Pensonic Holdings Berhad

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

and its subsidiaries

Financial statements for the year ended 31 May 2011

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

Directors' report for the year ended 31 May 2011

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

Principal activities

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

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

Results

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

Reserves and provisions

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

Dividends

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

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

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

Directors of the Company

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

Dato' Seri Chew Weng Khak @ Chew Weng Kiak
Chew Chuon Jin
Chew Chuon Ghee
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Dato' Dr. Ku Abdul Rahman Bin Ku Ismail
Khairilanuar Bin Tun Abdul Rahman (Resigned on 21.6.2011)
Loh Eng Wee (Appointed on 15.9.2011)

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
The Company	**Balance at 1.6.2010**	**Bought**	**(Sold)**	**Balance at 31.5.2011**
- Direct interest				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,661,088	-	(4,500,000)	13,161,088
Chew Chuon Jin	2,180,100	4,500,000	-	6,680,100
Chew Chuon Ghee	1,592,500	-	-	1,592,500
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	2,522,618	1,015,000	-	3,537,618
Dato' Dr. Ku Abdul Rahman Bin Ku Ismail	5,000	-	-	5,000
- Deemed interest				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	13,322,794	-	-	13,322,794
Chew Chuon Jin	13,322,794	-	-	13,322,794
Chew Chuon Ghee	13,322,794	-	-	13,322,794
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,000	-	-	4,000

	Number of warrants over ordinary shares of RM0.50 each			
The Company	**Balance at 1.6.2010**	**Bought/ (Sold)**	**(Expired)**	**Balance at 31.5.2011**
- Direct interest				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,145,398	(645,300)	(1,500,098)	-
Chew Chuon Jin	705,300	-	(705,300)	-
Chew Chuon Ghee	1,328,890	(1,328,800)	(90)	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	693,404	-	(693,404)	-

Directors' interests (continued)

The Company	Number of warrants over ordinary shares of RM0.50 each Balance at 1.6.2010	Bought/ (Sold)	(Expired)	Balance at 31.5.2011
- Deemed interest				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,668,158	-	(2,668,158)	-
Chew Chuon Jin	2,668,158	-	(2,668,158)	-
Chew Chuon Ghee	2,668,158	-	(2,668,158)	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	1,000	-	(1,000)	-

Subsidiary	Number of ordinary shares of RM1 each Balance at 1.6.2010	Bought	(Sold)	Balance at 31.5.2011
Pensonic Parts & Services Sdn. Bhd.				
- Direct interest				
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	-	-	1
Chew Chuon Jin	50,001	-	-	50,001

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

Directors' benefits

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

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

Warrants

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

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

Thereafter, upon obtaining the approval from the shareholders and warrantholders at an Extraordinary General Meeting and warrantholders' meeting held on 27 December 2005 and all relevant authorities, the exercise period of the warrants was extended for an additional 5 years to 4 January 2011.

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

Issue of shares and debentures

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

Options granted over unissued shares

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

Other statutory information

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

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

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

Other statutory information (continued)

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

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

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

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

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

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

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

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

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

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

Significant event during the year

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

Auditors

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

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

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

……………………………………..…..
Chew Chuon Jin

Penang,

Date : 26 September 2011

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

Consolidated statement of financial position as at 31 May 2011

	Note	31.5.2011 RM	31.5.2010 RM Restated	1.6.2009 RM Restated
Assets				
Property, plant and equipment	3	43,497,547	43,305,577	38,937,505
Investment properties	4	1,177,875	898,083	1,324,093
Investment in associates	6	162,580	162,763	155,480
Intangible assets	7	1,024,146	1,633,704	1,647,856
Deferred tax assets	8	1,353,832	1,838,531	2,038,485
Total non-current assets		47,215,980	47,838,658	44,103,419
Trade and other receivables	10	74,089,207	68,711,666	71,030,196
Inventories	11	86,154,197	83,868,074	86,622,628
Current tax assets		562,687	425,503	768,082
Cash and cash equivalents	12	15,399,034	17,553,977	15,333,768
Non-current assets held for sale	9	-	415,401	-
Total current assets		176,205,125	170,974,621	173,754,674
Total assets		223,421,105	218,813,279	217,858,093

Consolidated statement of financial position as at 31 May 2011 (continued)

	Note	31.5.2011 RM	31.5.2010 RM Restated	1.6.2009 RM Restated
Equity				
Share capital	13	46,310,000	46,310,000	46,310,000
Reserves	14	50,649,123	48,596,277	46,144,947
Total equity attributable to owners of the Company		96,959,123	94,906,277	92,454,947
Minority interests		180,420	503,044	681,818
Total equity		97,139,543	95,409,321	93,136,765
Liabilities				
Loans and borrowings	15	3,443,439	4,184,718	3,692,390
Deferred tax liabilities	8	1,042,466	1,299,759	1,200,000
Total non-current liabilities		4,485,905	5,484,477	4,892,390
Trade and other payables	16	40,263,042	36,969,688	31,196,046
Loans and borrowings	15	80,880,096	80,572,079	87,208,944
Current tax liabilities		652,519	377,714	1,423,948
Total current liabilities		121,795,657	117,919,481	119,828,938
Total liabilities		126,281,562	123,403,958	124,721,328
Total equity and liabilities		223,421,105	218,813,279	217,858,093

The notes on pages 20 to 74 are an integral part of these financial statements.

Pensonic Holdings Berhad
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Consolidated statement of comprehensive income for the year ended 31 May 2011

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

Consolidated statement of comprehensive income for the year ended 31 May 2011 (continued)

	Note	2011 RM	2010 RM
Profit for the year attributable to :			
Owners of the Company		3,338,437	3,347,504
Minority interests		(322,624)	(178,774)
Profit for the year		3,015,813	3,168,730
Total comprehensive income/(expense) attributable to :			
Owners of the Company		3,094,821	3,319,637
Minority interests		(322,624)	(178,774)
Total comprehensive income for the year		2,772,197	3,140,863
Basic earnings per ordinary share (sen)	22	3.60	3.61

The notes on pages 20 to 74 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
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Consolidated statement of changes in equity for the year ended 31 May 2011

		Attributable to owners of the Company									
		Non-distributable					Distributable				
	Note	**Share capital RM**	**Warrant reserve RM**	**Share premium RM**	**Revaluation reserve RM**	**Exchange translation reserve RM**	**Capital reserve RM**	**Retained earnings RM**	**Total RM**	**Minority interests RM**	**Total equity RM**
At 1 June 2009		46,310,000	2,402,828	21,360,893	387,266	210,883	4,487,540	17,295,537	92,454,947	681,818	93,136,765
Foreign currency translation differences of foreign operations		-	-	-	-	(27,867)	-	-	(27,867)	-	(27,867)
Total other comprehensive income for the year		-	-	-	-	(27,867)	-	-	(27,867)	-	(27,867)
Profit for the year		-	-	-	-	-	-	3,347,504	3,347,504	(178,774)	3,168,730
Total comprehensive income/(expense) for the year		-	-	-	-	(27,867)	-	3,347,504	3,319,637	(178,774)	3,140,863
Dividend	23	-	-	-	-	-	-	(868,307)	(868,307)	-	(868,307)
At 31 May 2010/1 June 2010		46,310,000	2,402,828	21,360,893	387,266	183,016	4,487,540	19,774,734	94,906,277	503,044	95,409,321
		Note 13	Note 14	Note 14	Note 14	Note 14	Note 14	Note 14			

Consolidated statement of changes in equity (continued)

	Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Exchange translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interest 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
Foreign currency translation differences of foreign operations		-	-	-	-	(243,616)	-	-	(243,616)	-	(243,616)
Total other comprehensive income for the year		-	(2,402,828)	-	-	(243,616)	-	-	(243,616)	-	(243,616)
Profit for the year		-	-	-	-	-	-	3,338,437	3,338,437	(322,624)	3,015,813
Total comprehensive income/(expense) for the year		-	(2,402,828)	-	-	(243,616)	-	3,338,437	3,094,821	(322,624)	2,772,197
Effect of warrants expired		-	(2,402,828)	-	-	-	-	2,402,828	-	-	-
Dividend	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	Note 14			

The notes on pages 20 to 74 are an integral part of these financial statements.

Pensonic Holdings Berhad
(Company No. 300426 - P)
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Consolidated statement of cash flows for the year ended 31 May 2011

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

Consolidated statement of cash flows for the year ended 31 May 2011 (continued)

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

Consolidated statement of cash flows for the year ended 31 May 2011 (continued)

NOTES

A. *Purchase of plant and equipment*

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

B. *Cash and cash equivalents*

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

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

The notes on pages 20 to 74 are an integral part of these financial statements.

Pensonic Holdings Berhad

(Company No. 300426 - P)
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Statement of financial position as at 31 May 2011

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

The notes on pages 20 to 74 are an integral part of these financial statements.

Pensonic Holdings Berhad
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Statement of comprehensive income for the year ended 31 May 2011

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

The notes on pages 20 to 74 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 2011

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

The notes on pages 20 to 74 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 2011

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

The notes on pages 20 to 74 are an integral part of these financial statements.

Pensonic Holdings Berhad
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and its subsidiaries

Notes to the financial statements

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

Principal place of business

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

Registered office

87 Muntri Street
10200 Penang

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

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

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

1. Basis of preparation

(a) Statement of compliance

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

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

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

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

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

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

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

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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

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

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

2. Significant accounting policies

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

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates

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

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

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

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

(iii) Changes in Group composition

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Minority interest

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

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

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

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

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

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

(c) Financial instruments

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

(i) Initial recognition and measurement

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

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

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

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

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

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

(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.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease (continued)

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

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

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

(f) Investment property

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

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

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

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

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

2. Significant accounting policies (continued)

(f) Investment property (continued)

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

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

(g) Non-current assets held for sale

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

(h) Intangible assets

Goodwill

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

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

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

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

2. Significant accounting policies (continued)

(h) Intangible assets (continued)

Trademarks

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

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

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

(j) Receivables

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

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

2. Significant accounting policies (continued)

(k) Inventories

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

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

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

(l) Cash and cash equivalents

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

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

(m) Provisions

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

(n) Contingent liabilities

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

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

2. Significant accounting policies (continued)

(o) Revenue and other income

(i) Goods sold

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

(ii) Dividend income

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

(iii) Rental income

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

(vi) Interest income

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

(p) Borrowing costs

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

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

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

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

2. Significant accounting policies (continued)

(q) Income tax

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

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

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

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

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

(r) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

2. Significant accounting policies (continued)

(s) Earnings per share

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

(t) Operating segments

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

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

(u) Equity instruments

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

Issue expenses

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

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

3. Property, plant and equipment - Group (continued)

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

3. Property, plant and equipment – Group (continued)

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

3.1 Assets under finance lease

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

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

3.2 Security

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

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

4. Investment properties - Group

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

4. Investment properties - Group (continued)

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

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

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

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

5. Investment in subsidiaries - Company

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

5. Investment in subsidiaries - Company (continued)

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Effective ownership interest		Principal activity
		2011 %	2010 %	
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100	100	Manufacture, assembly and sale of electrical and electronic appliances
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd. *	Singapore	100	100	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Epicson Sales & Service Sdn. Bhd. #	Malaysia	-	100	Dormant
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100	100	Dormant
Microtag Engineering Sdn. Bhd.	Malaysia	51	51	Dormant

5. Investment in subsidiaries - Company (continued)

Name of subsidiary	Country of incorporation	Effective ownership interest 2011 %	2010 %	Principal activity
Subsidiaries of Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Malaysia	100	100	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited *	Hong Kong	100	100	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60	60	Trading and service of parts of electrical and electronic appliances
Subsidiary of Pensonic (H.K.) Corporation Limited				
Pensonic Trading (Shenzhen) Co. Ltd. * ^	China	100	100	Dormant
Subsidiary of Pensonic Sales & Service Sdn. Bhd.				
Kollektion Distribution Sdn. Bhd.	Malaysia	100	100	Distribution of home appliances

* Not audited by KPMG
\# Striked-off on 15 December 2010
^ The unaudited management accounts were consolidated in the Group financial statements

6. Investment in associates - Group

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

6. Investment in associates - Group (continued)

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

* Interest held through a subsidiary, Pensonic Corporation Sdn. Bhd.
** Interest held through a subsidiary, Microtag Engineering Sdn. Bhd.
\# Striked-off on 2 August 2011

Summary financial information on associates:

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

7. Intangible assets - Group

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

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

7.1 Impairment testing on goodwill

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

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

8. Deferred tax - Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

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

8. Deferred tax - Group (continued)

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

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

Movements in temporary differences during the year are as follows:

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

Unrecognised deferred tax assets - Group

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

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

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

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

9. Non-current assets held for sale - Group

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

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

10. Trade and other receivables

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

10. Trade and other receivables (continued)

10.1 Amount due from an associate and subsidiaries

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

11. Inventories - Group

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

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

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

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

12. Cash and cash equivalents

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

12.1 Short term deposits with licensed banks

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

13. Share capital – Group/ Company

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

14. Reserves

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

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

14.1 Warrant reserve

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

14.2 Revaluation reserve

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

14.3 Exchange translation reserve

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

14. Reserves (continued)

14.4 Capital reserve

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

14.5 Section 108 tax credit and exempt income account

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

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

15. Loans and borrowings - Group

	2011 RM	2010 RM
Current		
Unsecured		
Bank overdrafts	4,764,021	4,303,345
Bankers' acceptances	14,751,816	13,059,915
Term loans	1,102,954	1,307,943
	20,618,791	18,671,203
Secured		
Bank overdrafts	4,168,227	4,588,474
Bankers' acceptances	53,914,037	55,026,191
Bills payable	156,874	1,074,245
Trust receipts	536,431	82,924
Term loans	1,352,385	843,382
Finance lease liabilities	133,351	285,660
	60,261,305	61,900,876
	80,880,096	80,572,079

15. Loan and borrowings - Group (continued)

	2011 RM	2010 RM
Non-current		
Unsecured		
Term loans	786,513	1,341,751
Secured		
Term loans	2,236,987	2,605,871
Finance lease liabilities	419,939	237,096
	2,656,926	2,842,967
	3,443,439	4,184,718

15.1 Securities

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

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

15.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2011			2010		
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	163,397	30,046	133,351	306,424	20,764	285,660
Between 1 and 5 years	462,996	43,057	419,939	261,354	24,258	237,096
	626,393	73,103	553,290	567,778	45,022	522,756

16. Trade and other payables

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

16.1 Trade payables

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

16.2 Amount due to subsidiaries

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

17. Revenue

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

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

18. Finance costs

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

19. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
After charging :				
Auditors' remuneration :				
- Audit fees				
- KPMG Malaysia				
- current year	139,400	139,400	21,000	21,000
- prior year	(1,050)	7,200	(1,050)	4,000
- Other auditors	26,275	26,365	-	-
- Non audit fees				
- KPMG Malaysia			-	
- current year	5,500	-	5,500	-
- prior year	3,000	-	3,000	-
- Local affiliates of KPMG Malaysia	35,200	-	2,500	-
- Others	3,000	27,095	-	1,675
Bad debts written off	1,763,873	23,753	520,334	-
Directors' remuneration				
- Directors of the Company				
- fees	80,000	80,000	80,000	80,000
- other emoluments	1,143,484	1,069,824	-	-
- Directors of subsidiaries				
- other emoluments	638,349	598,037	-	-
Depreciation of investment properties (Note 4)	10,609	10,609	-	-
Depreciation of property, plant and equipment (Note 3)	3,443,344	2,998,447	-	-

19. Profit before tax (continued)

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
After charging :				
Direct operating expenses of investment properties	8,793	6,371	-	-
Impairment of goodwill (Note 7)	630,070	-	-	-
Impairment of investment in a subsidiary (Note 5)	-	-	877,200	-
Impairment loss for receivables	-	310,176	-	-
Inventories written off (Note 11)	1,362,663	61,525	-	-
Inventories written down	127,887	-	-	-
Loss on disposal of plant and equipment	25,182	-	-	-
Loss on foreign exchange, net	-	545,548	-	-
Investment in a subsidiary written off (Note 5)	-	-	2	-
Investment in an associate written off (Note 6)	939	-	-	-
Plant and equipment written off	5	-	-	-
Rental expense				
- equipment	47,398	93,110	-	-
- premises	2,106,977	1,530,012	-	-
- booths	98,990	63,046	-	-
and after crediting :				
Dividends (gross) receivable from a subsidiary	-	-	2,400,000	2,400,000
Gain on disposal of plant and equipment	-	322	-	-
Gain on disposal of non-current assets held for sale	235,000	-	-	-
Gain on winding-up of a subsidiary	800	-	-	-
Interest income	27,403	34,862	-	-
Rental income			-	-
- investment properties	49,300	41,800	-	-
- sublet of factory premises	144,000	134,000	-	-
Reversal of impairment loss for receivables (net)	101,154	130,951	-	-
Gain on foreign exchange, net	354,377	-	-	-

20. Employee information

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

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

21. Income tax expense

Recognised in profit or loss

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

Major components of income tax expense include :

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Current tax expense				
Malaysian tax				
- current year	1,906,337	1,499,704	550,000	600,000
- prior years	129,999	291,728	(27,407)	80,950
	2,036,336	1,791,432	522,593	680,950
Foreign tax				
- current year	43,384	2,872	-	-
- prior years	(43,978)	6,023	-	-
	(594)	8,895	-	-
Total current tax	2,035,742	1,800,327	522,593	680,950
Deferred tax expense				
- origination and reversal of temporary differences	273,391	278,257	-	-
- prior years	(46,386)	18,502	-	-
Total deferred tax	227,005	296,759	-	-
Total income tax expense	2,262,747	2,097,086	522,593	680,950

21. Income tax expense (continued)

Reconciliation of effective income tax expense

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Profit for the year	3,015,813	3,168,730	184,140	1,383,011
Total tax expense	2,262,747	2,097,086	522,593	680,950
Profit excluding tax	5,278,560	5,265,816	706,733	2,063,961
Tax calculated using Malaysian tax rate at 25% (2010 : 25%)	1,319,640	1,316,454	176,683	515,990
Effect of different tax rates in foreign jurisdictions *	(39,849)	(24,424)	-	-
Non deductible expenses	570,634	599,816	372,971	37,557
Non-taxable income	(24,739)	(43,604)	-	-
Tax incentives	(56,284)	(228,265)	-	-
Effect of deferred tax assets not recognised	423,657	169,194	-	46,453
Other items	30,053	(8,338)	346	-
Under/(over) provision in prior years	39,635	316,253	(27,407)	80,950
Total income tax expense	2,262,747	2,097,086	522,593	680,950

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

22. Earnings per ordinary share - Group

i) Basic earnings per ordinary share

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

ii) Diluted earnings per ordinary share

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

23. Dividends - Company

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

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

24. Related parties

24.1 Identity of related parties

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

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

ii) Companies in which certain Directors namely, Chew Chuon Jin and Chew Chuon Ghee are deemed to have a substantial financial interest:

- Pensia Plastic Industries Sdn Bhd
- Pensonic Technology Sdn. Bhd.

iii) Key management personnel

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

24. Related parties (continued)

24.2 Related party transactions

24.2.1 Transaction with a subsidiary:

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

24.2.2 Transaction with an associate

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

24.2.3 Transactions with related parties

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

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

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

24. Related parties (continued)

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

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

25. Operating segments

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

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

Geographical segment

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

	Segment revenue	
	2011	**2010**
	RM	**RM**
Malaysia	223,506,231	269,357,492
Other Asian countries	65,960,187	27,011,290
Africa	507,365	4,299,427
Others	7,989,254	3,107,960
	297,963,037	303,776,169

25. Segmental information - Group (continued)

	Segment assets 2011 RM	Segment assets 2010 RM
Malaysia	203,125,635	201,113,477
China (including Hong Kong)	9,118,705	8,587,302
Singapore	9,350,400	6,685,703
	221,594,740	216,386,482

26. Contingent liabilities, unsecured

Group

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

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

Company

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

27. Financial instruments

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

27.1 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27. Financial instruments (continued)

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

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

27. Financial instruments (continued)

27.2 Credit risk (continued)

Receivables (continued)

Impairment losses

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

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

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

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

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

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

27. Financial instruments (continued)

27.2 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

27. Financial instruments (continued)

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**
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	2.16	536,431	536,431	-	-	
Bankers' acceptances	68,665,853	1.00 - 5.40	68,665,853	68,665,853	-	-	-
Bank overdrafts	8,932,248	7.50 - 8.50	8,932,248	8,932,248	-	-	-
Bills payable	156,874	2.16	156,874	156,874	-	-	-
Finance lease liabilities	553,290	2.42 - 4.00	626,393	163,397	148,045	314,951	-
Trade and other payables (excluding advances paid to suppliers)	46,364,433	-	46,364,433	46,364,433	-	-	-
	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 instrument (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**
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 decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact on forecast sales and purchases. There is no impact to equity arising from exposure to currency risk.

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

27. Financial instruments (continued)

27.4 Market risk (continued)

27.4.1 Currency risk (continued)

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 income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-earning financial assets are mainly short term in nature and are mostly placed in short term deposits.

Exposure to interest rate risk

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

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

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**
2011		
Floating rate instruments		
- Term loans	(27)	27
- Bank overdrafts	(67)	67
- Bankers' acceptances	(515)	515
- Bills payable	(1)	1
- Trust receipts	(4)	4
	(614)	614

27.5 Categories and fair value of financial instruments

	2011	
Group	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets categorised as loans and receivables		
Trade and other receivables (excluding deposits and prepayments)	72,781	*
Cash and cash equivalents	15,399	*
	88,180	

27. Financial instruments (continued)

27.5 Categories and fair value of financial instruments (continued)

	2011	
	Carrying amount RM'000	**Fair value RM'000**
Financial liabilities carried at amortised cost		
Floating rate loans and borrowings	81,881	81,881
Fixed rate loans and borrowings	2,442	2,367
Trade and other payables	40,263	*
	124,586	
Company		
Financial assets categorised as loans and receivables		
Trade and other receivables (excluding deposits and prepayments)	40,494	*
Cash and cash equivalents	24	*
	40,518	
Financial liabilities carried at amortised cost		
Trade and other payables	249	*

* 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.

27. Financial instruments (continued)

27.5 Categories and fair value of financial instruments (continued)

Interest rates used to determine fair value

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

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

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

28. Capital management

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

29. Significant changes in accounting policies

29.1 FRS 139, Financial Instruments: Recognition and Measurement

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

Financial guarantee contracts

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

29. Significant changes in accounting policies (continued)

29.1 FRS 139, Financial Instruments: Recognition and Measurement (continued)

Impairment of trade and other receivables

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

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

29.2 FRS 8, Operating Segments

As of 1 June 2010, the Group determines and presents operating segments based on the information that internally is provided to the Group Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, Segment Reporting.

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

29.3 FRS 101, Presentation of Financial Statements (revised)

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

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

29.4 FRS 117, Leases

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

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

30. Comparative figures

30.1 FRS 101, Presentation of Financial Statements (revised)

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

30.2 FRS 117, Leases

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

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

31. Subsequent event

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial statements set out on pages 7 to 73 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 May 2011 and of their financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors, the information set out in Note 32 of page 74 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 :

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

……………………………………..…..
Chew Chuon Jin

Penang,

Date : 26 September 2011

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

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Dato' Seri Chew Weng Khak @ Chew Weng Kiak**, the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 74 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 26 September 2011.

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

Before me :

Cheah Beng Sun
DJN, AMN, PKT, PJK, PJM, PK
(No. P.103)
Commissioner for Oaths
Penang

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 statement of financial position as at 31 May 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 73.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Company No. 300426 - P

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2011 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 of page 74 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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
1857/02/12 (J)
Chartered Accountant

Date : 26 September 2011

Penang