Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Financial statements for the year ended 31 May 2012

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 May 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 May 2012.

Principal activities

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

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

Results

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

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 1.75 sen per share less 25% tax, totalling RM1,215,632 in respect of the financial year ended 31 May 2011 on 30 December 2011.

Dividends (continued)

A first and final dividend of 1.75 sen per share less 25% tax amounting to approximately RM1,215,638 in respect of the financial year ended 31 May 2012 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 May 2013.

Directors of the Company

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

Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak
Chew Chuon Jin
Chew Chuon Ghee
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Y. Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail
Loh Eng Wee

Directors' interests in shares

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

	Number of ordinary shares of RM0.50 each			
The Company	**Balance at 1.6.2011**	**Bought**	**(Sold)**	**Balance at 31.5.2012**
- Direct interest				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,161,088	1,356,100	-	14,517,188
Chew Chuon Jin	6,680,100	400,000	-	7,080,100
Chew Chuon Ghee	1,592,500	1,107,700	-	2,700,200
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3,537,618	-	-	3,537,618
Y. Bhg. Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	5,000	-	-	5,000
- Deemed interest				
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,322,794	1,700,000	-	15,022,794
Chew Chuon Jin	13,322,794	1,700,000	-	15,022,794
Chew Chuon Ghee	13,322,794	1,700,000	-	15,022,794
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,000	-	-	4,000

Directors' interests in shares (continued)

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

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

Directors' benefits

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

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

Issue of shares and debentures

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

Options granted over unissued shares

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

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

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

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

In the opinion of the Directors, other than the impairment loss for receivables and inventories written off as disclosed in Note 19 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 May 2012 have not been substantially affected by any item, transaction or event of a material and unsual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent events

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

Auditors

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

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

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

……………………………………..…..
Chew Chuon Jin

Penang,

Date :

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of financial position as at 31 May 2012

	Note	2012 RM	2011 RM
Assets			
Property, plant and equipment	3	56,994,718	43,497,547
Investment properties	4	514,115	1,177,875
Investment in associates	6	226,924	162,580
Intangible assets	7	1,026,033	1,024,146
Deferred tax assets	8	1,245,261	1,353,832
Total non-current assets		60,007,051	47,215,980
Trade and other receivables	10	70,393,226	74,089,207
Inventories	11	88,860,507	86,154,197
Current tax assets		1,516,833	562,687
Cash and cash equivalents	12	20,092,475	15,399,034
Non-current assets held for sale	9	653,151	-
Total current assets		181,516,192	176,205,125
Total assets		241,523,243	223,421,105

Consolidated statement of financial position as at 31 May 2012 (continued)

	Note	2012 RM	2011 RM
Equity			
Share capital	13	46,310,000	46,310,000
Reserves	14	39,181,305	50,649,123
Total equity attributable to owners of the Company		85,491,305	96,959,123
Minority interests		(191,720)	180,420
Total equity		85,299,585	97,139,543
Liabilities			
Loans and borrowings	15	10,481,862	3,443,439
Deferred tax liabilities	8	704,596	1,042,466
Total non-current liabilities		11,186,458	4,485,905
Loans and borrowings	15	95,655,490	80,880,096
Trade and other payables	16	49,368,624	40,263,042
Current tax liabilities		13,086	652,519
Total current liabilities		145,037,200	121,795,657
Total liabilities		156,223,658	126,281,562
Total equity and liabilities		241,523,243	223,421,105

The notes on pages 20 to 78 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of comprehensive income for the year ended 31 May 2012

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

Consolidated statement of comprehensive income for the year ended 31 May 2012 (continued)

	Note	2012 RM	2011 RM
(Loss)/Profit for the year attributable to :			
Owners of the Company		(10,615,163)	3,338,437
Non-controlling interests		(372,180)	(322,624)
(Loss)/Profit for the year		(10,987,343)	3,015,813
Total comprehensive (expense)/income attributable to :			
Owners of the Company		(10,252,186)	3,094,821
Non-controlling interests		(372,180)	(322,624)
Total comprehensive (expense)/income for the year		(10,624,366)	2,772,197
Basic (loss)/earnings per ordinary share (sen)	22	(11.46)	3.60

The notes on pages 20 to 78 are an integral part of these financial statements.

Pensonic Holdings Berhad

(Company No. 300426 - P)
(Incorporated in Malaysia)

and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 May 2012

	Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		← Attributable to owners of the Company →									
		← Non-distributable →						**Distributable**			
At 1 June 2010		46,310,000	2,402,828	21,360,893	387,266	183,016	4,487,540	19,774,734	94,906,277	503,044	95,409,321
Other comprehensive expense for the year - Foreign currency translation differences of foreign operations		-	-	-	-	(243,616)	-	-	(243,616)	-	(243,616)
Profit for the year		-	-	-	-	-	-	3,338,437	3,338,437	(322,624)	3,015,813
Total comprehensive income/(expense) for the year		-	-	-	-	(243,616)	-	3,338,437	3,094,821	(322,624)	2,772,197
Effect of warrants expired		-	(2,402,828)	-	-	-	-	2,402,828	-	-	-
Dividend to owners of the Company	23	-	-	-	-	-	-	(1,041,975)	(1,041,975)	-	(1,041,975)
At 31 May 2011		46,310,000	-	21,360,893	387,266	(60,600)	4,487,540	24,474,024	96,959,123	180,420	97,139,543
		Note 13		Note 14	Note 14	Note 14	Note 14	Note 14			

Consolidated statement of changes in equity (continued)

	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company								
		Non-distributable					Distributable			
At 1 June 2011		46,310,000	21,360,893	387,266	(60,600)	4,487,540	24,474,024	96,959,123	180,420	97,139,543
Other comprehensive income for the year - Foreign currency translation differences of foreign operations		-	-	-	362,977	-	-	362,977	-	362,977
Loss for the year		-	-	-	-	-	(10,615,163)	(10,615,163)	(372,180)	(10,987,343)
Total comprehensive income/(expense) for the year		-	-	-	362,977	-	(10,615,163)	(10,252,186)	(372,180)	(10,624,366)
Shares issued to non-controlling interests		-	-	-	-	-	-	-	40	40
Dividend to owners of the Company	23	-	-	-	-	-	(1,215,632)	(1,215,632)	-	(1,215,632)
At 31 May 2012		46,310,000	21,360,893	387,266	302,377	4,487,540	12,643,229	85,491,305	(191,720)	85,299,585
		Note 13	Note 14	Note 14	Note 14	Note 14	Note 14			

The notes on pages 20 to 78 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of cash flows for the year ended 31 May 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
(Loss)/Profit before tax from continuing operations		(11,063,994)	5,278,560
Adjustments for :			
Depreciation of property, plant and equipment	3	3,920,488	3,443,344
Depreciation of investment properties	4	10,609	10,609
Impairment of goodwill	7	-	630,070
Interest expense	18	3,792,282	3,316,109
Gain on disposal of non-current assets held for sale	19	-	(235,000)
Gain on winding-up of a subsidiary	19	-	(800)
Interest income	19	(53,621)	(27,403)
(Gain)/Loss on disposal of plant and equipment	19	(66,740)	25,182
Loss on winding-up of an associate	19	-	939
Plant and equipment written off	19	84,318	5
Share of profit of associates, net of tax		(64,344)	(756)
Operating (loss)/profit before changes in working capital		(3,441,002)	12,440,859
Changes in working capital :			
Inventories		(2,601,793)	(2,207,186)
Trade and other receivables		4,423,322	(5,057,294)
Trade and other payables		8,461,281	2,708,960
Cash generated from operations		6,841,808	7,885,339
Income tax paid		(1,746,472)	(1,898,145)
Net cash from operating activities		5,095,336	5,987,194

Consolidated statement of cash flows for the year ended 31 May 2012 (continued)

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

Consolidated statement of cash flows for the year ended 31 May 2012 (continued)

NOTES

A. *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM17,500,926 (2011 : RM3,744,296) of which RM238,000 (2011 : RM348,675) was acquired by means of finance lease. The balance of RM17,262,926 (2011 : RM3,395,621) was settled in cash.

B. *Cash and cash equivalents*

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

	Note	**2012** **RM**	**2011** **RM**
Short term deposits with licensed banks (excluding pledged deposits)	12	25,424	584,895
Cash and bank balances	12	17,096,022	11,929,881
Bank overdrafts	15	(11,837,283)	(8,932,248)
		5,284,163	3,582,528

Pensonic Holdings Berhad

(Company No. 300426 - P)
(Incorporated in Malaysia)

Statement of financial position as at 31 May 2012

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

The notes on pages 20 to 78 are an integral part of these financial statements.

Pensonic Holdings Berhad

(Company No. 300426 - P)
(Incorporated in Malaysia)

Statement of comprehensive income for the year ended 31 May 2012

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

The notes on pages 20 to 78 are an integral part of these financial statements.

Pensonic Holdings Berhad

(Company No. 300426 - P)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 May 2012

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

The notes on pages 20 to 78 are an integral part of these financial statements.

Pensonic Holdings Berhad

(Company No. 300426 - P)
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 May 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
Profit before tax from continuing operations		1,515,012	706,733
Adjustments for :			
Investment in a subsidiary written off	5	-	2
Impairment of investment in a subsidiary	5	142,800	877,200
Interest expense	18	22,535	-
Dividend income	19	(2,400,000)	(2,400,000)
Operating loss before changes in working capital		(719,653)	(816,065)
Changes in working capital :			
Trade and other receivables		1,642,023	1,160,479
Trade and other payables		235,619	(3,436)
Cash generated from operations		1,157,989	340,978
Income tax refunded		20,533	-
Dividend received		1,800,000	1,800,000
Net cash from operating activities		2,978,522	2,140,978
Cash flows from investing activities			
Acquisition of property	3	(6,300,899)	-
Subscription of shares in an existing subsidiary		-	(1,100,000)
Net cash used in investing activities		(6,300,899)	(1,100,000)

Statement of cash flows for the year ended 31 May 2012 (continued)

	Note	2012 RM	2011 RM
Cash flows from financing activities			
Dividend paid to owners of the Company		(1,215,632)	(1,041,975)
Interest paid		(22,535)	-
Drawdown of term loan		4,560,000	-
Net cash from/(used in) financing activities		3,321,833	(1,041,975)
Net decrease in cash and cash equivalents		(544)	(997)
Cash and cash equivalents at 1 June		24,037	25,034
Cash and cash equivalents at 31 May	12	23,493	24,037

NOTE

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

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 listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its principal place of business and registered office are as follows :

Principal place of business

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

Registered office

87 Muntri Street
10200 Penang

The consolidated financial statements of the Company as at and for the year ended 31 May 2012 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "Group entities") and the Group's interest in associates.

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

The financial statements were authorised for issue by the Board of Directors on 25 September 2012.

1. Basis of preparation

(a) Statement of compliance

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

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

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRSs contained in the document entitled "*Improvements to FRSs (2012)*"
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)

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

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

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Accounting for business combinations

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

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

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

Acquisitions on or after 1 June 2011

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

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

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions on or after 1 June 2011 (continued)

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

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

Acquisitions between 1 January 2006 and 1 June 2011

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

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

Acquisitions prior to 1 January 2006

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

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

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

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

(v) Associates

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

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

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

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

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

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

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

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

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

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

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

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

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

Financial liabilities

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

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

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Leasehold land is depreciated over the lease period ranging from 48 to 84 years.

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

2. Significant accounting policies (continued)

(f) Investment property

(i) Investment property carried at cost

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

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

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

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

(ii) Reclassification to/from investment property

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

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

(iii) Determination of fair value

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

2. Significant accounting policies (continued)

(g) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

(h) Intangible assets

Goodwill

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

Trademarks

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

2. Significant accounting policies (continued)

(i) Impairment

(i) Financial assets

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

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

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

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

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

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

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets

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

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

2. Significant accounting policies (continued)

(j) Inventories

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

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

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

(k) Cash and cash equivalents

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

(l) Provisions

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

Contingent liabilities

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

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

2. Significant accounting policies (continued)

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

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

(iii) Rental income

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

(iv) Interest income

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

(v) Government grants

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

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

2. Significant accounting policies (continued)

(n) Borrowing costs

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

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

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

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

(o) Income tax

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

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

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

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

2. Significant accounting policies (continued)

(o) Income tax (continued)

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

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

(p) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(q) Earnings per share

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

(r) Operating segments

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

2. Significant accounting policies (continued)

(s) Equity instruments

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

Issue expenses

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

3. Property, plant and equipment

Group	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Total RM
Cost									
At 1 June 2010	11,745,631	23,196,765	3,139,902	5,725,990	14,525,591	2,752,275	5,442,395	322,287	66,850,836
Additions	-	-	266,124	141,598	2,768,655	156,950	410,969	-	3,744,296
Disposals	-	-	(3,796)	-	(153,284)	(5,624)	(65,198)	-	(227,902)
Write-off	-	-	-	-	-	(19,616)	-	(43,668)	(63,284)
Exchange difference	-	-	5,512	-	-	(4,051)	-	-	1,461
At 31 May 2011/1 June 2011	11,745,631	23,196,765	3,407,742	5,867,588	17,140,962	2,879,934	5,788,166	278,619	70,305,407
Additions	6,300,899	-	185,706	2,039,311	8,566,267	141,265	267,478	-	17,500,926
Disposals	-	-	-	-	-	(4,518)	(149,750)	-	(154,268)
Write-off	-	-	-	-	(30,350)	(118,189)	-	-	(148,539)
Exchange difference	-	-	1,366	-	-	5,751	-	-	7,117
At 31 May 2012	18,046,530	23,196,765	3,594,814	7,906,899	25,676,879	2,904,243	5,905,894	278,619	87,510,643

3. Property, plant and equipment (continued)

Group	Leasehold land RM	Buildings RM	Computer RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Total RM
Accumulated depreciation									
At 1 June 2010	2,125,350	5,172,329	2,723,853	3,297,424	4,772,882	1,589,543	3,594,193	269,685	23,545,259
Depreciation for the year	175,243	494,834	193,424	419,337	1,492,375	231,069	424,630	12,432	3,443,344
Disposals	-	-	(3,795)	-	(45,985)	(5,624)	(65,197)	-	(120,601)
Write-off	-	-	-	-	-	(19,613)	-	(43,666)	(63,279)
Exchange difference	-	-	5,362	-	-	(2,225)	-	-	3,137
At 31 May 2011/1 June 2011	2,300,593	5,667,163	2,918,844	3,716,761	6,219,272	1,793,150	3,953,626	238,451	26,807,860
Depreciation for the year	175,243	490,275	183,136	601,837	1,873,010	175,420	411,203	10,364	3,920,488
Disposals	-	-	-	-	-	(4,227)	(149,749)	-	(153,976)
Write-off	-	-	-	-	(15,543)	(48,678)	-	-	(64,221)
Exchange difference	-	-	1,310	-	-	4,464	-	-	5,774
At 31 May 2012	2,475,836	6,157,438	3,103,290	4,318,598	8,076,739	1,920,129	4,215,080	248,815	30,515,925
Carrying amounts									
At 1 June 2010	9,620,281	18,024,436	416,049	2,428,566	9,752,709	1,162,732	1,848,202	52,602	43,305,577
At 31 May 2011/1 June 2011	9,445,038	17,529,602	488,898	2,150,827	10,921,690	1,086,784	1,834,540	40,168	43,497,547
At 31 May 2012	15,570,694	17,039,327	491,524	3,588,301	17,600,140	984,114	1,690,814	29,804	56,994,718

3. Property, plant and equipment (continued)

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

3.1 Assets under finance lease - Group

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

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

3.2 Security

Group

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

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

Company

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

3. Property, plant and equipment (continued)

3.3 Leasehold land - Group

Included in the carrying amount of leasehold land are :

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

4. Investment properties - Group

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

4. Investment properties – Group (continued)

Estimated fair value	Freehold land RM	Buildings RM	Total RM
At 31 May 2011	663,000	717,000	1,380,000
At 31 May 2012	-	757,000	757,000

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

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

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

5. Investment in subsidiaries - Company

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

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Effective ownership interest 2012 %	2011 %	Principal activities
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances

5. Investment in subsidiaries - Company (continued)

Name of subsidiaries	Country of incorporation	Effective ownership interest 2012 %	2011 %	Principal activities
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd. *	Singapore	100	100	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100	100	Dormant
Microtag Engineering Sdn. Bhd.	Malaysia	51	51	Dormant
Subsidiaries of Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited *	Hong Kong	100	100	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60	60	Trading and service of parts for electrical and electronic appliances

5. Investment in subsidiaries - Company (continued)

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

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

6. Investment in associates - Group

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

6. Investment in associates – Group (continued)

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

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

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

	Revenue (100%) RM	Profit/(Loss) (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
2012				
Pensonic (B) Sdn. Bhd.	2,872,193	161,350	1,861,199	1,313,721
Microtag System Sdn. Bhd.	-	(1,960)	895	100,783
	2,872,193	159,390	1,862,094	1,414,504
2011				
Pensonic (B) Sdn. Bhd.	2,791,897	1,891	1,799,605	1,419,305
Microtag System Sdn. Bhd.	-	(3,153)	915	98,843
	2,791,897	(1,262)	1,800,520	1,518,148

7. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
Cost			
At 1 June 2010	763,704	870,000	1,633,704
Impairment (Note 19)	(630,070)	-	(630,070)
Exchange difference	20,512	-	20,512
At 31 May 2011/1 June 2011	154,146	870,000	1,024,146
Exchange difference	1,887	-	1,887
At 31 May 2012	156,033	870,000	1,026,033

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

7.1 Impairment testing on goodwill

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

For the purpose of impairment testing, a pre-tax discount rate of 11% was applied in determining the recoverable amount. Based on the impairment testing performed, management impaired the goodwill relating to the Group's operations in Hong Kong of RM630,070 during the previous financial year.

8. Deferred tax - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

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

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

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

Movements in temporary differences during the year are as follows:

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

8. Deferred tax – Group (continued)

Unrecognised deferred tax assets - Group

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

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

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

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

9. Non-current assets held for sale - Group

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

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

10. Trade and other receivables

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

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

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

11. Inventories - Group

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

12. Cash and cash equivalents

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

12.1 Short term deposits with licensed banks

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

13. Share capital – Group/ Company

	2012 Amount RM	2012 Number of shares	2011 Amount RM	2011 Number of shares
Ordinary shares of RM0.50 each				
Authorised	100,000,000	200,000,000	100,000,000	200,000,000
Issued and fully paid	46,310,000	92,620,000	46,310,000	92,620,000

14. Reserves

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

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

14. Reserves (continued)

14.1 Revaluation reserve

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

14.2 Exchange translation reserve

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

14.3 Capital reserve

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

14.4 Section 108 tax credit

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

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution. The Company has not made this election. As such, the Section 108 tax credit as at 31 May 2012 will be available to the Company until such time the credit is fully utilised or upon expiry of the transitional period on 31 December 2013, whichever is earlier.

15. Loans and borrowings

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Current				
Unsecured				
Bank overdrafts	6,191,639	4,764,021	-	-
Bankers' acceptances	61,893,745	51,782,886	-	-
Term loans	701,141	1,102,954	-	-
	68,786,525	57,649,861	-	-

15. Loans and borrowings (continued)

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

15.1 Securities

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

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

15. Loans and borrowings (continued)

15.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2012			2011		
Group	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**
Less than 1 year	201,505	30,217	171,288	163,397	30,046	133,351
Between 1 and 5 years	506,490	35,617	470,873	462,996	43,057	419,939
	707,995	65,834	642,161	626,393	73,103	553,290

16. Trade and other payables

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

16.1 Trade payables

Included in trade payables is RM1,283,238 (2011 : RM6,101,391) being advance payments made to suppliers.

16. Trade and other payables (continued)

16.2 Amount due to subsidiaries

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

17. Revenue

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

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

18. Finance costs

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

19. (Loss)/Profit before tax

(Loss)/Profit before tax is arrived at :

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
After charging :				
Auditors' remuneration :				
- Audit fees				
- KPMG Malaysia				
- current year	162,000	139,400	22,000	21,000
- prior year	12,600	(1,050)	1,000	(1,050)
- Other auditors	30,610	26,275	-	-
- Non audit fees				
- KPMG Malaysia				
- current year	6,000	5,500	6,000	5,500
- prior year	-	3,000	-	3,000

19. Loss/(Profit) before tax (continued)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
After charging :				
- Local affiliates of KPMG Malaysia	41,570	35,200	2,500	2,500
- Others	8,000	-	8,000	-
Bad debts written off	478,981	1,763,873	-	520,334
Directors' remuneration				
- Directors of the Company				
- fees	80,000	80,000	80,000	80,000
- other emoluments	1,293,698	1,143,484	-	-
- Directors of subsidiaries				
- other emoluments	637,561	638,349	-	-
Depreciation of investment properties (Note 4)	10,609	10,609	-	-
Depreciation of property, plant and equipment (Note 3)	3,920,488	3,443,344	-	-
Direct operating expenses of investment properties	8,844	8,793	-	-
Impairment of goodwill (Note 7)	-	630,070	-	-
Impairment of investment in a subsidiary	-	-	142,800	877,200
Impairment loss for receivables	2,856,177	-	-	-
Inventories written off	5,316,305	1,362,663	-	-
Inventories written down (Note 11)	368,948	127,887	-	-
Loss on disposal of plant and equipment	-	25,182	-	-
Investment in a subsidiary written off (Note 5)	-	-	-	2
Investment in an associate written off (Note 6)	-	939	-	-
Plant and equipment written off	84,318	5	-	-
Rental expense				
- equipment	190,552	47,398	-	-
- premises	6,235,655	4,017,076	-	-
- booths	214,697	98,990	-	-

19. (Loss)/Profit before tax (continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
and after crediting :				
Dividends (gross) receivable from a subsidiary	-	-	2,400,000	2,400,000
Gain on disposal of plant and equipment	66,740	-	-	-
Gain on disposal of non-current assets held for sale	-	235,000	-	-
Gain on winding-up of a subsidiary	-	800	-	-
Interest income	53,621	27,403	-	-
Rental income			-	-
- investment properties	43,800	49,300	-	-
- sublet of factory premises	132,000	144,000	-	-
Reversal of impairment loss for receivables (net)	-	101,154	-	-
Gain on foreign exchange, net	189,741	354,377	-	-
Bad debts recovered	118,534	-	-	-
Government grants	641,547	-	315,938	-

20. Employee information

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

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

21. Income tax expense

Recognised in profit or loss

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

21. Income tax expense (continued)

Major components of income tax expense include :

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

Reconciliation of effective income tax expense

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

21. Income tax expense (continued)

Reconciliation of effective income tax expense (continued)

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

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

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

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

23. Dividends - Company

	Total amount RM	Date of payment
2012		
Final dividend of 1.75 sen per share less 25% tax for financial year 2011	1,215,632	30 December 2011
2011		
Final dividend of 1.50 sen per share less 25% tax for financial year 2010	1,041,975	30 December 2010

A first and final dividend of 1.75 sen per share less 25% tax amounting to approximately RM1,215,638 in respect of the financial year ended 31 May 2012 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

24. Related parties

24.1 Identity of related parties

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

i) Its subsidiaries and associates as disclosed in the financial statements.

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

- Pensia Plastic Industries Sdn Bhd

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

- Pensonic Technology Sdn. Bhd.

iv) Key management personnel

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

24.2 Related party transactions

24.2.1 Transaction with a subsidiary:

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

24.2.2 Transaction with an associate

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

24. Related parties (continued)

24.2 Related party transactions (continued)

24.2.3 Transactions with related parties

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

24.2.4 There were no transactions with the key management personnel other than the rental expense charged by a Director to the Group amounting to RM60,000 (2011 : RM60,000) and the remuneration package paid to them in accordance with the terms and conditions of their appointment as follows:

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

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

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

25. Operating segments

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

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

25. Operating segments (continued)

Geographical segment

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

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

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

26. Contingent liabilities, unsecured

Group

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

The subsidiary had submitted its appeal to the High Court on the above matter. Pending the hearing by the High Court, the management after consulting their tax lawyers, is of the opinion that there are valid grounds for the subsidiary's appeal and as such, no provision has been made in the financial statements at 31 May 2012 for the remaining unpaid balance of RM0.4 million.

Company

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

27. Financial instruments

27.1 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.2 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

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

27. Financial instruments (continued)

27.2 Credit risk (continued)

Receivables (continued)

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2012				
Not past due	48,335	(190)	-	48,145
Past due less than 60 days	12,568	(122)	-	12,446
Past due 61 - 120 days	1,199	(6)	-	1,193
Past due 121 - 180 days	329	(43)	-	286
Past due 181 - 365 days	2,892	(365)	-	2,527
Past due > 1 year	7,098	(2,551)	-	4,547
	72,421	(3,277)	-	69,144
2011				
Not past due	48,271	-	-	48,271
Past due less than 60 days	13,241	-	-	13,241
Past due 61 - 120 days	2,041	-	-	2,041
Past due 121 - 180 days	907	-	-	907
Past due 181 - 365 days	1,317	-	-	1,317
Past due > 1 year	7,425	(421)	-	7,004
	73,202	(421)	-	72,781

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

27. Financial instruments (continued)

27.2 Credit risk (continued)

Receivables (continued)

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

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

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM109.8 million (2011 : RM88.7 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

27. Financial instruments (continued)

27.2 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

27.3 Liquidity risk

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

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

27. Financial instruments (continued)

27.3 Liquidity risk (continued)

Maturity analysis

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

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

27. Financial instruments (continued)

27.3 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2011							
Group							
Non-derivative financial liabilities							
Term loans	5,478,839	3.00 - 7.85	5,867,205	2,684,868	2,253,513	928,824	-
Trust receipts	536,431	6.50	536,431	536,431	-	-	-
Bankers' acceptances	68,665,853	1.00 - 5.40	68,665,853	68,665,853	-	-	-
Bank overdrafts	8,932,248	7.50 - 8.50	8,932,248	8,932,248	-	-	-
Bills payable	156,874	2.16	156,874	156,874	-	-	-
Finance lease liabilities	553,290	2.42 - 8.00	626,393	163,397	148,045	314,951	-
Trade and other payables (excluding advances paid to suppliers)	46,364,433	-	46,364,433	46,364,433	-	-	-
	130,687,968		131,149,437	127,504,104	2,401,558	1,243,775	-
Company							
Non-derivative financial liabilities							
Trade and other payables	248,654	-	248,654	248,654	-	-	-

27. Financial instruments (continued)

27.4 Market risk

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

27.4.1 Currency risk

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

Exposure to foreign currency risk

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

Group	**USD RM'000**	**HKD RM'000**
2012		
Trade receivables	7,367	98
Cash and bank balances	3,612	-
Trade payables	(9,570)	(71)
Loans and borrowings	(3,612)	-
	(2,203)	27
2011		
Trade receivables	4,957	37
Cash and bank balances	1,314	-
Trade payables	(3,463)	(20)
Loans and borrowings	(672)	-
	2,136	17

Currency risk sensitivity analysis

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

27. Financial instruments (continued)

27.4 Market risk (continued)

27.4.1 Currency risk (continued)

Group	Profit or loss RM'000
2012	
USD	83
HKD	(1)
2011	
USD	(80)
HKD	(1)

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

27.4.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

27. Financial instruments (continued)

27.4 Market risk (continued)

27.4.2 Interest rate risk (continued)

Exposure to interest rate risk

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

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

27. Financial instruments (continued)

27.4 Market risk (continued)

27.4.2 Interest rate risk (continued)

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

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

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

27. Financial instruments (continued)

27.5 Categories and fair value of financial instruments

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

27. Financial instruments (continued)

27.5 Categories and fair value of financial instruments (continued)

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

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

Interest rates used to determine fair value

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

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

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

27.6 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net loss arising on :				
- Loans and receivables	6,955	5,053	-	-

28. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

29. Operating leases – Group

Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

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

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

30. Capital commitments

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

31. Subsequent events

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

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

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

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

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

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

	2012		2011	
	Group RM	**Company RM**	**Group RM**	**Company RM**
Total retained earnings of the Company and its subsidiaries				
- realised	15,258,425	3,901,029	27,282,678	4,224,487
- unrealised	321,236	-	(354,932)	-
	15,579,661	3,901,029	26,927,746	4,224,487
Total retained earnings of associates				
- realised	22,314	-	(42,030)	-
	15,601,975	3,901,029	26,885,716	4,224,487
Less : Consolidation adjustments	(2,958,746)	-	(2,411,692)	-
Total retained earnings	12,643,229	3,901,029	24,474,024	4,224,487

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

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 6 to 77 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2012 and of their financial performance and cash flows for the financial year ended.

In the opinion of the Directors, the information set out in Note 32 on page 78 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

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

……………………………………..…..
Chew Chuon Jin

Penang,

Date :

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, **Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak**, the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 78 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 .

…………..………………………………
Y. Bhg. 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 statements of financial position as at 31 May 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 77.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Company No. 300426 - P

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2012, and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 78 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 300426 - P

Other Matters

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

KPMG
AF 0758
Chartered Accountants

Lee Kean Teong
1857/02/14 (J)
Chartered Accountant

Date : 25 September 2012

Penang