PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 300426-P

FINANCIAL REPORT
for the financial year ended 31 May 2007

CONTENTS

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 May 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Net profit for the financial year attributable to shareholders of the Company	573,421	6,254,840

DIVIDENDS

During the financial year, the Company paid a final dividend of 2.5 sen per share less tax at 28% amounting to RM1,667,160 in respect of the financial year ended 31 May 2006.

A final dividend of 2.5 sen per share less tax at 27% amounting to RM1,690,315 in respect of the financial year ended 31 May 2007 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES OR DEBENTURES

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

EMPLOYEES' SHARE OPTION SCHEME

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

As at 31 May 2007, the Company has not granted any option to the Group's eligible employees.

SHARE WARRANTS

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

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

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

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

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

Dato' Seri Chew Weng Khak @ Chew Weng Kiak
Chew Chuon Jin
Chew Chuon Ghee
Dato' Tan King Tai @ Tan Khoon Hai
Lee Yew Weng
Zahara Bt. Pawanchik, PPN, PJK
Khairilanuar Bin Abdul Rahman

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

	Number of Ordinary Shares of RM0.50 each in the Company					
	Direct Interest				Deemed Interest	
	At 1.6.2006	Bought	(Sold)	At 31.5.2007	At 1.6.2006	At 31.5.2007
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	17,633,188	885,900	0	18,519,088	12,688,634	12,688,634
Chew Chuon Jin	1,929,100	0	0	1,929,100	12,688,634	12,688,634
Chew Chuon Ghee	2,089,660	0	0	2,089,660	12,688,634	12,688,634
Dato' Tan King Tai @ Tan Khoon Hai	2,444,618	0	0	2,444,618	4,000	4,000
Zahara Bt. Pawanchik, PPN, PJK	140,000	0	0	140,000	0	0

	Number of Warrants over Ordinary Shares of RM0.50 each in the Company					
	Direct Interest				Deemed Interest	
	At 1.6.2006	Bought	(Sold)	At 31.5.2007	At 1.6.2006	At 31.5.2007
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	2,145,398	0	0	2,145,398	2,668,158	2,668,158
Chew Chuon Jin	705,300	0	0	705,300	2,668,158	2,668,158
Chew Chuon Ghee	1,328,890	0	0	1,328,890	2,668,158	2,668,158
Dato' Tan King Tai @ Tan Khoon Hai	693,404	0	0	693,404	1,000	1,000

	Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Industries Sdn. Bhd.			
	Direct Interest			
	At 1.6.2006	Bought	(Sold)	At 31.5.2007
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	30,000	0	0	30,000

	Number of Ordinary Shares of RM1.00 each in a Subsidiary, Pensonic Parts & Service Sdn. Bhd.			
	Direct Interest			
	At 1.6.2006	Bought	(Sold)	At 31.5.2007
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	1	0	0	1
Chew Chuon Jin	50,001	0	0	50,001

DIRECTORS OF THE COMPANY (cont'd)

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for certain directors who may be deemed to derive benefits by virtue of those related party transactions as disclosed in Note 27 to the financial statements.

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

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 17 SEPTEMBER 2007

Dato' Seri Chew Weng Khak @ Chew Weng Kiak

Chew Chuon Jin

STATEMENT BY DIRECTORS

We, Dato' Seri Chew Weng Khak @ Chew Weng Kiak and Chew Chuon Jin, being two of the directors of Pensonic Holdings Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 9 to 52 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 May 2007 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 17 SEPTEMBER 2007

Dato' Seri Chew Weng Khak @ Chew Weng Kiak | **Chew Chuon Jin**

STATUTORY DECLARATION

I, Lee Yew Weng, being the director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 52 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 Lee Yew Weng at Georgetown in the State of Penang on this 17 September 2007

Lee Yew Weng

Before me

Govindasamy A/L G. Muttusamy, PJM
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS OF
PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

We have audited the financial statements set out on pages 9 to 52. The preparation of the financial statements is the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:-

  (i) the state of affairs of the Group and the Company as at 31 May 2007 and their results and cash flows for the financial year ended on that date; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

The financial statements for the preceding financial year were audited by another firm of auditors whose report dated 15 September 2006 expressed an unqualified opinion on those statements.

Horwath
Firm No: AF 1018
Chartered Accountants

Eddy Chan Wai Hun
Approval No: 2182/10/07 (J)
Partner

Penang

17 September 2007

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

CONSOLIDATED BALANCE SHEET AS AT 31 MAY 2007

	Note	2007 RM	2006 RM (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	4	39,653,035	44,053,020
Investment property	5	1,344,573	1,354,873
Investment in associate	7	57,887	0
Intangible assets	8	1,631,465	4,790,442
Deferred tax assets	9	257,000	0
		42,943,960	50,198,335
CURRENT ASSETS			
Inventories	10	78,073,634	56,022,372
Trade receivables	11	73,404,535	38,822,147
Other receivables, deposits and prepayments	12	22,618,821	13,129,611
Current tax assets		2,306,759	2,285,486
Cash and cash equivalents	13	12,779,296	9,185,758
		189,183,045	119,445,374
CURRENT LIABILITIES			
Trade payables	14	42,701,226	13,075,682
Other payables and accruals	15	11,135,124	6,524,416
Hire purchase payables	16	472,498	417,674
Bank borrowings	17	75,507,544	46,686,991
Current tax liabilities		3,848,975	0
		133,665,367	66,704,763
NET CURRENT ASSETS		55,517,678	52,740,611
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9	1,145,000	1,212,133
Hire purchase payables	16	1,052,092	1,369,700
Term loans	18	4,965,513	6,864,798
		7,162,605	9,446,631
NET ASSETS		91,299,033	93,492,315
FINANCED BY:-			
Share capital	19	46,310,000	46,310,000
Reserves		43,668,597	44,658,561
SHAREHOLDERS' EQUITY		89,978,597	90,968,561
Minority interest		1,320,436	2,523,754
TOTAL EQUITY		91,299,033	93,492,315

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
Revenue	20	302,103,558	187,296,457
Cost of sales		(235,878,746)	(142,397,311)
Gross profit		66,224,812	44,899,146
Other income		2,474,991	1,509,586
Administrative and general expenses		(27,336,589)	(19,622,625)
Selling and distribution expenses		(30,707,530)	(20,215,154)
Finance costs		(3,336,231)	(1,855,559)
Share of loss of associate		(12,223)	0
Profit before tax	21	7,307,230	4,715,394
Tax expense	23	(6,044,566)	(1,187,983)
Net profit for the year		1,262,664	3,527,411
Attributable to:-			
- Shareholders of the Company		573,421	3,280,864
- Minority interest		689,243	246,547
		1,262,664	3,527,411
Earnings per share (sen)	24		
- Basic		0.62	3.54
- Diluted		0.62	3.54

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 300426-P

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

		Non-distributable					*Distributable*			
	Share capital RM	Share premium RM	Capital reserve RM	Revaluation surplus RM	Reserve on consolidation RM	Currency translation reserve RM	Retained profits RM	Shareholders' equity RM	Minority interest RM	Total equity RM
Balance at 1 June 2005	46,310,000	23,763,721	4,487,540	387,266	8,716,627	0	5,393,835	89,058,989	2,277,207	91,336,196
Dividend paid (Note 25)	0	0	0	0	0	0	(1,333,728)	(1,333,728)	0	(1,333,728)
Currency translation differences	0	0	0	0	0	(37,564)	0	(37,564)	0	(37,564)
Net profit for the year	0	0	0	0	0	0	3,280,864	3,280,864	246,547	3,527,411
Total recognised income and expense	0	0	0	0	0	(37,564)	3,280,864	3,243,300	246,547	3,489,847
Balance at 31 May 2006	46,310,000	23,763,721	4,487,540	387,266	8,716,627	(37,564)	7,340,971	90,968,561	2,523,754	93,492,315
Effect of adopting FRS 3	0	0	0	0	(8,716,627)	0	8,716,627	0	0	0
Adjusted balance at 1 June 2006	46,310,000	23,763,721	4,487,540	387,266	0	(37,564)	16,057,598	90,968,561	2,523,754	93,492,315
Dividend paid (Note 25)	0	0	0	0	0	0	(1,667,160)	(1,667,160)	0	(1,667,160)
Acquisition of minority interest	0	0	0	0	0	0	0	0	111,272	111,272
Disposal of subsidiaries	0	0	0	0	0	0	0	0	(2,003,833)	(2,003,833)
Currency translation differences	0	0	0	0	0	103,775	0	103,775	0	103,775
Net profit for the year	0	0	0	0	0	0	573,421	573,421	689,243	1,262,664
Total recognised income and expense	0	0	0	0	0	103,775	573,421	677,196	689,243	1,366,439
Balance at 31 May 2007	46,310,000	23,763,721	4,487,540	387,266	0	66,211	14,963,859	89,978,597	1,320,436	91,299,033

PENSONIC HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No: 300426-P

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,307,230	4,715,394
Adjustments for:-			
Allowance for doubtful debts		1,076,944	44,662
Bad debts written-off		2,441,409	0
Depreciation		3,781,873	3,486,902
Gain on disposal of property, plant and equipment		(27,826)	(26,606)
Gain on disposal of subsidiaries		(68,267)	0
Interest expense		3,336,231	1,855,559
Interest income		(42,148)	(27,165)
Inventories written-off		985,529	0
Negative goodwill		(610,412)	0
Share of loss of associate		12,223	0
Unrealised loss on foreign exchange		409,144	0
Operating profit before working capital changes		18,601,930	10,048,746
Increase in inventories		(17,509,967)	(387,979)
(Increase)/Decrease in receivables		(35,929,626)	745,371
Increase in payables		24,553,296	407,771
Cash (absorbed by)/generated from operations		(10,284,367)	10,813,909
Interest paid		(3,336,231)	(1,855,559)
Interest received		37,079	22,364
Tax paid		(2,394,080)	(1,683,270)
Net cash (used in)/from operating activities		(15,977,599)	7,297,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of associate		(70,110)	0
Acquisition of minority interest		(468)	0
Acquisition of subsidiaries	26	(1,177,577)	0
Disposal of subsidiaries	26	(88,564)	0
Proceeds from disposal of property, plant and equipment		28,100	94,000
Purchase of intangible assets		(870,000)	0
Purchase of property, plant and equipment	26	(1,730,083)	(4,143,489)
Net cash used in investing activities		(3,908,702)	(4,049,489)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,667,160)	(1,333,728)
Increase/(Decrease) in short-term bank borrowings (net)		21,226,934	(752,857)
Repayment of hire purchase obligations		(450,817)	(270,344)
Repayment of term loans		(821,319)	(1,038,098)
Term loans raised		0	1,520,000
Net cash from/(used in) financing activities		18,287,638	(1,875,027)
Currency translation differences		(171,898)	(37,564)
Net (decrease)/increase in cash and cash equivalents		(1,770,561)	1,335,364
Cash and cash equivalents brought forward		2,657,330	1,321,966
Cash and cash equivalents carried forward	26	886,769	2,657,330

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

BALANCE SHEET AS AT 31 MAY 2007

	Note	2007 RM	2006 RM (Restated)
NON-CURRENT ASSETS			
Investments in subsidiaries	6	17,772,513	21,831,962
CURRENT ASSETS			
Amounts owing by subsidiaries	6	48,443,037	45,070,312
Other receivables, deposits and prepayments	12	5,962,400	379,000
Current tax assets		155,032	99,266
Cash and cash equivalents	13	678,879	157,438
		55,239,348	45,706,016
CURRENT LIABILITIES			
Non-trade payables and accruals	15	988,551	102,348
		988,551	102,348
NET CURRENT ASSETS		54,250,797	45,603,668
NET ASSETS		72,023,310	67,435,630
FINANCED BY:-			
Share capital	19	46,310,000	46,310,000
Reserves		25,713,310	21,125,630
SHAREHOLDERS' EQUITY		72,023,310	67,435,630

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
Revenue	20	8,500,000	3,300,000
Other income		357,000	0
Administrative and general expenses		(362,926)	(430,132)
Profit before tax	21	8,494,074	2,869,868
Tax expense	23	(2,239,234)	(988,107)
Net profit for the year		6,254,840	1,881,761

PENSONIC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 300426-P

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

		Non-distributable		*Distributable*	
	Share capital RM	Share premium RM	Revaluation surplus RM	Retained profits/ (Accumulated losses) RM	Shareholders' equity RM
Balance at 1 June 2005					
- As previously reported	46,310,000	23,763,721	11,039,207	4,944,747	86,057,675
- Effect of adopting FRS 127	0	0	(11,039,207)	(8,130,871)	(19,170,078)
- As restated	46,310,000	23,763,721	0	(3,186,124)	66,887,597
Dividend paid (Note 25)	0	0	0	(1,333,728)	(1,333,728)
Net profit for the year	0	0	0	1,881,761	1,881,761
Balance at 31 May 2006	46,310,000	23,763,721	0	(2,638,091)	67,435,630
Balance at 1 June 2006					
- As previously reported	46,310,000	23,763,721	11,039,207	5,492,780	86,605,708
- Effect of adopting FRS 127	0	0	(11,039,207)	(8,130,871)	(19,170,078)
- As restated	46,310,000	23,763,721	0	(2,638,091)	67,435,630
Dividend paid (Note 25)	0	0	0	(1,667,160)	(1,667,160)
Net profit for the year	0	0	0	6,254,840	6,254,840
Balance at 31 May 2007	46,310,000	23,763,721	0	1,949,589	72,023,310

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2007

	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,494,074	2,869,868
Adjustments for:-			
Dividend income		(8,500,000)	(3,300,000)
Gain on disposal of subsidiaries		(357,000)	0
Operating loss before working capital changes		(362,926)	(430,132)
Increase in receivables		(3,172,725)	(408,274)
Increase in payables		1,652	1,344
Cash absorbed by operations		(3,533,999)	(837,062)
Tax paid		0	(64,107)
Net cash used in operating activities		(3,533,999)	(901,169)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	26	(1,125,000)	0
Disposal of subsidiaries	26	642,600	0
Dividends received		6,205,000	2,376,000
Net cash from investing activities		5,722,600	2,376,000
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid		(1,667,160)	(1,333,728)
Net cash used in financing activity		(1,667,160)	(1,333,728)
Net increase in cash and cash equivalents		521,441	141,103
Cash and cash equivalents brought forward		157,438	16,335
Cash and cash equivalents carried forward	13	678,879	157,438

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements set out on pages 9 to 12 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 13 to 16 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 September 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

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

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

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

FRS 2 *Share-based Payment*
FRS 3 *Business Combinations*
FRS 101 *Presentation of Financial Statements*
FRS 102 *Inventories*
FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
FRS 110 *Events after the Balance Sheet Date*
FRS 116 *Property, Plant and Equipment*
FRS 121 *The Effects of Changes in Foreign Exchange Rates*
FRS 127 *Consolidated and Separate Financial Statements*
FRS 128 *Investments in Associates*
FRS 132 *Financial Instruments: Disclosure and Presentation*
FRS 133 *Earnings per Share*
FRS 136 *Impairment of Assets*
FRS 138 *Intangible Assets*
FRS 140 *Investment Property*

The adoption of these new/revised FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as disclosed in Note 2.2 below.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Standard/Interpretation		Effective Date
FRS 6	*Exploration for and Evaluation of Mineral Resources*	1 January 2007
FRS 117	*Leases*	1 October 2006
Amendment to FRS 119_{2004}	*Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*	1 January 2007
Amendment to FRS 121	*The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*	1 July 2007
FRS 124	*Related Party Disclosures*	1 October 2006
FRS 139	*Financial Instruments: Recognition and Measurement*	Yet to be announced
IC Interpretation 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 July 2007
IC Interpretation 2	*Members' Shares in Co-operative Entities and Similar Instruments*	1 July 2007
IC Interpretation 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 July 2007
IC Interpretation 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	1 July 2007
IC Interpretation 7	*Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies*	1 July 2007
IC Interpretation 8	*Scope of FRS 2*	1 July 2007

FRS 6, the amendments to FRS 119_{2004} and FRS 121 and all the Interpretations will not be applicable to the Group and the Company. By virtue of the exemptions given by FRS 117, FRS 124 and FRS 139, the impacts on the financial statements upon initial application of these FRSs are not disclosed.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in Accounting Policies

Significant changes in the accounting policies of the Group and the Company following the adoption of the new/revised FRSs are summarised below:-

FRS 3 *Business Combinations*

FRS 3 defines goodwill as the excess of the cost of business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. FRS 3 requires that when the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date exceeds the cost of business combination, the excess (hereinafter referred to as "negative goodwill"), after reassessment, shall be recognised in the income statement.

Negative goodwill was previously credited directly to equity as reserve on consolidation. In accordance with the transitional provisions of FRS 3, negative goodwill as at 1 June 2006 has been derecognised with a corresponding adjustment to retained profits as at that date as shown in the consolidated statement of changes in equity.

FRS 127 *Consolidated and Separate Financial Statements*

FRS 127 requires a parent to account for investments in subsidiaries in its separate financial statements at cost or in accordance with FRS 139 *Financial Instruments: Recognition and Measurement*.

Investments in subsidiaries were previously stated at valuation based on the net tangible asset ("NTA") values of the subsidiaries as allowed by FRS 125_{2004} *Accounting for Investments*. As the management considers that the NTA values do not necessarily reflect the underlying fair values of the investments as specified in FRS 139, retrospective adjustments have been made to adopt the cost model by restating the opening balances of the investments and relevant reserves as disclosed in Note 6 to the financial statements and the statement of changes in equity respectively.

FRS 140 *Investment Property*

FRS 140 requires an entity to measure an investment property, being a property held to earn rentals and/or for capital appreciation, at cost less accumulated depreciation and accumulated impairment losses, if any, or at fair value.

Investment property was previously classified as property, plant and equipment. The Group has elected the cost model to account for investment property retrospectively in accordance with the transitional provisions of FRS 140. The effects of adopting FRS 140 together with the related restatements of comparative information are disclosed in Notes 4 and 5 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation

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

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

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

2.4 Associate

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

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

2.5 Financial Instruments

Recognised Financial Instruments

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

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 30 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial Instruments (cont'd)

Fair Values

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

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

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

2.6 Property, Plant and Equipment

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

The last revaluation of certain leasehold land of the Group was made in 1994 and has not been updated. The Group has availed itself the transitional provision of IAS 16 *Property, Plant and Equipment* issued by the Malaysian Accounting Standards Board to retain the carrying amount of the land on the basis of its previous revaluation subject to continuity in its depreciation and impairment policies. A revaluation increase is credited to equity as revaluation surplus or recognised as income in the income statement to the extent that the increase reverses a revaluation decrease of the same asset previously recognised as an expense. A revaluation decrease is recognised as an expense in the income statement or debited against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus of that asset.

Freehold land is not depreciated. Leasehold land is depreciated on a straight-line basis over the lease terms of 58 to 72 years. Other property, plant and equipment are depreciated principally on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Investment Property

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

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

2.8 Investments

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

2.9 Intangible Assets

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

2.10 Impairment of Assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets within the scope of FRS 139 *Financial Instruments: Recognition and Measurement*, are reviewed at each balance sheet date to determine whether there is any indication that an item of asset may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill and intangible asset with an indefinite useful life are tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised as an expense in the income statement or, in respect of a revalued asset, treated as a revaluation decrease.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Inventories

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

2.12 Receivables

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

2.13 Payables

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

2.14 Finance Lease

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

2.15 Loans and Borrowings

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Foreign Currency Transactions and Translation

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

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

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

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

2.17 Share Capital

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Income Recognition

Sale of Goods

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

Dividend Income

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

Interest Income

Interest income is recognised using the effective interest method.

Government Grant

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

2.19 Income Taxes

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

Equity Compensation Benefits

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

2.21 Cash and Cash Equivalents

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

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

Critical Judgements

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

(i) Allowance for Inventories

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

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

Critical Judgements (cont'd)

(ii) Allowance for Doubtful Debts

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

Key Sources of Estimation Uncertainty

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

(i) Depreciation

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

(ii) Impairment of Assets

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

(iii) Income Taxes

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

4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Leasehold shoplots RM	Buildings RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovation and electrical installation RM	Signboard and showcase RM	Motor vehicles RM	Computer RM	Total RM
Cost/Valuation												
Balance at 1 June 2005												
- As previously reported	997,287	9,332,099	2,413,532	630,000	23,358,536	2,003,909	10,171,001	4,341,447	270,264	3,853,741	1,141,960	58,513,776
- Effect of adopting FRS 140	(689,287)	0	0	(630,000)	(117,379)	0	0	0	0	0	0	(1,436,666)
- As restated	308,000	9,332,099	2,413,532	0	23,241,157	2,003,909	10,171,001	4,341,447	270,264	3,853,741	1,141,960	57,077,110
Additions	0	0	0	0	87,608	166,720	2,408,788	618,113	32,025	1,652,365	494,370	5,459,989
Disposals	0	0	0	0	0	(56,057)	0	0	0	(222,500)	0	(278,557)
Balance at 31 May 2006	308,000	9,332,099	2,413,532	0	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	62,258,542
Represented by:-												
- Cost	308,000	9,332,099	890,000	0	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	60,735,010
- Valuation	0	0	1,523,532	0	0	0	0	0	0	0	0	1,523,532
	308,000	9,332,099	2,413,532	0	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	62,258,542
Balance at 1 June 2006												
- As previously reported	997,287	9,332,099	2,413,532	630,000	23,446,144	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	63,695,208
- Effect of adopting FRS 140	(689,287)	0	0	(630,000)	(117,379)	0	0	0	0	0	0	(1,436,666)
- As restated	308,000	9,332,099	2,413,532	0	23,328,765	2,114,572	12,579,789	4,959,560	302,289	5,283,606	1,636,330	62,258,542
Acquisition of subsidiaries	0	0	0	0	0	140,523	0	0	0	25,000	220,908	386,431
Additions	0	0	0	0	0	156,486	374,986	592,111	7,748	290,536	531,216	1,953,083
Disposal of subsidiaries	0	0	0	0	0	(87,956)	(7,365,491)	(811,079)	0	(74,000)	(151,702)	(8,490,228)
Disposals	0	0	0	0	0	(19,575)	0	0	0	(69,716)	(25,060)	(114,351)
Currency translation differences	0	0	0	0	0	61,482	0	0	0	6,635	(4,024)	64,093
Balance at 31 May 2007	308,000	9,332,099	2,413,532	0	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	56,057,570
Represented by:-												
- Cost	308,000	9,332,099	890,000	0	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	54,534,038
- Valuation	0	0	1,523,532	0	0	0	0	0	0	0	0	1,523,532
	308,000	9,332,099	2,413,532	0	23,328,765	2,365,532	5,589,284	4,740,592	310,037	5,462,061	2,207,668	56,057,570

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

	Freehold land RM	Long-term leasehold land RM	Short-term leasehold land RM	Leasehold shoplots RM	Buildings RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovation and electrical installation RM	Signboard and showcase RM	Motor vehicles RM	Computer RM	Total RM
Accumulated Depreciation												
Balance at 1 June 2005												
- As previously reported	0	762,158	486,980	58,024	3,072,499	875,006	4,770,908	1,769,895	215,355	2,097,154	903,597	15,011,576
- Effect of adopting FRS 140	0	0	0	(58,024)	(13,400)	0	0	0	0	0	0	(71,424)
- As restated	0	762,158	486,980	0	3,059,099	875,006	4,770,908	1,769,895	215,355	2,097,154	903,597	14,940,152
Depreciation	0	135,017	40,225	0	416,851	211,735	1,682,480	420,279	12,897	380,837	176,212	3,476,533
Disposals	0	0	0	0	0	(56,057)	0	0	0	(155,106)	0	(211,163)
Balance at 31 May 2006	0	897,175	527,205	0	3,475,950	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	18,205,522
Balance at 1 June 2006												
- As previously reported	0	897,175	527,205	66,314	3,491,429	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	18,287,315
- Effect of adopting FRS 140	0	0	0	(66,314)	(15,479)	0	0	0	0	0	0	(81,793)
- As restated	0	897,175	527,205	0	3,475,950	1,030,684	6,453,388	2,190,174	228,252	2,322,885	1,079,809	18,205,522
Acquisition of subsidiaries	0	0	0	0	0	80,174	0	0	0	16,675	182,033	278,882
Depreciation	0	135,017	40,225	0	412,003	216,356	1,784,324	484,384	9,228	453,821	236,215	3,771,573
Disposal of subsidiaries	0	0	0	0	0	(55,836)	(5,014,117)	(569,641)	0	(35,767)	(146,551)	(5,821,912)
Disposals	0	0	0	0	0	(19,560)	0	0	0	(69,715)	(24,802)	(114,077)
Currency translation differences	0	0	0	0	0	79,850	0	0	0	6,635	(1,938)	84,547
Balance at 31 May 2007	0	1,032,192	567,430	0	3,887,953	1,331,668	3,223,595	2,104,917	237,480	2,694,534	1,324,766	16,404,535
Carrying Amount												
Balance at 1 June 2005	308,000	8,569,941	1,926,552	0	20,182,058	1,128,903	5,400,093	2,571,552	54,909	1,756,587	238,363	42,136,958
Balance at 31 May 2006	308,000	8,434,924	1,886,327	0	19,852,815	1,083,888	6,126,401	2,769,386	74,037	2,960,721	556,521	44,053,020
Balance at 31 May 2007	308,000	8,299,907	1,846,102	0	19,440,812	1,033,864	2,365,689	2,635,675	72,557	2,767,527	882,902	39,653,035

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

The short-term leasehold land stated at valuation was revalued in 1994 based on valuation by independent professional valuers using an open market value basis. Had the land been carried at historical cost less accumulated depreciation, the carrying amount would have been RM874,109 (2006 : RM892,707).

Certain motor vehicles with a total carrying amount of RM2,215,619 (2006 : RM2,311,888) were acquired under hire purchase agreements.

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

Carrying Amount	2007 RM	2006 RM
Freehold land	308,000	308,000
Long-term leasehold land	8,299,907	8,434,924
Short-term leasehold land	1,846,102	1,886,327
Buildings	18,398,338	18,786,751
Plant and machinery	0	1,583,333
	28,852,347	30,999,335

5. INVESTMENT PROPERTY

The Group

	Freehold land RM	Leasehold shoplots RM	Buildings RM	Total RM
Cost				
Balance at 1 June 2005				
- As previously reported	0	0	0	0
- Effect of adopting FRS 140	689,287	630,000	117,379	1,436,666
- As restated	689,287	630,000	117,379	1,436,666
Movement during the year	0	0	0	0
Balance at 31 May 2006	689,287	630,000	117,379	1,436,666
Balance at 1 June 2006				
- As previously reported	0	0	0	0
- Effect of adopting FRS 140	689,287	630,000	117,379	1,436,666
- As restated	689,287	630,000	117,379	1,436,666
Movement during the year	0	0	0	0
Balance at 31 May 2007	689,287	630,000	117,379	1,436,666

5. INVESTMENT PROPERTY (cont'd)

	Freehold land RM	Leasehold shoplots RM	Buildings RM	Total RM
Accumulated Depreciation				
Balance at 1 June 2005				
- As previously reported	0	0	0	0
- Effect of adopting FRS 140	0	58,024	13,400	71,424
- As restated	0	58,024	13,400	71,424
Depreciation	0	8,290	2,079	10,369
Balance at 31 May 2006	0	66,314	15,479	81,793
Balance at 1 June 2006				
- As previously reported	0	0	0	0
- Effect of adopting FRS 140	0	66,314	15,479	81,793
- As restated	0	66,314	15,479	81,793
Depreciation	0	8,262	2,038	10,300
Balance at 31 May 2007	0	74,576	17,517	92,093
Carrying Amount				
Balance at 1 June 2005	689,287	571,976	103,979	1,365,242
Balance at 31 May 2006	689,287	563,686	101,900	1,354,873
Balance at 31 May 2007	689,287	555,424	99,862	1,344,573
Fair Value				
Estimated fair value at 31 May 2007	1,240,000	528,000	100,000	1,868,000

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

Carrying Amount	2007 RM	2006 RM
Freehold land	689,287	689,287
Leasehold shoplots	414,342	420,526
Buildings	99,862	101,900
	1,203,491	1,211,713

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

6. INVESTMENTS IN SUBSIDIARIES

The Company

	2007 RM	2006 RM
Balance at 1 June		
- As previously reported at valuation	41,002,040	41,002,040
- Effect of adopting FRS 127	(19,170,078)	(19,170,078)
- As restated at cost	21,831,962	21,831,962
Additions	2,009,551	0
Disposals	(6,069,000)	0
Balance at 31 May, at cost	17,772,513	21,831,962

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Ownership Interest Held 2007	Ownership Interest Held 2006	Principal Activity
Keat Radio Co. Sdn. Bhd.	Malaysia	100%	100%	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Electronic Sdn. Bhd.	Malaysia	100%	100%	Manufacture, assembly and sale of electrical and electronic appliances
Pensia Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacture, assembly and sale of electrical and electronic appliances
Pensonic Sales & Service Sdn. Bhd.	Malaysia	100%	100%	Distribution of electrical and electronic appliances
Cornell Sales & Service Sdn. Bhd. (formerly known as Amtek Marketing Services Sdn. Bhd.)	Malaysia	100%	0%	Distribution of electrical and electronic appliances
Amtek Marketing Services Pte. Ltd.*	Singapore	100%	0%	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100%	100%	Trading of electrical and electronic appliances
Epicson Sales & Service Sdn. Bhd.	Malaysia	100%	100%	Trading of electrical and electronic appliances
Pensia Air Conditioners Sdn. Bhd.	Malaysia	100%	100%	Assembly and sale of electrical and electronic appliances
Arcadia Global Sdn. Bhd.*	Malaysia	0%	51%	Investment holding

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Subsidiary	Country of Incorporation	Ownership Interest Held 2007	2006	Principal Activity
Subsidiaries of Keat Radio Co. Sdn. Bhd.				
Pensonic Industries Sdn. Bhd.	Malaysia	60%	60%	Distribution of electrical and electronic appliances
Pensonic (H.K.) Corporation Limited*	Hong Kong	100%	98%	Trading of electrical and electronic appliances
Pensonic Parts & Service Sdn. Bhd.	Malaysia	60%	60%	Trading of parts of electrical and electronic appliances
Subsidiaries of Arcadia Global Sdn. Bhd.				
IS Services Technology Sdn. Bhd.*	Malaysia	0%	51%	Manufacture of substrates
Skyscope Sdn. Bhd.*	Malaysia	0%	51%	Manufacture of substrates
Subsidiary of Pensonic (H.K.) Corporation Limited				
Pensonic Trading (Shenzhen) Co., Ltd.*	China	100%	0%	Trading of electrical and electronic appliances

* *Not audited by Horwath*

Acquisition of Minority Interest

In June 2006, the Group, through Keat Radio Co. Sdn. Bhd., acquired the remaining 2% of the equity interest in Pensonic (H.K.) Corporation Limited for RM468.

The additional 2% share of the subsidiary's loss since the acquisition date included in the Group's net profit for the financial year attributable to shareholders of the Company amounted to approximately RM18,000.

Acquisition of Subsidiaries

In July 2006, the Company acquired 100% of the equity interest in Cornell Sales & Service Sdn. Bhd. (formerly known as Amtek Marketing Services Sdn. Bhd.) and Amtek Marketing Services Pte. Ltd. for RM1,000,000 and RM1,009,551 respectively.

The acquisition of Cornell Sales & Service Sdn. Bhd. (formerly known as Amtek Marketing Services Sdn. Bhd.) gave rise to negative goodwill of RM610,412 as disclosed in Note 21 to the financial statements.

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Acquisition of Subsidiaries (cont'd)

The subsidiaries' profit since the acquisition date included in the Group's net profit for the financial year attributable to shareholders of the Company amounted to approximately RM331,000. Had the acquisition date been 1 June 2006, the management estimates that the Group's revenue and net profit for the financial year attributable to shareholders of the Company would have been approximately RM304,440,000 and RM498,000 respectively.

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

	RM
Property, plant and equipment	107,549
Inventories	5,550,767
Receivables	8,634,817
Cash and cash equivalents	519,643
Payables	(9,245,340)
Borrowings	(2,974,387)
Tax liabilities	(118,198)
Net identifiable assets acquired	2,474,851

Incorporation of Subsidiary

In August 2006, the Group, through Pensonic (H.K.) Corporation Limited, incorporated Pensonic Trading (Shenzhen) Co., Ltd. with a total paid-up capital of HKD1,000,000 (equivalent to approximately RM473,000).

Disposal of Subsidiaries

In May 2007, the Company disposed of its 51% of the equity interest in Arcadia Global Sdn. Bhd. (together with its subsidiaries) for RM6,426,000.

Amounts Owing By Subsidiaries

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

7. INVESTMENT IN ASSOCIATE

The Group

	2007 RM	2006 RM
Unquoted shares, at cost	70,110	0
Share of post-acquisition loss	(12,223)	0
	57,887	0

The details of the associate are as follows:-

Name of Associate	Country of Incorporation	Ownership Interest Held 2007	Ownership Interest Held 2006	Principal Activity
Pensonic (B) Sdn. Bhd.	Brunei	30%*	0%	Trading of electrical and electronic appliances

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

The summarised financial information of the associate is as follows:-

	2007 RM	2006 RM
Total assets	1,002,167	N/A
Total liabilities	813,812	N/A
Revenue	1,451,307	N/A
Net loss for the year	40,744	N/A

8. INTANGIBLE ASSETS

The Group

	Goodwill RM	Trademarks RM	Total RM
Balance at 1 June 2005	4,790,442	0	4,790,442
Movement during the year	0	0	0
Balance at 31 May 2006	4,790,442	0	4,790,442
Additions from:-			
- acquisition of minority interest	111,740	0	111,740
- acquisition of subsidiaries	145,112	0	145,112
- separate acquisition	0	870,000	870,000
Disposal of subsidiaries	(4,272,112)	0	(4,272,112)
Currency translation differences	(13,717)	0	(13,717)
Balance at 31 May 2007	761,465	870,000	1,631,465

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

9. DEFERRED TAX ASSETS/(LIABILITIES)

The Group

	2007 RM	2006 RM
Balance at 1 June	(1,212,133)	(1,098,281)
Deferred tax income/(expense) relating to origination and reversal of temporary differences	308,118	(117,483)
Deferred tax income relating to reduction in tax rate	81,500	0
Deferred tax liabilities (under)/overprovided in prior year	(146,485)	3,631
Disposal of subsidiaries	81,000	0
Balance at 31 May	(888,000)	(1,212,133)
Disclosed as:-		
- Deferred tax assets	257,000	0
- Deferred tax liabilities	(1,145,000)	(1,212,133)
	(888,000)	(1,212,133)

9. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

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

	2007 RM	2006 RM
Taxable temporary differences of property, plant and equipment	(1,145,000)	(1,212,133)
Deductible temporary differences of:-		
- financial instruments	106,000	0
- property, plant and equipment	2,000	0
Unused capital allowances	3,000	0
Unused tax losses	146,000	0
	(888,000)	(1,212,133)

Save as disclosed above, as at 31 May 2007, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM11,000 (2006 : RM15,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused capital allowances and tax losses over the taxable temporary differences as follows:-

	2007 RM	2006 RM
Deductible temporary differences of:-		
- financial instruments	136,000	0
- inventories	335,000	0
Unused capital allowances	0	86,000
Unused tax losses	4,055,000	6,991,000
Taxable temporary differences of property, plant and equipment	(40,000)	(53,000)
	4,486,000	7,024,000

10. INVENTORIES

The Group

	2007 RM	2006 RM
Raw materials	6,202,354	8,267,663
Finished goods	71,871,280	47,754,709
	78,073,634	56,022,372

11. TRADE RECEIVABLES

The Group

	2007 RM	2006 RM
Trade receivables	74,759,329	39,453,039
Allowance for doubtful debts	(1,354,794)	(630,892)
	73,404,535	38,822,147

Included herein is an amount of RM701,026 (2006 : NIL) owing by the associate.

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

	2007 RM	2006 RM
Ringgit Malaysia	52,058,171	33,453,698
Hong Kong Dollar	2,663,563	1,188,745
Renminbi	16,603	0
Singapore Dollar	2,520,428	0
US Dollar	16,145,770	4,179,704
	73,404,535	38,822,147

The credit terms of trade receivables range from 30 to 180 days.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group and the Company

Included herein is the balance receivable from disposal of subsidiaries amounting to RM5,783,400 (2006 : NIL).

13. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with licensed banks	631,613	170,960	0	0
Cash and bank balances	12,147,683	9,014,798	678,879	157,438
	12,779,296	9,185,758	678,879	157,438

Certain fixed deposits totalling RM583,517 (2006 : RM134,588) have been pledged to banks for banking facilities granted to certain subsidiaries. The effective interest rates of fixed deposits range from 1.8% to 3.9% (2006 : 3.7% to 3.9%) per annum.

13. CASH AND CASH EQUIVALENTS (cont'd)

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	9,446,370	6,905,586	678,879	157,438
Hong Kong Dollar	370,839	388,086	0	0
Renminbi	31,538	0	0	0
Singapore Dollar	443,860	0	0	0
US Dollar	2,486,689	1,892,086	0	0
	12,779,296	9,185,758	678,879	157,438

14. TRADE PAYABLES

The Group

Included herein is an amount of RM969,556 (2006 : RM352,308) owing to a company in which certain directors have substantial financial interests.

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

	2007 RM	2006 RM
Ringgit Malaysia	27,100,717	10,731,909
Hong Kong Dollar	825,994	877,593
Renminbi	8,266	0
Singapore Dollar	87,258	0
US Dollar	14,678,991	1,466,180
	42,701,226	13,075,682

The credit terms of trade payables range from 30 to 120 days.

15. OTHER PAYABLES AND ACCRUALS

The Group and the Company

Included herein is the balance payable for acquisition of subsidiaries amounting to RM884,551 (2006 : NIL).

16. HIRE PURCHASE PAYABLES

The Group

	2007 RM	2006 RM
Minimum hire purchase payments:-		
- not later than one year	538,426	499,918
- later than one year and not later than five years	1,117,603	1,497,826
	1,656,029	1,997,744
Future finance charges	(131,439)	(210,370)
Present value of hire purchase liabilities	1,524,590	1,787,374
Current:-		
- not later than one year	472,498	417,674
Non-current:-		
- later than one year and not later than five years	1,052,092	1,369,700
	1,524,590	1,787,374

The effective interest rates of hire purchase payables range from 4.4% to 8.4% (2006 : 4.4% to 8.4%) per annum.

17. BANK BORROWINGS

The Group

	2007 RM	2006 RM
Unsecured		
Bank overdrafts	2,199,516	1,402,960
Banker acceptances	15,695,000	12,240,687
Secured		
Bank overdrafts	9,109,494	4,990,880
Banker acceptances	47,837,589	27,202,801
Current portion of term loans (Note 18)	665,945	849,663
	75,507,544	46,686,991

Unsecured bank borrowings are guaranteed by the Company. Secured bank borrowings are secured against certain land, buildings, shoplots and fixed deposits of the Group as disclosed in Notes 4, 5 and 13 to the financial statements. The effective interest rates range from 3.5% to 8.8% (2006 : 4% to 8.8%) per annum.

17. BANK BORROWINGS (cont'd)

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

	2007 RM	2006 RM
Ringgit Malaysia	74,614,320	46,686,991
Singapore Dollar	139,889	0
US Dollar	753,335	0
	75,507,544	46,686,991

18. TERM LOANS

The Group

	2007 RM	2006 RM
<u>Secured</u>		
Term loans	5,631,458	7,714,461
Current portion (Note 17)	(665,945)	(849,663)
Non-current portion	4,965,513	6,864,798
Repayment analysis is as follows:-		
- not later than one year	665,945	849,663
- later than one year and not later than five years	3,096,665	3,472,695
- later than five years	1,868,848	3,392,103
	5,631,458	7,714,461

Term loans are secured against certain land and buildings of the Group as disclosed in Note 4 to the financial statements. The loans are repayable over 10 years commencing July 2004, February 2005 and October 2005 respectively. The effective interest rates range from 6% to 7.8% (2006 : 4.3% to 7.7%) per annum.

19. SHARE CAPITAL

	2007 RM	2006 RM
Authorised:-		
200,000,000 ordinary shares of RM0.50 each	100,000,000	100,000,000
Issued and fully paid-up:-		
92,620,000 ordinary shares of RM0.50 each	46,310,000	46,310,000

19. SHARE CAPITAL (cont'd)

Employees' Share Option Scheme

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

As at 31 May 2007, the Company has not granted any option to the Group's eligible employees.

Share Warrants

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

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

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

As at 31 May 2007, there were 22,690,000 (2006 : 22,690,000) unexercised warrants at an exercise price of RM1.425 per share.

20. REVENUE

Revenue of the Group represents income from the sale of goods.

Revenue of the Company represents gross dividend income from subsidiaries.

21. PROFIT BEFORE TAX

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before tax is arrived at after charging:-				
Allowance for doubtful debts	1,076,944	44,662	0	0
Auditors' remuneration				
- current year	142,282	97,021	14,000	9,000
- prior years	(27,695)	(16,545)	(8,000)	0
Bad debts written-off	2,441,409	0	0	0
Depreciation				
- investment property	10,300	10,369	0	0
- property, plant and equipment	3,771,573	3,476,533	0	0
Directors' remuneration				
- fees	90,000	80,000	90,000	80,000
- non-fee emoluments	1,255,580	729,500	0	0
Interest expense	3,336,231	1,855,559	0	0
Inventories written-off	985,529	0	0	0
Loss on foreign exchange				
- realised	322,983	96,639	0	0
- unrealised	409,144	0	0	0
Rental expense				
- equipment	17,550	0	0	0
- forklift	52,200	52,200	0	0
- premises	1,800,511	1,260,194	0	0
- others	143,708	82,840	0	0
and crediting:-				
Bad debts recovered	5,000	0	0	0
Gain on disposal				
- property, plant and equipment	27,826	26,606	0	0
- subsidiaries	68,267	0	357,000	0
Government grant	265,980	1,008,058	0	0
Interest income	42,148	27,165	0	0
Negative goodwill*	610,412	0	0	0
Realised gain on foreign exchange	1,006,444	111,548	0	0
Rental income				
- investment property	67,827	85,203	0	0
- others	140,000	183,034	0	0

* *Included in other income*

22. EMPLOYEE BENEFITS EXPENSE

The Group

	2007 RM	2006 RM
Short-term employee benefits	18,135,603	14,159,495
Defined contribution plans	1,359,551	990,068
	19,495,154	15,149,563

23. TAX EXPENSE

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax based on results for the year:-				
Malaysian income tax	2,822,760	942,459	2,265,000	924,000
Deferred tax	(389,618)	117,483	0	0
	2,433,142	1,059,942	2,265,000	924,000
Tax under/(over) provided in prior years:-				
Malaysian income tax	3,464,037	131,672	(25,766)	64,107
Overseas income tax	902	0	0	0
Deferred tax	146,485	(3,631)	0	0
	6,044,566	1,187,983	2,239,234	988,107

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

	The Group		The Company	
	2007 %	2006 %	2007 %	2006 %
Applicable tax rate	27.00	28.00	27.00	28.00
Non-deductible expenses	22.72	10.73	0.80	4.20
Non-taxable income	(4.69)	(5.99)	(1.13)	0.00
Tax incentives claimed	(6.27)	(1.03)	0.00	0.00
Decrease in unrecognised deferred tax assets	(3.03)	(7.14)	0.00	0.00
Effect of lower tax rate	(2.43)	(2.09)	0.00	0.00
Average effective tax rate	33.30	22.48	26.67	32.20

Pursuant to the Finance Act, 2006 (Act 661) gazetted on 31 December 2006, the statutory income tax rate has been reduced from 28% to 27% for the financial year under review.

23. TAX EXPENSE (cont'd)

The tax saving of the Group for which credit has been taken in the current year as a result of the realisation of unused tax losses brought forward that had not been accounted for previously amounted to approximately RM653,000 (2006 : RM81,000).

As at 31 May 2007, the Company has sufficient tax credits and tax exempt accounts to frank/distribute its retained profits in full if paid out as dividends.

24. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's net profit for the financial year attributable to shareholders of the Company of RM573,421 (2006 : RM3,280,864) by the weighted average number of ordinary shares in issue during the financial year of 92,620,000 (2006 : 92,620,000) shares.

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

25. DIVIDEND PAID

The Group and the Company

	2007 RM	2006 RM
Final dividend of 2 sen per share less tax at 28% in respect of financial year ended 31 May 2005	0	1,333,728
Final dividend of 2.5 sen per share less tax at 28% in respect of financial year ended 31 May 2006	1,667,160	0
	1,667,160	1,333,728

A final dividend of 2.5 sen per share less tax at 27% amounting to RM1,690,315 in respect of the financial year ended 31 May 2007 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

26. NOTES TO CASH FLOW STATEMENTS

Acquisition and Disposal of Subsidiaries

The cash flow effects of the acquisition and disposal of subsidiaries as mentioned in Note 6 to the financial statements are as follows:-

	The Group	
	Acquisition RM	Disposal RM
Property, plant and equipment	107,549	2,668,316
Inventories	5,550,767	23,943
Receivables	8,634,817	2,585,173
Tax assets	0	10,076
Fixed deposits pledged to bank	460,000	0
Cash and cash equivalents (including bank overdrafts)	(52,577)	731,164
Payables	(9,245,340)	(357,376)
Borrowings (excluding bank overdrafts)	(2,862,167)	(1,296,651)
Tax liabilities	(118,198)	(275,191)
Minority interest	0	(2,003,833)
Net identifiable assets acquired/disposed of	2,474,851	2,085,621
Goodwill	145,112	4,272,112
Negative goodwill/Gain on disposal	(610,412)	68,267
Gross consideration	2,009,551	6,426,000
Balance payable (Note 15)/receivable (Note 12)	(884,551)	(5,783,400)
Net consideration paid/received*	1,125,000	642,600
Cash and cash equivalents acquired/disposed of	52,577	(731,164)
Acquisition/Disposal of subsidiaries, net of cash acquired/disposed of	1,177,577	(88,564)

* *Cash flow effects on separate financial statements of the Company*

Purchase of Property, Plant and Equipment

	The Group	
	2007 RM	2006 RM
Cost of property, plant and equipment purchased	1,953,083	5,459,989
Amount financed through hire purchase	(223,000)	(1,316,500)
Net cash disbursed	1,730,083	4,143,489

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

Cash and Cash Equivalents

	The Group	
	2007 RM	2006 RM
Fixed deposits with licensed banks	631,613	170,960
Cash and bank balances	12,147,683	9,014,798
Bank overdrafts	(11,309,010)	(6,393,840)
	1,470,286	2,791,918
Fixed deposits pledged to banks (Note 13)	(583,517)	(134,588)
	886,769	2,657,330

27. RELATED PARTY DISCLOSURES

Other than the directors' remuneration as disclosed in Note 21 to the financial statements, significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Dividends received from subsidiaries	0	0	6,205,000	2,376,000
Electricity charges charged to Pensia Plastic Industries Sdn. Bhd.*	280,300	248,000	0	0
Purchase of goods from Pensia Plastic Industries Sdn. Bhd.*	7,114,583	5,774,433	0	0
Rental of premises charged to Pensia Plastic Industries Sdn. Bhd.*	140,000	180,000	0	0
Sale of goods to associate, Pensonic (B) Sdn. Bhd.	1,363,261	0	0	0

* *Being a company in which certain directors, namely Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Chew Chuon Jin and Chew Chuon Ghee, have substantial financial interests*

28. SEGMENT REPORTING

The Group

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

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

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

Business Segments

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

Geographical Segments

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

	Segment Revenue	
	2007	2006
	RM	RM
Malaysia	214,716,358	160,600,526
Other countries	87,387,200	26,695,931
	302,103,558	187,296,457

	Segment Assets		Capital Expenditure	
	2007	2006	2007	2006
	RM	RM	RM	RM
Malaysia	218,439,690	163,048,607	2,820,395	5,409,294
China (including Hong Kong)	4,669,529	4,138,656	9,600	50,695
Singapore	5,764,527	0	100,637	0
	228,873,746	167,187,263	2,930,632	5,459,989

29. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

	2007 RM	2006 RM
Contracted but not provided for	434,000	0

30. CONTINGENT LIABILITY - UNSECURED

The Company

	2007 RM	2006 RM
Financial guarantees granted for subsidiaries' credit facilities	146,606,000	125,656,000

31. FINANCIAL INSTRUMENTS

Recognised Financial Instruments

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

Unrecognised Financial Instruments

The Group and the Company do not have any unrecognised financial instruments other than the financial guarantees as disclosed in Note 30 to the financial statements.

Fair Values

The carrying amounts of financial assets and liabilities of the Group and the Company as at 31 May 2007 and 2006 approximate their fair values.

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

32. FINANCIAL RISK MANAGEMENT

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

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

Currency Risk

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

(i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.

(ii) The Group maintains part of its cash and bank balances in foreign currency accounts to meet future obligations in foreign currencies.

Interest Rate Risk

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

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

Credit Risk

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

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

Liquidity Risk

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

33. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(i) In June 2007, the Company acquired 50% of the equity interest in Microtag Engineering Sdn. Bhd. ("MESB"), a company incorporated in Malaysia, for RM1. The intended principal activity of MESB is the provision of auto identification business solutions and applications deploying the use of Radio Frequency Identification technology, and other information and telecommunication technologies.

(ii) In June 2007, the Group, through Pensonic Sales & Service Sdn. Bhd., acquired 100% of the equity interest in Kollektion Distribution Sdn. Bhd. (formerly known as Lebensstil (M) Sdn. Bhd.) ("KDSB"), a company incorporated in Malaysia, for RM2. The intended principal activity of KDSB is the distribution of home appliances.