

**Pensonic Holdings Berhad**

(Company No. 300426 - P)

(Incorporated in Malaysia)

**and its subsidiaries**

**Financial statements for the year  
ended 31 May 2010**

# Pensonic Holdings Berhad

(Company No. 300426 - P)

(Incorporated in Malaysia)

## and its subsidiaries

### Directors' report for the year ended 31 May 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 May 2010.

#### Principal activities

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

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

#### Results

	<b>Group RM</b>	<b>Company RM</b>
Profit attributable to :		
Shareholders of the Company	3,347,504	1,383,011
Minority interest	(178,774)	-
	<u>3,168,730</u>	<u>1,383,011</u>

#### Reserves and provisions

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

#### Dividends

Since the end of the previous financial year, the Company paid a final dividend of 2.50% per share less 25% tax, totalling RM868,307 in respect of the financial year ended 31 May 2009 on 30 December 2009.

A first and final dividend of 3.00% per share less 25% tax amounting to approximately RM1,041,975 in respect of the financial year ended 31 May 2010 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

## Directors of the Company

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  
 Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai  
 Khairilnuar Bin Tun Abdul Rahman  
 Dato' Dr. Ku Abdul Rahman Bin Ku Ismail

## Directors' interests

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

<u>The Company</u>	Number of ordinary shares of RM0.50 each			Balance at 31.5.2010
	Balance at 1.6.2009	Bought	(Sold)	
<u>- Direct interest</u>				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,661,088	-	-	17,661,088
Chew Chuon Jin	2,180,100	-	-	2,180,100
Chew Chuon Ghee	1,592,500	-	-	1,592,500
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	2,522,618	-	-	2,522,618
Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	5,000	-	-	5,000
<u>- Deemed interest</u>				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,322,794	-	-	13,322,794
Chew Chuon Jin	13,322,794	-	-	13,322,794
Chew Chuon Ghee	13,322,794	-	-	13,322,794
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,000	-	-	4,000
	Number of warrants over ordinary shares of RM0.50 each			
<u>The Company</u>	Balance at 1.6.2009	Bought	(Sold)	Balance at 31.5.2010
<u>- Direct interest</u>				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,145,398	-	-	2,145,398
Chew Chuon Jin	705,300	-	-	705,300
Chew Chuon Ghee	1,328,890	-	-	1,328,890
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	693,404	-	-	693,404

## Directors' interests (Cond't)

<u>The Company</u>	Number of warrants over ordinary shares of RM0.50 each			Balance at 31.5.2010
	Balance at 1.6.2009	Bought	(Sold)	
<u>- Deemed interest</u>				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,668,158	-	-	2,668,158
Chew Chuon Jin	2,668,158	-	-	2,668,158
Chew Chuon Ghee	2,668,158	-	-	2,668,158
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	1,000	-	-	1,000

<u>Subsidiary</u>	Number of ordinary shares of RM1 each			Balance at 31.5.2010
	Balance at 1.6.2009	Bought	(Sold)	
<b>Pensonic Parts &amp; Services Sdn. Bhd.</b>				
<u>- Direct interest</u>				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	-	-	1
Chew Chuon Jin	50,001	-	-	50,001

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those transactions entered in the ordinary course of business between the Company and its related corporations with companies in which certain Directors are deemed to have a substantial financial interest as disclosed in Note 25 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except where the benefit is acquired through the Company as disclosed in the financial statements.

## Warrants

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

## **Warrants (Cont'd)**

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 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 2010, there were 22,690,000 unexercised warrants at an exercise price of RM1.425 per share.

## **Issue of shares and debentures**

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

## **Options granted over unissued shares**

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

## **Other statutory information**

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

## **Other statutory information (Cont'd)**

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 May 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **Event subsequent to balance sheet date**

The details of such event are disclosed in Note 30 to the financial statements.

## **Auditors**

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

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

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

.....  
**Chew Chuon Jin**

Penang,

Date : 23 September 2010

# Pensonic Holdings Berhad

(Company No. 300426 - P)

(Incorporated in Malaysia)

## and its subsidiaries

### Consolidated balance sheet at 31 May 2010

	Note	2010 RM	2009 RM
<b>Assets</b>			
Property, plant and equipment	3	33,685,296	29,141,981
Prepaid lease payments	4	9,620,281	9,795,524
Investments properties	5	898,083	1,324,093
Investment in associates	7	162,763	155,480
Intangible assets	8	1,633,704	1,647,856
Deferred tax assets	9	1,838,531	2,038,485
<b>Total non-current assets</b>		<u>47,838,658</u>	<u>44,103,419</u>
Non-current assets held for sale	10	415,401	-
Receivables, deposits and prepayments	11	70,071,161	71,030,196
Inventories	12	83,868,074	86,622,628
Current tax assets		425,503	768,082
Cash and cash equivalents	13	17,553,977	15,333,768
<b>Total current assets</b>		<u>172,334,116</u>	<u>173,754,674</u>
<b>Total assets</b>		<u>220,172,774</u>	<u>217,858,093</u>



## Consolidated balance sheet at 31 May 2010 (Cont'd)

	Note	2010 RM	2009 RM
<b>Equity</b>			
Share capital	14	46,310,000	46,310,000
Reserves	15	48,596,277	46,144,947
<b>Total equity attributable to equity holders of the Company</b>		<u>94,906,277</u>	<u>92,454,947</u>
<b>Minority interest</b>		503,044	681,818
<b>Total equity</b>		<u>95,409,321</u>	<u>93,136,765</u>
<b>Liabilities</b>			
Borrowings	16	4,184,718	3,692,390
Deferred tax liabilities	9	1,299,759	1,200,000
<b>Total non-current liabilities</b>		<u>5,484,477</u>	<u>4,892,390</u>
Payables and accruals	17	38,329,183	31,196,046
Borrowings	16	80,572,079	87,208,944
Current tax liabilities		377,714	1,423,948
<b>Total current liabilities</b>		<u>119,278,976</u>	<u>119,828,938</u>
<b>Total liabilities</b>		<u>124,763,453</u>	<u>124,721,328</u>
<b>Total equity and liabilities</b>		<u>220,172,774</u>	<u>217,858,093</u>

The notes on pages 19 to 62 are an integral part of these financial statements.

# Pensonic Holdings Berhad

(Company No. 300426 - P)

(Incorporated in Malaysia)

## and its subsidiaries

### Consolidated income statement for the year ended 31 May 2010

	Note	2010 RM	2009 RM
<b>Continuing operations</b>			
Revenue	18	303,776,169	279,288,331
Cost of sales		(251,326,315)	(222,651,226)
Gross profit		<u>52,449,854</u>	<u>56,637,105</u>
Administrative and general expenses		(18,376,599)	(19,749,820)
Selling and distribution expenses		(27,728,153)	(30,714,176)
Other operating income		2,210,240	2,725,628
Other operating expenses		(214,725)	(474,341)
<b>Operating profit</b>	19	<u>8,340,617</u>	<u>8,424,396</u>
Finance costs	21	(3,082,084)	(4,612,511)
Share of profit/(loss) after tax and minority interest of equity accounted associates		7,283	(19,640)
<b>Profit before tax</b>		<u>5,265,816</u>	<u>3,792,245</u>
Tax expense	22	(2,097,086)	(1,615,030)
<b>Profit for the year</b>		<u><u>3,168,730</u></u>	<u><u>2,177,215</u></u>
<b>Attributable to :</b>			
Shareholders of the Company		3,347,504	2,229,535
Minority interest		(178,774)	(52,320)
<b>Profit for the year</b>		<u><u>3,168,730</u></u>	<u><u>2,177,215</u></u>
<b>Basic earnings per ordinary share (sen)</b>	23	<u><u>3.61</u></u>	<u><u>2.41</u></u>
<b>Gross dividends per ordinary share (sen)</b>	24	<u><u>1.50</u></u>	<u><u>1.25</u></u>

The notes on pages 19 to 62 are an integral part of these financial statements.

# Pensonic Holdings Berhad

(Company No. 300426 - P)

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## and its subsidiaries

### Consolidated statement of changes in equity for the year ended 31 May 2010

Note	Attributable to equity holders of the Company							Total RM	Minority interest RM	Total equity RM
	Non-distributable			Distributable						
	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM			
<b>At 1 June 2008</b>										
As previously reported	46,310,000	-	23,763,721	387,266	167,282	4,487,540	15,735,437	90,851,246	937,016	91,788,262
Fair value of warrants	-	2,402,828	(2,402,828)	-	-	-	-	-	-	-
As restated	46,310,000	2,402,828	21,360,893	387,266	167,282	4,487,540	15,735,437	90,851,246	937,016	91,788,262
Profit for the year	-	-	-	-	-	-	2,229,535	2,229,535	(52,320)	2,177,215
Dividends	-	-	-	-	-	-	(868,313)	(868,313)	-	(868,313)
Exchange translation differences	-	-	-	-	43,601	-	-	43,601	-	43,601
Accretion from acquisition of shares from minority shareholders	-	-	-	-	-	-	198,878	198,878	(202,878)	(4,000)
Net gains recognised directly in equity	-	-	-	-	43,601	-	198,878	242,479	(202,878)	39,601
<b>At 31 May 2009</b>	<b>46,310,000</b>	<b>2,402,828</b>	<b>21,360,893</b>	<b>387,266</b>	<b>210,883</b>	<b>4,487,540</b>	<b>17,295,537</b>	<b>92,454,947</b>	<b>681,818</b>	<b>93,136,765</b>
	Note 14	Note 15	Note 15	Note 15	Note 15	Note 15	Note 15			

## Consolidated statement of changes in equity (Cont'd)

Note	Attributable to equity holders of the Company								Total RM	Minority interest RM	Total equity RM
	Non-distributable					Distributable					
	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM				
<b>At 1 June 2009</b>	46,310,000	2,402,828	21,360,893	387,266	210,883	4,487,540	17,295,537	92,454,947	681,818	93,136,765	
Profit for the year	-	-	-	-	-	-	3,347,504	3,347,504	(178,774)	3,168,730	
Dividends	24	-	-	-	-	-	(868,307)	(868,307)	-	(868,307)	
Foreign exchange translation differences #	-	-	-	-	(27,867)	-	-	(27,867)	-	(27,867)	
<b>At 31 May 2010</b>	<u>46,310,000</u>	<u>2,402,828</u>	<u>21,360,893</u>	<u>387,266</u>	<u>183,016</u>	<u>4,487,540</u>	<u>19,774,734</u>	<u>94,906,277</u>	<u>503,044</u>	<u>95,409,321</u>	
	Note 14	Note 15	Note 15	Note 15	Note 15	Note 15	Note 15				

# - Net losses recognised directly in equity

The notes on pages 19 to 62 are an integral part of these financial statements.

## Pensonic Holdings Berhad

(Company No. 300426 - P)

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### and its subsidiaries

## Consolidated cash flow statement for the year ended 31 May 2010

	Note	2010 RM	2009 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		5,265,816	3,792,245
Adjustments for :			
Depreciation of property, plant and equipment	3	2,823,204	2,390,966
Amortisation of prepaid lease payments	4	175,243	175,243
Depreciation of investment property	5	10,609	10,220
Gain on disposal of non-current assets held for sale	19	-	(711,945)
Plant and equipment written off	19	-	20,654
Gain on disposal of plant and equipment	19	(322)	(6,782)
Interest income	19	(34,862)	(42,245)
Interest expense	21	3,082,084	4,612,511
Share of (profit)/loss of associates		(7,283)	19,640
Operating profit before changes in working capital		11,314,489	10,260,507
Changes in working capital :			
Inventories		2,476,147	7,711,614
Receivables, deposits and prepayments		499,635	10,030,302
Payables and accruals		7,560,687	(10,698,384)
Cash generated from operations		21,850,958	17,304,039
Income tax paid		(2,504,614)	(2,448,079)
<b>Net cash from operating activities</b>		19,346,344	14,855,960

**Consolidated cash flow statement (Cont'd)**

	Note	2010 RM	2009 RM
<b>Cash flows from investing activities</b>			
Acquisition of an associate		-	(3,000)
Acquisition of shares from minority shareholders		-	(4,000)
Proceeds from disposal of plant and equipment		4,425	19,301
Purchase of plant and equipment	A	(7,373,434)	(2,902,302)
Proceeds from disposal of non-current assets held for sale		-	1,130,000
Interest received		34,862	36,884
<b>Net cash used in investing activities</b>		(7,334,147)	(1,723,117)
<b>Cash flows from financing activities</b>			
Drawdown/(Repayment) of term loans		1,885,655	(333,579)
Repayment of finance lease liabilities		(144,526)	(466,914)
Dividends paid		(868,307)	(868,313)
Repayment of borrowings, net		(4,747,449)	(6,292,486)
Placement of pledged fixed deposits		(323,784)	(2,292,977)
Interest paid		(3,082,084)	(5,542,438)
<b>Net cash used in financing activities</b>		(7,280,495)	(15,796,707)
Net increase/(decrease) in cash and cash equivalents		4,731,702	(2,663,864)
Cash and cash equivalents at 1 June		980,436	3,507,875
Effects of exchange differences on cash and cash equivalents		(300,824)	136,425
<b>Cash and cash equivalents at 31 May</b>	B	<u>5,411,314</u>	<u>980,436</u>

## Consolidated cash flow statement (Cont'd)

### NOTES

#### A. Purchase of plant and equipment

During the year, the Group acquired plant and equipment with an aggregate cost of RM7,373,434 (2009 : RM2,922,017) of which RM Nil (2009 : RM19,715) was acquired by means of finance lease. The balance of RM7,373,434 (2009 : RM2,902,302) was paid in cash.

#### B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amounts :

	Note	2010 RM	2009 RM
Short term deposits with licensed banks (excluding pledged deposits)	13	814,771	18,780
Cash and bank balances	13	13,488,362	12,387,928
Bank overdrafts	16	(8,891,819)	(11,426,272)
		5,411,314	980,436

The notes on pages 19 to 62 are an integral part of these financial statements.

## Pensonic Holdings Berhad

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### Balance sheet at 31 May 2010

	Note	2010 RM	2009 RM
<b>Assets</b>			
Investment in subsidiaries	6	31,292,513	30,792,513
<b>Total non-current asset</b>		31,292,513	30,792,513
Receivables, deposits and prepayments	11	41,654,185	41,521,610
Current tax assets		33,573	144,191
Cash and cash equivalents	13	25,034	21,228
<b>Total current assets</b>		41,712,792	41,687,029
<b>Total assets</b>		73,005,305	72,479,542
<b>Equity</b>			
Share capital	14	46,310,000	46,310,000
Reserves	15	26,443,215	25,928,511
<b>Total equity</b>		72,753,215	72,238,511
Payables and accruals	17	252,090	241,031
<b>Total current liabilities</b>		252,090	241,031
<b>Total liabilities</b>		252,090	241,031
<b>Total equity and liabilities</b>		73,005,305	72,479,542

The notes on pages 19 to 62 are an integral part of these financial statements.



## Pensonic Holdings Berhad

(Company No. 300426 - P)

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### Income statement for the year ended 31 May 2010

	Note	2010 RM	2009 RM
<b>Continuing operations</b>			
Revenue	18	2,400,000	2,400,000
Administrative and general expenses		(336,039)	(339,050)
<b>Operating profit</b>	19	<u>2,063,961</u>	<u>2,060,950</u>
Finance costs	21	-	-
<b>Profit before tax</b>		<u>2,063,961</u>	<u>2,060,950</u>
Tax expense	22	(680,950)	(620,332)
<b>Profit for the year</b>		<u><u>1,383,011</u></u>	<u><u>1,440,618</u></u>
<b>Gross dividends per ordinary share (sen)</b>	24	<u><u>1.50</u></u>	<u><u>1.25</u></u>

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## Pensonic Holdings Berhad

(Company No. 300426 - P)

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### Statement of changes in equity for the year ended 31 May 2010

	Note	Share capital RM	<i>Non-distributable</i> Warrant reserve RM	Share premium RM	<i>Distributable</i> Retained earnings RM	Total equity RM
<b>At 1 June 2008</b>						
As previously reported		46,310,000	-	23,763,721	1,592,485	71,666,206
Fair value of warrants	31	-	2,402,828	(2,402,828)	-	-
As restated		46,310,000	2,402,828	21,360,893	1,592,485	71,666,206
Profit for the year		-		-	1,440,618	1,440,618
Dividends	24	-		-	(868,313)	(868,313)
<b>At 31 May 2009</b>		46,310,000	2,402,828	21,360,893	2,164,790	72,238,511
Profit for the year		-		-	1,383,011	1,383,011
Dividends	24	-		-	(868,307)	(868,307)
<b>At 31 May 2010</b>		46,310,000	2,402,828	21,360,893	2,679,494	72,753,215
		Note 14	Note 15	Note 15	Note 15	

The notes on pages 19 to 62 are an integral part of these financial statements.

## Pensonic Holdings Berhad

(Company No. 300426 - P)

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### Cash flow statement for the year ended 31 May 2010

	Note	2010 RM	2009 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		2,063,961	2,060,950
Adjustment for :			
Dividend income		(2,400,000)	(2,400,000)
Operating loss before changes in working capital		(336,039)	(339,050)
Changes in working capital :			
Receivables, deposits and prepayments		(132,575)	(1,262,671)
Payables and accruals		11,059	144,031
<b>Cash used in operations</b>		(457,555)	(1,457,690)
Income tax refunded		29,668	-
Dividend received		1,800,000	1,800,000
<b>Net cash from operating activities</b>		1,372,113	342,310
<b>Cash flows from investing activity</b>			
Subscription of shares in an existing subsidiary		(500,000)	-
<b>Net cash used in investing activity</b>		(500,000)	-
<b>Cash flows from financing activity</b>			
Dividend paid		(868,307)	(868,313)
<b>Net cash used in financing activity</b>		(868,307)	(868,313)
Net increase/(decrease) in cash and cash equivalents		3,806	(526,003)
Cash and cash equivalents at 1 June		21,228	547,231
<b>Cash and cash equivalents at 31 May</b>	13	25,034	21,228

The notes on pages 19 to 62 are an integral part of these financial statements.

# **Pensonic Holdings Berhad**

(Company No. 300426 - P)

(Incorporated in Malaysia)

## **and its subsidiaries**

### **Notes to the financial statements**

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

#### **Principal place of business**

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

#### **Registered office**

87 Muntri Street  
10200 Penang

The consolidated financial statements of the Company as at and for the year ended 31 May 2010 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates.

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are stated in Note 6 to the financial statements.

The financial statements were approved by the Board of Directors on 23 September 2010.

## **1. Basis of preparation**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and the Company :

#### **FRS effective for annual periods beginning on or after 1 July 2009**

- FRS 8, Operating Segments

## 1. Basis of preparation (Cont'd)

### (a) Statement of compliance (Cont'd)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010**

- FRS 4, Insurance Contracts \*
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations \*
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation \*
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132, Financial Instruments: Presentation
  - Puttable Financial Instruments and Obligations Arising on Liquidation \*
  - Separation of Compound Instruments \*
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Reclassification of Financial Assets
  - Collective Assessment of Impairment for Banking Institutions \*
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions \*
- IC Interpretation 13, Customer Loyalty Programmes \*
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction \*

#### **Amendments effective for annual periods beginning on or after 1 March 2010**

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues \*

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

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

## 1. Basis of preparation (Cont'd)

### (a) Statement of compliance (Cont'd)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011**

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

#### **Interpretation effective for annual periods beginning on or after 1 January 2012**

- IC Interpretation 15, Agreements for the Construction of Real Estate

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

- from the annual period beginning 1 June 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009, 1 January 2010 or 1 March 2010, except for those marked “ \* ” which are not applicable to the Group and the Company; and
- from the annual period beginning 1 June 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, except for those marked “ # ” which are not applicable to the Group and the Company.

IC Interpretation 15 is not applicable to the Group and the Company.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

The initial application of the remaining standards, interpretations and amendments is not expected to have any significant impact on the Group's and the Company's financial statements or any material change in accounting policy except as follows :

## **1. Basis of preparation (Cont'd)**

### **(a) Statement of compliance (Cont'd)**

#### **(i) FRS 123, Borrowing Costs (revised)**

The revised FRS 123 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The adoption of this standard will result in a change in accounting policy. In accordance with the transitional provisions, the Group will apply the revised FRS 123 to borrowing costs related to qualifying assets for which the commencement date of capitalisation is on or after 1 June 2010.

#### **(ii) Improvements to FRSs (2009)**

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The amendment that impacts the Group is as follows :

##### ***FRS 117, Leases***

The amendments clarify that the classification of leases of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. The management is still in the midst of assessing the presentation of leasehold land of the Group.

### **(b) Basis of measurement**

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

### **(c) Functional and presentation currency**

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

## 1. Basis of preparation (Cont'd)

### (d) Use of estimates and judgements

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

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

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

- Note 8.1 - Impairment testing on goodwill and trademarks;
- Note 9 - Deferred tax (recognition of deferred tax assets);
- Note 11.3 - Allowance for doubtful debts; and
- Note 12 - Inventories

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

### (a) Basis of consolidation

#### (i) *Subsidiaries*

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

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

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.



## 2. Significant accounting policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (ii) *Associates*

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

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

Investments in associates are stated in the Company's balance sheet at cost less impairment losses.

#### (iii) *Changes in Group composition*

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

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

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

#### (iv) *Minority interest*

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

## **2. Significant accounting policies (Cont'd)**

### **(a) Basis of consolidation (Cont'd)**

#### **(iv) *Minority interest (Cont'd)***

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

#### **(v) *Transactions eliminated on consolidation***

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

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

### **(b) Foreign currency**

#### **(i) *Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

## 2. Significant accounting policies (Cont'd)

### (b) Foreign currency (Cont'd)

#### *(ii) Operations denominated in functional currencies other than Ringgit Malaysia (Cont'd)*

Foreign currency differences are recognised in exchange translation reserve. On disposal of the operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

### (c) Property, plant and equipment

#### *(i) Recognition and measurement*

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other operating income” or “other operating expenses” respectively in the income statements.

#### *(ii) Subsequent costs*

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

## 2. Significant accounting policies (Cont'd)

### (c) Property, plant and equipment

#### (iii) Depreciation

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

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

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

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

During the year, the Group revised the useful life of its computers from 50% to 20%. The change in estimate was accounted for prospectively and resulted in a lower depreciation charge of RM378,405 being recognised during the financial year ended 31 May 2010.

### (d) Leased assets

#### (i) Finance lease

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

## 2. Significant accounting policies (Cont'd)

### (d) Leased assets (cont'd)

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

#### (ii) *Operating lease*

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the Group's balance sheets.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

The short term leasehold land of the Group was revalued in 1994 and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions of FRS 117.67A.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (e) Investment property

#### (i) *Investment property carried at cost*

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

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

Freehold land is not depreciated. Leasehold shoplots are depreciated on a straight-line basis over the lease terms of 68 to 77 years. Buildings are depreciated on a straight line basis over the estimated useful lives of the assets using an annual rate of 2%.

## 2. Significant accounting policies (Cont'd)

### (e) Investment property (Cont'd)

#### (ii) *Reclassification to/from investment property*

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

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in the income statements in the period of the retirement or disposal.

### (f) Non-current assets held for sale

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

### (g) Intangible assets

#### *Goodwill*

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

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

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

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

## 2. Significant accounting policies (Cont'd)

### (g) Intangible assets (cont'd)

#### *Trademarks*

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

### (h) Impairment of assets

The carrying amounts of assets except for financial assets (other than investments in subsidiaries and associates), inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statements.

## **2. Significant accounting policies (Cont'd)**

### **(i) Receivables**

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### **(j) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### **(k) Cash and cash equivalents**

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

### **(l) Provisions**

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

### **(m) Contingent liabilities**

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

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



## 2. Significant accounting policies (Cont'd)

### (n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

### (p) Income recognition

#### (i) *Goods sold*

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

#### (ii) *Rental income*

Rental income is recognised in the income statements on a straight-line basis over the term of the lease.

#### (iii) *Dividend income*

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

### (q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

## 2. Significant accounting policies (Cont'd)

### (r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

### (s) Employee benefits

#### *Short-term employee benefits*

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

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

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

## **2. Significant accounting policies (Cont'd)**

### **(t) Earnings per share**

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

### **(u) Segment reporting**

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

### **(v) Equity instruments**

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

#### ***Issue expenses***

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

### 3. Property, plant and equipment - Group

	<b>Buildings RM</b>	<b>Computer RM</b>	<b>Renovation and electrical installation RM</b>	<b>Plant and machinery RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Motor vehicles RM</b>	<b>Signboard and showcase RM</b>	<b>Total RM</b>
<b>Cost</b>								
At 1 June 2008	23,196,765	2,627,489	5,437,778	5,633,679	2,818,133	5,310,113	316,787	45,340,744
Additions	-	317,301	74,295	2,327,056	197,865	-	5,500	2,922,017
Disposals/Written off	-	(5,176)	-	-	(328,333)	(96,047)	-	(429,556)
Exchange difference	-	2,382	-	-	32,899	3,538	-	38,819
At 31 May 2009/1 June 2009	23,196,765	2,941,996	5,512,073	7,960,735	2,720,564	5,217,604	322,287	47,872,024
Additions	-	213,285	213,917	6,564,856	77,496	303,880	-	7,373,434
Disposals	-	(10,792)	-	-	(35,611)	(77,384)	-	(123,787)
Exchange difference	-	(4,587)	-	-	(10,174)	(1,705)	-	(16,466)
At 31 May 2010	23,196,765	3,139,902	5,725,990	14,525,591	2,752,275	5,442,395	322,287	55,105,205

### 3. Property, plant and equipment - Group (Cont'd)

	<b>Buildings RM</b>	<b>Computer RM</b>	<b>Renovation and electrical installation RM</b>	<b>Plant and machinery RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Motor vehicles RM</b>	<b>Signboard and showcase RM</b>	<b>Total RM</b>
<b>Accumulated depreciation</b>								
At 1 June 2008	4,272,991	1,794,613	2,447,316	3,465,226	1,561,523	2,913,529	246,717	16,701,915
Depreciation for the year	399,963	754,988	390,136	296,349	144,556	395,191	9,783	2,390,966
Disposals/Written off	-	(2,373)	-	-	(297,965)	(96,045)	-	(396,383)
Exchange difference	-	1,945	-	-	28,062	3,538	-	33,545
At 31 May 2009/1 June 2009	4,672,954	2,549,173	2,837,452	3,761,575	1,436,176	3,216,213	256,500	18,730,043
Depreciation for the year	499,375	189,802	459,972	1,011,307	192,494	457,069	13,185	2,823,204
Disposals	-	(10,792)	-	-	(31,508)	(77,384)	-	(119,684)
Exchange difference	-	(4,330)	-	-	(7,619)	(1,705)	-	(13,654)
At 31 May 2010	5,172,329	2,723,853	3,297,424	4,772,882	1,589,543	3,594,193	269,685	21,419,909
<b>Carrying amounts</b>								
At 1 June 2008	18,923,774	832,876	2,990,462	2,168,453	1,256,610	2,396,584	70,070	28,638,829
At 31 May 2009/1 June 2009	18,523,811	392,823	2,674,621	4,199,160	1,284,388	2,001,391	65,787	29,141,981
At 31 May 2010	18,024,436	416,049	2,428,566	9,752,709	1,162,732	1,848,202	52,602	33,685,296

### 3. Property, plant and equipment – Group (Cont'd)

#### 3.1 Assets under finance lease

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

	<b>2010</b> <b>RM</b>	<b>2009</b> <b>RM</b>
Motor vehicles	1,255,211	1,528,461
Furniture, fittings and office equipment	<u>54,637</u>	<u>40,814</u>

#### 3.2 Security

Certain buildings with a total carrying amount of RM13,916,335 (2009 : RM14,300,778) have been pledged as security for borrowings granted to the Group (Note 16).

### 4. Prepaid lease payments - Group

<b>Cost</b>	<b>Note</b>	<b>Unexpired period less than 50 years RM</b>	<b>Unexpired period more than 50 years RM</b>	<b>Total RM</b>
At 1 June 2008/31 May 2009/ 31 May 2010		<u>2,413,532</u>	<u>9,332,099</u>	<u>11,745,631</u>
<b>Amortisation</b>				
At 1 June 2008		607,655	1,167,209	1,774,864
Amortisation for the year	19	40,226	135,017	175,243
At 31 May 2009/1 June 2009		<u>647,881</u>	<u>1,302,226</u>	<u>1,950,107</u>
Amortisation for the year	19	40,226	135,017	175,243
At 31 May 2010		<u>688,107</u>	<u>1,437,243</u>	<u>2,125,350</u>
<b>Carrying amounts</b>				
At 1 June 2008		<u>1,805,877</u>	<u>8,164,890</u>	<u>9,970,767</u>
At 31 May 2009/1 June 2009		<u>1,765,651</u>	<u>8,029,873</u>	<u>9,795,524</u>
At 31 May 2010		<u>1,725,425</u>	<u>7,894,856</u>	<u>9,620,281</u>

#### 4. Prepaid lease payments - Group (Cont'd)

The short-term leasehold land was previously revalued by the Directors in 1994 based on the valuation carried out by independent professional valuers on an open market value basis. As allowed by the transitional provisions of FRS 117 Leases, the unamortised revalued amount has been retained as the surrogate carrying amount of prepaid lease payments.

Certain leasehold land with a carrying amount of RM3,186,748 (2009 : RM3,254,765) have been pledged as security for borrowings granted to the Group (Note 16).

#### 5. Investment properties - Group

<b>Cost</b>	<b>Freehold land RM</b>	<b>Buildings and shoplots RM</b>	<b>Total RM</b>
At 1 June 2008/31 May 2009	689,287	747,379	1,436,666
At 1 June 2009	689,287	747,379	1,436,666
Reclassified to non-current assets held for sale	(415,401)	-	(415,401)
At 31 May 2010	273,886	747,379	1,021,265
<b>Accumulated depreciation</b>			
At 1 June 2008	-	102,353	102,353
Depreciation (Note 19)	-	10,220	10,220
At 31 May 2009	-	112,573	112,573
Depreciation (Note 19)	-	10,609	10,609
At 31 May 2010	-	123,182	123,182
<b>Carrying amounts</b>			
At 1 June 2008	689,287	645,026	1,334,313
At 31 May 2009/1 June 2009	689,287	634,806	1,324,093
At 31 May 2010	273,886	624,197	898,083
<b>Estimated fair value</b>			
At 31 May 2009	910,000	1,080,000	1,990,000
At 31 May 2010	490,000	1,080,000	1,570,000

## 5. Investment properties - Group (Cont'd)

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

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

	<b>2010</b> <b>RM</b>	<b>2009</b> <b>RM</b>
Freehold land	273,886	689,287
Leasehold shoplots	395,790	401,974
Buildings	93,559	95,906
	<u>763,235</u>	<u>1,187,167</u>

## 6. Investment in subsidiaries - Company

	<b>2010</b> <b>RM</b>	<b>2009</b> <b>RM</b>
Unquoted shares, at cost		
At 1 June	30,792,513	30,792,513
Subscription of shares in an existing subsidiary	500,000	-
At 31 May	<u>31,292,513</u>	<u>30,792,513</u>

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Effective ownership interest		Principal activity
		2010 %	2009 %	
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



## 6. Investment in subsidiaries - Company (Cont'd)

Name of subsidiary	Country of incorporation	Effective ownership interest		Principal activity
		2010 %	2009 %	
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd. *	Singapore	100	100	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Epicson Sales & Service Sdn. Bhd.	Malaysia	100	100	Dormant
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100	100	Dormant
Microtag Engineering Sdn. Bhd.	Malaysia	51	51	Provision of business solutions via the application of AutoID Technology
<b>Subsidiaries of Keat Radio Co. Sdn. Bhd.</b>				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited *	Hong Kong	100	100	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60	60	Trading and service of parts of electrical and electronic appliances
<b>Subsidiary of Pensonic (H.K.) Corporation Limited</b>				
Pensonic Trading (Shenzhen) Co. Ltd. *	China	100	100	Trading of electrical and electronic appliances
<b>Subsidiary of Pensonic Sales &amp; Service Sdn. Bhd.</b>				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances

\* Not audited by KPMG

## 7. Investment in associates - Group

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	207,610	207,610
Share of post acquisition reserves	(44,847)	(52,130)
	<u>162,763</u>	<u>155,480</u>

Name of associates	Country of incorporation	Effective ownership interest		Principal activity
		2010 %	2009 %	
Pensonic (B) Sdn. Bhd. *	Brunei	40	40	Trading of electrical and electronic appliances
Microtag System Sdn. Bhd. **	Malaysia	10	10	Dormant
MDT Sistem Inovasi Sdn. Bhd. **	Malaysia	15	15	Dormant

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

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

Summary financial information on associates:

	<b>Revenue (100%) RM</b>	<b>Profit/(Loss) (100%) RM</b>	<b>Total assets (100%) RM</b>	<b>Total liabilities (100%) RM</b>
<b>2010</b>				
Pensonic (B) Sdn. Bhd.	2,552,963	24,081	1,794,425	1,398,983
Microtag System Sdn. Bhd.	-	(54,443)	100,915	195,690
MDT Sistem Inovasi Sdn. Bhd.	-	-	6,256	-
	<u>2,552,963</u>	<u>(30,362)</u>	<u>1,901,596</u>	<u>1,594,673</u>
<b>2009</b>				
Pensonic (B) Sdn. Bhd.	2,422,022	(20,536)	1,721,448	1,339,152
Microtag System Sdn. Bhd.	-	(89,119)	100,935	141,267
MDT Sistem Inovasi Sdn. Bhd.	-	(3,743)	6,256	-
	<u>2,422,022</u>	<u>(113,398)</u>	<u>1,828,639</u>	<u>1,480,419</u>

## 8. Intangible assets - Group

	<b>Goodwill RM</b>	<b>Trademarks RM</b>	<b>Total RM</b>
<b>Cost</b>			
At 1 June 2008	766,152	870,000	1,636,152
Exchange difference	11,704	-	11,704
At 31 May 2009/1 June 2009	777,856	870,000	1,647,856
Exchange difference	(14,152)	-	(14,152)
At 31 May 2010	763,704	870,000	1,633,704

Trademarks related to the “Cornell” brand name were acquired in a business combination 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 and management believes that there is no foreseeable limit to the period over which the brand is expected to generate cash inflows for the Group, the trademarks were assessed as having an indefinite useful life subject to use in good faith.

### 8.1 Impairment testing on goodwill and trademarks

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

For the purpose of impairment testing, a pre-tax discount rate of 7% was applied in determining the recoverable amount.

## 9. Deferred tax - Group

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	<b>2010 RM</b>	<b>2009 RM</b>
<i>Deferred tax assets</i>		
Tax loss carry-forwards	1,732,531	2,029,000
Capital allowance carry-forwards	14,000	56,000
Other temporary differences	92,000	(46,515)
	<u>1,838,531</u>	<u>2,038,485</u>

## 9. Deferred tax - Group (Cont'd)

	<b>2010</b> <b>RM</b>	<b>2009</b> <b>RM</b>
<i>Deferred tax liabilities</i>		
Property, plant and equipment - capital allowances	(1,300,253)	(1,200,000)
Other temporary differences	494	-
	<u>(1,299,759)</u>	<u>(1,200,000)</u>

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

Movements in temporary differences during the year are as follows:

	<b>At 1 June</b> <b>2008</b> <b>RM</b>	<b>Charged to</b> <b>income</b> <b>statement</b> <b>RM</b>	<b>At 31 May</b> <b>2009</b> <b>RM</b>	<b>Charged to</b> <b>income</b> <b>statement</b> <b>RM</b>	<b>Exchange</b> <b>difference</b> <b>RM</b>	<b>At 31 May</b> <b>2010</b> <b>RM</b>
Deferred tax assets	2,020,350	18,135	2,038,485	(197,000)	(2,954)	1,838,531
Deferred tax liabilities	(1,110,000)	(90,000)	(1,200,000)	(99,759)	-	(1,299,759)
	<u>910,350</u>	<u>(71,865)</u>	<u>838,485</u>	<u>(296,759)</u>	<u>(2,954)</u>	<u>538,772</u>

### *Unrecognised deferred tax assets*

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

	<b>Group</b>		<b>Company</b>	
	<b>2010</b> <b>RM</b>	<b>2009</b> <b>RM</b> <b>(Restated)</b>	<b>2010</b> <b>RM</b>	<b>2009</b> <b>RM</b>
Tax loss carry-forwards	7,605,000	7,126,000	185,808	-
Capital allowances carry- forwards	196,000	-	-	-
Other temporary differences	1,000	-	-	-
	<u>7,802,000</u>	<u>7,126,000</u>	<u>185,808</u>	<u>-</u>

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

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

## 10. Non-current assets held for sale - Group

	2010 RM	2009 RM
Balance at 1 June	-	418,055
Disposal	-	(418,055)
Reclassified from investment properties	415,401	-
Balance at 31 May	<u>415,401</u>	<u>-</u>

The assets held for sale consist of freehold land measured at the lower of their carrying amount and fair value less cost to sell. The intended disposal of this freehold land is expected to be completed in the next financial year.

## 11. Receivables, deposits and prepayments

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
<b>Trade</b>					
Trade receivables		63,207,259	63,972,374	-	-
Associate	11.2	1,371,842	1,213,053	-	-
		<u>64,579,101</u>	<u>65,185,427</u>	<u>-</u>	<u>-</u>
Less : Allowance for doubtful debts	11.3	(522,283)	(1,211,063)	-	-
		<u>64,056,818</u>	<u>63,974,364</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Amount due from :					
- Subsidiaries	11.2	-	-	39,674,442	41,341,867
- An associate	11.2	194,340	-	-	-
Other receivables		4,032,336	4,037,362	179,743	179,743
Deposits		607,245	512,532	-	-
Prepayments		1,180,422	2,505,938	-	-
Dividend receivable from a subsidiary		-	-	1,800,000	-
		<u>6,014,343</u>	<u>7,055,832</u>	<u>41,654,185</u>	<u>41,521,610</u>
		<u>70,071,161</u>	<u>71,030,196</u>	<u>41,654,185</u>	<u>41,521,610</u>

## 11. Receivables, deposits and prepayments (Cont'd)

### 11.1 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	Group	
	2010 RM	2009 RM
US Dollar ("USD")	9,470,142	8,514,331

### 11.2 Amount due from an associate and subsidiaries

The trade amount due from an associate is subject to normal trade terms.

The non-trade amounts due from subsidiaries and an associate are unsecured, interest-free and repayable on demand.

### 11.3 Allowance for doubtful debts

An estimate for doubtful debts is made when collection of the amount is no longer probable. Allowance for doubtful debts is provided by management for delinquent balances with reference to past default experience and customers' creditworthiness.

## 12. Inventories - Group

	2010 RM	2009 RM
Raw materials	8,029,795	6,744,670
Manufactured inventories	75,454,247	79,650,676
Goods in transit	384,032	227,282
	<u>83,868,074</u>	<u>86,622,628</u>

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

### 13. Cash and cash equivalents

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short term deposits with licensed banks	4,065,615	2,945,840	-	-
Cash and bank balances	13,488,362	12,387,928	25,034	21,228
	<u>17,553,977</u>	<u>15,333,768</u>	<u>25,034</u>	<u>21,228</u>

#### 13.1 Short term deposits with licensed banks

Short term deposits totalling RM3,250,844 (2009 : RM2,927,060) of the Group have been pledged as security for borrowings granted to the Group (Note 16).

#### 13.2 Analysis of foreign currency exposure for significant cash and cash equivalents

Significant cash and cash equivalents outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	Group	
	2010 RM	2009 RM
USD	3,475,530	5,936,592
Chinese Renminbi ("RMB")	<u>123,768</u>	<u>260,317</u>

### 14. Share capital – Group/ Company

	2010		2009	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares of RM0.50 each				
Authorised	<u>100,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>	<u>200,000,000</u>
Issued and fully paid	<u>46,310,000</u>	<u>92,620,000</u>	<u>46,310,000</u>	<u>92,620,000</u>

## 15. Reserves

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
		(Restated)		(Restated)
Non-distributable :				
Share premium	21,360,893	21,360,893	21,360,893	21,360,893
Warrant reserve	2,402,828	2,402,828	2,402,828	2,402,828
Revaluation reserve	387,266	387,266	-	-
Exchange translation reserve	183,016	210,883	-	-
Capital reserve	4,487,540	4,487,540	-	-
	<u>28,821,543</u>	<u>28,849,410</u>	<u>23,763,721</u>	<u>23,763,721</u>
Distributable :				
Retained earnings	19,774,734	17,295,537	2,679,494	2,164,790
	<u>48,596,277</u>	<u>46,144,947</u>	<u>26,443,215</u>	<u>25,928,511</u>

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

### 15.1 Warrant reserve

The warrant reserve represents the value allocated to the issue of warrants. When the warrants are exercised or expire, the warrant reserve remains in equity, although it may be transferred to another reserve account within equity.

### 15.2 Revaluation reserve

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

### 15.3 Exchange translation reserve

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

### 15.4 Capital reserve

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

### 15.5 Section 108 tax credit and exempt income account

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

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. Effective 1 January 2009, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution. The Company has not made this election. As such, the Section 108 tax credit as at 31 May 2010 will be available to the Company until such time the credit is fully utilised or upon expiry of the transitional period on 31 December 2013, whichever is earlier.



## 16. Borrowings - Group

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
<b>Current</b>		
<b>Unsecured</b>		
Bank overdrafts	4,303,345	5,943,197
Bankers' acceptances	13,059,915	49,301,589
Term loans	1,307,943	400,000
	<u>18,671,203</u>	<u>55,644,786</u>
<b>Secured</b>		
Bank overdrafts	4,588,474	5,483,075
Bankers' acceptances	55,026,191	22,154,617
Bill payables	1,074,245	1,860,349
Trust receipts	82,924	878,033
Term loans	843,382	802,993
Finance lease liabilities	285,660	385,091
	<u>61,900,876</u>	<u>31,564,158</u>
	<u>80,572,079</u>	<u>87,208,944</u>
<b>Non-current</b>		
<b>Unsecured</b>		
Term loans	1,341,751	-
<b>Secured</b>		
Term loans	2,605,871	3,410,199
Finance lease liabilities	237,096	282,191
	<u>2,842,967</u>	<u>3,692,390</u>
	<u>4,184,718</u>	<u>3,692,390</u>

### 16.1 Interest rates and securities

The term loan bears interest at rates ranging from 6.70% to 8.75% (2009 : 6.25% to 8.15%) per annum. Finance lease liabilities are subject to fixed interest at rates ranging from 3.00% to 3.60% (2009 : 2.40% to 2.60%) per annum. The interest rates for other borrowings ranges from 3.35% to 8.75% (2009 : 2.85% to 8.15%) per annum.

The unsecured borrowings are guaranteed by the Company. The secured borrowings are secured against certain buildings, leasehold land, investment properties and term deposits of the Group as disclosed in Notes 3.2, 4, 5 and 13.1 respectively to the financial statements.

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

## 16. Borrowings - Group (Cont'd)

### 16.2 Terms and debts repayment schedule

Group	Year of maturity	Carrying amounts RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>2010</b>						
Bank overdrafts						
- RM		8,869,593	8,869,593	-	-	-
- SGD		22,226	22,226	-	-	-
Bankers' acceptances						
- RM	2011	68,086,106	68,086,106	-	-	-
Term loans						
- RM	2014	6,098,947	2,151,325	2,055,445	1,892,177	-
Finance lease liabilities						
- RM	2014	522,756	285,660	237,096	-	-
Bills payable						
- HKD	2011	1,074,245	1,074,245	-	-	-
Trust receipts						
- HKD	2011	82,924	82,924	-	-	-
		<u>84,756,797</u>	<u>80,572,079</u>	<u>2,292,541</u>	<u>1,892,177</u>	<u>-</u>
<b>2009</b>						
Bank overdrafts						
- RM		11,426,272	11,426,272	-	-	-
Bankers' acceptances						
- RM	2010	71,456,206	71,456,206	-	-	-
Term loans						
- RM	2014	4,613,192	1,202,993	844,164	2,524,371	41,664
Finance lease liabilities						
- RM	2014	667,282	385,091	282,191	-	-
Bills payable						
- HKD	2010	1,860,349	1,860,349	-	-	-
Trust receipts						
- HKD	2010	878,033	878,033	-	-	-
		<u>90,901,334</u>	<u>87,208,944</u>	<u>1,126,355</u>	<u>2,524,371</u>	<u>41,664</u>

Term loans are repayable over 3 to 10 years commencing July 2004, February 2005, October 2005 and January 2010 respectively.

## 16. Borrowings - Group (Cont'd)

### 16.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2010			2009		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Less than 1 year	306,424	20,764	285,660	412,020	26,929	385,091
Between 1 and 5 years	261,354	24,258	237,096	294,376	12,185	282,191
	<u>567,778</u>	<u>45,022</u>	<u>522,756</u>	<u>706,396</u>	<u>39,114</u>	<u>667,282</u>

## 17. Payables and accruals

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
<b>Trade</b>					
Trade payables	17.2	29,492,485	22,592,576	-	-
Companies in which certain Directors have a substantial financial interest	17.3	1,359,495	1,183,963	-	-
		<u>30,851,980</u>	<u>23,776,539</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Amount due to subsidiaries	17.4	-	-	154,090	147,031
Other payables		3,461,103	2,322,221	-	-
Accrued expenses		4,016,100	5,097,286	98,000	94,000
		<u>7,477,203</u>	<u>7,419,507</u>	<u>252,090</u>	<u>241,031</u>
		<u>38,329,183</u>	<u>31,196,046</u>	<u>252,090</u>	<u>241,031</u>

## 17. Payables and accruals (Cont'd)

### 17.1 Analysis of foreign currency exposure for significant payables

Significant payables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	Group	
	2010 RM	2009 RM
USD	<u>6,581,039</u>	<u>5,525,947</u>

### 17.2 Trade payables

Included in trade payables is RM6,209,998 (2009 : RM7,231,795) being advance payments made to suppliers.

### 17.3 Amount due to companies in which certain Directors have a substantial financial interest

The trade amount due to companies in which certain Directors have a substantial financial interest is subject to normal trade terms.

### 17.4 Amount due to subsidiaries

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

## 18. Revenue

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

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

## 19. Operating profit

Operating profit is arrived at:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
After charging :				
Allowance for doubtful debts	310,176	-	-	-
Amortisation of prepaid lease payments (Note 4)	175,243	175,243	-	-

**19. Operating profit (Cont'd)**

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Auditors' remuneration (statutory audit)				
- Auditor of the Company				
- current year	139,400	110,800	21,000	14,000
- prior year	7,200	11,200	4,000	2,000
- Other auditors	26,365	37,537	-	-
Bad debts written off	23,753	210,606	-	-
Directors' remuneration				
- Present Directors				
- fees	80,000	80,000	80,000	80,000
- other emoluments	1,069,824	1,029,120	-	-
- Past Directors				
- other emoluments	-	91,916	-	-
- Directors of subsidiaries				
- other emoluments	486,391	558,946	-	-
Depreciation of investment properties (Note 5)	10,609	10,220	-	-
Direct operating expenses of investment properties	6,371	6,371	-	-
Inventories written off	61,525	76,840	-	-
Loss on foreign exchange, net	545,548	-	-	-
Property, plant and equipment				
- depreciation (Note 3)	2,823,204	2,390,966	-	-
- written off	-	20,654	-	-
Rental expenses				
- equipment	93,110	100,586	-	-
- premises	1,530,012	1,834,764	-	-
- booths	63,046	102,766	-	-
and after crediting :				
Allowance for doubtful debts written back	130,951	37,010	-	-
Dividends (gross) receivable from a subsidiary	-	-	2,400,000	2,400,000
Gain on disposal of plant and equipment	322	6,782	-	-
Gain on disposal of non-current assets held for sale	-	711,945	-	-
Interest income	34,862	42,245	-	-
Rental income			-	-
- investment property	41,800	41,800	-	-
- sublet of factory premises	134,000	120,000	-	-
Gain on foreign exchange, net	-	1,225,995	-	-

## 20. Employee information

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Staff cost (excluding Executive Directors)	14,049,100	15,939,748	-	-

Staff costs and Directors' emoluments of the Group include contributions to the Employees' Provident Fund of RM1,326,306 (2009 : RM1,214,206).

## 21. Finance costs

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest expense :				
Term loans	290,049	339,461	-	-
Bank overdrafts	525,835	665,740	-	-
Other borrowings	2,266,200	3,607,310	-	-
	<u>3,082,084</u>	<u>4,612,511</u>	<u>-</u>	<u>-</u>

## 22. Tax expense

### Recognised in the income statement

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Tax expense on continuing operations	2,097,086	1,615,030	680,950	620,332

Major components of tax expense include :

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Current tax expense</b>				
Malaysian tax				
- current year	1,499,704	1,470,000	600,000	600,000
- prior years	291,728	55,099	80,950	20,332
	<u>1,791,432</u>	<u>1,525,099</u>	<u>680,950</u>	<u>620,332</u>

**22. Tax expense (Cont'd)**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Foreign tax				
- current year	2,872	-	-	-
- prior years	6,023	18,066	-	-
	8,895	18,066	-	-
Total current tax	1,800,327	1,543,165	680,950	620,332
<b>Deferred tax expense</b>				
- origination and reversal of temporary differences	278,257	(56,135)	-	-
- prior years	18,502	128,000	-	-
Total deferred tax	296,759	71,865	-	-
Total tax expense	2,097,086	1,615,030	680,950	620,332

**Reconciliation of effective tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit for the year	3,168,730	2,177,215	1,383,011	1,440,618
Total tax expense	2,097,086	1,615,030	680,950	620,332
Profit excluding tax	5,265,816	3,792,245	2,063,961	2,060,950
Tax calculated using Malaysian tax rate at 25%	1,316,454	948,061	515,990	515,238
Effect of different tax rates in foreign jurisdictions *	(24,424)	(397,048)	-	-
Non deductible expenses	599,816	563,907	37,557	84,762
Non-taxable income	(43,604)	(190,750)	-	-
Tax incentives	(228,265)	(379)	-	-
Deferred tax assets not recognised	169,194	489,958	46,453	-
Other items	(8,338)	116	-	-
Under provision in prior years	316,253	201,165	80,950	20,332
Total tax expense	2,097,086	1,615,030	680,950	620,332

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

## 23. Earnings per ordinary share - Group

### i) *Basis earnings per ordinary share*

The calculation of basic earnings per ordinary share is based on the net earnings attributable to ordinary shareholders of RM3,347,504 (2009 : RM2,229,535) and the weighted average number of ordinary shares outstanding during the year of 92,620,000 (2009 : 92,620,000).

### ii) *Diluted earnings per ordinary share*

Diluted earnings per share is not applicable as the exercise price of the warrants is higher than the market price of the Company's ordinary shares.

## 24. Dividends - Company

	<b>Total amount RM</b>	<b>Date of payment</b>
<b>2010</b>		
Final dividend of 2.50% less 25% tax for financial year 2009	<u>868,307</u>	30 December 2009
<b>2009</b>		
Final dividend of 2.50% less 25% tax for financial year 2008	<u>868,313</u>	30 December 2008

A first and final dividend of 3.00% per share less 25% tax amounting to approximately RM1,041,975 in respect of the financial year ended 31 May 2010 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

## 25. Related parties

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

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



## 25. Related parties (Cont'd)

### iii) Key management personnel

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

25.2 Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

#### i) Transaction with a subsidiary:

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
<b>Company</b>		
- Dividends receivable from a subsidiary	<u>1,800,000</u>	<u>1,800,000</u>

#### ii) Transaction with an associate

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
- Sales	<u>1,277,836</u>	<u>1,405,240</u>

#### iii) Transactions with related parties

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
- Purchase of shares in a subsidiary	-	4,000
- Purchases	5,746,858	5,256,665
- Rental charged for sub-letting of factory premises	134,000	120,000
- Electricity charges for sub-letting of factory premises	319,200	308,603
- Subcon and service charges	<u>370,797</u>	<u>-</u>

## 25. Related parties (Cont'd)

- iv) There were no transactions with the key management personnel other than the rental expense charged by a Director to the Group amounting to RM60,000 (2009 : RM60,000) and the remuneration package paid to them in accordance with the terms and conditions of their appointment as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors				
- Fees	80,000	80,000	80,000	80,000
- Other remuneration	1,447,853	1,479,968	-	-
- Defined contribution plans	108,362	108,098	-	-
	<u>1,636,215</u>	<u>1,668,066</u>	<u>80,000</u>	<u>80,000</u>

25.3 The non-trade balances of the Group and of the Company with related parties outstanding at balance sheet date are as disclosed in Note 11 and Note 17 respectively to the financial statements.

All the amounts outstanding are unsecured and are expected to be settled in cash except as disclosed in Note 30 to the financial statements.

## 26. Segmental information - 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. Inter-segment pricing is determined based on negotiated terms.

Segment 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 tax assets and liabilities and borrowings.

Segment capital expenditure is the total cost incurred during the year 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.

## 26. Segmental information - Group (Cont'd)

### 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			
	2010	2009	2010	2009
	RM	RM	RM	RM
Malaysia	269,357,492	208,706,352		
Other Asian countries	27,011,290	67,228,540		
Africa	4,299,427	3,204,239		
Others	3,107,960	149,200		
	<u>303,776,169</u>	<u>279,288,331</u>		
	Segment assets		Capital expenditure	
	2010	2009	2010	2009
	RM	RM	RM	RM
Malaysia	202,472,972	199,750,789	7,363,369	2,907,612
China (including Hong Kong)	8,587,302	8,699,840	6,679	10,861
Singapore	6,685,703	6,445,417	3,386	3,829
	<u>217,745,977</u>	<u>214,896,046</u>	<u>7,373,434</u>	<u>2,922,302</u>

## 27. Contingent liabilities, unsecured

### Company

The Company has issued corporate guarantees amounting to RM201.0 million (2009 : RM249.3 million) as security for banking facilities granted to its subsidiaries of which RM64.7 million (2009 : RM35.2 million) were utilised at balance sheet date.

### Group

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

The subsidiary had submitted its appeal to the High Court on the above matter. Pending the hearing by the High Court, the management after consulting their tax lawyers, is of the opinion that there are grounds for the subsidiary's appeal and as such, no provision has been made in the financial statements at 31 May 2010 for the remaining unpaid balance of RM0.4 million.

## 28. Capital commitments - Group

	2010 RM	2009 RM
Property, plant and equipment		
Contracted but not provided for in the financial statements - within one year	-	114,000

## 29. Financial instruments

### Financial risk management

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

### Foreign currency risk

The Group's exposure to foreign currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currency. The currency giving rise to this risk is primarily US the Dollar.

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 to a certain extent; and
- 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 and maintains a mix of fixed and floating rate borrowings.

### Credit risk

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

The Group manages its exposure to credit risk by assessing the counter parties' financial standing on an ongoing basis and only trades with creditworthy parties. The risk of counterparties defaulting is controlled by the application of credit approvals, limits and credit terms. The Group does not have any major concentration of credit risk relating to any individual customer or counter party.

## 29. Financial instruments (Cont'd)

### Liquidity risk

The Group and the Company practise prudent liquidity risk management and manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintains sufficient levels of cash or cash convertible instruments to meet its working capital requirements.

### Effective interest rates and repricing analysis

In respect of interest-earning financial asset and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
<b>2010</b>					
<b>Financial asset</b>					
Short term deposits with licensed banks	0.11 - 2.50	4,065,615	4,065,615	-	-
<b>Financial liabilities</b>					
Bank overdrafts	6.25 - 8.75	8,891,819	8,891,819	-	-
Bankers' acceptances	3.35 - 5.35	68,086,106	68,086,106	-	-
Term loans - variable rate	6.70 - 8.75	6,098,947	6,098,947	-	-
Finance lease liabilities	3.00 - 3.60	522,756	285,660	237,096	-
Bills payable	7.00	1,074,245	1,074,245	-	-
Trust receipts	6.25	82,924	82,924	-	-
<b>2009</b>					
<b>Financial asset</b>					
Short term deposits with licensed banks	0.11 - 2.10	2,945,840	2,945,840	-	-
<b>Financial liabilities</b>					
Bank overdrafts	6.25 - 8.15	11,426,272	11,426,272	-	-
Bankers' acceptances	2.85 - 4.85	71,456,206	71,456,206	-	-
Term loans - variable rate	6.25 - 8.15	4,613,192	4,613,192	-	-
Finance lease liabilities	2.40 - 2.60	667,282	385,091	282,191	-
Bills payable	7.00	1,860,349	1,860,349	-	-
Trust receipts	6.25	878,033	878,033	-	-

## 29. Financial instruments (Cont'd)

### Fair values

#### *Recognised financial instruments*

The carrying amounts approximate fair value due to the relatively short term nature of these financial instruments in respect of cash and cash equivalents, receivables, payables and short term borrowings.

The aggregate fair values of the other liabilities carried on the balance sheet as at 31 May are shown below :

Group	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liability</b>				
Finance lease liabilities	<u>522,756</u>	<u>#</u>	<u>667,282</u>	<u>#</u>

# The Directors believe that there is no significant difference between the fair value and the carrying amount of the above financial liability as the current interest rates do not significantly differ from the intrinsic rates.

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

## 30. Event subsequent to balance sheet date

Subsequent to balance sheet date on 6 August 2010, the Company subscribed for an additional 1,000,000 new ordinary shares of RM1.00 each in Cornell Sales & Service Sdn. Bhd. ("CSS") for RM1,000,000 satisfied by way of capitalisation of amount owing by CSS to the Company of RM200,000 and the remaining RM800,000 in cash.

### 31. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation and restated to recognise the amount allocated to the warrants that were issued in conjunction with the rights issue of the Company previously on 5 January 2001.

	<b>Group</b>	
	<b>As restated RM</b>	<b>As previously reported RM</b>
<b>Consolidated balance sheet</b>		
Receivables, deposits and prepayments	71,030,196	78,812,023
Payables and accruals	31,196,046	38,977,873
<b>Consolidated income statement</b>		
Cost of sales	222,651,226	222,627,288
Administrative and general expenses	19,749,820	20,224,160
Selling and distribution expenses	30,714,176	30,738,115
Other operating expenses	474,341	-
<b>Consolidated statement of changes in equity</b>		
Share premium at 1 June 2008	21,360,893	23,763,721
Warrant reserve at 1 June 2008	<u>2,402,828</u>	<u>-</u>
<b>Company</b>		
<b>Statement of changes in equity</b>		
Share premium at 1 June 2008	21,360,893	23,763,721
Warrant reserve at 1 June 2008	<u>2,402,828</u>	<u>-</u>

## **Pensonic Holdings Berhad**

(Company No. 300426 - P)

(Incorporated in Malaysia)

### **and its subsidiaries**

## **Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 7 to 62 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 May 2010 and of their financial performance and cash flows for the year then ended.

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

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

.....  
**Chew Chuon Jin**

Penang,

Date : 23 September 2010



**Pensonic Holdings Berhad**

(Company No. 300426 - P)

(Incorporated in Malaysia)

**and its subsidiaries****Statutory declaration pursuant to  
Section 169(16) of the Companies Act, 1965**

I, **Dato Seri Chew Weng Khak @ Chew Weng Kiak**, the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 62 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 23 September 2010.

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

Before me :

# **Independent auditors' report to the members of Pensonic Holdings Berhad**

(Company No. 300426 - P)

(Incorporated in Malaysia)

## **Report on the Financial Statements**

We have audited the financial statements of Pensonic Holdings Berhad, which comprise the balance sheets as at 31 May 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 62.

The financial statements of the Group and the Company as at 31 May 2009 were audited by another firm of auditors whose report dated 16 September 2009 expressed an unqualified opinion on those financial statements.

### *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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia. 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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.

Company No. 300426 - P
------------------------

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2010 and of their financial performance and cash flows for the year then ended.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Matters**

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

**KPMG**  
AF 0758  
Chartered Accountants

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

Date : 23 September 2010

Penang