

PERKARA
 Inilah Benda bukti bertanda..... "A"
 yang disebutkan didalam surat ikrar..... *Dato' Seri Chew Wey Khak*
 16 SEP 2008
 Diikrar pada *Pesuruhjaya Sumpah Kiam*
[Signature]
 Pengadil, Mahkamah Rendah, Pulau Pinang
 Pesuruhjaya Sumpah *Kantua Pinang*
 KANTUA PINANG
 KAMALAM
 A/P R. MOTTAI
 MALAYSIA
 9 LEBUH KING
 10200 PULAU PINANG

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
 Company No: 300426-P

FINANCIAL REPORT
for the financial year ended 31 May 2008

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PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 300426-P

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

RESULTS

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

DIVIDENDS

During the financial year, the Company paid a final dividend of 2.5 sen per share less tax at 27% amounting to RM1,690,315 in respect of the financial year ended 31 May 2007.

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

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

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

EMPLOYEES' SHARE OPTION SCHEME

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

As at 31 May 2008, the Company has not granted any option to the Group's eligible employees.

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

DIRECTORS' REPORT

SHARE WARRANTS

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

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

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

As at 31 May 2008, there were 22,690,000 unexercised warrants at an exercise price of RM1.425 per share.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets which would be unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

DIRECTORS' REPORT

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 300426-P

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

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

Dato' Seri Chew Weng Khak @ Chew Weng Kiak	
Chew Chuon Jin	
Chew Chuon Ghee	
Dato' Tan King Tai @ Tan Khoon Hai	
Khairilnuar Bin Abdul Rahman	
Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	(appointed on 6.11.2007)
Zahara Bt. Pawanchik, PPN, PJK	(deceased on 20.9.2007)
Lee Yew Weng	(resigned on 26.5.2008)

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

	Number of Ordinary Shares of RM0.50 each in the Company					
	Direct Interest			Deemed Interest		
	At 1.6.2007/*	Bought	(Sold)	At 31.5.2008	At 1.6.2007	At 31.5.2008
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	18,519,088	0	(858,000)	17,661,088	12,688,634	13,322,794
Chew Chuon Jin	1,929,100	0	0	1,929,100	12,688,634	13,322,794
Chew Chuon Ghee	2,089,660	0	(634,160)	1,455,500	12,688,634	13,322,794
Dato' Tan King Tai @ Tan Khoon Hai	2,444,618	178,000	0	2,622,618	4,000	4,000
Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	0*	5,000	0	5,000	0	0

* date of appointment

	Number of Warrants over Ordinary Shares of RM0.50 each in the Company					
	Direct Interest			Deemed Interest		
	At 1.6.2007	Bought	(Sold)	At 31.5.2008	At 1.6.2007	At 31.5.2008
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,145,398	0	0	2,145,398	2,668,158	2,668,158
Chew Chuon Jin	705,300	0	0	705,300	2,668,158	2,668,158
Chew Chuon Ghee	1,328,890	0	0	1,328,890	2,668,158	2,668,158
Dato' Tan King Tai @ Tan Khoon Hai	693,404	0	0	693,404	1,000	1,000

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)

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DIRECTORS' REPORT

DIRECTORS OF THE COMPANY (cont'd)

Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Industries Sdn. Bhd.				
Direct Interest				
At 1.6.2007	Bought	(Sold)	At 31.5.2008	
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	30,000	0	0	30,000

Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Parts & Service Sdn. Bhd.				
Direct Interest				
At 1.6.2007	Bought	(Sold)	At 31.5.2008	
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	0	0	1
Chew Chuon Jin	50,001	0	0	50,001

Number of Ordinary Shares of RM1.00 each in a Subsidiary, Microtag Engineering Sdn. Bhd.				
Direct Interest				
At 1.6.2007	Bought	(Sold)	At 31.5.2008	
Chew Chuon Jin	1	0	(1)	0

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for certain directors who may be deemed to derive benefits by virtue of those related party transactions as disclosed in Note 29 to the financial statements.

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

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 300426-P

DIRECTORS' REPORT

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 16 SEP 2008



Dato' Seri Chew Weng Khak @ Chew Weng Kiak



Chew Chuon Jin

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

STATEMENT BY DIRECTORS

We, Dato' Seri Chew Weng Khak @ Chew Weng Kiak and Chew Chuon Jin, being two of the directors of Pensonic Holdings Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 10 to 57 have been properly drawn up in accordance with the provisions of the Companies Act, 1965 in Malaysia and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and the Company as at 31 May 2008 and of their financial performance and cash flows for the financial year then ended.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 16 SEP 2008

Dato' Seri Chew Weng Khak @ Chew Weng Kiak

Chew Chuon Jin

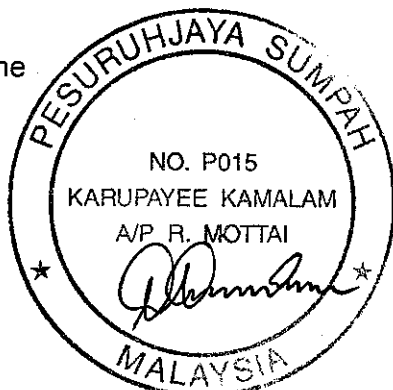
STATUTORY DECLARATION

I, Dato' Seri Chew Weng Khak @ Chew Weng Kiak, being the director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 57 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
Dato' Seri Chew Weng Khak @ Chew
Weng Kiak at Georgetown in the State of
Penang on this 16 SEP 2008

Dato' Seri Chew Weng Khak @
Chew Weng Kiak

Before me



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PENSONIC HOLDINGS BERHAD**

(Incorporated in Malaysia)
Company No: 300426-P

Report on the Financial Statements

We have audited the financial statements of Pensonic Holdings Berhad ("the Company") and its subsidiaries ("the Group") set out on pages 10 to 57, which comprise the balance sheets as at 31 May 2008, and the income statements, statements of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENSONIC HOLDINGS BERHAD (cont'd)

(Incorporated in Malaysia)
Company No: 300426-P

Opinion

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

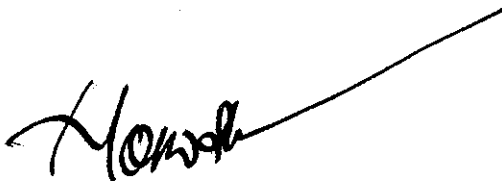
Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 7 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

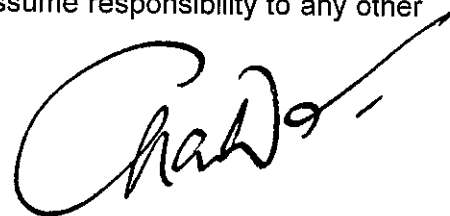
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Act and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Horwath
Firm No: AF 1018
Chartered Accountants

Penang

16 SEP 2008



Eddy Chan Wai Hun
Approval No: 2182/10/09 (J)
Partner

PENSONIC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No: 300426-P**CONSOLIDATED BALANCE SHEET As At 31 MAY 2008**

	Note	2008 RM	2007 RM (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	4	28,638,829	29,507,026
Prepaid lease payments	5	9,970,767	10,146,009
Investment property	6	1,334,313	1,344,573
Investments in associates	8	172,120	57,887
Intangible assets	9	1,636,152	1,631,465
Deferred tax assets	10	2,020,350	257,000
		<u>43,772,531</u>	<u>42,943,960</u>
CURRENT ASSETS			
Assets held for sale	11	418,055	0
Inventories	12	94,334,242	78,073,634
Trade receivables	13	68,163,306	73,404,535
Other receivables, deposits and prepayments	14	19,697,928	22,618,821
Current tax assets		1,585,366	2,306,759
Cash and cash equivalents	15	15,694,824	12,779,296
		<u>199,893,721</u>	<u>189,183,045</u>
CURRENT LIABILITIES			
Trade payables	16	42,313,176	42,701,226
Other payables and accruals	17	7,192,135	11,135,124
Hire purchase payables	18	464,161	472,498
Bank borrowings	19	92,766,456	75,507,544
Current tax liabilities		3,146,146	3,848,975
		<u>145,882,074</u>	<u>133,665,367</u>
NET CURRENT ASSETS		54,011,647	55,517,678
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	1,110,000	1,145,000
Hire purchase payables	18	650,320	1,052,092
Term loans	20	4,235,596	4,965,513
		<u>5,995,916</u>	<u>7,162,605</u>
NET ASSETS		91,788,262	91,299,033
FINANCED BY:-			
Share capital	21	46,310,000	46,310,000
Reserves		44,541,246	43,668,597
SHAREHOLDERS' EQUITY		90,851,246	89,978,597
Minority interest		937,016	1,320,436
TOTAL EQUITY		91,788,262	91,299,033

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

	Note	2008 RM	2007 RM
Revenue	22	321,600,670	302,103,558
Cost of sales		(260,803,235)	(235,878,746)
Gross profit		<u>60,797,435</u>	<u>66,224,812</u>
Other income		1,205,040	2,474,991
Administrative and general expenses		(26,340,350)	(27,336,589)
Selling and distribution expenses		(29,127,371)	(30,707,530)
Finance costs		(4,100,658)	(3,336,231)
Share of losses of associates		(20,267)	(12,223)
Profit before tax	23	<u>2,413,829</u>	<u>7,307,230</u>
Tax expense	25	(1,278,088)	(6,044,566)
Net profit for the year		<u>1,135,741</u>	<u>1,262,664</u>
Attributable to:-			
- Shareholders of the Company		2,461,893	573,421
- Minority interest		(1,326,152)	689,243
		<u>1,135,741</u>	<u>1,262,664</u>
Earnings per share (sen)	26		
- Basic		<u>2.66</u>	<u>0.62</u>
- Diluted		<u>2.66</u>	<u>0.62</u>

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

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

	Non-distributable				Distributable				Total equity RM
	Share capital RM	Share premium RM	Capital reserve RM	Revaluation surplus RM	Currency translation reserve RM	Retained profits RM	Shareholders' equity RM	Minority interest RM	
Balance at 1 June 2006	46,310,000	23,763,721	4,487,540	387,266	(37,564)	16,057,598	90,968,561	2,523,754	93,492,315
Dividend paid (Note 27)	0	0	0	0	0	(1,667,160)	(1,667,160)	0	(1,667,160)
Acquisition of minority interest	0	0	0	0	0	0	0	111,272	111,272
Disposal of subsidiaries	0	0	0	0	0	0	0	(2,003,833)	(2,003,833)
Currency translation differences	0	0	0	0	103,775	0	103,775	0	103,775
Net profit for the year	0	0	0	0	0	573,421	573,421	689,243	1,262,664
Total recognised income and expense	0	0	0	0	103,775	573,421	677,196	689,243	1,366,439
Balance at 31 May 2007	46,310,000	23,763,721	4,487,540	387,266	66,211	14,963,859	89,978,597	1,320,436	91,299,033
Dividend paid (Note 27)	0	0	0	0	0	(1,690,315)	(1,690,315)	0	(1,690,315)
Acquisition of subsidiaries	0	0	0	0	0	0	0	942,732	942,732
Currency translation differences	0	0	0	0	101,071	0	101,071	0	101,071
Net profit/(loss) for the year	0	0	0	0	0	2,461,893	2,461,893	(1,326,152)	1,135,741
Total recognised income and expense	0	0	0	0	101,071	2,461,893	2,562,964	(1,326,152)	1,236,812
Balance at 31 May 2008	46,310,000	23,763,721	4,487,540	387,266	167,282	15,735,437	90,851,246	937,016	91,788,262

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

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 300426-P

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

	Note	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,413,829	7,307,230
Adjustments for:-			
Allowance for doubtful debts		309,945	1,076,944
Allowance for doubtful debts written back		(36,490)	0
Amortisation and depreciation		2,480,220	3,781,873
Bad debts written-off		0	2,441,409
Gain on disposal of property, plant and equipment		(24,996)	(27,826)
Gain on disposal of subsidiaries		0	(68,267)
Impairment loss on goodwill		48,366	0
Interest expense		4,100,658	3,336,231
Interest income		(45,287)	(42,148)
Inventories written-off		3,269	985,529
Negative goodwill		0	(610,412)
Property, plant and equipment written-off		8,497	0
Share of losses of associates		20,267	12,223
Unrealised loss on foreign exchange		316,561	409,144
Operating profit before working capital changes		<u>9,594,839</u>	<u>18,601,930</u>
Increase in inventories		(16,263,877)	(17,509,967)
Decrease/(Increase) in receivables		2,617,318	(35,929,626)
(Decrease)/Increase in payables		<u>(4,263,701)</u>	<u>24,553,296</u>
Cash absorbed by operations		(8,315,421)	(10,284,367)
Interest paid		(4,647,391)	(3,336,231)
Interest received		40,002	37,079
Tax paid		(3,235,367)	(2,394,080)
Tax refunded		177,493	0
Net cash used in operating activities		<u>(15,980,684)</u>	<u>(15,977,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of associate		(20,000)	(70,110)
Acquisition of minority interest		0	(468)
Acquisition of subsidiaries	28	(201,886)	(1,177,577)
Additional investment in associate		(114,500)	0
Disposal of subsidiaries	28	5,783,400	(88,564)
Proceeds from disposal of property, plant and equipment		33,869	28,100
Purchase of intangible assets		0	(870,000)
Purchase of property, plant and equipment	28	<u>(1,771,991)</u>	<u>(1,730,083)</u>
Net cash from/(used in) investing activities		3,708,892	(3,908,702)

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

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

	Note	2008 RM	2007 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,690,315)	(1,667,160)
Increase in short-term bank borrowings (net)		16,954,485	21,226,934
Issue of shares to minority shareholders		979,999	0
Repayment of hire purchase obligations		(478,896)	(450,817)
Repayment of term loans		(684,687)	(821,319)
Net cash from financing activities		<u>15,080,586</u>	<u>18,287,638</u>
Currency translation differences		(187,688)	(171,898)
Net increase/(decrease) in cash and cash equivalents		<u>2,621,106</u>	<u>(1,770,561)</u>
Cash and cash equivalents brought forward		886,769	2,657,330
Cash and cash equivalents carried forward	28	<u>3,507,875</u>	<u>886,769</u>

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 300426-P

BALANCE SHEET As At 31 MAY 2008

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

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

	Note	2008 RM	2007 RM
Revenue	22	2,400,000	8,500,000
Other income		0	357,000
Administrative and general expenses		(490,979)	(362,926)
Profit before tax	23	<u>1,909,021</u>	<u>8,494,074</u>
Tax expense	25	(575,810)	(2,239,234)
Net profit for the year		<u>1,333,211</u>	<u>6,254,840</u>

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 300426-P

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

		<u>Non-distributable</u>	<u>Distributable</u>	
	Share capital	Share premium	(Accumulated losses)/ Retained profits	Shareholders' equity
	RM	RM	RM	RM
Balance at 1 June 2006	46,310,000	23,763,721	(2,638,091)	67,435,630
Dividend paid (Note 27)	0	0	(1,667,160)	(1,667,160)
Net profit for the year	0	0	6,254,840	6,254,840
Balance at 31 May 2007	<u>46,310,000</u>	<u>23,763,721</u>	<u>1,949,589</u>	<u>72,023,310</u>
Dividend paid (Note 27)	0	0	(1,690,315)	(1,690,315)
Net profit for the year	0	0	1,333,211	1,333,211
Balance at 31 May 2008	<u>46,310,000</u>	<u>23,763,721</u>	<u>1,592,485</u>	<u>71,666,206</u>

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
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CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

	Note	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,909,021	8,494,074
Adjustments for:-			
Dividend income		(2,400,000)	(8,500,000)
Gain on disposal of subsidiaries		0	(357,000)
Operating loss before working capital changes		<u>(490,979)</u>	<u>(362,926)</u>
Increase in receivables		(3,636,902)	(3,172,725)
(Decrease)/Increase in payables		<u>(7,000)</u>	<u>1,652</u>
Cash absorbed by operations		<u>(4,134,881)</u>	<u>(3,533,999)</u>
Tax refunded		38,699	0
Net cash used in operating activities		<u>(4,096,182)</u>	<u>(3,533,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	(884,552)	(1,125,000)
Disposal of subsidiaries	28	5,783,400	642,600
Dividends received		1,776,000	6,205,000
Subscription of additional shares in subsidiaries		<u>(1,019,999)</u>	<u>0</u>
Net cash from investing activities		<u>5,654,849</u>	<u>5,722,600</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid		<u>(1,690,315)</u>	<u>(1,667,160)</u>
Net cash used in financing activity		<u>(1,690,315)</u>	<u>(1,667,160)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(131,648)</u>	<u>521,441</u>
Cash and cash equivalents brought forward		678,879	157,438
Cash and cash equivalents carried forward	15	<u>547,231</u>	<u>678,879</u>

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements set out on pages 10 to 14 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in associates. The separate financial statements of the Company set out on pages 15 to 18 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 16 September 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

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

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

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

FRS 117 *Leases*

FRS 124 *Related Party Disclosures*

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

PENSONIC HOLDINGS BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Standard/Interpretation	Effective for financial periods beginning on or after
FRS 107 <i>Cash Flow Statements</i>	1 July 2007
FRS 111 <i>Construction Contracts</i>	1 July 2007
FRS 112 <i>Income Taxes</i>	1 July 2007
FRS 118 <i>Revenue</i>	1 July 2007
FRS 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
Amendment to FRS 121 <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>	1 July 2007
FRS 134 <i>Interim Financial Reporting</i>	1 July 2007
FRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5 <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6 <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7 <i>Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8 <i>Scope of FRS 2</i>	1 July 2007

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of Consolidation

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

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

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

2.3 Associates

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

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

2.4 Financial Instruments

Recognised Financial Instruments

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

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 32 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial Instruments (cont'd)

Fair Values

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

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

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

2.5 Property, Plant and Equipment

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

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

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

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

2.6 Prepaid Lease Payments

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Prepaid Lease Payments (cont'd)

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

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

2.7 Investment Property

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

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

2.8 Investments

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

2.9 Intangible Assets

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

2.10 Non-current Assets Held for Sale

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Impairment of Assets

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

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

2.12 Inventories

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

2.13 Receivables

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

2.14 Payables

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Finance Lease

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

2.16 Loans and Borrowings

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

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

2.17 Foreign Currency Transactions and Translation

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Foreign Currency Transactions and Translation (cont'd)

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

2.18 Share Capital

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

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

2.19 Income Recognition

Sale of Goods

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

Dividend Income

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

Interest Income

Interest income is recognised using the effective interest method.

Government Grant

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Income Recognition (cont'd)

Rental Income

Rental income is recognised on an accrual basis.

2.20 Income Taxes

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

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

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

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

2.21 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Employee Benefits (cont'd)

Equity Compensation Benefits

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

2.22 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

Critical Judgements

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

(i) Allowance for Inventories

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

(ii) Allowance for Doubtful Debts

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

Key Sources of Estimation Uncertainty

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

(i) Depreciation

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

(ii) Impairment of Assets

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

(iii) Income Taxes

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

PENSONIC HOLDINGS BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

4. PROPERTY, PLANT AND EQUIPMENT

The Group

At Cost	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovation and electrical installation RM	Signboard and showcase RM	Motor vehicles RM	Computer RM	Total RM
Balance at 1 June 2006	308,000	9,332,099	2,413,532	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	62,258,542
- As previously reported	0	(9,332,099)	(2,413,532)	0	0	0	0	0	0	0	(11,745,631)
- Effect of adopting FRS 117	308,000	0	0	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	50,512,911
- As restated	0	0	0	0	140,523	0	0	0	25,000	220,908	366,431
Acquisition of subsidiaries	0	0	0	0	156,486	374,986	592,111	7,748	290,536	531,216	1,953,083
Additions	0	0	0	0	(87,956)	(7,365,491)	(811,079)	0	(74,000)	(151,702)	(8,490,228)
Disposal of subsidiaries	0	0	0	0	(19,575)	0	0	0	(69,716)	(25,060)	(114,351)
Disposals	0	0	0	0	61,482	0	0	0	6,635	(4,024)	64,093
Currency translation differences	0	0	0	0	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	44,311,939
Balance at 31 May 2007	308,000	0	0	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	56,057,570
Balance at 1 June 2007	308,000	9,332,099	2,413,532	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	62,258,542
- As previously reported	0	(9,332,099)	(2,413,532)	0	0	0	0	0	0	0	(11,745,631)
- Effect of adopting FRS 117	308,000	0	0	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	50,512,911
- As restated	0	0	0	0	292,954	(225,730)	10,001	0	(84,903)	7,678	0
Reclassification	0	0	0	0	0	0	0	0	0	0	0
Reclassification to assets held for sale (Note 11)	(308,000)	0	0	(132,000)	0	0	0	0	0	0	(440,000)
Acquisition of subsidiaries	0	0	0	0	23,498	0	0	0	0	0	23,498
Additions	0	0	0	0	210,897	270,125	736,574	6,750	98,790	517,642	1,840,778
Disposals/Written-off	0	0	0	0	(59,342)	0	(49,389)	0	(163,868)	(112,729)	(385,328)
Currency translation differences	0	0	0	0	(15,406)	0	0	0	(1,967)	7,230	(10,143)
Balance at 31 May 2008	0	0	0	23,196,765	2,818,133	5,633,679	5,437,778	316,787	5,310,113	2,627,489	45,340,744

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovation and electrical installation RM	Signboard and showcase RM	Motor vehicles RM	Computer RM	Total RM
Accumulated Depreciation											
Balance at 1 June 2006	0	897,175	527,205	3,475,950	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	18,205,522
- As previously reported	0	(897,175)	(527,205)	0	0	0	0	0	0	0	(1,424,380)
- Effect of adopting FRS 117	0	0	0	3,475,950	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	16,781,142
- As restated	0	0	0	0	80,174	0	0	0	16,675	182,033	278,882
Acquisition of subsidiaries	0	0	0	412,003	216,356	1,784,324	484,384	9,228	463,821	236,215	3,596,331
Depreciation	0	0	0	0	(55,836)	(5,014,117)	(569,641)	0	(35,767)	(146,551)	(5,821,912)
Disposal of subsidiaries	0	0	0	0	(19,560)	0	0	0	(89,715)	(24,802)	(114,077)
Disposals	0	0	0	0	79,850	0	0	0	6,635	(1,938)	84,547
Currency translation differences	0	0	0	3,887,953	1,331,668	3,223,595	2,104,917	237,480	2,694,534	1,324,766	14,804,913
Balance at 31 May 2007	0	0	0	3,887,953	1,331,668	3,223,595	2,104,917	237,480	2,694,534	1,324,766	14,804,913
Balance at 1 June 2007											
Balance at 1 June 2007	0	1,032,192	567,430	3,887,953	1,331,668	3,223,595	2,104,917	237,480	2,694,534	1,324,766	16,404,535
- As previously reported	0	(1,032,192)	(567,430)	0	0	0	0	0	0	0	(1,599,622)
- Effect of adopting FRS 117	0	0	0	3,887,953	1,331,668	3,223,595	2,104,917	237,480	2,694,534	1,324,766	14,804,913
- As restated	0	0	0	0	89,847	(86,433)	14,182	0	(24,032)	6,436	0
Reclassification	0	0	0	0	0	0	0	0	0	0	0
Reclassification to assets held for sale (Note 11)	0	0	0	(21,945)	0	0	0	0	0	0	(21,945)
Acquisition of subsidiaries	0	0	0	406,983	193,712	328,064	377,606	9,237	408,191	570,925	2,294,718
Depreciation	0	0	0	0	(43,613)	0	(49,389)	0	(163,197)	(111,759)	(367,958)
Disposals/Written-off	0	0	0	0	(12,441)	0	0	0	(1,967)	4,245	(10,163)
Currency translation differences	0	0	0	4,272,981	1,561,523	3,465,226	2,447,316	246,717	2,913,529	1,794,613	16,701,915
Balance at 31 May 2008	0	0	0	4,272,981	1,561,523	3,465,226	2,447,316	246,717	2,913,529	1,794,613	16,701,915

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

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovation and electrical installation RM	Signboard and showcase RM	Motor vehicles RM	Computer RM	Total RM
<u>Carrying Amount</u> Balance at 1 June 2006	308,000	0	0	19,852,815	1,083,888	6,126,401	2,769,386	74,037	2,960,721	556,521	33,731,769
Balance at 31 May 2007	308,000	0	0	19,440,812	1,033,864	2,365,689	2,635,675	72,557	2,767,527	882,902	29,507,026
Balance at 31 May 2008	0	0	0	18,923,774	1,256,610	2,168,453	2,990,462	70,070	2,396,584	832,876	28,638,829

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

	2008 RM	2007 RM
<u>Carrying Amount</u>		
Furniture, fittings and office equipment	24,767	0
Motor vehicles	1,860,541	2,215,619
	<u>1,885,308</u>	<u>2,215,619</u>

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

	2008 RM	2007 RM
<u>Carrying Amount</u>		
Freehold land	0	308,000
Buildings	14,594,467	18,398,338
	<u>14,594,467</u>	<u>18,706,338</u>

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5. PREPAID LEASE PAYMENTS

The Group

	Long-term leasehold land RM	Short-term leasehold land RM	Total RM
<u>At Cost / Valuation</u>			
Balance at 1 June 2006			
- As previously reported	0	0	0
- Effect of adopting FRS 117	9,332,099	2,413,532	11,745,631
- As restated	9,332,099	2,413,532	11,745,631
Movement during the year	0	0	0
Balance at 31 May 2007	9,332,099	2,413,532	11,745,631
Representing items:-			
- At cost	9,332,099	890,000	10,222,099
- At valuation	0	1,523,532	1,523,532
	9,332,099	2,413,532	11,745,631
Balance at 1 June 2007			
- As previously reported	0	0	0
- Effect of adopting FRS 117	9,332,099	2,413,532	11,745,631
- As restated	9,332,099	2,413,532	11,745,631
Movement during the year	0	0	0
Balance at 31 May 2008	9,332,099	2,413,532	11,745,631
Representing items:-			
- At cost	9,332,099	890,000	10,222,099
- At valuation	0	1,523,532	1,523,532
	9,332,099	2,413,532	11,745,631

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5. PREPAID LEASE PAYMENTS (cont'd)

	Long-term leasehold land RM	Short-term leasehold land RM	Total RM
<u>Accumulated Amortisation</u>			
Balance at 1 June 2006			
- As previously reported	0	0	0
- Effect of adopting FRS 117	897,175	527,205	1,424,380
- As restated	897,175	527,205	1,424,380
Amortisation	135,017	40,225	175,242
Balance at 31 May 2007	1,032,192	567,430	1,599,622
Balance at 1 June 2007			
- As previously reported	0	0	0
- Effect of adopting FRS 117	1,032,192	567,430	1,599,622
- As restated	1,032,192	567,430	1,599,622
Amortisation	135,017	40,225	175,242
Balance at 31 May 2008	1,167,209	607,655	1,774,864
<u>Carrying Amount</u>			
Balance at 1 June 2006	8,434,924	1,886,327	10,321,251
Balance at 31 May 2007	8,299,907	1,846,102	10,146,009
Balance at 31 May 2008	8,164,890	1,805,877	9,970,767

The short-term leasehold land stated at valuation was revalued in 1994 based on valuation by independent professional valuers using an open market value basis. Had the land been carried at historical cost less accumulated amortisation, the carrying amount would have been RM855,510 (2007 : RM874,109).

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

6. INVESTMENT PROPERTY

The Group

	Freehold land RM	Leasehold shoplots RM	Buildings RM	Total RM
<u>At Cost</u>				
Balance at 1 June 2006	689,287	630,000	117,379	1,436,666
Movement during the year	0	0	0	0
Balance at 31 May 2007	689,287	630,000	117,379	1,436,666
Movement during the year	0	0	0	0
Balance at 31 May 2008	689,287	630,000	117,379	1,436,666
<u>Accumulated Depreciation</u>				
Balance at 1 June 2006	0	66,314	15,479	81,793
Depreciation	0	8,262	2,038	10,300
Balance at 31 May 2007	0	74,576	17,517	92,093
Depreciation	0	8,262	1,998	10,260
Balance at 31 May 2008	0	82,838	19,515	102,353
<u>Carrying Amount</u>				
Balance at 1 June 2006	689,287	563,686	101,900	1,354,873
Balance at 31 May 2007	689,287	555,424	99,862	1,344,573
Balance at 31 May 2008	689,287	547,162	97,864	1,334,313
<u>Fair Value</u>				
Estimated fair value at 31 May 2007	1,240,000	528,000	100,000	1,868,000
Estimated fair value at 31 May 2008	1,770,000	551,000	100,000	2,421,000

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

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

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

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7. INVESTMENTS IN SUBSIDIARIES

The Company

	2008 RM	2007 RM
<u>At Cost</u>		
Balance at 1 June	17,772,513	21,831,962
Additions	13,020,000	2,009,551
Disposals	0	(6,069,000)
Balance at 31 May	<u>30,792,513</u>	<u>17,772,513</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Ownership Interest Held		Principal Activity
		2008	2007	
Keat Radio Co. Sdn. Bhd.	Malaysia	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%	Trading of electrical and electronic appliances
Epicson Sales & Service Sdn. Bhd.	Malaysia	100%	100%	Trading of electrical and electronic appliances
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100%	100%	Assembly and sale of electrical and electronic appliances
Mircotag Engineering Sdn. Bhd.	Malaysia	51%	0%	Provision of business solutions via the application of AutoID Technology

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7. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Country of Incorporation	Ownership Interest Held		Principal Activity
		2008	2007	
<u>Subsidiaries of Keat Radio Co. Sdn. Bhd.</u>				
Pensonic Industries Sdn. Bhd.	Malaysia	60%	60%	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited*	Hong Kong	100%	100%	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60%	60%	Trading and service of parts of electrical and electronic appliances
<u>Subsidiary of Pensonic (H.K.) Corporation Limited</u>				
Pensonic Trading (Shenzhen) Co., Ltd.*	China	100%	100%	Trading of electrical and electronic appliances
<u>Subsidiary of Pensonic Sales & Service Sdn. Bhd.</u>				
Kollektion Distribution Sdn. Bhd.	Malaysia	100%	0%	Distribution of home appliances

* Not audited by Horwath

Acquisition of Subsidiaries

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

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

The subsidiaries' loss since the acquisition date included in the Group's net profit for the financial year attributable to shareholders of the Company amounted to approximately RM137,000.

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7. INVESTMENTS IN SUBSIDIARIES (cont'd)

Acquisition of Subsidiaries (cont'd)

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

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

Subscription of Additional Shares in Subsidiaries

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

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

Amounts Owing By Subsidiaries

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

8. INVESTMENTS IN ASSOCIATES

The Group

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

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8. INVESTMENTS IN ASSOCIATES (cont'd)

The details of the associates are as follows:-

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

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

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

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

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

9. INTANGIBLE ASSETS

The Group

	Goodwill RM	Trademarks RM	Total RM
Balance at 1 June 2006	4,790,442	0	4,790,442
Additions from:-			
- acquisition of minority interest	111,740	0	111,740
- acquisition of subsidiaries	145,112	0	145,112
- separate acquisition	0	870,000	870,000
Disposal of subsidiaries	(4,272,112)	0	(4,272,112)
Currency translation differences	(13,717)	0	(13,717)
Balance at 31 May 2007	761,465	870,000	1,631,465
Additions from acquisition of subsidiaries	48,366	0	48,366
Impairment loss on goodwill	(48,366)	0	(48,366)
Currency translation differences	4,687	0	4,687
Balance at 31 May 2008	766,152	870,000	1,636,152

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

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10. DEFERRED TAX ASSETS/(LIABILITIES)

The Group

	2008 RM	2007 RM
Balance at 1 June	(888,000)	(1,212,133)
Deferred tax income relating to origination and reversal of temporary differences	997,010	308,118
Deferred tax income relating to reduction in tax rate	43,040	81,500
Recognition of previously unrecognised deferred tax assets	758,300	0
Deferred tax liabilities underprovided in prior year	0	(146,485)
Disposal of subsidiaries	0	81,000
Balance at 31 May	<u>910,350</u>	<u>(888,000)</u>
Disclosed as:-		
- Deferred tax assets	2,020,350	257,000
- Deferred tax liabilities	<u>(1,110,000)</u>	<u>(1,145,000)</u>
	<u>910,350</u>	<u>(888,000)</u>

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

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

Save as disclosed above, as at 31 May 2008, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM9,000 (2007 : RM11,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences and unused tax losses over the taxable temporary differences as follows:-

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

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11. ASSETS HELD FOR SALE

The Group

	2008 RM	2007 RM
Balance at 1 June	0	0
Reclassification from property, plant and equipment (Note 4)	418,055	0
Balance at 31 May	<u>418,055</u>	<u>0</u>

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

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

12. INVENTORIES

The Group

	2008 RM	2007 RM
Raw materials	6,272,476	6,202,354
Finished goods	86,118,978	71,871,280
Goods in transit	1,942,788	0
	<u>94,334,242</u>	<u>78,073,634</u>

13. TRADE RECEIVABLES

The Group

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

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

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13. TRADE RECEIVABLES (cont'd)

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

	2008 RM	2007 RM
Ringgit Malaysia	49,343,879	52,058,171
Hong Kong Dollar	3,068,996	2,663,563
Renminbi	0	16,603
Singapore Dollar	2,884,215	2,520,428
US Dollar	12,866,216	16,145,770
	<u>68,163,306</u>	<u>73,404,535</u>

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

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

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

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

	2008 RM	2007 RM
Ringgit Malaysia	14,616,897	22,346,782
Hong Kong Dollar	2,693,453	262,585
Singapore Dollar	6,728	9,454
US Dollar	2,380,850	0
	<u>19,697,928</u>	<u>22,618,821</u>

The Group and the Company

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

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15. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Fixed deposits with licensed banks	667,499	631,613	0	0
Cash and bank balances	15,027,325	12,147,683	547,231	678,879
	<u>15,694,824</u>	<u>12,779,296</u>	<u>547,231</u>	<u>678,879</u>

Certain fixed deposits totalling RM618,742 (2007 : RM583,517) have been pledged to banks for banking facilities granted to certain subsidiaries. The effective interest rates of fixed deposits range from 1.8% to 3.9% (2007 : 1.8% to 3.9%) per annum.

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

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	13,219,073	9,446,370	547,231	678,879
Hong Kong Dollar	237,318	370,839	0	0
Renminbi	224,318	31,538	0	0
Singapore Dollar	473,800	443,860	0	0
US Dollar	1,540,315	2,486,689	0	0
	<u>15,694,824</u>	<u>12,779,296</u>	<u>547,231</u>	<u>678,879</u>

16. TRADE PAYABLES

The Group

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

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

	2008 RM	2007 RM
Ringgit Malaysia	29,497,760	27,100,717
Hong Kong Dollar	339,982	825,994
Renminbi	0	8,266
Singapore Dollar	131,337	87,258
US Dollar	12,344,097	14,678,991
	<u>42,313,176</u>	<u>42,701,226</u>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

17. OTHER PAYABLES AND ACCRUALS

The Group

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

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

	2008 RM	2007 RM
Ringgit Malaysia	5,678,192	10,144,194
Hong Kong Dollar	138,097	146,373
Singapore Dollar	827,423	844,557
US Dollar	548,423	0
	<u>7,192,135</u>	<u>11,135,124</u>

The Group and the Company

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

18. HIRE PURCHASE PAYABLES

The Group

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

19. BANK BORROWINGS

The Group

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

Unsecured bank borrowings are guaranteed by the Company. Secured bank borrowings are secured against certain land, buildings, shoplots and fixed deposits of the Group as disclosed in Notes 4, 5, 6, 11 and 15 to the financial statements. The effective interest rates range from 3.4% to 8.8% (2007 : 3.5% to 8.8%) per annum.

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

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

20. TERM LOANS

The Group

	2008 RM	2007 RM
<u>Secured</u>		
Term loans	4,946,771	5,631,458
Current portion (Note 19)	(711,175)	(665,945)
Non-current portion	<u>4,235,596</u>	<u>4,965,513</u>

Repayment analysis is as follows:-

- not later than one year	711,175	665,945
- later than one year and not later than five years	3,373,760	3,096,665
- later than five years	861,836	1,868,848
	<u>4,946,771</u>	<u>5,631,458</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

20. TERM LOANS (cont'd)

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

21. SHARE CAPITAL

The Group and The Company

	2008 RM	2007 RM
Authorised:- 200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:- 92,620,000 ordinary shares of RM0.50 each	<u>46,310,000</u>	<u>46,310,000</u>

Employees' Share Option Scheme

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

As at 31 May 2008, the Company has not granted any option to the Group's eligible employees.

Share Warrants

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

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

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

As at 31 May 2008, there were 22,690,000 (2007 : 22,690,000) unexercised warrants at an exercise price of RM1.425 per share.

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22. REVENUE

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

Revenue of the Company represents gross dividend income from subsidiaries.

23. PROFIT BEFORE TAX

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Profit before tax is arrived at after charging:-				
Allowance for doubtful debts	309,945	1,076,944	0	0
Amortisation of prepaid lease payments	175,242	175,242	0	0
Auditors' remuneration				
- current year	140,483	142,282	14,000	14,000
- prior years	(10,965)	(27,695)	9,000	(8,000)
Bad debts written-off	0	2,441,409	0	0
Depreciation				
- investment property	10,260	10,300	0	0
- property, plant and equipment	2,294,718	3,596,331	0	0
Directors' remuneration*				
Present directors				
- fees	80,000	90,000	80,000	90,000
- non-fee emoluments	1,065,600	1,255,580	0	0
Past directors				
- non-fee emoluments	207,546	0	0	0
Other directors				
- non-fee emoluments	755,614	629,071	0	0
Impairment loss on goodwill	48,366	0	0	0
Interest expense	4,100,658	3,336,231	0	0
Inventories written-off	3,269	985,529	0	0
Loss on foreign exchange				
- realised	383,645	322,983	0	0
- unrealised	316,561	409,144	0	0
Property, plant and equipment written-off	8,497	0	0	0
Rental expense				
- equipment	76,950	69,750	0	0
- premises	1,575,377	1,800,511	0	0
- others	189,012	143,708	0	0

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23. PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
and crediting:-				
Allowance for doubtful debts written back	36,490	0	0	0
Bad debts recovered	0	5,000	0	0
Gain on disposal				
- property, plant and equipment	24,996	27,826	0	0
- subsidiaries	0	68,267	0	357,000
Government grant	0	265,980	0	0
Interest income	45,287	42,148	0	0
Negative goodwill**	0	610,412	0	0
Realised gain on foreign exchange	755,092	1,006,444	0	0
Rental income				
- investment property	42,200	67,827	0	0
- others	120,000	140,000	0	0

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

** Included in other income

24. EMPLOYEE BENEFITS EXPENSE

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

25. TAX EXPENSE

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Tax based on results for the year:-				
Malaysian income tax	2,304,180	2,822,760	574,000	2,265,000
Overseas income tax	22,966	0	0	0
Deferred tax	(1,040,050)	(389,618)	0	0
	<u>1,287,096</u>	<u>2,433,142</u>	<u>574,000</u>	<u>2,265,000</u>
Recognition of previously unrecognised deferred tax assets	(758,300)	0	0	0
Tax under/(over) provided in prior years:-				
Malaysian income tax	751,021	3,464,037	1,810	(25,766)
Overseas income tax	(1,729)	902	0	0
Deferred tax	0	146,485	0	0
	<u>1,278,088</u>	<u>6,044,566</u>	<u>575,810</u>	<u>2,239,234</u>

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

	The Group		The Company	
	2008 %	2007 %	2008 %	2007 %
Applicable tax rate	26.00	27.00	26.00	27.00
Non-deductible expenses	26.10	22.72	4.07	0.80
Non-taxable income	(1.52)	(4.69)	0.00	(1.13)
Tax incentives claimed	(0.17)	(6.27)	0.00	0.00
Increase/(Decrease) in unrecognised deferred tax assets	4.92	(3.03)	0.00	0.00
Effect of lower tax rate	(2.01)	(2.43)	0.00	0.00
Average effective tax rate	<u>53.32</u>	<u>33.30</u>	<u>30.07</u>	<u>26.67</u>

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

The tax saving of the Group for which credit has been taken in the current year as a result of the realisation of unused tax losses brought forward that had not been accounted for previously amounted to approximately NIL (2007 : RM653,000).

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

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26. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's net profit for the financial year attributable to shareholders of the Company of RM2,461,893 (2007 : RM573,421) by the weighted average number of ordinary shares in issue during the financial year of 92,620,000 (2007 : 92,620,000) shares.

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

27. DIVIDEND PAID

The Group and the Company

	2008 RM	2007 RM
Final dividend of 2.5 sen per share less tax at 28% in respect of financial year ended 31 May 2006	0	1,667,160
Final dividend of 2.5 sen per share less tax at 27% in respect of financial year ended 31 May 2007	1,690,315	0
	<u>1,690,315</u>	<u>1,667,160</u>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

28. NOTES TO CASH FLOW STATEMENTS

Acquisition of Subsidiaries

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

	The Group	
	2008 RM	2007 RM
Property, plant and equipment	21,148	107,549
Inventories	0	5,550,767
Receivables	3,900	8,634,817
Fixed deposits pledged to bank	0	460,000
Cash and cash equivalents (including bank overdrafts)	682,668	(52,577)
Payables	(793,346)	(9,245,340)
Borrowings (excluding bank overdrafts)	0	(2,862,167)
Tax liabilities	0	(118,198)
Minority interest	37,267	0
Net identifiable (liabilities)/assets acquired	(48,363)	2,474,851
Goodwill	48,366	145,112
Negative goodwill	0	(610,412)
Gross consideration	3	2,009,551
Balance payable (Note 17)	0	(884,551)
Payment for prior year acquisition	884,551	0
Net consideration paid	884,554	1,125,000
Cash and cash equivalents acquired	(682,668)	52,577
Acquisition of subsidiaries, net of cash acquired	201,886	1,177,577

	The Company	
	2008 RM	2007 RM
Gross consideration	1	2,009,551
Balance payable (Note 17)	0	(884,551)
Payment for prior year acquisition	884,551	0
Net consideration paid	884,552	1,125,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

Disposal of Subsidiaries

In May 2007, the Company disposed of its 51% of the equity interest in Arcadia Global Sdn. Bhd. (together with its subsidiaries) for RM6,426,000. The cash flow effects of the disposal of subsidiaries are as follows:-

	The Group	
	2008 RM	2007 RM
Property, plant and equipment	0	2,668,316
Inventories	0	23,943
Receivables	0	2,585,173
Tax assets	0	10,076
Cash and cash equivalents (including bank overdrafts)	0	731,164
Payables	0	(357,376)
Borrowings (excluding bank overdrafts)	0	(1,296,651)
Tax liabilities	0	(275,191)
Minority interest	0	(2,003,833)
Net identifiable assets disposed of	0	2,085,621
Goodwill	0	4,272,112
Gain on disposal	0	68,267
Gross consideration	0	6,426,000
Balance receivable (Note 14)	0	(5,783,400)
Receipt of prior year disposal	5,783,400	0
Net consideration received*	5,783,400	642,600
Cash and cash equivalents disposed of	0	(731,164)
Disposal of subsidiaries, net of cash disposed of	5,783,400	(88,564)

* Cash flow effects on separate financial statements of the Company

Purchase of Property, Plant and Equipment

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

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

Cash and Cash Equivalents

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

29. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Dividends received from subsidiaries	0	0	2,400,000	6,205,000
Electricity charges charged to a related party*	292,000	280,300	0	0
Purchase of goods from a related party*	7,084,783	7,114,583	0	0
Rental of premises charged by a director	85,000	0	0	0
Rental of premises charged to a related party*	120,000	140,000	0	0
Sale of goods to an associate	<u>1,389,846</u>	<u>1,363,261</u>	<u>0</u>	<u>0</u>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

30. SEGMENT REPORTING

The Group

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

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise investments in associates, interest-earning assets, interest-bearing liabilities, income tax assets and liabilities and their related income and expenses.

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

Business Segments

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

Geographical Segments

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

	Segment Revenue	
	2008 RM	2007 RM
Malaysia	218,016,538	214,716,358
Other countries	103,584,132	87,387,200
	<u>321,600,670</u>	<u>302,103,558</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

30. SEGMENT REPORTING (cont'd)

Geographical Segments (cont'd)

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

31. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

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

32. CONTINGENT LIABILITY - UNSECURED

The Company

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

33. FINANCIAL INSTRUMENTS

Recognised Financial Instruments

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

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 32 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2008

33. FINANCIAL INSTRUMENTS (cont'd)

Fair Values

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

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

34. FINANCIAL RISK MANAGEMENT

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

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

Currency Risk

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

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

Interest Rate Risk

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

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

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34. FINANCIAL RISK MANAGEMENT (cont'd)

Credit Risk

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

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

Liquidity Risk

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

35. COMPARATIVE FIGURES

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

	As previously reported RM	Effect of adopting FRS 117 RM	As restated RM
Property, plant and equipment	39,653,035	(10,146,009)	29,507,026
Prepaid lease payments	0	10,146,009	10,146,009

36. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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