94,906,277	503,044	95,409,321	

Note 13 Note 14 Note 14 Note 14 Note 14 Note 14 Note 14 Note 14

The notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 MAY 2011

	Attributable to owners of the Company										Total equity RM
	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interests RM	Total equity RM	
At 1 June 2010	46,310,000	2,402,828	21,360,893	387,266	183,016	4,487,540	19,774,734	94,906,277	503,044	95,409,321	
Foreign currency translation differences of foreign operations	-	-	-	-	(243,616)	-	-	(243,616)	-	(243,616)	
Total other comprehensive income for the year	-	(2,402,828)	-	-	(243,616)	-	-	(243,616)	-	(243,616)	
Profit for the year	-	-	-	-	-	-	3,338,437	3,338,437	(322,624)	3,015,813	
Total comprehensive income/(expense) for the year	-	(2,402,828)	-	-	(243,616)	-	3,338,437	3,094,821	(322,624)	2,772,197	
Effect of warrants expired	-	(2,402,828)	-	-	-	-	2,402,828	-	-	-	
Dividend	-	-	-	-	-	-	(1,041,975)	(1,041,975)	-	(1,041,975)	
At 31 May 2011	46,310,000	-	21,360,893	387,266	(60,600)	4,487,540	24,474,024	96,959,123	180,420	97,139,543	

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The notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 RM	2010 RM Restated
Cash flows from operating activities			
Profit before tax from continuing operations		5,278,560	5,265,816
Adjustments for :			
Depreciation of property, plant and equipment	3	3,443,344	2,998,447
Depreciation of investment properties	4	10,609	10,609
Impairment of goodwill	7	630,070	-
Interest expense	18	3,316,109	3,082,084
Gain on disposal of non-current assets held for sale	19	(235,000)	-
Gain on winding-up of a subsidiary	19	(800)	-
Interest income	19	(27,403)	(34,862)
Loss/(Gain) on disposal of plant and equipment	19	25,182	(322)
Loss on winding-up of an associate	19	939	-
Plant and equipment written off	19	5	-
Share of profit of associates, net of tax		(756)	(7,283)
Operating profit before changes in working capital		12,440,859	11,314,489
Changes in working capital :			
Inventories		(2,207,186)	2,476,147
Trade and other receivables		(5,057,294)	499,635
Trade and other payables		2,708,960	7,560,687
Cash generated from operations		7,885,339	21,850,958
Income tax paid		(1,898,145)	(2,504,614)
Net cash from operating activities		5,987,194	19,346,344

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The notes on pages 43 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 RM	2010 RM Restated
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		82,119	4,425
Purchase of plant and equipment	A	(3,395,621)	(7,373,434)
Proceeds from disposal of non-current assets held for sale		360,000	-
Interest received		27,403	34,862
Net cash used in investing activities		(2,926,099)	(7,334,147)
Cash flows from financing activities			
Drawdown/(Repayment) of term loans		(620,108)	1,885,655
Repayment of finance lease liabilities		(318,141)	(144,526)
Dividend paid to owners of the Company		(1,041,975)	(868,307)
Drawdown/(Repayment) of borrowings, net		198,689	(4,747,449)
Withdrawal/(Placement) of pledged fixed deposits		366,586	(323,784)
Interest paid		(3,316,109)	(3,082,084)
Net cash used in financing activities		(4,731,058)	(7,280,495)
Net (decrease)/increase in cash and cash equivalents		(1,669,963)	4,731,702
Cash and cash equivalents at 1 June		5,411,314	980,436
Effects of exchange differences on cash and cash equivalents		(158,823)	(300,824)
Cash and cash equivalents at 31 May	B	3,582,528	5,411,314

NOTES

A. Purchase of plant and equipment

During the year, the Group acquired plant and equipment with an aggregate cost of RM3,744,296 (2010 : RM7,373,434) of which RM348,675 (2010 : RM Nil) was acquired by means of finance lease. The balance of RM3,395,621 (2010 : RM7,373,434) was settled in cash.

B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts :

	Note	2011 RM	2010 RM
Short term deposits with licensed banks (excluding pledged deposits)	12	584,895	814,771
Cash and bank balances	12	11,929,881	13,488,362
Bank overdrafts	15	(8,932,248)	(8,891,819)
		3,582,528	5,411,314

The notes on pages 43 to 87 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2011

	Note	2011 RM	2010 RM
Assets			
Investment in subsidiaries	5	31,515,311	31,292,513
Total non-current asset		<u>31,515,311</u>	<u>31,292,513</u>
Trade and other receivables	10	40,493,706	41,654,185
Current tax assets		110,980	33,573
Cash and cash equivalents	12	24,037	25,034
Total current assets		<u>40,628,723</u>	<u>41,712,792</u>
Total assets		<u>72,144,034</u>	<u>73,005,305</u>
Equity			
Share capital	13	46,310,000	46,310,000
Reserves	14	25,585,380	26,443,215
Total equity		<u>71,895,380</u>	<u>72,753,215</u>
Trade and other payables	16	248,654	252,090
Total current liabilities		<u>248,654</u>	<u>252,090</u>
Total liabilities		<u>248,654</u>	<u>252,090</u>
Total equity and liabilities		<u>72,144,034</u>	<u>73,005,305</u>

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The notes on pages 43 to 87 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	17	2,400,000	2,400,000
Administrative and general expenses		(1,693,267)	(336,039)
Profit before tax	19	<u>706,733</u>	<u>2,063,961</u>
Income tax expense	21	(522,593)	(680,950)
Profit for the year/Total comprehensive income for the year		<u>184,140</u>	<u>1,383,011</u>

The notes on pages 43 to 87 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2011

	Note	Share capital RM	<i>Non-distributable</i> Warrant reserve RM	Share premium RM	<i>Distributable</i> Retained earnings RM	Total equity RM
At 1 June 2009		46,310,000	2,402,828	21,360,893	2,164,790	72,238,511
Total comprehensive income for the year		-	-	-	1,383,011	1,383,011
Dividend	23	-	-	-	(868,307)	(868,307)
At 31 May 2010		46,310,000	2,402,828	21,360,893	2,679,494	72,753,215
Total comprehensive income for the year		-	-	-	184,140	184,140
Effect of warrants expired		-	(2,402,828)	-	2,402,828	-
Dividend	23	-	-	-	(1,041,975)	(1,041,975)
At 31 May 2011		46,310,000	-	21,360,893	4,224,487	71,895,380
		Note 13	Note 14	Note 14	Note 14	

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The notes on pages 43 to 87 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax from continuing operations		706,733	2,063,961
Adjustments for :			
Dividend income		(2,400,000)	(2,400,000)
Investment in a subsidiary written off		2	-
Impairment of investment in a subsidiary		877,200	-
Operating loss before changes in working capital		(816,065)	(336,039)
Changes in working capital :			
Trade and other receivables		1,160,479	(132,575)
Trade and other payables		(3,436)	11,059
Cash generated from/(used in) operations		340,978	(457,555)
Income tax refunded		-	29,668
Dividend received		1,800,000	1,800,000
Net cash from operating activities		2,140,978	1,372,113
Cash flows from investing activity			
Subscription of shares in an existing subsidiary		(1,100,000)	(500,000)
Net cash used in investing activity		(1,100,000)	(500,000)
Cash flows from financing activity			
Dividend paid to owners of the Company		(1,041,975)	(868,307)
Net cash used in financing activity		(1,041,975)	(868,307)
Net (decrease)/increase in cash and cash equivalents		(997)	3,806
Cash and cash equivalents at 1 June		25,034	21,228
Cash and cash equivalents at 31 May	12	24,037	25,034

The notes on pages 43 to 87 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Personic Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its principal place of business and registered office are as follows :

Principal place of business

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

Registered office

87 Muntri Street
10200 Penang

The consolidated financial statements of the Company as at and for the year ended 31 May 2011 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "Group entities") and the Group's interest in associates.

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are stated in Note 5 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 September 2011.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following new/revised accounting standards (including its consequential amendments), amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment *
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements *
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation *
- IC Interpretation 17, Distribution of Non-cash Assets to Owners *
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions *
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers *
- Improvements to FRSs (2010)

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. Basis of preparation (CONT'D)

(a) Statement of compliance (CONT'D)

Interpretation and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement #

FRS and Interpretation effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate #

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 June 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, except for those marked " * " which are not applicable to the Group and the Company; and
- from the annual period beginning 1 June 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for those marked " # " which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impact to the current and prior period financial statements upon their first adoption.

The initial application of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

Following the announcement by the MASB on 1 August 2008, the Group's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 June 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. Basis of preparation (CONT'D)

(d) Use of estimates and judgements (CONT'D)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes :

- Note 7.1 - Impairment testing on goodwill
- Note 8 - Deferred tax
- Note 11 - Inventories
- Note 27.2 - Credit risk (receivables)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, other than those disclosed in the following notes :

- Note 2(c) - Financial instruments
- Note 2(e) - Leased assets
- Note 2(j) - Receivables
- Note 2(p) - Borrowing costs
- Note 2(t) - Operating segments

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

(ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(a) Basis of consolidation (CONT'D)

(ii) Associates (CONT'D)

Investments in associates are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale. The cost of the investment includes transactions costs.

(iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in profit or loss.

When the Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority interests holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Minority interest

Minority interest at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

2. Significant accounting policies (CONT'D)

(b) Foreign currency (CONT'D)

(i) Foreign currency transactions (CONT'D)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 June 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 June 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 29.

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(c) Financial instruments (CONT'D)

(ii) *Financial instrument categories and subsequent measurement*

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(i)(j)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

2. Significant accounting policies (CONT'D)

(c) Financial instruments (CONT'D)

(iii) Financial guarantee contracts (CONT'D)

Financial guarantee contracts are classified as financial liability and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(d) Property, plant and equipment (CONT'D)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced parts is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rates used for the current and comparative periods are as follows :

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

Leasehold land is depreciated over the lease period ranging from 58 to 72 years.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies (CONT'D)

(e) Leased assets (CONT'D)

(ii) Operating lease

Leases, where the Group or the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position of the Group or the Company. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

In the previous years, a leasehold land that normally has an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, Leases in 2011 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Investment property

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use, if any.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(d).

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 straight line basis over the estimated useful life of the assets using an annual rate of 2%.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An investment property under construction before 1 June 2010 was classified as property, plant and equipment and measured at cost. Such property is measured at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Following the amendment made to FRS 140, Investment Property, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Transfers between investment property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(g) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(h) Intangible assets

Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Trademarks

Trademarks acquired on business combinations are measured at cost less any accumulated impairment losses. Trademarks with indefinite useful lives are not amortised but is tested for impairment annually and whenever there is an indication that the asset may be impaired.

(i) Impairment

(i) *Financial assets*

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (CONT'D)

(i) Impairment (CONT'D)

(i) Financial assets (CONT'D)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(j) Receivables

Prior to 1 June 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with note 2(c).

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalent (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Significant accounting policies (CONT'D)

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contribution to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(s) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

2. Significant accounting policies (CONT'D)

(t) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(u) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Issue expenses

Costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment - Group

Cost	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Total RM
At 1 June 2009, restated	11,745,631	23,196,765	2,941,996	5,512,073	7,960,735	2,720,564	5,217,604	322,287	59,617,655
Additions	-	-	213,285	213,917	6,564,856	77,496	303,880	-	7,373,434
Disposals	-	-	(10,792)	-	-	(35,611)	(77,384)	-	(123,787)
Exchange difference	-	-	(4,587)	-	-	(10,174)	(1,705)	-	(16,466)
At 31 May 2010/1 June 2010, restated	11,745,631	23,196,765	3,139,902	5,725,990	14,525,591	2,752,275	5,442,395	322,287	66,850,836
Additions	-	-	266,124	141,598	2,768,655	156,950	410,969	-	3,744,296
Disposals	-	-	(3,796)	-	(153,284)	(5,624)	(65,198)	-	(227,902)
Write-off	-	-	-	-	-	(19,616)	-	(43,668)	(63,284)
Exchange difference	-	-	5,512	-	-	(4,051)	-	-	1,461
At 31 May 2011	11,745,631	23,196,765	3,407,742	5,867,588	17,140,962	2,879,934	5,788,166	278,619	70,305,407

3. Property, plant and equipment - Group (CONT'D)

	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Total RM
Accumulated depreciation									
At 1 June 2009, restated	1,950,107	4,672,954	2,549,173	2,837,452	3,761,575	1,436,176	3,216,213	256,500	20,680,150
Depreciation for the year	175,243	499,375	189,802	459,972	1,011,307	192,494	457,069	13,185	2,998,447
Disposals	-	-	(10,792)	-	-	(31,508)	(77,384)	-	(119,684)
Exchange difference	-	-	(4,330)	-	-	(7,619)	(1,705)	-	(13,654)
At 31 May 2010/1 June 2010, restated	2,125,350	5,172,329	2,723,853	3,297,424	4,772,882	1,589,543	3,594,193	269,685	23,545,259
Depreciation for the year	175,243	494,834	193,424	419,337	1,492,375	231,069	424,630	12,432	3,443,344
Disposals	-	-	(3,795)	-	(45,985)	(5,624)	(65,197)	-	(120,601)
Write-off	-	-	-	-	-	(19,613)	-	(43,666)	(63,279)
Exchange difference	-	-	5,362	-	-	(2,225)	-	-	3,137
At 31 May 2011	2,300,593	5,667,163	2,918,844	3,716,761	6,219,272	1,793,150	3,953,626	238,451	26,807,860
Carrying amounts									
At 1 June 2009, restated	9,795,524	18,523,811	392,823	2,674,621	4,199,160	1,284,388	2,001,391	65,787	38,937,505
At 31 May 2010/1 June 2010, restated	9,620,281	18,024,436	416,049	2,428,566	9,752,709	1,162,732	1,848,202	52,602	43,305,577
At 31 May 2011	9,445,038	17,529,602	488,898	2,150,827	10,921,690	1,086,784	1,834,540	40,168	43,497,547

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment - Group (CONT'D)

The carrying amounts of leasehold land at 1 June 2009 and 31 May 2010 have been adjusted following the adoption of the amendments to FRS 117, Leases, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment (Note 30).

3.1 Assets under finance lease

Included in the carrying amount of property, plant and equipment are the following assets acquired under finance lease :

	2011 RM	2010 RM
Motor vehicles	781,664	1,255,211
Furniture, fittings and office equipment	41,356	54,637
	<hr/>	<hr/>

3.2 Security

Buildings with a total carrying amount of RM13,533,692 (2010 : RM13,916,335) have been pledged as security for borrowings granted to the Group (Note 15).

Leasehold land with a carrying amount of RM3,118,731 (2010 : RM3,186,748) have been pledged as security for borrowings granted to the Group (Note 15).

4. Investment properties - Group

Cost	Freehold land RM	Buildings RM	Total RM
At 1 June 2009	689,287	747,379	1,436,666
Reclassified to non-current assets held for sale (Note 9)	(415,401)	-	(415,401)
	<hr/>	<hr/>	<hr/>
At 31 May/1 June 2010	273,886	747,379	1,021,265
Reclassified from non-current assets held for sale (Note 9)	290,401	-	290,401
	<hr/>	<hr/>	<hr/>
At 31 May 2011	564,287	747,379	1,311,666
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 June 2009	-	112,573	112,573
Depreciation (Note 19)	-	10,609	10,609
	<hr/>	<hr/>	<hr/>
At 31 May/1 June 2010	-	123,182	123,182
Depreciation (Note 19)	-	10,609	10,609
	<hr/>	<hr/>	<hr/>
At 31 May 2011	-	133,791	133,791
	<hr/>	<hr/>	<hr/>

4. Investment properties - Group (CONT'D)

	Freehold land RM	Buildings RM	Total RM
Carrying amounts			
At 1 June 2009	689,287	634,806	1,324,093
At 31 May 2010/1 June 2010	273,886	624,197	898,083
At 31 May 2011	564,287	613,588	1,177,875
Estimated fair value			
At 31 May 2010	490,000	1,080,000	1,570,000
At 31 May 2011	663,000	717,000	1,380,000

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

The carrying amounts of investment properties pledged as security for borrowings granted to the Group are as follows :

	2011 RM	2010 RM
Freehold land	273,886	273,886
Buildings	480,818	489,349
	<u>754,704</u>	<u>763,235</u>

5. Investment in subsidiaries - Company

	2011 RM	2010 RM
At cost		
Unquoted shares		
At 1 June	31,292,513	30,792,513
Subscription of shares in existing subsidiaries	1,100,000	500,000
Written off (subsidiary struck-off)	(2)	-
Impairment	(877,200)	-
At 31 May	<u>31,515,311</u>	<u>31,292,513</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investment in subsidiaries - Company (CONT'D)

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Effective ownership interest		Principal activity
		2011 %	2010 %	
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd. *	Singapore	100	100	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Epicson Sales & Service Sdn. Bhd. #	Malaysia	-	100	Dormant
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100	100	Dormant
Microtag Engineering Sdn. Bhd.	Malaysia	51	51	Dormant
Subsidiaries of Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited *	Hong Kong	100	100	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60	60	Trading and service of parts of electrical and electronic appliances
Subsidiary of Pensonic (H.K.) Corporation Limited				
Pensonic Trading (Shenzhen) Co. Ltd. * ^	China	100	100	Dormant
Subsidiary of Pensonic Sales & Service Sdn. Bhd.				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances

* Not audited by KPMG

Striked-off on 15 December 2010

^ The unaudited management accounts were consolidated in the Group financial statements

6. Investment in associates - Group

	2011 RM	2010 RM
At cost :		
Unquoted shares	207,610	207,610
Share of post acquisition reserves	(44,091)	(44,847)
Written off	(939)	-
	162,580	162,763

Name of associates	Country of incorporation	Effective ownership interest		Principal activity
		2011 %	2010 %	
Pensonic (B) Sdn. Bhd. *	Brunei	40	40	Trading of electrical and electronic appliances
Microtag System Sdn. Bhd. **	Malaysia	10	10	Dormant
MDT Sistem Inovasi Sdn. Bhd. ** #	Malaysia	-	15	Dormant

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

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

Striked-off on 2 August 2011

Summary financial information on associates:

	Revenue (100%) RM	Profit/(Loss) (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
2011				
Pensonic (B) Sdn. Bhd.	2,791,897	1,891	1,799,605	1,419,305
Microtag System Sdn. Bhd.	-	(3,153)	915	98,843
	2,791,897	(1,262)	1,800,520	1,518,148
2010				
Pensonic (B) Sdn. Bhd.	2,552,963	24,081	1,794,425	1,398,983
Microtag System Sdn. Bhd.	-	(54,443)	100,915	195,690
MDT Sistem Inovasi Sdn. Bhd.	-	-	6,256	-
	2,552,963	(30,362)	1,901,596	1,594,673

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
Cost			
At 1 June 2009	777,856	870,000	1,647,856
Exchange difference	(14,152)	-	(14,152)
At 31 May 2010/1 June 2010	763,704	870,000	1,633,704
Impairment (Note 19)	(630,070)	-	(630,070)
Exchange difference	20,512	-	20,512
At 31 May 2011	154,146	870,000	1,024,146

The trademark relates to the "Cornell" brand name that was acquired in a business combination by way of an assignment of full and absolute rights from the registered proprietor. As those rights were assigned without a specified time frame and management believes that there is no foreseeable limit to the period over which the brand is expected to generate cash inflows for the Group, the trademark was assessed as having an indefinite useful life subject to use in good faith.

7.1 Impairment testing on goodwill

Goodwill arising from business combinations have been allocated to the electrical and electronic appliances segment by geographical region for impairment testing purposes. The recoverable amounts have been determined based on value in use calculations using cash flow projections from approved financial budgets and business plan covering a period of 5 years. The financial budget and business plan were based on management's assessment of future trends and market developments. The calculations of value in use are sensitive towards assumptions made on sales growth, gross margins and the pre-tax discount rate.

For the purpose of impairment testing, a pre-tax discount rate of 4% was applied in determining the recoverable amount. Based on the impairment testing performed, management impaired the goodwill relating to the Group's operations in Hong Kong of RM630,070 during the year.

8. Deferred tax - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	2011 RM	2010 RM
Deferred tax assets		
Tax loss carry-forwards	1,105,832	1,732,531
Capital allowance carry-forwards	85,000	14,000
Other temporary differences	163,000	92,000
	<u>1,353,832</u>	<u>1,838,531</u>

8. Deferred tax - Group (CONT'D)

	2011 RM	2010 RM
Deferred tax liabilities		
Property, plant and equipment - capital allowances	(1,041,466)	(1,300,253)
Other temporary differences	(1,000)	494
	(1,042,466)	(1,299,759)

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Movements in temporary differences during the year are as follows:

	At 1 June 2009 RM	Charged to profit or loss RM	Exchange difference RM	At 31 May 2010 RM	Charged to profit or loss RM	Exchange difference RM	At 31 May 2011 RM
Deferred tax assets	2,038,485	(197,000)	(2,954)	1,838,531	(484,298)	(401)	1,353,832
Deferred tax liabilities	(1,200,000)	(99,759)	-	(1,299,759)	257,293	-	(1,042,466)
	838,485	(296,759)	(2,954)	538,772	(227,005)	(401)	311,366

Unrecognised deferred tax assets - Group

No deferred tax assets have been recognised for the following items:

	2011 RM	2010 RM Restated
Tax loss carry-forwards	3,509,000	1,792,000
Capital allowances carry-forwards	19,000	10,000
Other temporary differences	(14,000)	16,000
	3,514,000	1,818,000

The tax loss carry-forwards, capital allowance carry-forwards and other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised tax loss carry-forwards and other temporary differences available to the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. Non-current assets held for sale - Group

	2011 RM	2010 RM
Balance at 1 June	415,401	-
Disposal	(125,000)	-
Reclassified from investment properties (Note 4)	-	415,401
Reclassified to investment properties (Note 4)	(290,401)	-
Balance at 31 May	-	415,401

The assets held for sale consisted of freehold land measured at the lower of their carrying amount and fair value less cost to sell.

10. Trade and other receivables

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade receivables		60,814,348	57,106,159	-	-
Associate	10.1	1,286,542	1,371,842	-	-
		62,100,890	58,478,001	-	-
Non-trade					
Amount due from :					
- Subsidiaries	10.1	-	-	38,610,706	39,674,442
- An associate	10.1	-	194,340	-	-
Other receivables		10,679,958	8,251,658	83,000	179,743
Deposits		399,633	607,245	-	-
Prepayments		908,726	1,180,422	-	-
Dividend receivable from a subsidiary		-	-	1,800,000	1,800,000
		11,988,317	10,233,665	40,493,706	41,654,185
		74,089,207	68,711,666	40,493,706	41,654,185

10.1 Amount due from an associate and subsidiaries

The trade amount due from an associate is subject to normal trade terms. The non-trade amounts due from subsidiaries and an associate are unsecured, interest-free and repayable on demand.

11. Inventories - Group

	2011 RM	2010 RM
Raw materials	6,131,777	8,029,795
Manufactured inventories	80,022,420	75,454,247
Goods-in-transit	-	384,032
	86,154,197	83,868,074

During the year, the Group wrote off manufactured inventories amounting to RM1,362,663 (2010 : RM61,525) comprising mainly of electrical and electronic appliances considered obsolete by management and without future customer demand anticipated.

Included in manufactured inventories as at 31 May 2011 are certain slow-moving appliances amounting to RM3,747,070. Subsequent to the end of the financial reporting period, the Group has received customer purchase orders for approximately RM3.6 million of the above-mentioned inventories. Accordingly, the Directors are of the opinion that no write-down of their carrying amount is necessary.

The need to write down inventories to their net realisable values is determined based on management's review for obsolescence and decline in net realisable value below cost. These reviews are carried out on an ongoing basis and require the use of management judgement.

12. Cash and cash equivalents

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short term deposits with licensed banks	3,469,153	4,065,615	-	-
Cash and bank balances	11,929,881	13,488,362	24,037	25,034
	15,399,034	17,553,977	24,037	25,034

12.1 Short term deposits with licensed banks

Short term deposits totalling RM2,884,258 (2010 : RM3,250,844) of the Group have been pledged as security for borrowings granted to the Group (Note 15).

13. Share capital – Group/ Company

	← 2011 →		← 2010 →	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares of RM0.50 each				
Authorised	100,000,000	200,000,000	100,000,000	200,000,000
Issued and fully paid	46,310,000	92,620,000	46,310,000	92,620,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. Reserves

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-distributable :				
Share premium	21,360,893	21,360,893	21,360,893	21,360,893
Warrant reserve	-	2,402,828	-	2,402,828
Revaluation reserve	387,266	387,266	-	-
Exchange translation reserve	(60,600)	183,016	-	-
Capital reserve	4,487,540	4,487,540	-	-
	26,175,099	28,821,543	21,360,893	23,763,721
Distributable :				
Retained earnings	24,474,024	19,774,734	4,224,487	2,679,494
	50,649,123	48,596,277	25,585,380	26,443,215

The movements in the reserves are disclosed in the statements of changes in equity.

14.1 Warrant reserve

The warrant reserve represents the value allocated to the issue of warrants. When the warrants are exercised or expired, the warrant reserve will be transferred to retained earnings within equity.

14.2 Revaluation reserve

The non-distributable revaluation reserve of the Group represents surplus on revaluation of short term leasehold land of a subsidiary.

14.3 Exchange translation reserve

The exchange translation reserve comprises the foreign currency differences arising from the translation of the financial statements of foreign operations.

14.4 Capital reserve

The non-distributable capital reserve of the Group represents the statutory reserve of foreign subsidiaries as required by the respective foreign legislations.

14.5 Section 108 tax credit and exempt income account

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and exempt income to frank/distribute its entire retained earnings at 31 May 2011 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution. The Company has not made this election. As such, the Section 108 tax credit as at 31 May 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the transitional period on 31 December 2013, whichever is earlier.

15. Loans and borrowings - Group

	2011 RM	2010 RM
Current		
Unsecured		
Bank overdrafts	4,764,021	4,303,345
Bankers' acceptances	14,751,816	13,059,915
Term loans	1,102,954	1,307,943
	20,618,791	18,671,203
Secured		
Bank overdrafts	4,168,227	4,588,474
Bankers' acceptances	53,914,037	55,026,191
Bills payable	156,874	1,074,245
Trust receipts	536,431	82,924
Term loans	1,352,385	843,382
Finance lease liabilities	133,351	285,660
	60,261,305	61,900,876
	80,880,096	80,572,079
Non-current		
Unsecured		
Term loans	786,513	1,341,751
Secured		
Term loans	2,236,987	2,605,871
Finance lease liabilities	419,939	237,096
	2,656,926	2,842,967
	3,443,439	4,184,718

15.1 Securities

The unsecured borrowings are guaranteed by the Company. The secured borrowings are secured against certain leasehold land, buildings, investment properties and short term deposits of the Group as disclosed in Notes 3.2, 4 and 12.1 respectively to the financial statements.

Finance lease liabilities are secured as the rights to the assets under the finance lease that revert to the lessor in the event of default.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. Loans and borrowings - Group (CONT'D)

15.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2011			2010		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than 1 year	163,397	30,046	133,351	306,424	20,764	285,660
Between 1 and 5 years	462,996	43,057	419,939	261,354	24,258	237,096
	626,393	73,103	553,290	567,778	45,022	522,756

16. Trade and other payables

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade payables	16.1	32,055,554	29,492,485	-	-
Non-trade					
Amount due to subsidiaries	16.2	-	-	137,612	154,090
Other payables		3,998,381	3,461,103	6,742	-
Accrued expenses		4,209,107	4,016,100	104,300	98,000
		8,207,488	7,477,203	248,654	252,090
		40,263,042	36,969,688	248,654	252,090

16.1 Trade payables

Included in trade payables is RM6,101,391 (2010 : RM6,209,998) being advance payments made to suppliers.

16.2 Amount due to subsidiaries

The non-trade amount due to subsidiaries are unsecured, interest-free and payable on demand.

17. Revenue

Revenue of the Group represents invoiced value of goods sold less discounts and returns.

Revenue of the Company represents gross dividend income from a subsidiary.

18. Finance costs

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expense on :				
Term loans	291,130	290,049	-	-
Bank overdrafts	495,914	525,835	-	-
Bankers' acceptances	2,500,392	2,240,657	-	-
Other borrowings	28,673	25,543	-	-
	3,316,109	3,082,084	-	-

19. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
After charging :				
Auditors' remuneration :				
- Audit fees				
- KPMG Malaysia				
- current year	139,400	139,400	21,000	21,000
- prior year	(1,050)	7,200	(1,050)	4,000
- Other auditors	26,275	26,365	-	-
- Non audit fees				
- KPMG Malaysia				
- current year	5,500	-	5,500	-
- prior year	3,000	-	3,000	-
- Local affiliates of KPMG Malaysia	35,200	-	2,500	-
- Others	3,000	27,095	-	1,675
Bad debts written off	1,763,873	23,753	520,334	-
Directors' remuneration				
- Directors of the Company				
- fees	80,000	80,000	80,000	80,000
- other emoluments	1,143,484	1,069,824	-	-
- Directors of subsidiaries				
- other emoluments	638,349	598,037	-	-
Depreciation of investment properties (Note 4)	10,609	10,609	-	-
Depreciation of property, plant and equipment (Note 3)	3,443,344	2,998,447	-	-
Direct operating expenses of investment properties	8,793	6,371	-	-
Impairment of goodwill (Note 7)	630,070	-	-	-
Impairment of investment in a subsidiary (Note 5)	-	-	877,200	-
Impairment loss for receivables	-	310,176	-	-
Inventories written off (Note 11)	1,362,663	61,525	-	-
Inventories written down	127,887	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Profit before tax (CONT'D)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Loss on disposal of plant and equipment	25,182	-	-	-
Loss on foreign exchange, net	-	545,548	-	-
Investment in a subsidiary written off (Note 5)	-	-	2	-
Investment in an associate written off (Note 6)	939	-	-	-
Plant and equipment written off	5	-	-	-
Rental expense				
- equipment	47,398	93,110	-	-
- premises	2,106,977	1,530,012	-	-
- booths	98,990	63,046	-	-
and after crediting :				
Dividends (gross) receivable from a subsidiary	-	-	2,400,000	2,400,000
Gain on disposal of plant and equipment	-	322	-	-
Gain on disposal of non-current assets held for sale	235,000	-	-	-
Gain on winding-up of a subsidiary	800	-	-	-
Interest income	27,403	34,862	-	-
Rental income				
- investment properties	49,300	41,800	-	-
- sublet of factory premises	144,000	134,000	-	-
Reversal of impairment loss for receivables (net)	101,154	130,951	-	-
Gain on foreign exchange, net	354,377	-	-	-

20. Employee information

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Staff cost (excluding Executive Directors)	15,986,859	14,049,100	-	-

Staff costs and Directors' emoluments of the Group include contributions to the Employees' Provident Fund of RM1,443,946 (2010 : RM1,326,306).

21. Income tax expense

Recognised in profit or loss

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Income tax expense on continuing operations	2,262,747	2,097,086	522,593	680,950

Major components of income tax expense include :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax expense				
Malaysian tax				
- current year	1,906,337	1,499,704	550,000	600,000
- prior years	129,999	291,728	(27,407)	80,950
	2,036,336	1,791,432	522,593	680,950
Foreign tax				
- current year	43,384	2,872	-	-
- prior years	(43,978)	6,023	-	-
	(594)	8,895	-	-
Total current tax	2,035,742	1,800,327	522,593	680,950
Deferred tax expense				
- origination and reversal of temporary differences	273,391	278,257	-	-
- prior years	(46,386)	18,502	-	-
Total deferred tax	227,005	296,759	-	-
Total income tax expense	2,262,747	2,097,086	522,593	680,950
Profit for the year	3,015,813	3,168,730	184,140	1,383,011
Total tax expense	2,262,747	2,097,086	522,593	680,950
Profit excluding tax	5,278,560	5,265,816	706,733	2,063,961

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Income tax expense (CONT'D)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Tax calculated using Malaysian tax rate at 25% (2010 : 25%)	1,319,640	1,316,454	176,683	515,990
Effect of different tax rates in foreign jurisdictions *	(39,849)	(24,424)	-	-
Non deductible expenses	570,634	599,816	372,971	37,557
Non-taxable income	(24,739)	(43,604)	-	-
Tax incentives	(56,284)	(228,265)	-	-
Effect of deferred tax assets not recognised	423,657	169,194	-	46,453
Other items	30,053	(8,338)	346	-
Under/(over) provision in prior years	39,635	316,253	(27,407)	80,950
Total income tax expense	<u>2,262,747</u>	<u>2,097,086</u>	<u>522,593</u>	<u>680,950</u>

* The tax rates in the foreign jurisdictions in which certain foreign subsidiaries operate are different from that of the Malaysian tax rate.

22. Earnings per ordinary share - Group

i) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year attributable to owners of the Company of RM3,338,437 (2010 : RM3,347,504) and the weighted average number of ordinary shares outstanding during the year of 92,620,000 (2010 : 92,620,000).

ii) Diluted earnings per ordinary share

Diluted earnings per share is not applicable as the warrants of the Company expired during the year. In the prior year, the exercise price of the warrants was higher than the market price of the Company's ordinary shares.

23. Dividends - Company

	Total amount RM	Date of payment
2011		
Final dividend of 1.50 sen per share less 25% tax for financial year 2010	<u>1,041,975</u>	30 December 2010
2010		
Final dividend of 1.25 sen per share less 25% tax for financial year 2009	<u>868,307</u>	30 December 2009

A first and final dividend of 1.75 sen per share less 25% tax amounting to approximately RM1,215,638 in respect of the financial year ended 31 May 2011 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

24. Related parties

24.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

- i) Its subsidiaries and associates as disclosed in the financial statements.
- ii) Companies in which certain Directors namely, Chew Chuon Jin and Chew Chuon Ghee are deemed to have a substantial financial interest:
 - Pensia Plastic Industries Sdn Bhd
 - Pensonic Technology Sdn. Bhd.
- iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include the executive Directors of the Group and of the Company.

24.2 Related party transactions

24.2.1 Transaction with a subsidiary:

	2011 RM	2010 RM
Company		
- Dividends receivable from a subsidiary	1,800,000	1,800,000

24.2.2 Transaction with an associate

	2011 RM	2010 RM
Group		
- Sales	529,557	1,277,836

24.2.3 Transactions with related parties

	2011 RM	2010 RM
Group		
- Purchases	7,587,765	5,746,858
- Rental charged for sub-letting of factory premises	144,000	134,000
- Subcon and service charge income	831,126	370,797

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. Related parties (CONT'D)

24.2.4 There were no transactions with the key management personnel other than the rental expense charged by a Director to the Group amounting to RM60,000 (2010 : RM60,000) and the remuneration package paid to them in accordance with the terms and conditions of their appointment as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors				
- Fees	80,000	80,000	80,000	80,000
- Other emoluments	1,664,245	1,559,499	-	-
- Defined contribution plans	117,588	108,362	-	-
	<u>1,861,833</u>	<u>1,747,861</u>	<u>80,000</u>	<u>80,000</u>

The non-trade balances of the Group and of the Company with related parties outstanding at the end of the financial period are as disclosed in Note 10 and Note 16 respectively to the financial statements.

All the amounts outstanding are unsecured and are expected to be settled in cash.

25. Operating segments

The Group has one reportable segment, which is principally engaged in manufacture, assembly, sales and distribution of electrical and electronic appliances. The Group's Managing Director (the Chief operating decision maker) reviews internal management reports on the segment at least on a quarterly basis.

Accordingly, information by operating segment on the Group's operations are required by FRS 8 is not presented.

Geographical segment

In presenting geographical information, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets. The amounts of segment assets do not include financial instruments (including investment in associates) and deferred tax assets.

	Segment revenue	
	2011 RM	2010 RM
Malaysia	223,506,231	269,357,492
Other Asian countries	65,960,187	27,011,290
Africa	507,365	4,299,427
Others	7,989,254	3,107,960
	<u>297,963,037</u>	<u>303,776,169</u>
	Segment assets	
	2011 RM	2010 RM
Malaysia	203,125,635	201,113,477
China (including Hong Kong)	9,118,705	8,587,302
Singapore	9,350,400	6,685,703
	<u>221,594,740</u>	<u>216,386,482</u>

26. Contingent liabilities, unsecured

Group

A subsidiary of the Company had been issued with prior years' notices of additional tax arising from the Inland Revenue Board ("IRB") disallowing certain expenses claimed as a deduction for income tax purposes covering assessment years 2000 to 2004 (including penalties) amounting to approximately RM2.5 million of which, the subsidiary had paid and recognised approximately RM2.1 million as tax expense in the financial statements previously.

The subsidiary had submitted its appeal to the High Court on the above matter. Pending the hearing by the High Court, the management after consulting their tax lawyers, is of the opinion that there are valid grounds for the subsidiary's appeal and as such, no provision has been made in the financial statements at 31 May 2011 for the remaining unpaid balance of RM0.4 million.

Company

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due.

27. Financial instruments

Certain comparative figures have not been presented for 31 May 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

27.1 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.2 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (CONT'D)

27.2 Credit risk (CONT'D)

Receivables (CONT'D)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was :

	Group 2011 RM'000
Domestic	51,357
Other Asian countries	10,650
Others	94
	62,101

Impairment losses

The ageing of trade receivables as at the end of the reporting period was :

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2011				
Not past due	37,591	-	-	37,591
Past due less than 60 days	13,241	-	-	13,241
Past due 61 - 120 days	2,041	-	-	2,041
Past due 121 - 180 days	907	-	-	907
Past due 181 - 365 days	1,317	-	-	1,317
Past due > 1 year	7,425	(421)	-	7,004
	62,522	(421)	-	62,101

The movements in the allowance for impairment losses of trade receivables during the financial year were :

	2011 RM'000
At 1 June	522
Impairment loss recognised	132
Impairment loss reversed	(233)
At 31 May	421

The Directors are of the opinion that no further impairment is necessary for the balances past due more than a year as at the end of the reporting period as the balances relate mainly to major customers who still maintain active business relations with the Group. The outstanding balance of these major customers are monitored using ageing analysis and on-going review by management of the customers' credit limits.

27. Financial instruments (CONT'D)

27.2 Credit risk (CONT'D)

Receivables (CONT'D)

Impairment losses (CONT'D)

The need for impairment is determined based on managements' assessment of the customer's profile, historical payment trends and the cause for the balance being overdue. An impairment will be made where the overdue balance is in dispute and considered irrecoverable.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM88.7 million (2010 : RM64.7 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. However, these advances are not considered overdue and are repayable on demand.

27.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

In the management of liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to finance the Group's and the Company's operations and to mitigate any adverse effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (CONT'D)

27.3 Liquidity risk (CONT'D)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2011	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
<i>Non-derivative financial liabilities</i>							
Term loans	5,478,839	3.00 - 7.85	5,867,205	2,684,868	2,253,513	928,824	-
Trust receipts	536,431	2.16	536,431	536,431	-	-	-
Bankers' acceptances	68,665,853	1.00 - 5.40	68,665,853	68,665,853	-	-	-
Bank overdrafts	8,932,248	7.50 - 8.50	8,932,248	8,932,248	-	-	-
Bills payable	156,874	2.16	156,874	156,874	-	-	-
Finance lease liabilities	553,290	2.42 - 4.00	626,393	163,397	148,045	314,951	-
Trade and other payables (excluding advances paid to suppliers)	46,364,433	-	46,364,433	46,364,433	-	-	-
	<u>130,687,968</u>		<u>131,149,437</u>	<u>127,504,104</u>	<u>2,401,558</u>	<u>1,243,775</u>	<u>-</u>
Company							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	248,654	-	248,654	248,654	-	-	-

27. Financial instrument (CONT'D)

27.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

27.4.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Hong Kong Dollar (HKD).

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	USD RM'000	HKD RM'000
2011		
Trade receivables	4,957	37
Cash and bank balances	1,314	-
Trade payables	(3,463)	(20)
Loans and borrowings	(672)	-
	<u>2,136</u>	<u>17</u>

Currency risk sensitivity analysis

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact on forecast sales and purchases. There is no impact to equity arising from exposure to currency risk.

Group	Profit or loss RM'000
2011	
USD	(80)
HKD	<u>(1)</u>

A 5% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

27.4.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instrument (CONT'D)

27.4 Market risk (CONT'D)

27.4.2 Interest rate risk (CONT'D)

Risk management objectives, policies and processes for managing the risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risks that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-earning financial assets are mainly short term in nature and are mostly placed in short term deposits.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	2011 RM'000
Fixed rate instruments	
Financial asset	
- Short term deposits with licensed banks	3,469
Financial liabilities	
- Term loans	1,889
- Finance lease liabilities	553
	<u>2,442</u>
Floating rate instruments	
Financial liabilities	
- Term loans	3,590
- Bank overdrafts	8,932
- Bankers' acceptances	68,666
- Bills payables	157
- Trust receipts	536
	<u>81,881</u>

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

27. Financial instrument (CONT'D)

27.4 Market risk (CONT'D)

27.4.2 Interest rate risk (CONT'D)

Exposure to interest rate risk (CONT'D)

(b) Cash flow sensitivity analysis for variable rate instruments (CONT'D)

Group	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
2011		
Floating rate instruments		
- Term loans	(27)	27
- Bank overdrafts	(67)	67
- Bankers' acceptances	(515)	515
- Bills payable	(1)	1
- Trust receipts	(4)	4
	<u>(614)</u>	<u>614</u>

27.5 Categories and fair value of financial instruments

Group	2011	
	Carrying amount RM'000	Fair value RM'000
Financial assets categorised as loans and receivables		
Trade and other receivables (excluding deposits and prepayments)	72,781	*
Cash and cash equivalents	15,399	*
	<u>88,180</u>	
Financial liabilities carried at amortised cost		
Floating rate loans and borrowings	81,881	81,881
Fixed rate loans and borrowings	2,442	2,367
Trade and other payables	40,263	*
	<u>124,586</u>	

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instrument (CONT'D)

27.5 Categories and fair value of financial instruments (CONT'D)

	2011 Carrying amount RM'000	Fair value RM'000
Company		
Financial assets categorised as loans and receivables		
Trade and other receivables (excluding deposits and prepayments)	40,494	*
Cash and cash equivalents	24	*
	<hr/> 40,518 <hr/>	
Financial liabilities carried at amortised cost		
Trade and other payables	<hr/> 249 <hr/>	*

* The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2011 %	2010 %
Secured term loans	3.20 - 4.40	3.15 - 4.20
Finance leases liabilities	2.42 - 4.00	2.42 - 4.00

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be significant as the probability of the subsidiaries defaulting on the credit lines is remote.

28. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants. In the event of any non-compliance, the related borrowings will be presented as current liabilities.

29. Significant changes in accounting policies

29.1 FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows :

Financial guarantee contracts

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

29.2 FRS 8, Operating Segments

As of 1 June 2010, the Group determines and presents operating segments based on the information that internally is provided to the Group Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114₂₀₀₄, Segment Reporting.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

29.3 FRS 101, Presentation of Financial Statements (revised)

The Group applies FRS 101 (revised) which became effective as of 1 June 2010. As a result, the Group presents all non-owner changes in equity in the statements of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

29.4 FRS 117, Leases

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect earnings per ordinary share for the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. Comparative figures

30.1 FRS 101, Presentation of Financial Statements (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 May 2010 have been re-presented as statements of comprehensive income. All non-owner changes in equity that were presented in the statements of changes in equity are now included in the statements of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statements of changes in equity.

30.2 FRS 117, Leases

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows :

Group	31.5.2010		1.6.2009	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
Property, plant and equipment	43,305,577	33,685,296	38,937,505	29,141,981
Prepaid lease payments	-	9,620,281	-	9,795,524

31. Subsequent event

Subsequent to the end of the reporting period, the Company entered into a Sales and Purchase Agreement to purchase a piece of land from the Penang Development Corporation for a total purchase consideration of approximately RM5.7 million.

32. Supplementary information on the breakdown of realised and unrealised profits or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the inappropriate profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 May 2011, into realised and unrealised profits, pursuant to the directive, is as follows :

	2011	
	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries		
- realised	27,282,678	4,224,487
- unrealised	(354,932)	-
	<hr/>	<hr/>
	26,927,746	4,224,487
Total retained earnings of associates		
- realised	(42,030)	-
	<hr/>	<hr/>
	26,885,716	4,224,487
Less : Consolidation adjustments	(2,411,692)	-
Total retained earnings	<hr/>	<hr/>
	24,474,024	4,224,487

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

Comparative figures are not required in the first financial year of complying with the disclosure.

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STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 33 to 86 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 May 2011 and of their financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors, the information set out in Note 32 of page 87 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

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

Mr. Chew Chuon Jin

Penang,

Date : 26 September 2011

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak**, the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 87 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 the abovenamed at Georgetown in the State of Penang on 26 September 2011.

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

Before me :

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of Pensonic Holdings Berhad, which comprise the statement of financial position as at 31 May 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 86.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, including the assessment of 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2011 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, 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 its 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 accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 of page 87 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
AF 0758
Chartered Accountants

Lee Kean Teong
1857/02/12 (J)
Chartered Accountant

Date : 26 September 2011

Penang

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 31.05.2011 RM
KRC	Plot 5, Tingkat Perusahaan 6, Phase 4, Prai Industrial Estate, 13600 Prai, Penang.	Industrial land with warehouse and office	18	Leasehold Expiring in 2052	1.8441 acres/ 40,000 sq.ft.	1,307,773
KRC	158,160 & 162, Jalan Perak, 10150 Penang.	Shop/ warehouse	Pre-war	Freehold	4,945 sq.ft.	365,098
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	14	Leasehold	7,200 sq.ft.	351,579
KRC	Lot 2287, TS 6, NED, Penang.	Development land	-	Freehold	9,311 sq.ft.	290,401
KRC	Shoplot B1.1.27 & B1.1.28 Komtar, Penang.	Shoplot	28	Leasehold Expiring in 2075	624 sq.ft.	389,605
PENSONIC INDUSTRIES	Shoplot B1.1.29 Komtar, Penang.	Shoplot	28	Leasehold Expiring in 2075	312 sq.ft.	132,770
PENSIA ELECTRONIC	Plot 98, MK.11, Bukit Tengah Industrial Park, SPT, Prai, Penang.	Industrial land with factory, warehouse and office	14	Leasehold Expiring in 2054	3.05632 acres/ 112,050 sq.ft.	5,274,058
PSS	Lot 4, Towering Industrial Centre, 4½ Miles Penampang, 88300 Kota Kinabalu, Sabah.	Warehouse and office	19	Leasehold Expiring in 2037	2,700 sq.ft.	244,286
PSS	Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	19	Leasehold Expiring in 2069	43,560 sq.ft.	9,388,133
PSS	31, Laluan Perusahaan Kledang 9, Kawasan Perindustrian Chandan Raya, 31450 Menglembu.	Warehouse and office	14	Leasehold Expiring in 2082	5,494 sq.ft.	339,399
PSS	Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	7	Leasehold Expiring in 2070	43,560 sq.ft.	4,710,985
PENSIA INDUSTRIES	Plot 215, MK.13, Bukit Minyak Industrial Park, SPT, Prai, Penang.	Industrial land with factory and warehouse	8	Leasehold Expiring in 2064	3 acres / 75,260 sq.ft.	5,358,409

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ANALYSIS OF SHAREHOLDINGS

AS AT 27 SEPTEMBER, 2011

SHAREHOLDINGS STATISTICS

Class of Securities : Ordinary Shares of RM0.50 each

Authorised Share Capital : RM100,000,000.00

Issued & Paid-up Capital : RM46,310,000.00

Voting Rights : Shareholders
Every member of the Company present in person or by proxy or represented by attorney shall on a show of hand have one vote and upon a poll every such member shall have one vote for every share held by him.

Number of shareholders : 3,060

Distribution Schedule of Ordinary Shares

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
5	Less than 100 shares	202	0.00
146	100 to 1,000 shares	110,575	0.12
2,168	1,001 to 10,000 shares	10,952,341	11.83
674	10,001 to 100,000 shares	19,096,300	20.62
64	100,001 to less than 5% of issued shares	42,358,828	45.73
3	5% and above of issued shares	20,101,754	21.70
3,060		92,620,000	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS - SHAREHOLDERS

No.	Names	No. of Shares	%
1	Chew Weng Khak @ Chew Weng Kiak	8,000,000	8.64
2	Chew Weng Khak Realty Sdn. Bhd.	6,667,594	7.20
3	Chew Weng Khak Realty Sdn. Bhd.	5,434,160	5.87
4	Nation Rex Sdn. Bhd.	3,837,800	4.14
5	Berjaya Sampo Insurance Berhad	3,650,000	3.94
6	Chew Chuon Jin	3,529,100	3.81
7	Chew Chuon Jin	3,151,000	3.40
8	Chew Weng Khak Realty Sdn. Bhd.	2,921,040	3.15
9	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan King Tai @ Tan Khoon Hai (471821)	2,213,900	2.39
10	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chew Weng Khak @ Chew Weng Kiak (MX40011)	2,000,000	2.16
11	Chew Weng Khak @ Chew Weng Kiak	1,975,214	2.13
12	Chew Weng Khak @ Chew Weng Kiak	1,931,974	2.09
13	Chew Chuon Ghee	1,642,000	1.77
14	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Yong Siang	1,321,200	1.43
15	Chew Chuon Fang	974,200	1.05
16	Chew Chuon Ghee	895,500	0.97
17	HLG Nominee (Tempatan) Sdn. Bhd. Hong Leong Bank Bhd For Ch'ng Chee Wooi	791,300	0.85
18	Tay Ah Hoe	757,000	0.82
19	The Kulim-Baling Road Transport Company Sdn. Bhd.	724,000	0.78

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS - SHAREHOLDERS (CONT'D)

No. Names	No. of Shares	%
20 Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account - Ambank (M) Berhad For Tan King Tai @ Tan Khoon Hai (Smart)	617,100	0.67
21 Tan Ah Nya @ Tan Bee Tiang	584,400	0.63
22 Tan Teong Oon	503,900	0.54
23 Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Khoo Han Khim	446,800	0.48
24 Muafakat Rakyat Johor Sdn. Bhd.	400,000	0.43
25 Pee Yu Chi	390,000	0.42
26 Alic Chen	360,000	0.39
27 CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan King Tai @ Tan Khoon Hai (49816 PMAL)	340,000	0.37
28 Cheah Lay Chin	300,000	0.32
29 Lim Lieng Piau	274,800	0.30
30 Tan Tong Chait	260,000	0.28
Total	56,893,982	61.42

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	← NO. OF SHARES HELD →			
	DIRECT		INDIRECT	
	No.	%	No.	%
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	14,017,188	15.13	15,022,794	16.22
Chew Weng Khak Realty Sdn. Bhd.	15,022,794	16.22	-	-
Mr. Chew Chuon Jin	6,680,100	7.21	15,022,794	16.22

* Held through Chew Weng Khak Realty Sdn. Bhd.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

	DIRECT		DEEMED	
	No. of Shares	% of Issued Share Capital	No. of Shares	% of Issued Share Capital
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	14,017,188*	15.13	@15,022,794	16.22
Mr. Chew Chuon Jin	6,680,100*	7.21	@15,022,794	16.22
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3,537,618*	3.82	#4,000	0.00
Mr. Chew Chuon Ghee	2,700,200*	2.92	@15,022,794	16.22
Y.Bhg. Dato' Dr. Ku Abd Rahman Bin Ku Ismail	5,000	0.01	-	-
Mr. Loh Eng Wee	-	-	-	-

Note

* Certain shares are held through nominees companies

@ Held through Chew Weng Khak Realty Sdn. Bhd.

Held through Tan Khoon Hai Sdn. Bhd.

FINANCIAL CALENDAR

ANNOUNCEMENT OF RESULTS

28 October, 2010	Preliminary announcement of unaudited consolidated results for the first quarter ended 31 August 2010.
31 January, 2011	Preliminary announcement of unaudited consolidated results for the second quarter ended 30 November 2010.
28 April, 2011	Preliminary announcement of unaudited consolidated results for the third quarter ended 28 February 2011.
29 July, 2011	Preliminary announcement of unaudited consolidated results for the fourth quarter ended 31 May 2011.

DIVIDENDS

30 December, 2010	Payment of the final dividend of 3.0% per share less tax of 25% for the year ended 31 May 2010.
3 November, 2011	Notice of the entitlement and payment of the final dividend of 1.75 sen per share less tax of 25% for the year ended 31 May 2011.

ANNUAL REPORT & GENERAL MEETINGS

3 November, 2011	Notice of the 17th Annual General Meeting and posting of the 2011 Annual Report to shareholders.
25 November, 2011	17th Annual General Meeting

No. of Share Held

PROXY FORM

I/We _____ of _____
 _____ being a member/ members of Pensonic Holdings Berhad hereby appoint
 _____ or falling him, the Chairman of the meeting as my/our proxy to vote for
 me/us and on my/our behalf at the 17th Annual General meeting of the Company to be held at Laurel Ballroom, Level 1,
 Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Friday, 25 November, 2011 at 11.00 a.m. or at any
 adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTION		FOR	AGAINST
Approval of Final Dividend	(Resolution 1)		
Approval of payment of Directors' Fees	(Resolution 2)		
Re-election of Mr. Chew Chuon Jin	(Resolution 3)		
Re-election of Mr. Chew Chuon Ghee	(Resolution 4)		
Re-election of Mr. Loh Eng Wee	(Resolution 5)		
Appointment of Auditors	(Resolution 6)		
As Special Business Authorising Directors to issue shares not exceeding 10% of the issued share capital	(Resolution 7)		
Renewal of Shareholder's Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature	(Resolution 8)		

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

Date: _____ 2011

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 of underhand of its duly authorized officer or attorney.



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TO

PENSONIC HOLDINGS BERHAD

(COMPANY NO. 300426-P)

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I Love Wing Chun Premiere & Road show



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SINGAPORE

2 Leng Kee Road, #06-03 Thye Hong Centre, Singapore 159086
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No. D6, Spg 396, Jln Jerudong, Bangunan Perkasa 1, Kampung Sengkurong B, Bg 1321, Brunei Darussalam
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THAILAND

83/ 161-162 Moo 6, Soi Chinaket 2, Ngamwongwan Rd. , Thungsonghong, Laksi, Bangkok 10210, Thailand
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58-295 Bahmai Str. , Haibatrung Dist. , Hanoi, Vietnam
Tel.Fax (844) 6251 976 / 6252 228

54-56 Bui Huu Nghia Street, Dist 5, Ho Chin Minh City, Vietnam
Tel.Fax (848) 3829 1363 / 3829 5480

MYANMAR

Building 2, Room #3, Narnattaw St, Kamaryut Township, Yangon, Myanmar
Tel.Fax (95) 0153 9656

PHILIPPINES

Unit 1, 131 Olympia Bldg. , Quirino Highway, Baesa, Quezon City, Manila, Philippines, 1115
Tel.Fax (632) 334 1212

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P.O.Box 299
AIWO Nauru Central Pacific Islands
Tel.Fax (674) 444 3701 / 444 3916

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6/ 38, New Road, Post Box No. 5020, Kathmandu, Nepal
Tel.Fax (977) 1424 4563 / 144 7129

Post Box No. 4393 Kathmandu, Nepal
Tel.Fax (977) 4222 529

SRI LANKA

260/ 3, Victoria Place, Elvitigala Mawatha, Colombo, Sri Lanka
Tel.Fax (9411) 2801 453 / 2801 453

SRI LANKA SHOWROOM 3C

35C, Nawama Road, Nugegoda, Sri Lanka

MALDIVES

G. Manaam Building
2/ 1 Neeloafaru Magu
20129 Male
Republic of Maldives
Tel.Fax (00960) 333 4400 / 333 4436

S. Hithadhoo Ziyaarayifannu Magu
Addu Atoll Maldives
Tel.Fax (998) 71262 3999

IRAN

Unit 12, Level 3, Maleknia Building, Between Post Office and Shahrday, Saheli Boulevard, Khorram Shahr Port, Khozesten, Iran
Tel.Fax (0098) 641 222 3786 / 641 222 7375

KUWAIT

P. O. Box 22717 Safat 13088, Fahed Al-Salem Street, Suad Commercial Complex, Kuwait
Tel.Fax (965) 2429 700 / 2434 571

SEYCHELLES

P.O.Box 1371, Victoria Mahe, Seychelles
Tel.Fax (248) 323680 / 324724

CAMBODIA

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Tel.Fax (855) 1285 8888 / 2321 3128

SAUDI ARABIA

Homaidi Centre, Ateeqah Market
First Floor 0503167251 Sadiq
Near Atteeqah Bridge
11438 Riyadh Saudi Arabia
Tel.Fax (966) 1457 1111 / 1457 3835

BAHRAIN

P. O. Box 10887, Manama, Bahrain
Tel.Fax (973) 1722 4220 / 1770 0043

YEMEN

Taiz Street Sana'a Republic Of Yemen
Tel.Fax (9671) 609 798 / 444 752

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Verdun-Bekaa Str-Zahraa, Bldg-3 Flr, P. O. Box 155150, Beirut-Lebanon
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POB 32514 Egypt
Tel.Fax (201) 0009 3033

SUDAN

P. O. Box 682, Khartoum, Sudan
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PAPUA NEW GUINEA

Lot 1, Section 479, Kennedy Road, Gordon, P. O. Box 3655 Boroko NCD, Papua New Guinea
Tel.Fax (675) 325 1122

GUINEA

Calle Ebebeyin
B. P: 177, Malabo, Equatorial Guinea
Tel.Fax (204) 096 444

NORTH KOREA

Potonggang District Pyongyang
The Democratic Peoples's Republic of Korea
Tel.Fax (603) 7982 5258 / 7987 5258

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Centerpoint 1, Ratu Dovi Road
GPO Box 14416 Suva Fiji
Tel.Fax (679) 339 3111 / (334) 334 0255

IVORY COAST

Abidjan Treichville Avenue
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18 BP 1800 Abidjan 18
Tel.Fax (225) 2125 1818

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Amman 11196, Jordan
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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

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IPOH

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

MALACCA

385-C, Tmn Peringgit Jaya,
75400 MALACCA

SABAH

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

SARAWAK

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

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