PENSONIC Holdings Berhad

Incorporated in Malaysia (300426-P)

- home appliances
- audio
- visual
- air conditioner

Putra Brand Awards

Venue : One World Hotel, Grand Ballroom
Date : 24th April 2012

Honorary Award by PUMM

(Top 50 Enterprise Award)

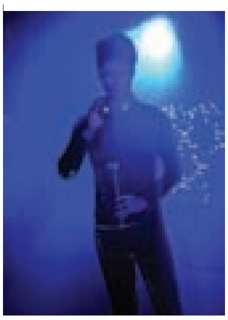
Venue : Equatorial Hotel, Penang
Date : 26th November 2011

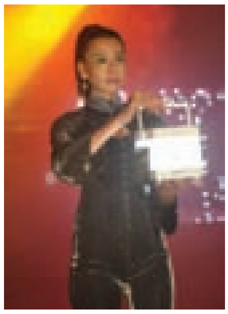
30th Anniversary Roadshow

Venue : Mid Valley, Kuala Lumpur
Date : 11th - 15th July 2011

Pensonic Carinae LEDs Launch

Venue : Zouk Club, Kuala Lumpur
Date : 18th September 2012





Pensonic 30th Anniversary Logo Design Contest Press Conference

Venue : Aseana Cafe Bar, Straits Quay, Penang
Date : 21st October 2011

CELEBRATING 30TH Anniversary PENSONIC SINCE 1982

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Group Managing Director
Mr. Chew Chuon Jin

Group Executive Director
Mr. Chew Chuon Ghee

Non Executive Directors
Y.Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Mr. Loh Eng Wee

SECRETARY
Mr. Lee Hong Lim (MIA No. 12949)

REGISTERED OFFICE
Tan Commercial Management Services Sdn. Bhd.
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 2012

PENSONIC
Pensonic Holdings Berhad (300426-P)

51%
MICROTAG ENGINEERING SDN BHD (Company No.: 746608-P)

20%
MICROTAG SYSTEM SDN BHD (Company No.: 746611-P)

100%
PENSIA AIR CONDITIONERS SDN BHD (Company No.: 446000-V)

100%
PENSIA ELECTRONIC SDN BHD (Company No.: 154966-M)

100%
PENSIA INDUSTRIES SDN BHD (Company No.: 133300-X)

100%
CORNELL SALES & SERVICE SDN BHD (Company No.: 604369-P)

100%
AMTEK MARKETING SERVICES PTE LTD (Company No.: 2003-02751-W)

100%
PENSONIC SALES & SERVICE SDN BHD (Company No.: 162419-M)

100%
KOLLEKTION DISTRIBUTION SDN BHD (Company No.: 596854-A)

60%
KOLLEKTION HAUS (AUSTIN) SDN BHD (Company No.: 980853-W)

100%
PENSONIC CORPORATION SDN BHD (Company No.: 94785-H)

40%
PENSONIC (B) SDN BHD (Company No.: AGO/RC/6610/06)

100%
KEAT RADIO CO. SDN BHD (Company No.: 32600-X)

60%
PENSONIC PARTS & SERVICE SDN BHD (Company No.: 141672-X)

100%
PENSONIC INDUSTRIES SDN BHD (Company No.: 47572-V)

100%
PENSONIC (H.K.) CORPORATION LIMITED (Company No.: 528230)

100%
PENSONIC TRADING (SHENZHEN) CO LTD (Co. No.: 440301503229502)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of PENSONIC HOLDINGS BERHAD will be held at Laurel Ballroom, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Tuesday, 27th day of November, 2012 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 2012 together with the Directors and Auditors thereon. (Please refer to Notes A)

2. To approve the first and final dividend of 1.75 sen per share less tax of 25% for the financial year ended 31 May 2012 as recommended by the Directors in their report. (Resolution 1)

3. To approve the Directors' Fees of RM80,000/- for the financial year ended 31 May 2012. (Resolution 2)

4. To re-elect the following Directors who retire in accordance with Article 129 of the Company's Articles of Association:-

   a) Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Resolution 3)

   b) Y. Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail (Resolution 4)

5. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- (Resolution 5)

   "THAT Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, a Director who is over seventy years of age, who retires in compliance with Section 129(2) of the Companies Act, 1965 be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next AGM."

6. To re-appoint the retiring auditors, Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

7. ***As Special Businesses***

   To consider and if thought fit, to pass the following 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."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 Part A of the Circular to Shareholders dated 5 November 2012 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."

iii) Special Resolution

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION (Resolution 9)

"That, the deletions, alteration, modifications and additions to the Company's Articles of Association as set out in Appendix 2 of the Circular to Shareholders' dated 5 November 2012 be approved."

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the 18th Annual General Meeting, the first and final dividend of 1.75 sen per share less tax of 25% in respect of the financial year ended 31 May 2012 will be paid on 31 December 2012 to depositors registered in the Records of Depositors at the close of business on 12 December 2012.

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

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 December 2012 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 : 5 November 2012

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.

Proxy:-

1. For the purpose of determining a member who shall be entitled to attend at the Eighteenth Annual General Meeting, the Company shall be requesting a General Meeting Record of Depositors as at 20 November 2012. Only a depositor whose name appears on the Record of Depositors as at 20 November 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

2. 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.

3. 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.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

Explanatory Notes of Special Businesses:

1. **Authority to Issue Shares**

   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 25 November 2011 which will lapse at the conclusion of the 18th AGM.

2. **Proposed Renewal of Shareholder's Mandate for Recurrent Related Party Transaction of A Revenue or Trading Nature**

   The proposed Resolution No. 8, if passed, will allow its subsidiaries to enter into Recurrent Related Party Transaction in accordance with Paragraph 10.09 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The detailed information of the Proposed Renewal of Shareholder's Mandate for Recurrent Related Party Transaction is set out in Part A of the Circular to Shareholders dated 5 November 2012 attached to the Annual Report 2012.

3. **Proposed Amendments to the Company's Articles of Association**

   The proposed adoption of Resolution No. 9 is in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   For further information, please refer to Part B of the Circular to Shareholders dated 5 November 2012.

STATEMENT ACCOMPANYING NOTICE OF THE 18TH 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 are as follow :

   a) Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (retiring pursuant to Article 129 of the Articles of Association)

   b) Y. Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail (retiring pursuant to Article 129 of the Articles of Association)

2. The Executive Chairman who is standing for re-appointment at the Eighteenth Annual General Meeting is as follow :-

   a) Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak (re-appoint pursuant to Section 129 of the Companies Act, 1965)

3. 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 2011 to 31 May 2012. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follow :-

Name	No. of Meeting Attended
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	4
Chew Chuon Jin	4
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4
Y. Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	3
Chew Chuon Ghee	3
Loh Eng Wee	3

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

   All four (4) Board of Directors' Meeting held during the financial year 31 May 2012 took place at Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.

Date of Meeting	Time
27th October, 2011	3.45 p.m.
18th January, 2012	2.00 p.m.
26th April, 2012	2.00 p.m.
26th July, 2012	2.00 p.m.

5. Details of the profile of Directors are set out in the Board of Directors on pages 8 to 9 of the Annual Report.

6. None of the Directors have any conflict of interest in the Company except for those transactions disclosed in Note 24 to the financial statements.

7. None of the Directors have been convicted of offences within the past ten (10) years other than traffic offences, if any.

8. 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 Abdul 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 Abdul 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.

9. Details of the Directors' securities holdings in the Company, and/or in related corporations are set out on pages 96 to 97 of the Annual Report.

BOARD OF DIRECTORS

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

A Malaysian, aged 70, 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 41 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 Holdings Berhad respectively.

MR. CHEW CHUON JIN

A Malaysian, aged 43, 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 1992. He joined Pensonic Holdings Berhad Group in 1993 after a short stint working for Lapro Corporation in Taiwan. Besides managing the overall business of the Pensonic Group, he also has a special focus on product development, brand building and strategic planning. His many years of experience in the electrical home appliances industry and excellent entrepreneurial skills have helped steered the Pensonic Group to greater heights and expanded the Pensonic brand presence into many countries in Asia.

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

MR. CHEW CHUON GHEE

A Malaysian, aged 40, is the Group Executive Director of Pensonic Holdings Berhad Group. He graduated from Eastern Michigan University of the United States of America 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 overall operation of the group, including management of the sales and marketing functions of all the brands under the group for both the local and export markets. He also assists the Group Managing Director on special projects. Currently he serve as the Vice President and Executive Committee of Branding Association of Malaysia.

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

BOARD OF DIRECTORS (CONT'D)

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

A Malaysian, aged 57, 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 31 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. He was the Executive Director of Pensonic Holdings Berhad from 13 September 1995 to 13 December 2003 and was subsequently re-designated as Non-Executive Director. 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 ABDUL RAHMAN BIN KU ISMAIL*

A Malaysian, aged 60, 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, a company listed on Bursa Malaysia Securities Berhad.

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

MR. LOH ENG WEE

A Malaysian, aged 43, 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) 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 and Ideal Sun City Holdings Berhad, both of which are listed on Bursa Malaysia Securities Berhad. He also sits on the board of several private limited companies.

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

* 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 2012.

Operating Environment:

PENSONIC is entering its 30th year in brand establishment in this ever-competitive industry. With the beginning of our 30th Anniversary, we hope to open a new chapter through adopting transformation as a key initiative in our future business development plan to drive economic growth and achieving the vision of becoming a successful Asian Brand.

In FY2012, the global economy is moving sideways, with both upside and downside potential. It is a moment of huge vagueness; however, we see it as an opportunity. We have developed a series of corporate strategies integrated with action plans which were embedded within our operations in FY2012.

(i) Strengthened Business Profile

In FY2011, the Group has announced to spearhead an initiative to establish a Manufacturing Hub and International Distribution Network of Electrical Home Appliances (EHA) under the Economic Transformation Programme (ETP). We are setting up a new headquarters which occupies more than 1.85 acres of land, features a better-equipped R&D center in order to help expand the business in a wider scope and eventually exaggerate the brand exposure to more countries and also to widen the market in the global industry. The new plant is scheduled to be able to commence operation by year 2014.

The ETP project is backed by a strong management team with years of experience in Electrical Home Appliances Industry. Moreover, the project is very much supported by our government and business counterparts in related industries. As of to date, we have committed to invest a total of RM40million into this expansion project by FY2013. FY2012 is a year filled with challenges and opportunities, and we have demonstrated a super strong forward strategic formulation with clear focus and initiatives to overcome the obstacles. The current progress is slow but encouraging; with the revenue growth by 17% during the financial year.

(ii) Corporate Restructuring

In FY2012, we have carried out several business restructuring activities, i.e. cost restructuring through reviewing of current product costing to increase the Gross Profit Margin, product line restructuring and implementation of new Warehouse Management System for effective inventories turnover management to cope with future operations.

Competitive new product lines with higher margins are added whilst existing products tagged with obsolete technology were realised through aggressive marketing, promotional and pricing strategies in current year. We have written off existing products tagged with obsolete technology of RM5.7 million as we will focus on better and more sophisticated products in future. Besides, we have aggressively pushed the receivables collection days down by re-negotiating the payment terms and repayment schedules with our debtors. As a result of our massive corporate debt collection review activities, the group recognizes impairment of receivables of RM 3.3 million in FY2012. The writing-offs and impairments although seemed big, however, it was just a one-off and essential for the inception of a whole new era, a better Pensonic for the stakeholders to flourish then hereon.

CHAIRMAN'S STATEMENT (CONT'D)

(iii) Product Research & Development

In FY2012, we have committed to embrace new technologies with huge amount of fund being invested into our own R&D sector. Aggressive efforts are putting into Research and Development field for more value-adding activities such as product design and Original Design Manufacturing (ODM) activities, quality control and assurance.

Several new innovative products were launched in FY2012:

- First light-emitting diode (LED) lighting range called Carinae LEDs. The revenue contribution from this product projected to hit RM10 million for the FY 2013.
- New product line-up with Eco green feature such as Eco Thermo Pot.
- New Bold fan with powerful motor, aided with huge fan blades and sturdy base.

(iv) Human Capital Development

In FY2012, we have developed various training programmes for our employees, including corporate business management, marketing & branding and, technical training. We are putting training programmes in place across our business to meet the Group's future development needs.

As a people oriented corporation, the Group is always dedicated to acquiring, developing and retaining talents to be prepared for future expansion. It is people who turn visions into results. With the current expansion plan, we are in high demand for talents.

In FY2012, we are in the developmental phase with strengthening, consolidation and integration efforts on our business fundamental, not forgetting, the recent restructuring exercise. We are confident that this is a short-term profit sacrifice which paves the path for long term benefits. We will be seeing our fruits of hard work starting to cherish in the coming years.

Operating results:

Despite the global economy slowdown in FY2012, the Group posted a 17% growth in revenue for the financial year ended May 31, 2012, chalking up RM349 million compared with RM298 million in the previous financial year. Sales revenue contributed by ODM and OEM increased by 6%. The increase demonstrated the support of our ODM & OEM customers who recognise our strong technical competence and excellent technical support in new product development. Turnover for overseas segment remained positive with growth of 9% in Asian countries, 100% in Africa & other developing countries. The Group has successfully penetrated into developing countries such as Sri Lanka, Myanmar, U.A.E & Egypt which have significant growth opportunities for expansion with their increasing demand for new appliances as a result of rapid economy growth and continuous growth in residential, factory and infrastructure construction.

FY2012 was a challenging year for the Group. Net loss attributable to the shareholders of the Company recorded at RM 10.62 million (2011: Profit RM3.34 million). This is mainly due to several significant one-off expenses recorded during the financial year i.e. inventories written-off and receivables impairment of approximately RM9million. Besides, the Group's administrative and general expenses increased by RM5.3 million, resulted from the investment in human capital, research and development and other corporate restructuring activities carried out during the financial year. The Group's loss per share recorded at 11.46 cents in FY2012.

CHAIRMAN'S STATEMENT (CONT'D)

Although the Group's net asset value per share drops to RM0.92 from RM1.05 cents previously, we believe our stable business fundamentals have enabled us to stay ahead in the competitive business environment. Group's balance sheet remained strong as it was in a net cash position backed by cash and cash equivalents of RM5.28 million (2011: RM 3.58million) .

The Way Ahead

With an agile and versatile operating structure, the Group is stepping up the renewal process momentum and accelerating our prowl for new business model to uplift our growth momentum. Under the ETP, our forward strategy for sustainable performance entails focusing on global and is not limited to only a few markets around the local ground.

Our ambition, with the support of government, is to be one of the biggest and strongest players in the global market. Future strategies of PENSONIC will see more into branding and quality, building cost efficient manufacturing capacity, continuing efforts on research and developments to increase profit margin whilst avoiding head-to-head clash with low margin competitors. We will also monitor costs closely and control risks through vigilant monitoring of trade receivables and inventory levels.

Moreover, we will be constantly seeking for Merger & Acquisition (M&A) and other business partnership opportunities to penetrate the global market faster whilst on the other hand utilised economies of scale.

We are right on track for progress. There have been a cherishable atmosphere up and down in Pensonic and we see no obstacles that can back us down to be a global brand. We are confidence that the Group's robust business plans and its strong balance sheet have placed us well even in a persistently challenging market.

Dividend

The Board is recommending a final dividend of 1.75sen per share less 25% tax for the financial year ended 31 May 2012. (2011: 3.5% per share less 25% tax)

Appreciation

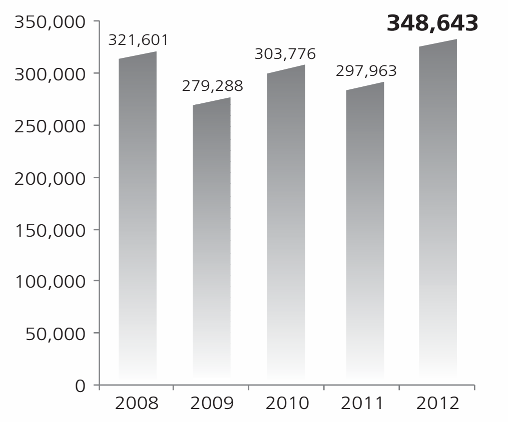
We are confident that we will achieve our target with continuous support from our bankers, business associates and vendors. I take this opportunity to thank the management and staff of PENSONIC for their commitment to always rise up to the challenge. To our Board of Directors, I would like to express my sincere gratitude for your constructive feedback and the never-failing support. To our Customers, Business Partners and Shareholders, we are ever so grateful. I am fully optimistic about PENSONIC's future performance.

Y.Bhg. Dato'Seri Chew Weng Khak @ Chew Weng Kiak
Group Executive Chairman
25 September 2012

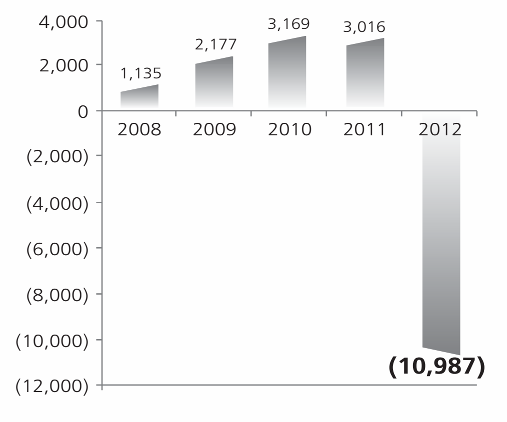
FINANCIAL HIGHLIGHTS
AS AT 31 MAY 2012

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
STATEMENTS OF COMPREHENSIVE INCOME					
Revenue	321,601	279,288	303,776	297,963	348,643
Profit/ (Loss) before tax	2,413	3,792	5,266	5,278	(11,064)
Profit/ (Loss) for the year	1,135	2,177	3,169	3,016	(10,987)
Profit/ (Loss) for the year attributable to owners of the Company	2,462	2,230	3,348	3,338	(10,615)
Net dividend proposed	868	868	1,042	1,216	1,216
STATEMENTS OF FINANCIAL POSITION					
Total Assets	243,667	217,858	220,173	223,421	241,523
Share Capital	46,310	46,310	46,310	46,310	46,310
Total equity attributable to owners of the company	90,851	92,455	94,906	96,959	85,491
FINANCIAL RATIOS					
Return on shareholders' equity	2.71%	2.41%	3.53%	3.44%	(12.42%)
Basic earnings/ (loss) per share (sen)	2.66	2.41	3.61	3.60	(11.46)
Net assets per share (RM)	0.99	1.00	1.03	1.05	0.92
Dividend rate	2.5%	2.5%	3.0%	3.5%	3.5%

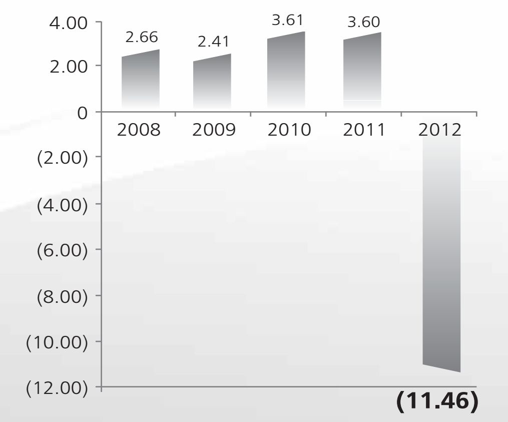
Revenue (RM'000)



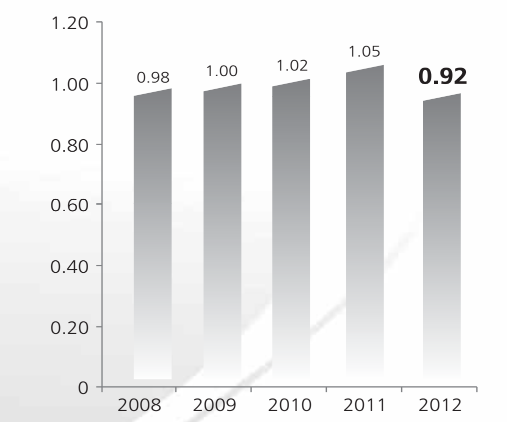
Profit/ (Loss) For The Year (RM'000)



Basic Earnings/ (Loss) Per Share (Sen)



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 fulfill 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

A. DIRECTORS (CONT'D)

Meetings (CONT'D)

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, CEO	4/4
Mr. Chew Chuon Ghee	Group Executive Director, COO	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 Abdul Rahman Bin Ku Ismail	Independent Non-Executive Director	3/4
Mr. Loh Eng Wee	Independent Non-Executive Director	3/4

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.

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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

A. DIRECTORS (CONT'D)

Directors' training (CONT'D)

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 folows:

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 Boards' reference which include 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 2012 is as follows:

Categories Fees	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Directors	50,000	1,264,318	1,314,318
Non-Executive Directors	30,000	29,380	59,380

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

B. DIRECTORS REMUNERATION (CONT'D)

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

	Number of Directors	
Range of Remuneration In RM	**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 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.

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 page 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 2012.

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 2012 are as follows:

Member	Designation
Y.Bhg. Dato' Dr Ku Abdul Rahman Bin Ku Ismail	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	Member (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 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 the 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.

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 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 2012, 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 Abdul Rahman Bin Ku Ismail	3 of 4
Y.Bhg. Tan Sri Dato' Seri Tan King @ Tan Khoon Hai	4 of 4
Mr. Loh Eng Wee	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 profesional 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 and opportunity to submit his reasons for resigning;

AUDIT COMMITTEE REPORT (CONT'D)

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 b 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 2012, 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 and discuss the internal audit reports issued by the internal auditors for audit assignments carried out during the year including the 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.
- 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.

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 (RM19,190 in 2011).

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 of 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 important 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 system 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 date of approval of the annual report. The adequacy and effectiveness of this process being reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and management practise risks identification in the process 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 required 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 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 audit and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or either as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

STATEMENT ON INTERNAL CONTROL (CONT'D)

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 if 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 2012, there is a reasonable assurance that the Group's system of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were indentified 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 has been reviewed by the external auditors in compliance with Paragraph 15.23 of Bursa Securities Listing Requirements.

The statement is issued in accordance with a resolution of the Directors dated 4 October 2012.

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 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 Company Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors also have the responsibility to take such steps as are reasonably open to them of 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 2012, 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 2012, and the profit and loss for the financial year ended 31 May 2012 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 ("FRS")
- Made judgements 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’s launched its new product LED range product in 2012, the Carinae LEDs solar cube its efficiency retro inspired Solar Cube is powered by solar energy.

In the same year , Pensonic launch it own manufactured fan, the all new BOLD fan features an elegant blending of vintage allure and contemporary styling creates a swanky look that accents our living space.

“Bold to be Long” as it is labeled, the fan is distinguished by the bold and sturdy base which allows the fan to be durable and able to withstand more rugged surfaces. As a result, it could have a long lasting lifespan compared to other fans in the market. It is just the perfect addition to any living space.

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONT'D)

Community (CONT'D)

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
15.Pertubuhan Amal & Pendidikan Akhlak Ji Her Kota Kinabalu
16 Chung Hua Private Secoundry School Building Fund
17 Moral Uplifting Society Jakarta Indonesia

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 2012.

- **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 FEES AND TAX FEES**
  There was no non-audit fees and tax 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 2012 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 Annual 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.	Purchase of goods	Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak Mr. Chew Chuon Jin Mr. Chew Chuon Ghee	8,047,373
Pensia Plastic Industries Sdn. Bhd.	Sub contract and service charged	Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak Mr. Chew Chuon Jin Mr. Chew Chuon Ghee	611,210
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	132,000

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2012

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 2012.

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
(Loss)/Profit for the year attributable to :		
Owners of the Company	(10,615,163)	892,174
Non-controlling interests	(372,180)	-
	(10,987,343)	892,174

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 1.75 sen per share less 25% tax, totalling RM1,215,632 in respect of the financial year ended 31 May 2011 on 30 December 2011.

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 2012 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 2013.

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
Chew Chuon Jin
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
Loh Eng Wee

DIRECTORS' REPORT (CONT'D)
FOR THE YEAR ENDED 31 MAY 2012

Directors' interests in shares

The interests and deemed interests in the ordinary shares 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 :

	Number of ordinary shares of RM0.50 each			
The Company	**Balance at 1.6.2011**	**Bought**	**(Sold)**	**Balance at 31.5.2012**
- Direct interest				
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,161,088	1,356,100	-	14,517,188
Mr. Chew Chuon Jin	6,680,100	400,000	-	7,080,100
Mr. Chew Chuon Ghee	1,592,500	1,107,700	-	2,700,200
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3,537,618	-	-	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	1,700,000	-	15,022,794
Mr. Chew Chuon Jin	13,322,794	1,700,000	-	15,022,794
Mr. Chew Chuon Ghee	13,322,794	1,700,000	-	15,022,794
Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,000	-	-	4,000

	Number of ordinary shares of RM1 each			
Subsidiary	**Balance at 1.6.2011**	**Bought**	**(Sold)**	**Balance at 31.5.2012**
Pensonic Parts & Services Sdn. Bhd.				
- Direct interest				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	-	-	1
Chew Chuon Jin	50,001	-	-	50,001

Based on the Register of Directors' Shareholdings, Mr. Loh Eng Wee does not have any interests in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)
FOR THE YEAR ENDED 31 MAY 2012

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 certain 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.

Issue of shares and debentures

There were no 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 financial position and statements of comprehensive income 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.

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 financial statements of the Group and of the Company 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, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 MAY 2012

Other statutory information (CONT'D)

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 loss for receivables and inventories written off 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 2012 have not been substantially affected by any item, transaction or event of a material and unsual 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.

Subsequent events

Details of the subsequent events are as disclosed in Note 31 to the financial statements.

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 : 25 September 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2012

	Note	2012 RM	2011 RM
Assets			
Property, plant and equipment	3	56,994,718	43,497,547
Investment properties	4	514,115	1,177,875
Investment in associates	6	226,924	162,580
Intangible assets	7	1,026,033	1,024,146
Deferred tax assets	8	1,245,261	1,353,832
Total non-current assets		60,007,051	47,215,980
Trade and other receivables	10	70,393,226	74,089,207
Inventories	11	88,860,507	86,154,197
Current tax assets		1,516,833	562,687
Cash and cash equivalents	12	20,092,475	15,399,034
Non-current assets held for sale	9	653,151	-
Total current assets		181,516,192	176,205,125
Total assets		241,523,243	223,421,105
Equity			
Share capital	13	46,310,000	46,310,000
Reserves	14	39,181,305	50,649,123
Total equity attributable to owners of the Company		85,491,305	96,959,123
Minority interests		(191,720)	180,420
Total equity		85,299,585	97,139,543
Liabilities			
Loans and borrowings	15	10,481,862	3,443,439
Deferred tax liabilities	8	704,596	1,042,466
Total non-current liabilities		11,186,458	4,485,905
Loans and borrowings	15	95,655,490	80,880,096
Trade and other payables	16	49,368,624	40,263,042
Current tax liabilities		13,086	652,519
Total current liabilities		145,037,200	121,795,657
Total liabilities		156,223,658	126,281,562
Total equity and liabilities		241,523,243	223,421,105

The notes on pages 43 to 91 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	17	348,642,601	297,963,037
Cost of sales		(292,104,857)	(238,012,481)
Gross profit		56,537,744	59,950,556
Administrative and general expenses		(24,398,918)	(19,073,088)
Selling and distribution expenses		(42,129,929)	(33,323,377)
Other operating income		2,655,047	1,670,842
Other operating expenses		-	(631,020)
Results from operating activities		(7,336,056)	8,593,913
Finance costs	18	(3,792,282)	(3,316,109)
Operating (loss)/profit		(11,128,338)	5,277,804
Share of profit of equity accounted associates		64,344	756
(Loss)/Profit before tax	19	(11,063,994)	5,278,560
Income tax expense	21	76,651	(2,262,747)
(Loss)/Profit for the year		(10,987,343)	3,015,813
Other comprehensive income/(expense), net of tax			
Foreign currency translation differences of foreign operations		362,977	(243,616)
Total comprehensive (expense)/income for the year		(10,624,366)	2,772,197
(Loss)/Profit for the year attributable to :			
Owners of the Company		(10,615,163)	3,338,437
Non-controlling interests		(372,180)	(322,624)
(Loss)/Profit for the year		(10,987,343)	3,015,813
Total comprehensive (expense)/income attributable to :			
Owners of the Company		(10,252,186)	3,094,821
Non-controlling interests		(372,180)	(322,624)
Total comprehensive (expense)/income for the year		(10,624,366)	2,772,197
Basic (loss)/earnings per ordinary share (sen)	22	(11.46)	3.60

The notes on pages 43 to 91 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2012

	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	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company									
		Non-distributable						Distributable			
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
Other comprehensive expense for the year - Foreign currency translation differences of foreign operations		-	-	-	-	(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		-	-	-	-	(243,616)	-	3,338,437	3,094,821	(322,624)	2,772,197
Effect of warrants expired		-	(2,402,828)	-	-	-	-	2,402,828	-	-	-
Dividend to owners of the Company	23	-	-	-	-	-	-	(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
		Note 13		Note 14	Note 14	Note 14	Note 14	Note 14			

The notes on pages 43 to 91 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 MAY 2012

		Attributable to owners of the Company								
		Non-distributable					Distributable			
	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 June 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
Other comprehensive income for the year - Foreign currency translation differences of foreign operations		-	-	-	362,977	-	-	362,977	-	362,977
Loss for the year		-	-	-	-	-	(10,615,163)	(10,615,163)	(372,180)	(10,987,343)
Total comprehensive income/(expense) for the year		-	-	-	362,977	-	(10,615,163)	(10,252,186)	(372,180)	(10,624,366)
Shares issued to non-controlling interests		-	-	-	-	-	-	-	40	40
Dividend to owners of the Company	23	-	-	-	-	-	(1,215,632)	(1,215,632)	-	(1,215,632)
At 31 May 2012		46,310,000	21,360,893	387,266	302,377	4,487,540	12,643,229	85,491,305	(191,720)	85,299,585
		Note 13	Note 14	Note 14	Note 14	Note 14	Note 14			

The notes on pages 43 to 91 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
(Loss)/Profit before tax from continuing operations		(11,063,994)	5,278,560
Adjustments for :			
Depreciation of property, plant and equipment	3	3,920,488	3,443,344
Depreciation of investment properties	4	10,609	10,609
Impairment of goodwill	7	-	630,070
Interest expense	18	3,792,282	3,316,109
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	(53,621)	(27,403)
(Gain)/Loss on disposal of plant and equipment	19	(66,740)	25,182
Loss on winding-up of an associate	19	-	939
Plant and equipment written off	19	84,318	5
Share of profit of associates, net of tax		(64,344)	(756)
Operating (loss)/profit before changes in working capital		(3,441,002)	12,440,859
Changes in working capital :			
Inventories		(2,601,793)	(2,207,186)
Trade and other receivables		4,423,322	(5,057,294)
Trade and other payables		8,461,281	2,708,960
Cash generated from operations		6,841,808	7,885,339
Income tax paid		(1,746,472)	(1,898,145)
Net cash from operating activities		5,095,336	5,987,194

The notes on pages 43 to 91 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 MAY 2012

	Note	2012 RM	2011 RM
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		67,032	82,119
Purchase of property, plant and equipment	A	(17,262,926)	(3,395,621)
Proceeds from disposal of non-current assets held for sale		-	360,000
Interest received		53,621	27,403
Proceeds from issuance of shares to non-controlling interests		40	-
Net cash used in investing activities		(17,142,233)	(2,926,099)
Cash flows from financing activities			
Drawdown/(Repayment) of term loans		7,763,962	(620,108)
Repayment of finance lease liabilities		(149,129)	(318,141)
Dividend paid to owners of the Company		(1,215,632)	(1,041,975)
Drawdown of borrowings, net		11,014,621	198,689
(Placement)/Withdrawal of pledged fixed deposits		(86,771)	366,586
Interest paid		(3,792,282)	(3,316,109)
Net cash from/(used in) financing activities		13,534,769	(4,731,058)
Net increase/(decrease) in cash and cash equivalents		1,487,872	(1,669,963)
Cash and cash equivalents at 1 June		3,582,528	5,411,314
Effects of exchange differences on cash and cash equivalents		213,763	(158,823)
Cash and cash equivalents at 31 May	B	5,284,163	3,582,528

NOTES

A. *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM17,500,926 (2011 : RM3,744,296) of which RM238,000 (2011 : RM348,675) was acquired by means of finance lease. The balance of RM17,262,926 (2011 : RM3,395,621) 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	2012 RM	2011 RM
Short term deposits with licensed banks (excluding pledged deposits)	12	25,424	584,895
Cash and bank balances	12	17,096,022	11,929,881
Bank overdrafts	15	(11,837,283)	(8,932,248)
		5,284,163	3,582,528

The notes on pages 43 to 91 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2012

	Note	2012 RM	2011 RM
Assets			
Property, plant and equipment	3	6,300,899	-
Investment in subsidiaries	5	31,372,511	31,515,311
Total non-current asset		37,673,410	31,515,311
Trade and other receivables	10	38,851,683	40,493,706
Current tax assets		67,609	110,980
Cash and cash equivalents	12	23,493	24,037
Total current assets		38,942,785	40,628,723
Total assets		76,616,195	72,144,034
Equity			
Share capital	13	46,310,000	46,310,000
Reserves	14	25,261,922	25,585,380
Total equity		71,571,922	71,895,380
Liabilities			
Loans and borrowings	15	4,051,379	-
Total non-current liabilities		4,051,379	-
Loans and borrowings	15	508,621	-
Trade and other payables	16	484,273	248,654
Total current liabilities		992,894	248,654
Total liabilities		5,044,273	248,654
Total equity and liabilities		76,616,195	72,144,034

The notes on pages 43 to 91 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	17	2,400,000	2,400,000
Administrative and general expenses		(1,178,391)	(1,693,267)
Other operating income		315,938	-
		1,537,547	706,733
Operating profit			
Finance cost	18	(22,535)	-
Profit before tax	19	1,515,012	706,733
Income tax expense	21	(622,838)	(522,593)
Profit for the year/Total comprehensive income for the year		892,174	184,140

The notes on pages 43 to 91 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2012

	Note		*Non-distributable*		*Distributable*	
		Share capital RM	**Warrant reserve RM**	**Share premium RM**	**Retained earnings RM**	**Total equity RM**
At 1 June 2010		46,310,000	2,402,828	21,360,893	2,679,494	72,753,215
Profit for the year representing total comprehensive income for the year		-	-	-	184,140	184,140
Effect of warrants expired		-	(2,402,828)	-	2,402,828	-
Dividend to owners of the Company	23	-	-	-	(1,041,975)	(1,041,975)
At 31 May 2011		46,310,000	-	21,360,893	4,224,487	71,895,380
Profit for the year representing total comprehensive income for the year		-	-	-	892,174	892,174
Dividend to owners of the Company	23	-	-	-	(1,215,632)	(1,215,632)
At 31 May 2012		46,310,000	-	21,360,893	3,901,029	71,571,922
		Note 13		Note 14	Note 14	

The notes on pages 43 to 91 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
Profit before tax from continuing operations		1,515,012	706,733
Adjustments for :			
Investment in a subsidiary written off	5	-	2
Impairment of investment in a subsidiary	5	142,800	877,200
Interest expense	18	22,535	-
Dividend income	19	(2,400,000)	(2,400,000)
Operating loss before changes in working capital		(719,653)	(816,065)
Changes in working capital :			
Trade and other receivables		1,642,023	1,160,479
Trade and other payables		235,619	(3,436)
Cash generated from operations		1,157,989	340,978
Income tax refunded		20,533	-
Dividend received		1,800,000	1,800,000
Net cash from operating activities		2,978,522	2,140,978
Cash flows from investing activity			
Acquisition of property	3	(6,300,899)	-
Subscription of shares in an existing subsidiary		-	(1,100,000)
Net cash used in investing activities		(6,300,899)	(1,100,000)
Cash flows from financing activity			
Dividend paid to owners of the Company		(1,215,632)	(1,041,975)
Interest paid		(22,535)	-
Drawdown of term loan		4,560,000	-
Net cash from/(used in) financing activities		3,321,833	(1,041,975)
Net decrease in cash and cash equivalents		(544)	(997)
Cash and cash equivalents at 1 June		24,037	25,034
Cash and cash equivalents at 31 May	12	23,493	24,037

NOTE

Cash and cash equivalents included in the statement of cash flows comprise cash and bank balances as shown in the statement of financial position.

The notes on pages 43 to 91 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Pensonic Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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 2012 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 25 September 2012.

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 following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and by the Company :

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012
- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012
- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. Basis of preparation (CONT'D)

(a) Statement of compliance (CONT'D)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (CONT'D)

- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2012)"*
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for annual period beginning on 1 June 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

(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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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, unless otherwise stated.

(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.

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 or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 June 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 June 2011

For acquisitions on or after 1 June 2011, the Group measures goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(a) Basis of consolidation (CONT'D)

***(ii) Accounting for business combinations* (CONT'D)**

***Acquisitions on or after 1 June 2011* (CONT'D)**

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, than all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 June 2011

For acquisitions between 1 January 2006 and 1 June 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

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.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest 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) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(a) Basis of consolidation (CONT'D)

(v) 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 distribution (or included in a disposal group that is classified as held for sale or distribution). 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.

Investments in associates 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 or distribution. The cost of the investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceeded their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, 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 investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(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.

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, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

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 and 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

(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.

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

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)(i)).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(c) Financial instruments (CONT'D)

(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. The cost of self-constructed assets also includes the cost of materials and direct labour. 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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

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

(iii) Depreciation (CONT'D)

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 48 to 84 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(e) Leased assets (CONT'D)

***(ii) Operating lease* (CONT'D)**

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. Leasehold land which is substance in an operating lease is classified as prepaid lease payments.

(f) Investment property

(i) Investment property carried at cost

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 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 and 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.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(iii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without involvement of independent valuers. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(h) Intangible assets

Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Trademarks

Trademarks acquired on business combinations are measured at cost less any accumulated impairment losses. Trademarks with indefinite useful lives are not amortised but are 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(i) Impairment (CONT'D)

***(i) Financial assets* (CONT'D)**

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 goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating 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) Inventories

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

The cost of inventories is based on the weighted average cost 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.

(k) 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.

(l) 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.

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.

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(m) Revenue and other income (CONT'D)

(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.

(iv) 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.

(v) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(n) 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)

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 or receivable on the taxable income or loss 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 financial 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 be applied 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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(p) 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (CONT'D)

(q) 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.

(r) 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 to assess its performance, and for which discrete financial information is available.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment - Group

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 2010	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 2011/1 June 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
Additions	6,300,899	-	185,706	2,039,311	8,566,267	141,265	267,478	-	17,500,926
Disposals	-	-	-	-	-	(4,518)	(149,750)	-	(154,268)
Write-off	-	-	-	-	(30,350)	(118,189)	-	-	(148,539)
Exchange difference	-	-	1,366	-	-	5,751	-	-	7,117
At 31 May 2012	18,046,530	23,196,765	3,594,814	7,906,899	25,676,879	2,904,243	5,905,894	278,619	87,510,643

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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
Group									
Accumulated depreciation									
At 1 June 2010	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 2011/1 June 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
Depreciation for the year	175,243	490,275	183,136	601,837	1,873,010	175,420	411,203	10,364	3,920,488
Disposals	-	-	-	-	-	(4,227)	(149,749)	-	(153,976)
Write-off	-	-	-	-	(15,543)	(48,678)	-	-	(64,221)
Exchange difference	-	-	1,310	-	-	4,464	-	-	5,774
At 31 May 2012	2,475,836	6,157,438	3,103,290	4,318,598	8,076,739	1,920,129	4,215,080	248,815	30,515,925
Carrying amounts									
At 1 June 2010	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 2011/1 June 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
At 31 May 2012	15,570,694	17,039,327	491,524	3,588,301	17,600,140	984,114	1,690,814	29,804	56,994,718

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Short term leasehold land RM
Company	
Cost	
At 1 June 2010/31 May 2011/1 June 2011	-
Additions	6,300,899
At 31 May 2012	6,300,899
Carrying amounts	
At 1 June 2010/31 May 2011/1 June 2011	-
At 31 May 2012	6,300,899

3.1 Assets under finance lease - Group

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

	2012 RM	2011 RM
Motor vehicles	813,738	781,664
Furniture, fittings and office equipment	27,343	41,356

3.2 Security

Group

Leasehold land with a carrying amount of RM9,351,613 (2011 : RM3,118,731) have been pledged as security for borrowings granted to the Group (Note 15).

Buildings with a total carrying amount of RM13,148,648 (2011 : RM13,533,692) have been pledged as security for borrowings granted to the Group (Note 15).

Company

Leasehold land with a carrying amount of RM6,300,899 (2011 : RM Nil) has been pledged as security for the term loan granted to the Company (Note 15).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

***3.3 Leasehold land - Group* (CONT'D)**

Included in the carrying amount of leasehold land are :

	2012 RM	2011 RM
Leasehold land with unexpired lease period of more than 50 years	7,389,584	7,515,553
Leasehold land with unexpired lease period of less than 50 years	8,181,110	1,929,485
	15,570,694	9,445,038

4. Investment properties - Group

Cost	**Freehold land RM**	**Buildings RM**	**Total RM**
At 1 June 2010	273,886	747,379	1,021,265
Reclassified from non-current assets held for sale	290,401	-	290,401
At 31 May/1 June 2011	564,287	747,379	1,311,666
Reclassified to non-current assets held for sale	(564,287)	(117,379)	(681,666)
At 31 May 2012	-	630,000	630,000
Accumulated depreciation			
At 1 June 2010	-	123,182	123,182
Depreciation	-	10,609	10,609
At 31 May/1 June 2011	-	133,791	133,791
Depreciation	-	10,609	10,609
Reclassified to non-current assets held for sale	-	(28,515)	(28,515)
At 31 May 2012	-	115,885	115,885
Carrying amounts			
At 1 June 2010	273,886	624,197	898,083
At 31 May 2011/1 June 2011	564,287	613,588	1,177,875
At 31 May 2012	-	514,115	514,115
Estimated fair value			
At 31 May 2011	663,000	717,000	1,380,000
At 31 May 2012	-	757,000	757,000

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment properties - Group (CONT'D)

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

	2012 RM	2011 RM
Freehold land	-	273,886
Buildings	383,422	480,818
	383,422	754,704

5. Investment in subsidiaries - Company

	2012 RM	2011 RM
Unquoted shares, at cost	32,392,511	31,292,513
Subscription of shares in existing subsidiaries	-	1,100,000
Written off (subsidiary striked-off)	-	(2)
Accumulated impairment	(1,020,000)	(877,200)
	31,372,511	31,515,311

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %	Principal activity
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
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100	100	Dormant
Microtag Engineering Sdn. Bhd.	Malaysia	51	51	Dormant

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Details of the subsidiaries are as follows : (CONT'D)

Name of subsidiary	Country of incorporation	Effective ownership interest 2012 %	2011 %	Principal activity
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 for electrical and electronic appliances
Subsidiary of Pensonic (H.K.) Corporation Limited				
Pensonic Trading (Shenzhen) Co. Ltd. * ^	People's Republic of China	100	100	Dormant
Subsidiary of Pensonic Sales & Service Sdn. Bhd.				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances
Subsidiary of Kollektion Distribution Sdn. Bhd.				
Kollektion Haus (Austin) Sdn. Bhd. # ^	Malaysia	60	-	Retailing of home appliances

* Not audited by KPMG
^ The unaudited management accounts were consolidated in the Group financial statements
# Incorporated on 5 March 2012

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investment in associates - Group

	2012 RM	2011 RM
Unquoted shares, at cost	204,610	205,549
Less : Written off	-	(939)
	204,610	204,610
Share of post acquisition reserves	22,314	(42,030)
	226,924	162,580

Name of associates	Country of incorporation	Effective ownership interest 2012 %	Effective ownership interest 2011 %	Principal activities
Pensonic (B) Sdn. Bhd. *	Brunei	40	40	Trading of electrical and electronic appliances
Microtag System Sdn. Bhd. **	Malaysia	10	10	Dormant

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

Summary financial information for associates, not adjusted for the percentage ownership held by the Group :

	Revenue (100%) RM	Profit/(Loss) (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
2012				
Pensonic (B) Sdn. Bhd.	2,872,193	161,350	1,861,199	1,313,721
Microtag System Sdn. Bhd.	-	(1,960)	895	100,783
	2,872,193	159,390	1,862,094	1,414,504
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
Cost			
At 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 2011/1 June 2011	154,146	870,000	1,024,146
Exchange difference	1,887	-	1,887
At 31 May 2012	156,033	870,000	1,026,033

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 11% 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 previous financial year.

8. Deferred tax - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	2012 RM	2011 RM
Deferred tax assets		
Tax loss carry-forwards	992,000	1,105,832
Capital allowance carry-forwards	5,261	85,000
Other temporary differences	248,000	163,000
	1,245,261	1,353,832

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Deferred tax - Group (CONT'D)

	2012 RM	2011 RM
Deferred tax liabilities		
Property, plant and equipment		
- capital allowances	(963,527)	(1,041,466)
Capital allowance carry-forwards	40,086	-
Unutilised reinvestment allowance carry-forwards	152,107	-
Other temporary differences	66,738	(1,000)
	(704,596)	(1,042,466)

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 differences can be utilised.

Movements in temporary differences during the year are as follows:

	At 1 June 2010 RM	Charged to profit or loss RM	Exchange difference RM	At 31 May 2011 RM	Charged to profit or loss RM	Exchange difference RM	At 31 May 2012 RM
Deferred tax assets	1,838,531	(484,298)	(401)	1,353,832	(108,859)	288	1,245,261
Deferred tax liabilities	(1,299,759)	257,293	-	(1,042,466)	337,870	-	(704,596)
	538,772	(227,005)	(401)	311,366	229,011	288	540,665

Unrecognised deferred tax assets - Group

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

	2012 RM	2011 RM
Tax loss carry-forwards	16,719,000	8,387,000
Capital allowance carry-forwards	1,039,000	76,000
Property, plant and equipment – capital allowances	(1,851,000)	-
Other temporary differences	(10,000)	(30,000)
	15,897,000	8,433,000

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, capital allowances carry-forwards and other temporary differences available to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. Non-current assets held for sale - Group

	2012 RM	2011 RM
Balance at 1 June	-	415,401
Disposal	-	(125,000)
Reclassified from/(to) investment properties	653,151	(290,401)
Balance at 31 May	653,151	-

The assets held for sale consisted of freehold land and building measured at the lower of their carrying amount and fair value less cost to sell. The said land and building were disposed subsequent to year end as disclosed in Note 31 to the financial statements.

10. Trade and other receivables

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade					
Trade receivables		57,279,459	60,814,348	-	-
Associate	10.1	956,644	1,286,542	-	-
Companies in which certain Directors have a substantial financial interest	10.1	9,278,853	8,739,560	-	-
		67,514,956	70,840,450	-	-
Non-trade					
Amount due from subsidiaries	10.1	-	-	36,320,680	38,610,706
Other receivables		1,629,310	1,940,398	730,253	83,000
Deposits		419,300	399,633	750	-
Prepayments		829,660	908,726	-	-
Dividend receivable from a subsidiary		-	-	1,800,000	1,800,000
		2,878,270	3,248,757	38,851,683	40,493,706
		70,393,226	74,089,207	38,851,683	40,493,706

10.1 Amount due from an associate, companies in which certain Directors have a substantial financial interest and subsidiaries

The trade amount due from associate and companies in which certain Directors have a substantial financial interest is subject to normal trade terms. The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. Inventories - Group

	2012 RM	2011 RM
Raw materials	5,531,631	6,131,777
Manufactured inventories	83,328,876	80,022,420
	88,860,507	86,154,197
Recognised in profit or loss :		
Write-down to net realisable value	368,948	127,887

12. Cash and cash equivalents

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short term deposits with licensed banks	2,996,453	3,469,153	-	-
Cash and bank balances	17,096,022	11,929,881	23,493	24,037
	20,092,475	15,399,034	23,493	24,037

12.1 Short term deposits with licensed banks

Short term deposits amounting to RM2,971,029 (2011 : RM2,884,258) of the Group are held in lien for borrowings granted to the Group (Note 15).

13. Share capital – Group/ Company

	2012		2011	
	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	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Non-distributable :				
Share premium	21,360,893	21,360,893	21,360,893	21,360,893
Revaluation reserve	387,266	387,266	-	-
Exchange translation reserve	302,377	(60,600)	-	-
Capital reserve	4,487,540	4,487,540	-	-
	26,538,076	26,175,099	21,360,893	21,360,893
Distributable :				
Retained earnings	12,643,229	24,474,024	3,901,029	4,224,487
	39,181,305	50,649,123	25,261,922	25,585,380

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

14.1 Revaluation reserve

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

14.2 Exchange translation reserve

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

14.3 Capital reserve

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

14.4 Section 108 tax credit

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank its entire retained earnings at 31 May 2012 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 2012 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. Loans and borrowings

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Current				
Unsecured				
Bank overdrafts	6,191,639	4,764,021	-	-
Bankers' acceptances	61,893,745	51,782,886	-	-
Term loans	701,141	1,102,954	-	-
	68,786,525	57,649,861	-	-
Secured				
Bank overdrafts	5,645,644	4,168,227	-	-
Bankers' acceptances	17,840,000	16,882,967	-	-
Bills payable	-	156,874	-	-
Trust receipts	681,362	536,431	-	-
Term loans	2,530,671	1,352,385	508,621	-
Finance lease liabilities	171,288	133,351	-	-
	26,868,965	23,230,235	508,621	-
	95,655,490	80,880,096	508,621	-
Non-current				
Unsecured				
Term loans	120,595	786,513	-	-
Secured				
Term loans	9,890,394	2,236,987	4,051,379	-
Finance lease liabilities	470,873	419,939	-	-
	10,361,267	2,656,926	4,051,379	-
	10,481,862	3,443,439	4,051,379	-

15.1 Securities

The unsecured borrowings of the Group 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.

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:

	2012			2011		
Group	**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	201,505	30,217	171,288	163,397	30,046	133,351
Between 1 and 5 years	506,490	35,617	470,873	462,996	43,057	419,939
	707,995	65,834	642,161	626,393	73,103	553,290

16. Trade and other payables

		Group		Company	
	Note	**2012 RM**	**2011 RM**	**2012 RM**	**2011 RM**
Trade					
Trade payables	16.1	36,095,027	32,055,554	-	-
Company in which certain Directors have a substantial financial interest		1,312,178	-	-	-
		37,407,205	32,055,554	-	-
Non-trade					
Amount due to subsidiaries	16.2	-	-	156,694	137,612
Other payables		4,227,269	3,998,381	217,579	6,742
Accrued expenses		7,734,150	4,209,107	110,000	104,300
		11,961,419	8,207,488	484,273	248,654
		49,368,624	40,263,042	484,273	248,654

16.1 Trade payables

Included in trade payables is RM1,283,238 (2011 : RM6,101,391) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. Finance costs

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Interest expense on :				
Term loans	359,129	291,130	22,535	-
Bank overdrafts	582,077	495,914	-	-
Bankers' acceptances	2,772,762	2,500,392	-	-
Other borrowings	78,314	28,673	-	-
	3,792,282	3,316,109	22,535	-

19. (Loss)/Profit before tax

(Loss)/Profit before tax is arrived at :

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
After charging :				
Auditors' remuneration :				
- Audit fees				
- KPMG Malaysia				
- current year	162,000	139,400	22,000	21,000
- prior year	12,600	(1,050)	1,000	(1,050)
- Other auditors	30,610	26,275	-	-
- Non audit fees				
- KPMG Malaysia				
- current year	6,000	5,500	6,000	5,500
- prior year	-	3,000	-	3,000
- Local affiliates of KPMG Malaysia	41,570	35,200	2,500	2,500
- Others	8,000	-	8,000	-
Bad debts written off	478,981	1,763,873	-	520,334
Directors' remuneration				
- Directors of the Company				
- fees	80,000	80,000	80,000	80,000
- other emoluments	1,293,698	1,143,484	-	-
- Directors of subsidiaries				
- other emoluments	637,561	638,349	-	-
Depreciation of investment properties (Note 4)	10,609	10,609	-	-
Depreciation of property, plant and equipment (Note 3)	3,920,488	3,443,344	-	-
Direct operating expenses of investment properties	8,844	8,793	-	-
Impairment of goodwill (Note 7)	-	630,070	-	-
Impairment of investment in a subsidiary	-	-	142,800	877,200
Impairment loss for receivables	2,856,177	-	-	-
Inventories written off	5,316,305	1,362,663	-	-
Inventories written down (Note 11)	368,948	127,887	-	-
Loss on disposal of plant and equipment	-	25,182	-	-
Investment in a subsidiary written off (Note 5)	-	-	-	2
Investment in an associate written off (Note 6)	-	939	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. (Loss)/Profit before tax (CONT'D)

(Loss)/Profit before tax is arrived at : (CONT'D)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
After charging :				
Plant and equipment written off	84,318	5	-	-
Rental expense				
- equipment	190,552	47,398	-	-
- premises	6,235,655	4,017,076	-	-
- booths	214,697	98,990	-	-
and after crediting :				
Dividends (gross) receivable from a subsidiary	-	-	2,400,000	2,400,000
Gain on disposal of plant and equipment	66,740	-	-	-
Gain on disposal of non-current assets held for sale	-	235,000	-	-
Gain on winding-up of a subsidiary	-	800	-	-
Interest income	53,621	27,403	-	-
Rental income			-	-
- investment properties	43,800	49,300	-	-
- sublet of factory premises	132,000	144,000	-	-
Reversal of impairment loss for receivables (net)	-	101,154	-	-
Gain on foreign exchange, net	189,741	354,377	-	-
Bad debts recovered	118,534	-	-	-
Government grants	641,547	-	315,938	-

20. Employee information

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Staff cost (excluding Executive Directors)	17,953,870	15,986,859	-	-

Staff costs and Directors' emoluments of the Group include contributions to the Employees' Provident Fund of RM1,915,283 (2011 : RM1,443,946).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Income tax expense

Recognised in profit or loss

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Income tax expense on continuing operations	(76,651)	2,262,747	622,838	522,593

Major components of income tax expense include :

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense				
Malaysian tax				
- current year	347,000	1,906,337	600,000	550,000
- prior years	(207,271)	129,999	22,838	(27,407)
	139,729	2,036,336	622,838	522,593
Foreign tax				
- current year	13,061	43,384	-	-
- prior years	(430)	(43,978)	-	-
	12,631	(594)	-	-
Total current tax	152,360	2,035,742	622,838	522,593
Deferred tax expense				
- origination and reversal of temporary differences	(495,063)	273,391	-	-
- prior years	266,052	(46,386)	-	-
Total deferred tax	(229,011)	227,005	-	-
Total income tax expense	(76,651)	2,262,747	622,838	522,593

Reconciliation of effective income tax expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(Loss)/Profit for the year	(10,987,343)	3,015,813	892,174	184,140
Total income tax expense	(76,651)	2,262,747	622,838	522,593
(Loss)/Profit excluding tax	(11,063,994)	5,278,560	1,515,012	706,733

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Income tax expense (CONT'D)

Reconciliation of effective income tax expense (CONT'D)

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Tax calculated using Malaysian tax rate at 25% (2011 : 25%)	(2,765,999)	1,319,640	378,753	176,683
Effect of different tax rates in foreign jurisdictions *	57,856	(39,849)	-	-
Non deductible expenses	833,375	570,634	194,146	372,971
Non-taxable income	(18,187)	(24,739)	-	-
Tax incentives	(147,401)	(56,284)	-	-
Effect of deferred tax assets not recognised	1,868,023	423,657	-	-
Other items	37,331	30,053	27,101	346
Under/(over) provision in prior years	58,351	39,635	22,838	(27,407)
Total income tax expense	(76,651)	2,262,747	622,838	522,593

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

22. (Loss)/Earnings per ordinary share - Group

The calculation of basic (loss)/earnings per ordinary share is based on the loss for the year attributable to owners of the Company of RM10,615,163 (2011 : profit for the year attributable to owners of the Company of RM3,338,437) and the weighted average number of ordinary shares outstanding during the year of 92,620,000 (2011 : 92,620,000).

23. Dividends - Company

	Total amount RM	**Date of payment**
2012		
Final dividend of 1.75 sen per share less 25% tax for financial year 2011	1,215,632	30 December 2011
2011		
Final dividend of 1.50 sen per share less 25% tax for financial year 2010	1,041,975	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 2012 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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) Company in which certain Directors namely, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee are deemed to have a substantial financial interest:

- Pensia Plastic Industries Sdn Bhd

iii) Company in which the Director, Chew Chuon Jin is deemed to have a substantial financial interest :

- Pensonic Technology Sdn Bhd

iv) 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:

	2012 RM	2011 RM
Company		
- Dividends receivable from a subsidiary	1,800,000	1,800,000

24.2.2 Transaction with an associate

	2012 RM	2011 RM
Group		
- Sales	1,766,712	529,557

24.2.3 Transactions with related parties

	2012 RM	2011 RM
Group		
- Purchases	(8,047,373)	(7,587,765)
- Rental charged for sub-letting of factory premises	132,000	144,000
- Subcon and service charge income	611,210	831,126

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 (2011 : RM60,000) and the remuneration package paid to them in accordance with the terms and conditions of their appointment as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Directors				
- Fees	80,000	80,000	80,000	80,000
- Other emoluments	1,790,767	1,664,245	-	-
- Defined contribution plan	140,492	117,588	-	-
	2,011,259	1,861,833	80,000	80,000

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	
	2012	**2011**
	RM	**RM**
Malaysia	259,485,322	223,506,231
Other Asian countries	72,236,636	66,120,550
Africa	349,955	264,670
Others	16,570,688	8,071,586
	348,642,601	297,963,037

	Segment assets	
	2012	**2011**
	RM	**RM**
Malaysia	216,708,666	197,964,504
Other Asian countries	20,959,848	23,283,270
Other	865,711	94,232
	238,534,225	221,342,006

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 2012 for the remaining unpaid balance of RM0.4 million.

Company

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

27. Financial instruments

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.

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 receivables as at the end of the reporting period by geographic region was :

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Malaysia	56,176	59,054	38,354	39,997
Other Asian countries	12,103	13,633	497	497
Others	865	94	-	-
	69,144	72,781	38,851	40,494

Impairment losses

The ageing of 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**
2012				
Not past due	48,335	(190)	-	48,145
Past due less than 60 days	12,568	(122)	-	12,446
Past due 61 - 120 days	1,199	(6)	-	1,193
Past due 121 - 180 days	329	(43)	-	286
Past due 181 - 365 days	2,892	(365)	-	2,527
Past due > 1 year	7,098	(2,551)	-	4,547
	72,421	(3,277)	-	69,144
2011				
Not past due	48,271	-	-	48,271
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
	73,202	(421)	-	72,781

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (CONT'D)

27.2 Credit risk (CONT'D)

Receivables (CONT'D)

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Company				
2012				
Not past due	38,851	-	-	38,851
2011				
Not past due	40,494	-	-	40,494

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

	Group 2012 RM'000	Group 2011 RM'000
At 1 June	421	522
Impairment loss recognised	2,856	132
Impairment loss reversed	-	(233)
At 31 May	3,277	421

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 RM109.8 million (2011 : RM88.7 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (CONT'D)

27.2 Credit risk (CONT'D)

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.

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:

	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
2012							
Group							
Non-derivative financial liabilities							
Term loans	13,242,801	3.00 - 7.80	15,301,224	3,320,283	3,163,769	7,908,772	908,400
Trust receipts	681,362	6.50	681,362	681,362	-	-	-
Bankers' acceptances	79,733,745	1.91 - 5.50	79,733,745	79,733,745	-	-	-
Bank overdrafts	11,837,283	6.25 - 8.25	11,837,283	11,837,283	-	-	-
Finance lease liabilities	642,161	2.46 - 8.00	707,995	201,505	192,596	313,894	-
Trade and other payables (excluding advances paid to suppliers)	50,651,862	-	50,651,862	50,651,862	-	-	-
	156,789,214		158,913,471	146,426,040	3,356,365	8,222,666	908,400
Company							
Non-derivative financial liabilities							
Trade and other payables	484,273	-	484,273	484,273	-	-	-
Term loans	4,560,000	6.00	5,468,400	720,000	960,000	2,880,000	908,400
	5,044,273		5,952,673	1,204,273	960,000	2,880,000	908,400

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instruments (CONT'D)

27.3 Liquidity risk (CONT'D)

Maturity analysis (CONT'D)

	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
2011							
Group							
Non-derivative financial liabilities							
Term loans	5,478,839	3.00 - 7.85	5,867,205	2,684,868	2,253,513	928,824	-
Trust receipts	536,431	6.50	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	-	-	-
	130,687,968		131,149,437	127,504,104	2,401,558	1,243,775	-
Company							
Non-derivative financial liabilities							
Trade and other payables	248,654	-	248,654	248,654	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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**
2012		
Trade receivables	7,367	98
Cash and bank balances	3,612	-
Trade payables	(9,570)	(71)
Loans and borrowings	(3,612)	-
	(2,203)	27
2011		
Trade receivables	4,957	37
Cash and bank balances	1,314	-
Trade payables	(3,463)	(20)
Loans and borrowings	(672)	-
	2,136	17

Currency risk sensitivity analysis

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increase/(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**
2012	
USD	83
HKD	(1)
2011	
USD	(80)
HKD	(1)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instrument (CONT'D)

27.4 Market risk (CONT'D)

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.

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 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 :

	2012 RM'000	2011 RM'000
Group		
Fixed rate instruments		
Financial asset		
- Short term deposits with licensed banks	2,996	3,469
Financial liabilities		
- Term loans	630	1,889
- Finance lease liabilities	642	553
- Bankers' acceptances	79,734	68,666
	81,006	71,108
Floating rate instruments		
Financial liabilities		
- Term loans	12,613	3,590
- Bank overdrafts	11,837	8,932
- Bills payables	-	157
- Trust receipts	681	536
	25,131	13,215
Company		
Floating rate instruments		
Financial liabilities		
- Term loan	4,560	-

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)

(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.

	Profit or loss	
Group	**100 bp increase RM'000**	**100 bp decrease RM'000**
2012		
Floating rate instruments		
- Term loans	(95)	95
- Bank overdrafts	(89)	89
- Trust receipts	(5)	5
	(189)	189
2011		
Floating rate instruments		
- Term loans	(27)	27
- Bank overdrafts	(67)	67
- Bills payable	(1)	1
- Trust receipts	(4)	4
	(99)	99
Company		
2012		
Floating rate instruments		
- Term loan	(34)	34

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instrument (CONT'D)

27.5 Categories and fair value of financial instruments

	2012 Carrying amount RM'000	2012 Fair value RM'000	2011 Carrying amount RM'000	2011 Fair value RM'000
Group				
Financial assets categorised as loans and receivables				
Trade and other receivables (excluding deposits and prepayments)	69,144	*	72,781	*
Cash and cash equivalents	20,092	*	15,399	*
	89,236		88,180	
Financial liabilities carried at amortised cost				
Floating rate loans and borrowings	25,131	25,131	13,215	13,215
Fixed rate loans and borrowings	81,006	81,040	71,108	71,033
Trade and other payables	50,652	*	46,364	*
	156,789		130,687	
Company				
Financial assets categorised as loans and receivables				
Trade and other receivables (excluding deposits and prepayments)	38,851	*	40,494	*
Cash and cash equivalents	23	*	24	*
	38,874		40,518	
Financial liabilities carried at amortised cost				
Floating rate loans and borrowings	4,560	4,560	-	-
Trade and other payables	484	*	249	*
	5,044		249	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Financial instrument (CONT'D)

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

* 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:

	2012 %	2011 %
Secured term loans	3.30 - 4.50	3.20 - 4.40
Finance leases liabilities	2.30 - 4.00	2.42 - 4.00
Bankers' acceptances	1.91- 5.50	1.00 - 5.40

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.

27.6 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net loss arising on :				
- Loans and receivables	6,955	5,053	-	-

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.

There were no changes in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Operating leases – Group

Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	2012 RM'000	2011 RM'000
Less than one year	3,425	3,388
Between one and five years	2,330	5,425
	5,755	8,813

The Group leases a warehouse under operating leases. The lease was for an initial period of 3 years with an option to renew the lease on an annual basis upon the expiry of the initial lease period.

30. Capital commitments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property, plant and equipment				
Contracted but not provided for	24,384	-	24,300	-

31. Subsequent event

(a) On 2 July 2012, a wholly-owned subsidiary, Keat Radio Co. Sdn. Bhd. has entered into a Sale and Purchase Agreement with a shareholder of the Company for the disposal of a freehold land for a total cash consideration of RM700,000. The disposal is expected to result in a gain of approximately RM409,600.

(b) On 5 July 2012, a wholly-owned subsidiary, Keat Radio Co Sdn. Bhd. has entered into a Sale and Purchase Agreement with shareholders of the Company for the disposal of its properties known as 158, 160 & 162 Jalan Perak Penang for a total cash consideration of RM1,590,000. The disposal is expected to result in a gain of approximately RM1.2 million.

(c) On 12 July 2012, the Company disposed of its entire interests comprising of 2 ordinary shares of RM1 each in its wholly-owned subsidiary, Pensia Air Conditioners Sdn. Bhd. ("PAC") for a total cash consideration of RM2.

(d) On 16 August 2012, the litigation involving a subsidiary of the Company and the Inland Revenue Board as disclosed in Note 26 to the financial statements was heard at the Court of Appeal. Arising from the final decision made by the Court of Appeal, the subsidiary is expected to receive a tax refund of approximately RM754,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The breakdown of the retained earnings of the Group and of the Company as at 31 May, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

	2012		2011	
	Group RM	**Company RM**	**Group RM**	**Company RM**
Total retained earnings of the Company and its subsidiaries				
- realised	15,258,425	3,901,029	27,282,678	4,224,487
- unrealised	321,236	-	(354,932)	-
	15,579,661	3,901,029	26,927,746	4,224,487
Total retained earnings of associates				
- realised	22,314	-	(42,030)	-
	15,601,975	3,901,029	26,885,716	4,224,487
Less : Consolidation adjustments	(2,958,746)	-	(2,411,692)	-
Total retained earnings	12,643,229	3,901,029	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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

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 90 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 as at 31 May 2012 and of their financial performance and cash flows for the financial year ended.

In the opinion of the Directors, the information set out in Note 32 on page 91 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 : 25 September 2012

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 91 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 25 September 2012.

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 statements of financial position as at 31 May 2012 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 notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 90.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these 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 is 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the 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 give a true and fair view of the financial position of the Group and of the Company as at 31 May 2012, and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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 of the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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 on page 91 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. 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
1857/02/14 (J)
Chartered Accountant

Date : 25 September 2012

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 31.05.2012 RM
KRC	Plot 5, Tingkat Perusahaan 6, Phase 4, Prai Industrial Estate, 13600 Prai, Penang.	Industrial land with warehouse and office	19	Leasehold Expiring in 2052	1.8441 acres/ 40,000 sq.ft.	1,178,223
KRC	158,160 & 162, Jalan Perak, 10150 Penang.	Shop/ warehouse	Pre-war (Sold Out)	Freehold	4,945 sq.ft.	362,749
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	15	Leasehold	7,200 sq.ft.	341,743
KRC	Lot 2287, TS 6, NED, Penang.	Development land	(Sold Out)	Freehold	9,311 sq.ft.	290,401
KRC	Shoplot B1.1.27 & B1.1.28 Komtar, Penang.	Shoplot	29	Leasehold Expiring in 2075	624 sq.ft.	383,421
PENSONIC INDUSTRIES	Shoplot B1.1.29 Komtar, Penang.	Shoplot	29	Leasehold Expiring in 2075	312 sq.ft.	130,690
PENSIA ELECTRONIC	Plot 98, MK.11, Bukit Tengah Industrial Park, SPT, Prai, Penang.	Industrial land with factory, warehouse and office	15	Leasehold Expiring in 2054	3.05632 acres/ 112,050 sq.ft.	5,134,126
PSS	Lot 4, Towering Industrial Centre, 4½ Miles Penampang, 88300 Kota Kinabalu, Sabah.	Warehouse and office	20	Leasehold Expiring in 2037	2,700 sq.ft.	235,238
PSS	Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	20	Leasehold Expiring in 2069	43,560 sq.ft.	9.198,156
PSS	31, Laluan Perusahaan Kledang 9, Kawasan Perindustrian Chandan Raya, 31450 Menglembu.	Warehouse and office	14	Leasehold Expiring in 2082	5,494 sq.ft.	334,619
PSS	Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	8	Leasehold Expiring in 2070	43,560 sq.ft.	4,632,469
PENSIA INDUSTRIES	Plot 215, MK.13, Bukit Minyak Industrial Park, SPT, Prai, Penang.	Industrial land with factory and warehouse	9	Leasehold Expiring in 2064	3 acres / 75,260 sq.ft.	5,254,550
PHB	Plot 98,,Bukit Minyak Industrial Park, SPT Prai, Penang(Lot No. 4532 MK13 Daerah Seberang Perai Tengah, Penang.	Industrial land	1	Leasehold Expiring in 2059	2.42812ha/ 24,283 sq meter	6,300,899

ANALYSIS OF SHAREHOLDINGS
AS AT 8 OCTOBER, 2012

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 : 2,833

Distribution Schedule of Ordinary Shares

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
5	Less than 100 shares	202	*
138	100 to 1,000 shares	100,975	0.11
1,998	1,001 to 10,000 shares	9,941,941	10.74
623	10,001 to 100,000 shares	17,551,800	18.95
66	100,001 to less than 5% of issued shares	44,923,328	48.50
3	5% and above of issued shares	20,101,754	21.70
2,833		**92,620,000**	**100.00**

* Negligible

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	Berjaya Sompo Insurance Berhad	3,650,000	3.94
5	Nation Rex Sdn. Bhd.	3,605,000	3.89
6	Chew Chuon Jin	3,551,000	3.83
7	Chew Chuon Jin	3,529,100	3.81
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	2,213,900	2.39
10	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chew Weng Khak @ Chew Weng Kiak	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	Chew Chuon Fang	1,371,600	1.48
15	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Yong Siang	1,321,200	1.43
16	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Phnuah Farn Farn	1,092,900	1.18
17	Chew Chuon Ghee	895,500	0.97
18	Tay Ah Hoe	757,000	0.82
19	The Kulim-Baling Road Transport Company Sdn. Bhd.	724,000	0.78

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 8 OCTOBER, 2012

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

No.	Names	No. of Shares	%
20	Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Arsam Bin Damis	700,000	0.76
21	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Phnuah Farn Farn	637,000	0.69
22	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account - Ambank (M) Berhad For Tan King Tai @ Tan Khoon Hai	617,100	0.67
23	Chew Weng Khak @ Chew Weng Kiak	610,000	0.66
24	Tan Ah Nya @ Tan Bee Tiang	584,400	0.63
25	HLIB Nominees (Tempatan) Sdn. Bhd. Hong Leong Bank Bhd For Ch'ng Piek Yen	509,000	0.55
26	Tan Chuin Ciat	406,000	0.44
27	Muafakat Rakyat Johor Sdn. Bhd.	400,000	0.43
28	Maybank Nominees (Asing) Sdn. Bhd. Alic Chen	360,000	0.39
29	CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan King Tai @ Tan Khoon Hai	340,000	0.37
30	Cheah Lay Chin	300,000	0.32
	Total	**58,746,682**	**63.44**

SUBSTANTIAL SHAREHOLDERS

	NO. OF SHARES HELD			
	DIRECT		INDIRECT	
Name of Shareholder	No.	%	No.	%
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	14,517,188	15.67	*15,022,794	16.22
Chew Weng Khak Realty Sdn. Bhd.	15,022,794	16.22	-	-
Chew Chuon Jin	7,080,100	7.64	*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	14,517,188*	15.67	@15,022,794	16.22
Chew Chuon Jin	7,080,100*	7.64	@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
Chew Chuon Ghee	2,700,200*	2.92	@15,022,794	16.22
Y.Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	5,000	0.01	-	-
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

28th October 2011	Preliminary announcement of unaudited consolidated results for the first quarter ended 31 August 2011.
19th January 2012	Preliminary announcement of unaudited consolidated results for the second quarter ended 30 November 2011.
27th April 2012	Preliminary announcement of unaudited consolidated results for the third quarter ended 28 February 2012.
27th July 2012	Preliminary announcement of unaudited consolidated results for the fourth quarter ended 31 May 2012.

DIVIDENDS

30 December 2011	Payment of the final dividend of 1.75 sen per share less tax of 25% for the year ended 31 May 2011.
5 November 2012	Notice of the entitlement and payment of the first and final dividend of 1.75 sen per share less tax of 25% for the year ended 31 May 2012.

ANNUAL REPORT & GENERAL MEETINGS

5 November 2012	Notice of the 18th Annual General Meeting and posting of the 2012 Annual Report to shareholders.
27 November 2012	18th 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 18th Annual General meeting of the Company to be held at Laurel Ballroom, Level 1, Evergreen Laurel Hotel, 53, Persiaran Gurney, 10250 Penang, on Tuesday, 27 November, 2012 at 11.00 a.m. or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

RESOLUTION		**FOR**	**AGAINST**
Approval of First and Final Dividend	**(Resolution 1)**		
Approval of payment of Directors' Fees	**(Resolution 2)**		
Re-election of Y.Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	**(Resolution 3)**		
Re-election of Y.Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	**(Resolution 4)**		
Re-appointment of Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	**(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)**		
Proposed Amendments To The Company's Articles of Association	**(Resolution 9)**		

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

Date: ______________________ 2012

____
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.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

fold along this line

fold along this line

STAMP
HERE

TO

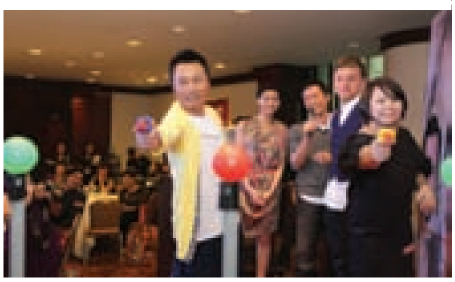
PENSONIC HOLDINGS BERHAD
(COMPANY NO. 300426-P)

87, MUNTRI STREET, 10200 PENANG.

fold along this line

No Regrets - High Fun Tea

Venue : JW Marriot Hotel, Kuala Lumpur
Date : 26th November 2011



WORLDWIDE
Pensonic Sales & Service Centre

PENSONIC
Your Enjoyment

CHINA
5F, Block 16, Xiang Zhou Technology Industrial District, No 2372 Meihua Xi Road, XiangZhou, Zhuhai City, 519075 China
Tel.Fax (0756) 8525 922/933 / 2655 271

HONG KONG
Unit 1303, Wanchai Commercial Centre
194-204 Johnston Road, Hong Kong
Tel.Fax (852) 2727 0997 / 2758 5088

SINGAPORE
2 Leng Kee Road, #06-03 Thye Hong Centre,
Singapore 159086
Tel.Fax (65) 6472 6504 / 6475 9534

INDONESIA
Jl Kamal Muara VII, Sentra Industri Terpadu
Pantai Indah Kapuk Blok I/ 1 No. 28
14450 Jakarta Utara, Indonesia
Tel.Fax (6221) 5698 2889 / 5698 3100

BRUNEI
No. D1, Spg 396, Jln Jerudong,
Bangunan Perkasa 1, Kampung Sengkurong B,
Bg 1321, Brunei Darussalam
Tel.Fax (673)2611 918 / 2610 801

THAILAND
83/ 161-162 Moo 6, Soi Chinaket 2,
Ngamwongwan Rd. , Thungsonghong, Laksi,
Bangkok 10210, Thailand
Tel.Fax (622) 9545 281-3 / 5807 443

VIETNAM
58-295 Bahmai Str. , Haibatrung Dist. , Hanoi,
Hanoi
Tel.Fax (844) 6251 976 / 6252 228

299 Ton That Thuyet, Ward 1, District 4,
Ho Chi Minh City, Vietnam
Tel.Fax (848) 3945 3483 / 3945 3482

MYANMAR
Building 2, Room #22, Pyi Yeikmon Housing,
Narnattaw St, Kamaryut Township,
Yangon, Myanmar
Tel. Fax (95) 0153 9656

CAMBODIA
#436 Ceo, St. 163-360,
Sangkat Boeung Keng Kang 3,
Khan Chamkarmon, Phnom, Penh, Cambodia.
Tel.Fax (855) 1285 8888 / 2321 3128

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

#606 Evangelista St. Quiapo Manila
Tel. 7357690 / 7332851

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

LEBANON
Verdun-Bekaa Str-Zahraa, Bldg-3 Flr,
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Elsharkey Shibin El Kom Menofia
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