PENSONIC

*Your Enjoyment*

# 2020

# ANNUAL REPORT

## Grand Final Live Draw Prize Giveaway

Event : Anak Malaysia Masak Bersama Pensonic

**Prize: Nissan Serena (worth RM131,888.00)**

**Date : 17 December 2019 | Nissan Service Center Glenmarie 4S, Shah Alam, Selangor**


## Launch Of Pensonic's Toush Smart Appliances Series

Töush
Inspired by Pensonic

**Date : 8 August 2019 | W Hotel Kuala Lumpur**


PENSONIC APP Your Enjoyment


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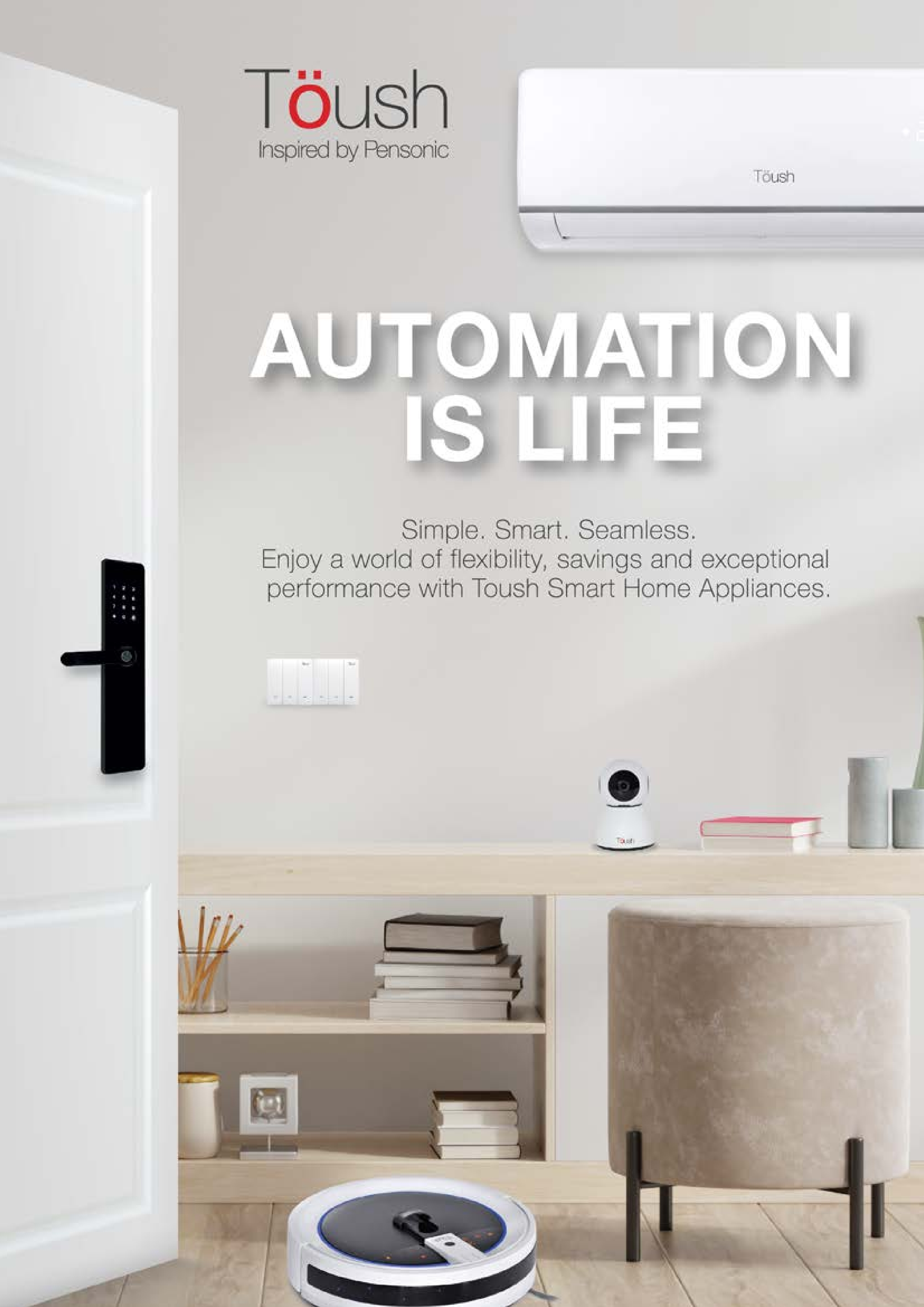
*Your Enjoyment*

# CREATING INSPIRED *Lifestyle*


Pensonic home appliances brings out the best in home chefs and create a satisfying ambience for you and your loved ones to thrive.
Support your trusted local brand, support Pensonic!


Töush
Inspired by Pensonic
Töush
AUTOMATION
IS LIFE
Simple. Smart. Seamless.
Enjoy a world of flexibility, savings and exceptional
performance with Toush Smart Home Appliances.

Cornell®

*a simpler life*

# EXCEPTIONALLY SMOOTH


**Cornell Steam Station CSS-E125DCS**

Powerful steam pressure

2 minutes quick start

**Premium Ironing Board CIB-E122MT**

- Adjustable comfort height
- Efficient steam flow mesh top


# EXCEPTIONAL PERFORMANCE

Lebensstil Kollektion Premium Inverter Designer Hood LKCHi-9303 combines aesthetics and quality with strong extraction performance.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK**
*Group Executive Chairman*

**CHEW CHUON GHEE, VINCENT**
*Group Managing Director*

**CHEW CHUON JIN, DIXON**
*Group Chief Executive Officer*

**CHEW CHUON FANG, NELSON**
*Group Executive Director*

**ONG HUEY MIN, LINDY**
*Independent Non-Executive Director*

**Y. BHG. DATO' LELA PAHLAWAN DATO' PADUKA KU NAHAR BIN KU IBRAHIM**
*Independent Non-Executive Director*

**Y. BHG. DATO' TAHIR JALALUDDIN BIN HUSSAIN**
*Independent Non-Executive Director*

### AUDIT COMMITTEE

Ong Huey Min, Lindy
*Chairman*
Y. Bhg. Dato' Lela Pahlawan
Dato' Paduka Ku Nahar Bin Ku Ibrahim
*Member*
Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain
*Member*

### NOMINATION COMMITTEE

Y. Bhg. Dato' Lela Pahlawan
Dato' Paduka Ku Nahar Bin Ku Ibrahim
*Chairman*
Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain
*Member*
Ong Huey Min, Lindy
*Member*

### REMUNERATION COMMITTEE

Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain
*Chairman*
Y. Bhg. Dato' Lela Pahlawan
Dato' Paduka Ku Nahar Bin Ku Ibrahim
*Member*
Ong Huey Min, Lindy
*Member*

### COMPANY SECRETARY

Ong Tze-En MAICSA 7026537 | SSM PC No. 202008003397

### REGISTERED OFFICE

170-09-01, Livingston Tower, Jalan Argyll,
10050 George Town, Pulau Pinang
T: +604 229 4390
F: +604 226 5860

### PRINCIPAL OFFICE

1165 Lorong Perindustrian Bukit Minyak 16,
Taman Perindustrian Bukit Minyak,
14100 Simpang Ampat, Penang, Malaysia
T : +604 507 0393 E : info@pensonic.com
F : +604 507 3825 W : www.pensonic.com

### REGISTRARS

Plantation Agencies Sdn Berhad
3rd Floor, 2 Lebuh Pantai,
10300 George Town, Penang, Malaysia
T : +604 262 5333 E : sharereg@plantationagencies.com.my
F : +604 262 2018

### AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 18, Hunza Tower
163E, Jalan Kelawai
10250 Penang, Malaysia
T: +604 238 2288
F: +604 238 2222

### PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
AmBank (M) Berhad
CIMB Bank Berhad

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
(Listed since 13 September 1995)
Stock Name : PENSONI
Stock Code : 9997

### LEGAL FORM & DOMICILE

Public Limited Liability Company Incorporated and Domiciled in Malaysia

# CORPORATE STRUCTURE

**PENSONIC® HOLDINGS BERHAD ("PHB")**
(Registration No: 199401014746/300426-P)

- **100%** KEAT RADIO CO. SDN. BHD. ("KRC") (Company No: 197701001588/32600-X)
  - **100%** PENSONIC (H.K.) CORPORATION LIMITED ("PHK") (Company No: 528230)
  - **100%** PENSONIC INDUSTRIES SDN. BHD. ("PSI") (Company No: 197901003315/47572-V)
  - **100%** PENSIA PLASTIC INDUSTRIES SDN. BHD. ("PPI") (Company No: 198601002235/151380-K)
  - **100%** PENSONIC PARTS & SERVICE SDN. BHD. ("PPS") (Company No: 198501009223/141672-X)
  - **40%** ANGKASA PENSONIC TRADING SDN. BHD. ("APT") (Company No : 201201013709/987226-D)
- **100%** PENSONIC CORPORATION SDN. BHD. ("PC") (Company No: 198201015021/94785-H)
  - **40%** PENSONIC (B) SDN. BHD. ("PB") (Company No: AGO/RC/6610/06)
- **100%** PENSONIC SALES & SERVICE SDN. BHD. ("PSS") (Company No: 198701003749/162419-M)
  - **100%** KOLLEKTION DISTRIBUTION SDN. BHD. ("KLD") (Company No: 200201029191/596854-A)
- **100%** AMTEK MARKETING SERVICES PTE LTD ("AMTEK") (Company No: 2003-02751-W)
- **100%** CORNELL SALES & SERVICE SDN. BHD. ("CSS") (Company No: 200301001949/604369-P)
- **100%** PENSIA INDUSTRIES SDN. BHD. ("PI") (Company No: 198501000856/133300-X)
- **100%** PENSIA ELECTRONIC SDN. BHD. ("PE") (Company No: 198601005806/154966-M)
- **51%** MICROTAG ENGINEERING SDN. BHD. ("ME") (Company No: 200601026853/746608-P) (Section 550 of the Companies Act 2016 was submitted on 16 June 2020)
- **100%** PENSONIC (CAMBODIA) CO., LTD ("PCC") (Company No: 00025698)
- **51%** PT PENSONIC APPLIANCES INDONESIA ("PTPAI") (Company No: 9120204591475)
- **70%** PT PENSONIC INDUSTRIES INDONESIA ("PTPII") (Company No : 9120306321037)
- **35%** PENSONIC APPLIANCES (MYANMAR) COMPANY LIMITED ("PAM") (Company No : 118970144)

# PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

**Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK**
*Aged 78, Male, Malaysian.*
*Group Executive Chairman / Key Senior Management*

Y. Bhg. Dato' Seri Chew is the founder and Group Executive Chairman of Pensonic Group. He was appointed to the Board on 13 September 1995.

For more than five decades, his vision and stewardship have steered the Group from a small family business into the leading home-grown electrical home appliances manufacturer and distributor. His invaluable experience and broad-based knowledge in management to sales and production as well as his extensive network of business connections in Malaysia and overseas have been instrumental in sustaining the progressive growth of the Group. His innovative management style and foresight have greatly influenced numerous advancements and milestones achieved by the Group over the years.

He has attended all the five (5) Board meetings held during the financial year. He also sits on the board of subsidiaries as well as several private limited companies.

Dato' Seri Chew is the father of Dixon Chew, Vincent Chew and Nelson Chew, all executive Board members. He is a major shareholder by virtue of his interest through Chew Weng Khak Realty Sdn. Bhd..

**CHEW CHUON GHEE, VINCENT**
*Aged 48, Male, Malaysian.*
*Group Managing Director / Key Senior Management*

Vincent Chew joined the Board on 22 February 2002. He graduated from Eastern Michigan University in the United States of America with a Bachelor of Business Administration in 1995. Upon graduation, he joined the Group as Marketing Manager. Subsequently, his role was broadened to encompass manufacturing, operations and sales to human resources, administration and finance.

He has proven to be an astute and capable leader and was promoted as Group Managing Director in 2014, in charge of the overall management of the Group with focus on both domestic and international market. He served as member of the Executive Committee to Branding Association Malaysia (BAM) from 2009 to 2012 and as the Vice President from 2012 to 2015. He has been serving as the Chairman of the Malaysian Electrical Appliances Distributors Association (MEADA) since 2015.

He has attended all the five (5) Board meetings held during the financial year. He also sits on the board of subsidiaries as well as several private limited companies.

He is a son of Dato' Seri Chew Weng Khak @ Chew Weng Kiak and the brother of Dixon Chew and Nelson Chew.

**CHEW CHUON JIN, DIXON**
*Aged 51, Male, Malaysian.*
*Group Chief Executive Officer / Key Senior Management*

Dixon Chew was appointed to the Board on 13 September 1995. He graduated from the National Cheng Chi University in Taiwan Republic of China with a Bachelor of Business Administration. He joined Pensonic Group in 1993 after a short stint in Lapro Corporation in Taiwan where he gained experience and knowledge on cutting edge manufacturing processes and marketing.

With his extensive experience in the electrical home appliances industry and excellent entrepreneurial skills, Dixon Chew has led the successful expansion of the Pensonic brand and products in many countries in Asia. He currently manages the export and ODM markets.

Dixon Chew also serves as President of the Hong Kong-Malaysia Business Association (HKMBA), a position he has held for three terms, from 2014 to 2020 in recognition of his leadership and contribution to strong trade relations between these countries. The HKMBA is fully supported by the Hong Kong Trade Development Council.

He has attended all the five (5) Board meetings held during the financial year. He also sits on the board of subsidiaries as well as several private limited companies.

He is a son of Dato' Seri Chew Weng Khak @ Chew Weng Kiak and the brother of Vincent Chew and Nelson Chew.

**CHEW CHUON FANG, NELSON**
*Aged 44, Male,*
*Malaysian.*
*Group Executive Director / Key Senior Management*

Nelson Chew joined the Board on 5 September 2017. He graduated from Eastern Michigan University in the United States of America with a Bachelor of Business Administration in 1999. Upon his return to Malaysia, he joined Pensonic Group and worked in various departments from marketing, production to sales to gain practical experience with increasing scope of responsibilities before embarking on his appointed role as corporate branding, public relations and marketing strategist. He currently oversees the marketing and quality assurance as well as operations of two (2) subsidiaries, namely Pensonic Parts & Service Sdn Bhd and Pensonic (H.K.) Corporation Limited.

He has attended four (4) out of five (5) Board meetings held during the financial year. He also sits on the board of subsidiaries as well as several private limited companies.

He is the son of Dato' Seri Chew Weng Khak @ Chew Weng Kiak and the brother of Dixon Chew and Vincent Chew.

**ONG HUEY MIN, LINDY**
*Aged 62, Female,*
*Malaysian.*
*Independent Non-Executive Director*

Lindy Ong was appointed to the Board on 3 January 2017. She is a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and Chartered Tax Institute of Malaysia (CTIM). Lindy Ong is the Chairman of Audit Committee and a member of Remuneration Committee and Nomination Committee.

She was with KPMG Malaysia for more than 35 years and was the Partner heading the Tax Division of KPMG Penang prior to her retirement on 31 December 2014. She has extensive experience in tax compliance and advisory throughout her career. She was the engagement partner for a wide range of companies which included public listed companies and multinationals in various industries, mainly in manufacturing, property development, construction and hotels. She has advised foreign investors on their initial setting up of operations in Malaysia including on the various tax incentives being promised by the Government.

She has attended all five (5) Board meetings held during the financial year.

Lindy Ong is currently a partner with YNWA Advisory PLT and also an Independent Non-Executive Director of Globetronics Technology Bhd.

**Y. BHG. DATO' LELA PAHLAWAN DATO' PADUKA KU NAHAR BIN KU IBRAHIM**
*Age 73, Male,*
*Malaysian.*
*Independent Non-Executive Director*

Y. Bhg. Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim was appointed to the Board on 16 August 2013. He graduated from the University of Malaya in 1970 with a BA (Hons) in Geography. After graduation, he served in various appointments with the Kedah State Administrative Service and was the State District Officer until 2001. He was Director of the Kedah State Economic Planning Unit and was the State Secretary of Kedah until July 2003. Thereafter, he served as Board member in several government controlled corporations.

He is the Chairman of Nomination Committee and a member of the Audit Committee and Remuneration Committee.

He has attended all five (5) Board meetings held during the financial year. He sits on the board of several private limited companies.

**Y. BHG. DATO' TAHIR JALALUDDIN BIN HUSSAIN**
*Age 57, Male,*
*Malaysian.*
*Independent Non-Executive Director*

Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain was appointed to the Board on 16 August 2013. He has over 23 years of extensive experience in business and corporate management as well as entrepreneurial activities. He was with Konsortium Perkapalan Berhad from 1985 to 1990. He was a Councillor of the Majlis Perbandaran Pulau Pinang from January 2011 to June 2013. He chairs the Remuneration Committee and is a member of both the Audit Committee and Nomination Committee

He has attended all five (5) Board meetings held during the financial year. He is also a Director on the Board of several private limited companies.

***Note:***
*Save as disclosed, none of the Directors have:*
*(a) any family relationship with any Directors and/or major shareholders of the Company;*
*(b) any conflict of interest with the Company other than as disclosed in the notes to the financial statements;*
*(c) held any other directorship in public companies;*
*(d) any conviction for offences within the past 5 years other than traffic offences (if any); and*
*(e) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

# MESSAGE FROM CHAIRMAN

On behalf of the Board of Directors, I am pleased to present the Annual Report incorporating annual audited financial statements of Pensonic Holdings Berhad ("Pensonic" throughout the Annual Report) and its subsidiaries ("Pensonic Group" or "the Group") for the financial year ended 31 May 2020 ("FY2020").

## FINANCIAL PERFORMANCE

During the year under review, the Group registered revenue of RM280.1 million, a 13.7% drop from RM324.4 million recorded in the previous financial year with the lower revenue due to supply-chain disruptions at the start of the year 2020 coupled with lockdowns implemented by many countries, including Malaysia in order to curb the spread of coronavirus ("COVID-19") pandemic. The restrictive working conditions during the lockdowns, be it in Malaysia or in our export markets, had resulted in lower revenue for the current year.

Nonetheless, the Group reported a stronger profit before tax ("PBT") for the current financial year of RM3.1 million, as compared to the PBT of RM1.8 million recorded in FY2019 mainly attributed to the gain from disposal of property, plant and equipment.

## REVIEW OF OPERATIONS

On 18 March 2020, the Malaysian Government commenced the Movement Control Order ("MCO") nationwide pursuant to the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1987 as part of the initiative to curb the spread of the COVID-19 pandemic. Over time, there were several extensions with the MCO morphing into subsequent phases under Conditional MCO from 4 May followed by the ongoing Recovery MCO from 10 June onwards. The Group's operations have been impacted as well as offices, manufacturing plants and service centres were closed in compliance with the MCO.

As digitisation has been integrated into the Group's infrastructure, the MCO had not cause any major disruptions to our internal operations. Collaboration tools have facilitated seamless communication and virtual access to business processes as the Group's office workforce migrated to remote working environment. On 13 May 2020, the Group has resumed fully on its operations and business activities after complying with the relevant standard operating procedures and guidelines of working in the new norm.

It would seem prescient that we built our online presence and introduced our range of smart appliances last year. Our official stores on major online shopping apps and websites are mobbed as consumers got even more comfortable with online purchases for their safety and convenience during the lockdown. Various marketing researches and the closure of brick and mortar stores demonstrated that such purchasing approach is likely to be permanent going forward.

This year, Pensonic bolstered its presence across several key social media channels through our aggressive digital marketing campaign. Our 8-week "Anak Malaysia Masak Bersama Pensonic" series with Chef Dato' Ismail Ahmad, available on social media channels, has injected new energy into local cooking shows scene. Every week, Chef Dato' Ismail, shared his recipes, tips and tricks for a refreshing new approach to cooking. Both the event and the programme received massive amount of positive feedback and this has motivated us to work on increasing customer engagements to update everyone on our products.

Our repackaged products under the Batik series for a uniquely Malaysian twist to their looks have been very popular amongst Malaysians. We are adding on products to this series to meet the demand of our discerning consumers for a range of products featuring this evergreen design.

The introduction of Toush Series Smart Home Appliances from Pensonic marked a watershed moment for us. We are one of the pioneer local electrical appliances brand to venture into smart IoT (Internet of Things) following introduction of a limited series of appliances which can be managed and controlled through a single App.

Even though our product development has been delayed by the pandemic, we have managed to add a few more devices such as smart door locks and cameras to the Toush series. Other devices under current development included plug tops, IR controllers and On-Off switches which will be available by year end. We are working on expanding the product line to include bigger home appliances such as ceiling fans, washer dryers, portable air-conditioning, water dispensers and cookers. The Toush Smart Home Appliances, with its energy saving and digital convenience features, fit well in an increasingly digitised world and smart homes.

Our product development approach has always been guided by twin-pronged focus on safety and well-being of our end users. Product safety compliance is a given fact. All our appliances are SIRIM certified with proper testing and verification by SIRIM QAS. We are a key participant in the tripartite "SIRIM Awareness Campaign" organized by SIRIM QAS, Suruhanjaya Tenaga and Malaysian Electrical Appliances Distributors Association (MEADA) which emphasised on product safety and compliances.

In light of the massive online cross-border purchase of electrical goods lately and even more during the lockdown, the campaign seemed more relevant than ever. As chairman of MEADA, the Group Managing Director will continue to work with the relevant partners to further create awareness of the campaign.

## REVIEW OF OPERATIONS (Cont'd)

Our latest offering - Pensonic Smart Low Sugar Rice Cooker- personified wellness focus through healthy eating. Switching to this cooker will cut down up to 37% of starch, making rice less sticky and gummy. In short, not only healthier, but also tastier rice. As consumers are much more health conscious, this rice cooker has generated positive response in the market.

In September 2019, at the 10th Putra Brand Awards, The Putra Most Enterprising Brand of The Year Award went to Pensonic, the truly Malaysian home appliances brand. The award is a testament to the whole team in Pensonic and our entrepreneurial vision, innovative ideas and business efforts to remain nimble and reinventing our products and business for growth.

With the launch of Toush Series Smart Home Appliances, introduction of new products under the Batik series and a more aggressive online marketing and promotional approach, we are confident that Pensonic is poised to capture a bigger local market share for home appliances.

## FUTURE OUTLOOK

The imposition of MCO had affected overall economic activities resulting in deteriorating growth which posed an inherent risk to businesses. However, I believe that within every crisis, there is an opportunity. Many businesses have had to drastically change their business models to stay competitive and sustain themselves.

Every day, analysts and commenters are trying to measure the impact of COVID-19 on global economies. According to Bank Negara, our economy is expected to contract by 2% this year. Echoing this sombre outlook for Malaysia, The World Bank has revised its initial 4.5% growth forecast for 2020 down to 0.1%. On the employment front, the Malaysian Institute of Economic Research estimates that about 2.4 million may lose their jobs.

Looking at the wider scenario, I believed that the use of technology would see a rapid uptick during the MCO. Many digital solutions have been innovated, and are energising an ecosystem that was already in a transitional stage of transformation. We are seeing business behaviours being reshaped, consumer activities shifting to online platforms, and socialising across conferencing tools.

Under the new normal, the Group is embarking on 3 new strategies by going Digital, going Lean and going E-commerce. Digital transformation has been a continuous effort in simplifying daily business operation. Our office team have been able to transit smoothly to remote working environment effortlessly. In the long run, we expect digitisation to enhance operational flow and minimise costs thus contributing to better profits.

The Group will also further enhance its Digital Customer Relationship Management (DCRM) as a long-term strategy in customer retention and a sustainable sales solution, with the objective to provide customers with eWarranty, eService, eLoyalty, eCommerce and for the Smart Appliances Management.

## APPRECIATION

On behalf of the Board, I would like to express my utmost and sincere appreciation to our shareholders, customers as well as business partners and associates for their continued support of our business and maintaining trust in the Group. My heartfelt appreciation is also extended to all Pensonic management and employees for their commitment and dedication to deliver results and bring the Group to greater heights of success. Lastly, I take this opportunity to thank my fellow Board members for their support, guidance and counsel. Let's work together for the betterment of the Group going forward.

**Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak**
Group Executive Chairman
18 September 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders

This Management Discussion and Analysis ("MD&A") elaborates on the financial and operational performance of Pensonic Holdings Berhad ("Pensonic" or "the Company") for the financial year ended 31 May 2020 ("FY2020"). It also provides guidance on upcoming activities and Management's expectations of the Group's prospects in the current financial year. This MD&A is to be read in conjunction with Pensonic's audited financial statements and accompanying notes for FY2020.

**Introduction**

Pensonic, an investment holding entity, has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since 13 September 1995 while its subsidiaries ("Pensonic Group" or "the Group") are involved in the manufacturing, importing, exporting, distribution and marketing of electrical home appliances for both domestic and international markets. Today, Pensonic has an extensive domestic distribution with more than 900 dealers nationwide and 6 service centres in major cities. Our products are exported to ASEAN, East and West Asia, and the Middle-East regions, supported by a complete host of manufacturing facilities, warehouses, showrooms and customer care centres.

Our operations are segmented into two (2) major divisions, namely, Trading Division and Manufacturing Division. The former spearheaded our outreach and expansion in terms of products, after sales support and services across Malaysia and in selected markets abroad. Our Manufacturing Division helmed the production of our key products in our manufacturing facility in Penang.

As one of the local leading brands for high-quality electrical home appliances, our Group's business philosophy is shaped and guided by its **Mission Statement** which sets the foundation for our strategic planning towards realising the Group's **Vision**.

PENSONIC *for* ASIA

**MISSIONS**

"To preserve stakeholders' interests"

"Our products are for consumers' enjoyment and for them to have a better quality of life"

"Committed to continuous improvement"

"Employees are our greatest assets"

The principles of our mission statement are also embodied in our quality policy and our brand values.

**Brand Value**


As a manufacturer of choice for electrical home appliances, we are committed to deliver quality products and services in meeting applicable regulatory requirements and continually consolidate our position as the leader in quality and reliability through continuous assessment and improvement of the effectiveness of our Quality Management System.

Quality is our priority

**Corporate Development**

On 9 July 2019, the Group disposed of a piece of leasehold commercial land held under Title H.S.(D) 175809, PT 11B, Tempat Jalan 223, Section 20, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan together with a 4-storey office building with an annex 3-storey building comprising of a warehouse on lower 2 levels and an office on the third level erected thereon for total cash consideration of RM19,500,000.00. The disposal is part of the Group's asset rationalisation exercise to unlock and realise the increase in the value of its landed assets. Essentially, the disposal has improved the Group's overall financial position, liquidity as well as the Group's gearing.

At the same time, we are on track with our initiative to expand our warehousing operations in Klang, Selangor as the central hub for our business expansion in the south, central regions and export markets. The consolidation of various logistic operations in one location will also lead to significant cost savings in terms of third party warehouse rentals.

On 16 June 2020, an application to strike off Microtag Engineering Sdn. Bhd. ("ME") pursuant to Section 550 of the Companies Act 2016 was submitted to Suruhanjaya Syarikat Malaysia ("SSM"). There will not be any material financial and operational impact on the Group as ME is a dormant entity. The strike-off is in line with our strategy to voluntarily reduce the number of dormant entities that no longer serve our current operational needs and by such action, we are also able to avoid future recurring costs of maintaining such dormant entities.

**Review of Business and Operations**

***Trading Segment***

The Group's trading business is conducted through Pensonic Sales & Service Sdn. Bhd. ("PSS"), Cornell Sales & Service Sdn. Bhd. ("CSS"), Kollektion Distribution Sdn. Bhd. ("KLD"), Pensonic Industries Sdn. Bhd. ("PSI"), Pensonic Parts & Service Sdn. Bhd. ("PPS"), Keat Radio Co Sdn Bhd, Amtek Marketing Services Pte. Ltd. ("AMTEK"), Pensonic (H.K.) Corporation Limited ("PHK"), Pensonic (Cambodia) Co. Ltd ("PCC") and PT Pensonic Appliances Indonesia ("PTPAI").

The key to Pensonic Group's marketing approach is our multi-brands platform to serve different product categories and market segments.

PENSONIC
Your Enjoyment

Our namesake **PENSONIC** brand was established in 1982 and it was trademark registered in Malaysia two years later. It is a portmanteau of "Pen-", a short form for Penang and "sonic", which means sound to denote "The sound of Penang". Today, PENSONIC carries a few signature series of home appliances to meet the discerning taste and demands of consumers. The current favourites are the Batik Series, Toush IoT Appliances, Chef's Like for kitchen appliances, Chef Room for built-in large domestic appliances, the elegant Classic Series home appliances, Longevity Series for specialised products such as purple clay rice cookers and ceramic based cooking appliances and Amber Chia Mesmerized By Pensonic Series for hair dryers & hair styling products.

LEBENSSTIL
KOLLEKTION

In 2002, we launched our premium "**Lebensstil Kollektion**" range of home consumer appliances. The product line-up features various luxury home appliances such as refrigerators, freezers, ovens, cooktops, hoods, washers, dryers, toasters, mixers, garment steamers, hair dryers, coffee makers and espresso machines.

Cornell®
a simpler life

In 2006, we acquired Amtek Marketing Services Sdn. Bhd. and Amtek Marketing Services Pte. Ltd., which owns the "**CORNELL**" brand from USA. Cornell takes great pride in producing innovative, high quality affordably priced products to fulfil today's lifestyle needs, be it at home or at the workplace. Cornell has three distinct product categories – Professional's Home Equipment, Elegance Series and Simplicity.

GAGGIA
MILANO

morphy richards®
smart ideas for your home

belling
INSIDE EVERY GREAT HOME

We are also the sole distributor for several internationally renowned household appliances brands. Since 2013, we are the distributor of GAGGIA coffee machines. In 2018, we were granted exclusive distributorship rights to premium quality home appliances from the world-famous U.K. brands of Morphy Richards and Belling, both for Malaysia and Singapore markets.

**Review of Business and Operations** (Cont'd)

***Trading Segment*** (Cont'd)

Our products are available locally through our nationwide distribution network comprising dealers, wholesalers, departmental and chain stores, supermarkets and hypermarkets. On the international front, we work closely with our local distributors to promote and showcase our products. We work closely with selected corporate clients to develop customised products and have set-up Official Stores on notable e-commerce platforms. We are also enhancing our own e-store to improve customer experience for the increasingly internet savvy and discerning consumers.

The home appliances market is huge and growing particularly for IoT smart appliances. Our short to medium term plan is to venture abroad where the Management believes great potential lies. By leveraging on our strengths as manufacturer and distributor of choice, plans are afoot to expand our footprints across even more countries in the ASEAN, Middle East, Africa and other identified regions.

***Manufacturing Segment***

Our manufacturing plant, where the Group's flagship products such as fans, mixers and blenders are produced, occupies a total built up area of approximately 75,260 square feet, and is located on 3 acres of land at the Bukit Minyak Industrial Park, Penang. Pensia Industries Sdn. Bhd. ("PI"), Pensia Electronic Sdn. Bhd. ("PE") and Pensia Plastic Industries Sdn. Bhd. ("PPI") are the triumvirate that form our manufacturing arm.

***Other Segment***

Other segments are minor segments that comprise investment holding and provision of management services to related companies. The former activity is carried out by Pensonic whilst the latter is by Pensonic Corporation Sdn. Bhd. ("PC").

**Objectives and Strategies**

The evolving Coronavirus ("COVID-19 ") pandemic worldwide and the unprecedented Movement Control Order ("MCO") imposed by our Government pursuant to the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1987 since 18 March 2020 as part of the initiative to curb the spread of COVID-19 have disrupted our Group's business activities and operations. Our operations, from offices to manufacturing plants and service centres, were closed. We gradually resumed operations and business activities on 13 May 2020 after complying with the relevant standard operating procedures and guidelines of managing business activities and operations in the new norm.

While the pandemic has brought on many different challenges, it also had some positive consequences. This black swan event has sped up the implementation of the Group's strategic planning on business consolidation and enhancing our e-commerce presence. We have taken the needful measures to consolidate and merge certain business units for a more focussed approach to managing our local operations. This meant added emphasis on growing e-commerce presence which had seen substantial top-line growth and profitability as we are able to reduce substantially the cost of the traditional brick and mortar existence. The popularity of the online buying experience is expected to grow tremendously in tandem with the need to shop from a comfortable and safe environment.

It is propitious that we only need to refine our digital marketing strategy for a more sustained online social media presence. Most of our dealers also caught on and quickly adapted to online markets. We organised livestreams on Facebook as well as online contests to generate customer interactivity. We also introduced time-sensitive online sales campaigns that offer attractive deals that are too good to miss! We even gave consumers extension for their warranty periods. Our message is simple: "Pandemic or not, Pensonic will be here for you.". We want to be more than just a home appliance Group.

The pandemic has changed the world in an unprecedented manner, and so has customer preferences. More and more spending are oriented towards addressing functional, essential and sometimes, emotional needs. The huge growth in our e-commerce traffic testified to a renewed interest in healthy eating, general well-being and self-managed approach to home management as many are staying home to prevent the spread of the COVID-19. This has brought a positive outcome for the electrical appliances industry.

**Objectives and Strategies (Cont'd)**

Such a move also dovetailed nicely with our prioritisation of employee well-being, health and safety at this juncture. Our employees are retrained and redeployed to support our e-commerce strategies. A degree of separation as compared to the previous legacy experience is also safer for our front-liners.

The pandemic has affected and disrupted the supply chains for many industries. There was no exception for the Group as our materials supply and in turn, production output was affected which caused shortage in distribution. However, careful forward planning is in place to improve distribution arrangements by end of this year.

Our Toush Series Smart Home Appliances, introduced last year, placed us at the forefront of local electrical appliances brand to venture into smart IoT (Internet of Things) appliances with a limited series of products that can be managed and controlled through a single App. Of late, we have added smart door locks and cameras to our range of smart products. Other devices under current development included plug tops, IR controllers and On-Off switches which will be available by year end. Further down the pipelines are bigger home appliances such as ceiling fans, washer dryers, portable air-conditioning, water dispensers and cookers. The Toush Smart Home Appliances, with its energy saving and digital convenience features, fit well in an increasingly digitised world and smart homes. Since one is home so much of the time lately, the convenience of automating the mundane chores, in addition to cost and energy savings, is a such welcomed feature.

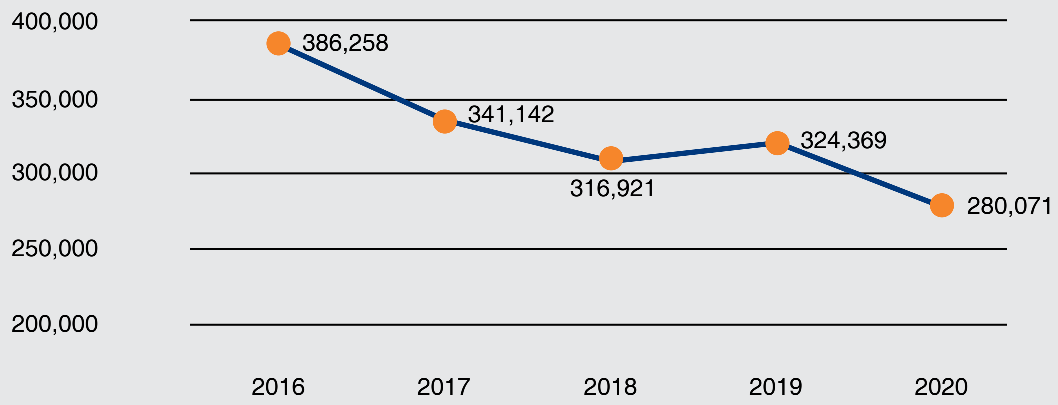
We continue to monitor the evolving fluid business environment under the Recovery phase of the MCO and will refine our action plan in order to mitigate any potential adverse impacts on the Group's bottom line, preserve its financial position and keep all employees safe. This is critical to ensure that the Group will be well positioned to benefit from the full swing of economic recovery.

**Review of Financial Results and Financial Highlights**

| Financial year ended 31 May | 2016 (RM'000) | 2017 (RM'000) | 2018 (RM'000) | 2019 (RM'000) | 2020 (RM'000) |
|---|---|---|---|---|---|
| **Statements of Comprehensive Income** | | | | | |
| Revenue | 386,258 | 341,142 | 316,921 | 324,369 | **280,071** |
| Profit before tax | 11,754 | 6,580 | 4,246 | 1,805 | **3,103** |
| Profit / (Loss) for the year | 11,230 | 6,388 | (3,346) | 427 | **2,562** |
| Profit / (Loss) for the year attributable to owners of the Company | 11,250 | 6,450 | (3,468) | 560 | **2,882** |
| Net dividend proposed | 3,890 | 2,593 | - | - | **-** |
| **Statements of Financial Position** | | | | | |
| Total Assets | 266,933 | 253,225 | 276,135 | 275,769 | **258,328** |
| Share capital | 64,834 | 67,671 | 67,671 | 67,671 | **67,671** |
| Total equity attributable to owners of the Company | 115,871 | 119,662 | 112,613 | 113,301 | **116,820** |
| **Financial Ratios** | | | | | |
| Return on shareholders' equity | 9.71% | 5.39% | (3.08%) | 0.49% | **2.47%** |
| Basic earnings / (loss) per share (sen) | 8.68 | 4.97 | (2.67) | 0.43 | **2.22** |
| Net assets per share (RM) | 0.89 | 0.92 | 0.87 | 0.87 | **0.90** |
| Dividend rate | 6.0% | 3.8% | - | - | **-** |

**Review of Financial Results and Financial Highlights** (Cont'd)

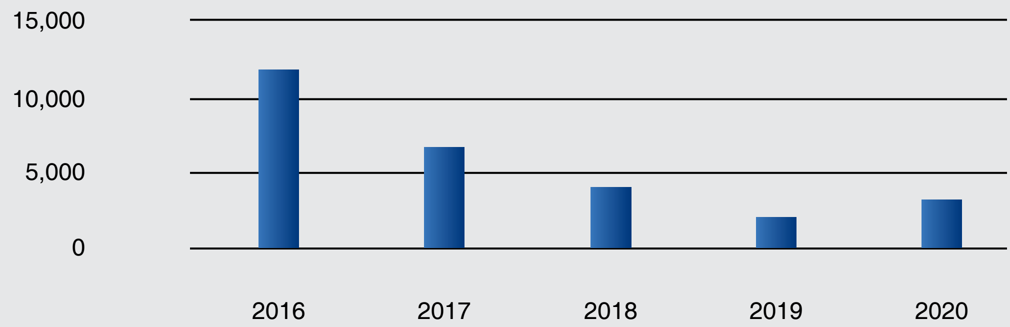
**Revenue (RM'000)**




Group revenue was RM280.1 million, 13.7% lower than RM324.4 million reported for FY2019 mainly due to the impact of the COVID-19 not declared a pandemic until March 2020. Both local and export segments shrunk as our supply-chain was disrupted at the start of 2020.

The drop in sales was much lesser than expected as we had been nimble and able to capitalise on earlier moves in inventory management and digital marketing to meet the unexpected challenges.

**Profit before tax (RM'000)**



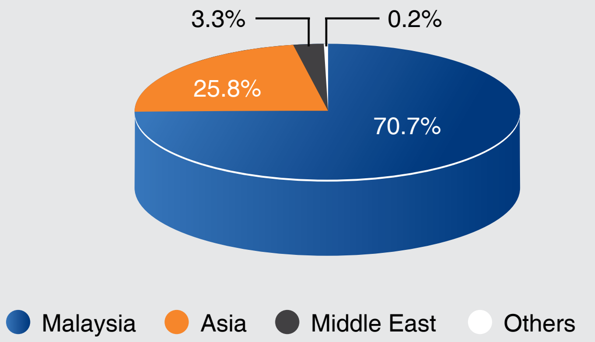

Profit before tax was RM3.1 million, an improvement of 72.2% from RM1.8 million reported for FY2019 due mainly to the gain from disposal of property, plant and equipment.

The Group's non-current assets increased RM127.4 million (FY2019: RM115.2 million) with the increase mainly attributed to the construction of the warehouse in Kapar, Port Klang, Selangor Darul Ehsan being completed early this year. During this financial year, the Group adopted MFRS16, Leases and recognised Right-of-Use Assets of RM1.6 million.

The current assets of the Group totaled RM130.9 million (FY2019: RM160.6 million). Effective inventory management has helped to reduce inventory turnover days to 90 days from 106 days as reported in last financial year. The turnover days for trade and other receivables increased to 82 days from 71 days previously due largely to extended payment plans.

The Group's total liabilities shrank to RM139.8 million (FY2019: RM160.2 million) mainly due to effective control over purchases which reduced trade and other payables during the year under review. The Group's borrowings also reduced by RM19.6 million to RM92.2 million resulting in improved gearing ratio of 0.56 (FY2019: 0.78). Net assets per share improved to RM0.90.

**Sales by Geographical Segment 2020**




Malaysia is our primary market as demonstrated in the analysis of sales by geographical location.

**Anticipated or known risks**

***Foreign currency exchange risk***

The Group is exposed to fluctuations in foreign currency exchange as cost of raw materials and imported goods are denominated in foreign currencies. As such, fluctuations could have material effects to the costing of our products. As counter-measure, the Group deploys natural hedging for its sales and purchases denominated in USD to mitigate the impact from foreign currency exchange. The Finance department closely monitors the movements in foreign currency rates.

***Credit risk***

The normal credit terms granted by the Group for trade receivables ranged from 30 to 90 days. Any significant delay or default in payment by our major customers could result in impairment being put through for credit losses which in turn, would adversely affect our financial position and results. Credit terms and limits are evaluated every 6 months while ageing reports are reviewed monthly to identify slow paying customers for actions to be taken for recovery and impairment, if necessary.

***Downtime risk***

From operational perspective, our Manufacturing Division is exposed to downtime risk. This risk could occur in the unlikely event of a fire, flood, power outage, workers on strike or machinery breakdown, thus resulting in production and delivery delays as well as reputational damage to the Group.

**Trend and outlook**

Malaysia's economy is projected to contract by 3.1 percent in 2020 due to the sharp slowdown in economic activities caused by COVID-19 pandemic and measures implemented to contain its spread. The World Bank expects growth to resume in 2021 at 6.9 percent as the pandemic is expected to ease by then.

The near-term outlook, however, is unusually uncertain at present. The pandemic coupled with a changing working environment also raises the need for a more enhanced social protection system in Malaysia.

The government has responded to the economic impact of the pandemic with two rounds of the Prihatin Rakyat Economic Stimulus Package in February and March 2020, and more recently the Penjana Short-Term Economic Recovery Plan. The Government's stimulus packages, coupled with the short-term economic recovery plan have softened the impact of the COVID19 pandemic and paved a path towards economic recovery.

As the uncertain economic outlook continued to impact consumer purchasing power, the Group's prospect for the coming year is expected to be more challenging with moderate growth in sales. Cost rationalisation, built around operational efficiency and optimisation of resources, is ongoing as the Board strives to reinforce the Group's business strengths and capabilities.

With the support of our consumers, our commitment to provide more lifestyle-oriented products, corporate agility and marketing strategies, we are confident we will be able to weather through this pandemic.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Pensonic Holdings Berhad ("PHB" or "the Company") is committed to ensuring that good corporate governance is practiced throughout the Group as a fundamental part of discharging its responsibilities and for the purpose of safeguarding the interest of its shareholders and stakeholders as well as the assets of the Company and its subsidiaries ("the Group").

Following the introduction of the Malaysian Code on Corporate Governance ("Code") by the Securities Commission in 2017, the Board recognises the growing level of expectation by regulators and stakeholders for increased corporate governance and, accordingly has taken necessary steps to ensure strong governance practices are adopted throughout the Group.

The ensuing paragraphs in this Corporate Governance Overview Statement "Overview Statement") describing the extent of how the Group has applied and complied with the Principles and Practices of the Code for the financial year ended 31 May 2020 ("FY2020") and up to the date of this Overview Statement. This Overview Statement is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") with guidance drawn from Practice Note 9 of MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Berhad.

The detailed application for each Practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available on the corporate website: www.pensonic.com and through an announcement on the website of Bursa Securities. The CG Report is based on a prescribed format as outlined under para 15.25(2) of the MMLR of Bursa Securities.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

### Part I Board Responsibilities

### 1 Board's Leadership on Objectives and Goals

#### 1.1 Strategic Aims, Values and Standards

The Board leads and controls the Group. As a collective body, the Board assumes the overall responsibility for the Group: determining strategic direction, overseeing the proper conduct of the Group's business, identifying principal risks and ensuring the implementation of systems to manage risks, succession planning, developing investor relations programme, reviewing the adequacy and integrity of the Group's internal control systems and Management information systems.

As part of the initiative to ensure effective discharge of its leadership role, specific powers are delegated by the Board to the Board Committees, the Managing Director and the Management as outlined in the Board Charter.

The Board Committees refers to the Audit Committee, Remuneration Committee and Nomination Committee. These Committees are entrusted with the responsibility to oversee specific aspects of the Group's affairs in accordance with their respective terms of reference ("TOR") as approved by the Board, with the aim of improvement in operational and general management efficiencies. The decision on whether to act on recommendations by Board Committees lies with the Board. The TOR of the Board Committees are published on the corporate website at www.pensonic.com.

Notwithstanding the delegation of specific powers, the Board retains full responsibility for the direction and control of the Company and the Group. The ultimate responsibility for decision-making on all matters lies with the Board. The roles and responsibilities of the Board are clearly set out in the Board Charter and is available on the Company's website at www.pensonic.com.

The Board has approved the Annual Plan from the Management, review of market ecosystem, industry direction and strategies to drive growth. In reviewing the Annual Plan, the Board members had a robust discussion with the executive Board members (representing Management) on their perspectives and assumptions in formulating the Annual Plan. This practice is part of the overall improvement plan going forward for better governance. The drive for excellence throughout the Group is driven by tone from the top as enshrined in the Group's Core Values, Mission and Vision Statements.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

**Part I Board Responsibilities** (Cont'd)

**1 Board's Leadership on Objectives and Goals** (Cont'd)

### 1.2 Chairman of the Board

The Chairman, who holds an executive position, provides leadership and governance on the Board in discharging responsibilities for the business and affairs of the Group and its oversight of Management in order to create a conducive environment geared towards building and growing Directors' oversight and effectiveness and ensure that appropriate issues are discussed by the Board in a timely and congenial manner.

The Chairman's responsibilities encompass the following:

- Leading the Board in its responsibilities for the business affairs of the Group and its oversight of Management.
- Overseeing the Board in the effective discharge of its supervisory role and ensuring adequacy and integrity of the governance process and issues.
- The efficient organisation and conduct of the Board's function and meetings and setting of the Board meeting agenda.
- Facilitating the effective contribution of all Directors as well as promotion of constructive and respectful relations amongst Board members and between Board and Management.

The Chairman also ensures that no member dominates discussion and that appropriate discussions takes place and that relevant opinions among Board members is forthcoming. Other roles of the Chairman include maintaining regular and close dialogue with the Group Managing Director ("GMD") over operational matters and seek opinion of fellow Board members over any matters that give cause for major concerns.

### 1.3 Separation of the position of Chairman and the Managing Director

The Board has always made the distinction that the position of the Chairman and the GMD does not reside with the same person to ensure organisational check and balance for better governance. There is a clear and separate division of responsibility in the roles and duties of the Chairman and GMD.

The GMD leads Management and is responsible for the day-to-day business and operational management of the Group. The GMD has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group's hierarchy, financial management and business affairs as well as organisational effectiveness and implementation of Board policies and decisions.

The GMD also ensures that the Group's corporate identity, products and services are of high standard and reflective of market environment, business practices are in compliance with governmental regulations. At each scheduled Board meeting, the GMD briefed on the performance and activities of the Group and specific proposals for capital expenditure, acquisition and disposals, if any.

### 1.4 Qualified and competent Company Secretary

The Company Secretary is competent, qualified and capable of providing the needful support to the Board in discharging its fiduciary duties. The Constitution of the Company provides that removal of the Company Secretary is a matter for the Board as a whole.

The Company Secretary, or her assistant, is present at all meetings to record deliberation, issues discussed and conclusions in discharging her duties and responsibilities and also provide advice in relation to relevant guides and legislations.

Other roles of the Company Secretary include coordinating the preparation of Board papers with Management, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated on evolving regulatory requirements.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

**Part I Board Responsibilities** (Cont'd)

### 1 Board's Leadership on Objectives and Goals (Cont'd)

#### 1.5 Access to information and advice

The Board has unhindered access to the advice and services of the Company Secretary who is responsible for ensuring that all Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also act as the Company Secretary for all the Board Committees.

All Directors also have access to all information within the Group and may seek the advice of Management on matters under discussion or request further information on the Group's business activities. Minutes are prepared for all Board and Board Committees' proceedings, circulated to the Board and/or Board Committee Members and will be confirmed and signed by the respective Chairman. The minutes will then be tabled at the subsequent meetings for notation.

The Board, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice, if so required in furtherance of their duty, at the Group's expense.

The Board of Directors is satisfied that it is supplied, on a timely basis, information in a form and of quality sufficient to enable the Board to discharge its duties. The said information includes, amongst others, the performance report of the Group and major operational, financial and corporate issues. The meeting agenda and meeting papers for consideration are distributed in advance before each meeting to ensure that Directors have sufficient time to study them, be properly prepared for discussion and decision-making and/or solicit further explanation and information, where necessary so that deliberation at Board meetings are focused and constructive.

### 2 Demarcation of responsibilities

#### 2.1 Board Charter

The Board Charter provides reference for Directors in relation to the Board's role, powers, duties and functions. The Board Charter of PHB which is published on PHB's website outlines the following:

- Objectives of the Board
- Role of the Board
- Board structure and processes
- Representation of the Company
- Remuneration of Directors
- Company's Constitution and Management's limits

The Board Charter and TOR and other policies will be reviewed from time to time to ensure its relevance.

### 3 Good business conduct and corporate culture

#### 3.1 Code of Ethics & Conduct

The Core Values of Enjoyment, Caring, Innovative, Trustworthy and Leadership as observed by all our people from Directors down to employees as integral elements towards achieving wholesome sustainability in the long run.

There is in place the Employee Handbook to guide the desired standard of behavior from all staffs. The Employee Handbook covers, among others, general employment terms and conditions, compensation and benefits, proprietary information and sexual harassment.

The Board formalized Code of Conduct and Code of Ethics to provide direction, reflect the Board's commitment and underscored tone from the top for proper ethical behaviour expected of the Directors, Management and staff and compliance with applicable laws and regulations.

These codes provide guidance to all so that right choices can be made in response to any ethical dilemmas in daily work.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

**Part I Board Responsibilities** (Cont'd)

**3 Good business conduct and corporate culture** (Cont'd)

**3.1 Code of Ethics & Conduct** (Cont'd)

Adherence to the Core Values of Enjoyment, Caring, Innovative, Trustworthy and Leader together with the aforesaid code shine the path to achieving the Group' business goals in an open, honest, ethical and principled manner.

In addition, the Board had on 29 May 2020 adopted an Anti-Bribery Corruption Policy. The Anti-Bribery and Corruption Policy is intended to provide the Directors, officers, employees and third parties with a guide on how to prevent and detect bribery and corruption. The Anti-Bribery Corruption Policy is published on the corporate website at www.pensonic.com.

**3.2 Whistleblowing policy**

The Company has in place a Whistleblowing Policy. All malpractices or wrongdoings reported by the whistleblower are to be directed to the Chairman of the Audit Committee. The Whistleblowing Policy is published on the corporate website at www.pensonic.com.

**Part II Board Composition**

**4 Board objectivity**

**4.1 Board composition**

The Board presently comprised of seven (7) members with the composition as outlined below:

| Directorate | Director(s) |
|---|---|
| Executive | Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Group Executive Chairman<br>Chew Chuon Ghee, Group Managing Director<br>Chew Chuon Jin, Group Chief Executive Officer<br>Chew Chuon Fang, Executive Director |
| Independent Non-Executive | Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim<br>Dato' Tahir Jalaluddin Bin Hussain<br>Ong Huey Min, Lindy |

Brief profile of each Director is detailed under Profile of Directors in this Annual Report. As all concerns regarding the Group can be conveyed to any one of the Directors and will be deliberated by all Directors during Board meetings (if so deemed necessary), there is no immediate need to consider the appointment of a Senior Independent Non-Executive Director ("INED").

The Board is in compliance with Chapter 15.02 of the MMLR of Bursa Securities, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.

The concept of independence as adopted by the Board is consistent with definition of INEDs outlined in para 1.01 and Practice Note 13 of the MMLR. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and the Group.

The Board is mindful that the Board does not comprise at least half of INEDs, but based on the annual Board performance assessment carried out, the Board is satisfied with the current composition and is of the view that the present INEDs, with the breadth of professional background, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinion and viewpoints.

Further, the current composition of the Board Committees, made up of only INEDs affirmed the Board's commitment towards independence and provide strong check and balance in the Board's governance function.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part II Board Composition (Cont'd)

### 4 Board objectivity (Cont'd)

#### 4.1 Board composition (Cont'd)

Therefore, the lack of the necessary number of INEDs does not jeopardise the independence of Board deliberations and all decisions have been made in the best interest of the Company and the Group. Nonetheless, the Board will address Board succession planning going forward to ensure that INEDs form 50% of Board composition.

#### 4.2 Tenure of Independent Director

The Board is mindful of the recommendation of the Code for the tenure of an INED not to exceed a cumulative or consecutive term of nine (9) years. However, an INED who had exceeded the prescribed nine (9) years may continue to serve in the Board subject to re-designation as Non-INED. As at to-date, none of the INEDs have served on the Board for a cumulative or consecutive term of nine (9) years.

The INEDs do not participate in daily management of the Group. During meetings, the INEDs participate fully during deliberations and fulfill crucial role in corporate accountability by providing independent, impartial, unbiased and objective views, opinions, advice and judgement in the evaluation of various issues on strategies, performance and resources.

#### 4.3 Policy on Tenure of Independent Director

The Board Charter provides that the tenure of its INEDs shall be nine (9) years. In the event the Board intends to retain a Director as INED after the latter has served a cumulative/consecutive term of nine (9) years, the Board will justify the decision and seek shareholders' approval at the annual general meeting ("AGM").

#### 4.4 Diverse Board and Senior Management team

The Board is supportive of diversity on the Board and in Senior Management team. Appointment of members of the Board and Senior Management team are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

The Directors, with their diverse background and professional specialisation, collectively, bring with them a wealth of experience and expertise in areas such as general management and operations, commercial, finance and accounting, corporate affairs, manufacturing, sales and marketing, business, tax, product development, shipping and logistics.

#### 4.5 Gender diversity

One (1) out of the seven (7) Directors is a female, which testifies to the Group's commitment on gender diversity.

Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Nomination Committee and the Board will consider gender diversity as part of its future selection process and will look into increasing female board representation going forward.

#### 4.5 Nomination Committee

The Nomination Committee, comprised solely of INEDs and its present composition is as follows:

| Chairman | Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim |
|---|---|
| Members | Dato' Tahir Jalaluddin Bin Hussain<br>Ong Huey Min, Lindy |

The Nomination Committee would meet at least once (1) annually with additional meetings convened on as and when needed basis.

**PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS** (Cont'd)

**Part II Board Composition** (Cont'd)

**4 Board objectivity** (Cont'd)

**4.5 Nomination Committee** (Cont'd)

The Nomination Committee's key duties encompassed the following:

(a) Make recommendations to the Board on nominees to the Board and Board Committees with due consideration for their skills set, knowledge, education, qualities, expertise and experience; professionalism; integrity, time commitment, contribution, board room diversity and other factors that will best qualify a nominee to serve on the Board; and for the position of INEDs, the ability to discharge such responsibilities/ functions as expected;
(b) To assist the Board to review regularly the Board structure, size and composition and the which Non-Executive Directors should bring to the Board;
(c) Assess the effectiveness of the Board, Board Committees and the contributions of each individual Director, including the independence of INEDs, as well as the Group Chief Executive Officer ("CEO") and Group Chief Financial Officer ("CFO") (where these positions are not Board members), based on the criteria process and procedures laid out by the Board; and to provide the necessary feedback to the Board. The criteria would include, among others, required mix of skills and experience and other qualities including core competencies. All assessments and evaluations carried out are documented;
(d) To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election;
(e) To evaluate training needs for Directors annually; and
(f) To arrange induction programmes for newly appointed Directors to familiarize themselves with the operations of the Group through briefings by the GMD.

During the year under review, key activities undertaken by the Nomination Committee are summarised as follows:

(a) Reviewed the composition, mix of skills and experience and other qualities, including core competencies as well as contribution of each individual Director and the effectiveness of the Board as a whole and the Board Committees as well as contribution of each individual Director.
(b) Reviewed the level of independence of the INEDs.
(c) Discussed the character, experience, integrity and competence of the Directors, chief executive or chief financial officer and to ensure they have the time to discharge their respective roles.
(d) Discussed and recommended the re-election of Directors at AGM.
(e) Reviewed the term of office and performance of the Audit Committee and its members pursuant to Para 15.20 of the MMLR.
(f) Conducted annual assessment on Board, Board Committees and Individual Directors.

**5 Overall Board Effectiveness**

**5.1 Overall effectiveness of the Board and individual Directors**

The Constitution of the Company provides that an election of Directors shall take place each year and, at the AGM, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their election. A retiring Director is eligible for re-election and shall act as Director throughout the meeting at which he retires. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

The Director who is subject to re-election and/or re-appointment at next AGM is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for re-election and / or re-appointment. Appropriate assessment and recommendation by the Nomination Committee is based on the annual assessment conducted.

The Company Secretary will ensure that all appointments are properly effected with the necessary legal and regulatory obligations duly met.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

**Part II Board Composition** (Cont'd)

**5 Overall Board Effectiveness** (Cont'd)

**5.1 Overall effectiveness of the Board and individual Directors** (Cont'd)

The Board has adopted a Directors' Assessment Policy which sets out the criteria for the Board assessment. The assessment includes amongst others, whether there is a right mix of skills and experience, frequency and conduct of board meetings, effectiveness of Chairman, Board and Board Committees and independence of the INEDs.

The Board of Directors meets at least five (5) times a year with additional meetings convened as necessary. During the FY2020, five (5) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's quarterly operations and financial results, major investments and strategic decisions, implementation of investment policy, business plan and any other strategic issues that may affect the Group's businesses.

In the intervals between Board meetings, approvals are obtained via circular resolutions for exceptional matters requiring urgent Board decision-making which are then supported with information necessary for informed decision-making. As a mean to facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of each new financial year.

The listing of the Board members and their attendance at Board and Board Committees' meetings held during the financial year under review are as tabulated below:

| Director(s) | Board | Audit Committee | Nomination Committee | Remuneration Committee |
|---|---|---|---|---|
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak<br>Group Executive Chairman | 5/5 | - | - | - |
| Chew Chuon Ghee, Vincent<br>Group Managing Director | 5/5 | - | - | - |
| Chew Chuon Jin, Dixon<br>Group Chief Executive Officer | 5/5 | - | - | - |
| Chew Chuon Fang, Nelson<br>Executive Director | 4/5 | - | - | - |
| Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim<br>Independent Non-Executive Director | 5/5 | 5/5 | 1/1 | 1/1 |
| Dato' Tahir Jalaluddin Bin Hussain<br>Independent Non-Executive Director | 5/5 | 5/5 | 1/1 | 1/1 |
| Ong Huey Min, Lindy<br>Independent Non-Executive Director | 5/5 | 5/5 | 1/1 | 1/1 |

Board meetings are planned ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the Board meeting agenda.

Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda to facilitate informed decision-making.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

**Part II Board Composition** (Cont'd)

**5 Overall Board Effectiveness** (Cont'd)

**5.1 Overall effectiveness of the Board and individual Directors** (Cont'd)

The Board is satisfied with the time commitment by the Directors given full attendance by almost all Directors at all meetings convened. All of the Directors do not hold more than 5 directorships as required under paragraph 15.06 of the MMLR of Bursa Securities. The Board members will notify the Board or the Chairman upon acceptance of new Directorship in other public listed companies.

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. As at the date of this Overview Statement, all the Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP").

The Directors will continue to attend various seminars and training programmes necessary to enhance and keep abreast with relevant changes, development and updates affecting industries that the Group operates in as well as regulatory requirements. The Directors are regularly updated by the Company Secretary on any changes to new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

The training attended by the Directors during the financial year under review is as follows:

| Director(s) | Seminar / Workshop / Course | Date |
|---|---|---|
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak | Corporate Liability Provision-MACC Amendment Act 2019 | 19 July 2019 |
| Chew Chuon Ghee, Vincent | E-Commerce In Malaysia | 18 February 2020 |
| | COVID-19 : An Employer's Guide Webinar | 6 April 2020 |
| | Impact of COVID-19: Perspective from China | 22 April 2020 |
| | COVID-19 Mission: Recovery | 12 May 2020 |
| Chew Chuon Jin, Dixon | Berlin IFA | 6 to 11 September 2019 |
| | Asian Business Association | 19 to 21 September 2019 |
| | Hong Forum | 3 to 7 December 2019 |
| | CES 2020 | 7 to 10 January 2020 |
| | Vietnam's Industrial Landscape : Your Post-Pandemic Opportunity | 28 May 2020 |
| Chew Chuon Fang, Nelson | Alibaba – new retail business | 9 to 11 August 2019 |
| | China : Turning the spotlight on Chinese Markets post COVID-19 Shock | 9 April 2020 |
| Ong Huey Min, Lindy | Corporate Liability Provision-MACC Amendment Act 2019 | 19 July 2019 |
| | National Tax Conference 2019 | 5 & 6 August 2019 |
| | MFRS Updates 2019/2020 Seminar | 25 October 2019 |
| | KPMG Tax Summit 2020 | 12 November 2019 |
| | 2020 Budget Seminar | 21 November 2019 |
| Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim | Corporate Liability Provision-MACC Amendment Act 2019 | 19 July 2019 |
| Dato' Tahir Jalaluddin Bin Hussain | Corporate Liability Provision-MACC Amendment Act 2019 | 19 July 2019 |
| | Case Study Workshop for Independent Directors | 9 October 2019 |

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part II Board Composition (Cont'd)

#### 5 Overall Board Effectiveness (Cont'd)

##### 5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

The Board had, through the Nomination Committee, undertaken an assessment of the training needs of the Directors and concluded that the Directors are to determine their training needs as they are in the better position to assess their areas of concern. Nonetheless, the Nomination Committee had recommended for training to improve financial literary and keep with changes to financial reporting environment as well as understanding the impact of the changes arising from implementation of Companies Act 2016 and other related laws.

The Company facilitates the organisation of training programs for Directors and maintain a record of the trainings attended by the Directors.

### Part III Remuneration

#### 6 Level and composition of Remuneration

##### 6.1 Remuneration Policy

The objective of the Group's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively. In the case of the Executive Director, the components of the remuneration package are linked to individual and corporate performance. As for Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities and the onerous challenges in discharging their fiduciary duties.

The Remuneration Committee met one (1) time during the year to consider the remuneration package for the Executive Director as well as Directors' fees and benefits payable for the Non-Executive Directors.

The Directors' fees and benefits payable to the Non-Executive Directors are reviewed annually. The Executive Directors played no part in deciding their own remuneration and the respective Board members abstained from all discussion and decisions pertaining to their remuneration.

##### 6.2 Remuneration Committee

The Remuneration Committee is populated solely by INEDs as follows:

| Chairman | Dato' Tahir Jalaluddin Bin Hussain |
|---|---|
| Members | Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim<br>Ong Huey Min, Lindy |

The TOR of the Remuneration Committee and Remuneration Policy are available on the corporate website at www.pensonic.com.

The key duties of the Remuneration Committee included the following:

(a) To determine and recommend to the Board the framework for the remuneration, in all forms, of the Executive Director and/or any other persons as the Committee is designated to consider by the Board, drawing from outside advice as necessary; and

(b) To implement/ maintain a reward system for Executive Director based on individual performance and the Group's results. The following factors shall be taking into consideration in determining the quantum of remuneration: position and scope of work, long term objectives of the Group, complexities of Group activities, individual performance, length of service, experience and mark-to-market salary.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### 7 Remuneration of Directors and Senior Management

#### 7.1 Details of Directors' remuneration

The remuneration payable in respect of Directors' fees for FY2020 and FY2021 are categorised as follows:

| Directors' Fees | FY2020 | FY2021 |
|---|---|---|
| Executive Board members (per pax) | 20,000 | 20,000 |
| INED & Chairman of the Audit Committee | 62,000 | 62,000 |
| INEDs (per pax) | 40,000 | 40,000 |

The fees and benefits payable for the Non-Executive Directors are endorsed by the Board of Directors for approval by the shareholders at the AGM prior to payment.

The remuneration received / receivable by the Directors of the Company for FY2020 is as disclosed in the CG Report.

#### 7.2 Details of top 5 Senior Management's remuneration

Given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment and the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place, the Board takes the view that there is no necessity for the Group to disclose the remuneration of the Company's Senior Management personnel who are not Directors or the CEO.

#### 7.3 Details of top 5 Senior Management's remuneration on named basis

The Board acknowledges the need for transparency in the disclosure of its Senior Management remuneration. Nonetheless, it is of the view that such disclosure could be detrimental to its business given the highly competitive human resource environment in which the Group operates. Disclosure of specific remuneration could give rise to recruitment and talent retention issues going forward.

As such, the Board takes the view that there is no necessity to disclose the names and remuneration of the top 5 Senior Management personnel who are not Directors or the CEO.

## PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

### Part I Audit Committee

### 8 Effective and independent Audit Committee

#### 8.1 Chairman of the Audit Committee

Ong Huey Min, Lindy, an INED, is the Chairman of the Audit Committee. Details on the composition and activities of the Audit Committee are outlined under the Audit Committee Report in this Annual Report.

#### 8.2 Policy requiring former key audit partner to observe 2-year cooling off period

None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the AC. As such, there was no need to establish such policy presently. The policy will be established when the need arises in future.

The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee is a former key audit partner.

**PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT** (Cont'd)

**Part I Audit Committee** (Cont'd)

**8 Effective and independent Audit Committee** (Cont'd)

**8.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor**

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the technical competency, quality of audit engagement and independence of the external auditors. The Audit Committee meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements.

At least twice a year and whenever necessary, the Audit Committee met with the external auditors without the presence of executive Board members or Management personnel, to allow the Audit Committee and the external auditors to exchange independent views on matters which require the Audit Committee's attention. During the year, the Audit Committee met up twice with the external auditors.

The Audit Committees has considered the non-audit services provided by the external auditor during FY2020 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity.

The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the professional and regulatory requirements.

**8.4 Composition of the Audit Committee**

Although not required to observe this Step-Up, the Audit Committee comprised solely of INEDs as the Board observes and values the independence of the Audit Committee.

**8.5 Diversity in the skills of the Audit Committee**

The Audit Committee currently comprised of members with professional experience in financial, taxation, business and economic environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the Audit Committee the ability to effectively discharge their roles and responsibilities.

**Part II Risk Management & Internal Control Framework**

**9 Effective risk management and internal control framework**

**9.1 Establish an effective risk management and internal control framework**

The Statement on Risk Management and Internal Controls in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

Continuous reviews are carried out by the internal audit function, Management and the recently established Risk Management Committee to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the AC regularly.

**9.2 Disclosure on the features of risk management and internal control framework**

The Statement on Risk Management and Internal Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

**9.3 Establishment of a Risk Management Committee**

A management level Risk Management Committee was established on 30 July 2018 concurrent with the appointment of the GMD as Chief Risk Officer ("CRO"). The GMD's assumption of the roles and responsibilities of the CRO presently to lead from the top and drive the importance of embedding sound practices of risk management throughout the business operations of the Group.

## PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

### Part II Risk Management & Internal Control Framework (Cont'd)

### 9 Effective risk management and internal control framework (Cont'd)

#### 9.3 Establishment of a Risk Management Committee (Cont'd)

The Risk Management Committee will report on a yearly basis to the Audit Committee. The risk management functions are incorporated into the TOR of the Audit Committee.

### 10 Effective governance, risk management and internal control

#### 10.1 Effectiveness of the internal audit function

The AC assesses the performance of the Internal Auditors on an annual basis to ensure that the Internal Auditors perform their functions effectively and independently.

The AC ensures that the Internal Audit function carries out their work according to a recognised framework (i.e. International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors).

#### 10.2 Disclosure on the internal audit function

The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm which is sufficiently resourced and is a member of the Institute of the Internal Auditors Malaysia to provide the services that meet with the Group's required service level. The service provider has been able to provide reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively.

The internal auditors adopt a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control system.

The activities of the internal auditors during the financial period are set out in the Statement on Risk Management and Internal Controls in this Annual Report.

## PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Part I Communication with stakeholders

### 11 Continuous Communication between Company and stakeholders

#### 11.1 Effective and transparent and regular communication with stakeholders

The Group recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information.

The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

Investors are provided with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.

All announcements are reviewed and endorsed by the Board prior to release to the public through Bursa Securities. In addition, all financial related announcements are pre-approved by the GMD before these are submitted to the Audit Committee and Board for approval.

The GMD is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board.

## PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

### Part I Communication with stakeholders (Cont'd)

### 11 Continuous Communication between Company and stakeholders (Cont'd)

#### 11.1 Effective and transparent and regular communication with stakeholders (Cont'd)

The Group maintains a website at www.pensonic.com for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance and updates on its awards and recognitions and promotions. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email at info@pensonic.com. Primary contact details are set out on the Group's website.

#### 11.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently as the Company does not fall within the definition of "Large Companies".

### Part II Conduct of general meetings

### 12 Encourage Shareholder Participation at General Meetings

#### 12.1 Notice for annual general meeting

The Board encourages shareholders' participation and as such, the AGM is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The Directors, Company Secretary and the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

The notice of the 25th AGM held in 2019 was sent more than twenty-eight (28) days before meeting date to shareholders and published in a major local newspaper. Items of special business included in the Notice of AGM was accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. All suggestions and comments put forth by shareholders was noted by the Board for consideration. The Directors attend the AGM to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars.

All the resolutions set out in the Notice for the 25th AGM were put to vote by poll with the outcome announced to Bursa Securities on the same day. The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.

The notice for the upcoming AGM in 2020 will be sent twenty-eight (28) days in advance to enable shareholders to make adequate preparation.

#### 12.2 All Directors to attend general meetings

All the Directors had attended the 25th AGM held on 30 October 2019.

#### 12.3 Leveraging on technology for voting in absentia and remote shareholders' participation

Based on the past trend of number of shareholders, the Company does not have a large number of shareholders to warrant voting in absentia and/or remote shareholders' participation at AGM. The total number of shareholders was circa 2,600 on a monthly basis with a majority Malaysian. Further, all general meetings are held at a Pensonic's business premise, which is easily accessible to all shareholders.

As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for ensuing that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards under Malaysia Financial Reporting Standards ("MFRS"), International Financial Reporting Standard and the provisions of the Companies Act, 2016 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates. The Directors also have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## STATEMENT ON COMPLIANCE

The Board will continue to strive for sound standards of corporate governance throughout the Group. Presently, the Board is of the view that the Company has in all material aspects satisfactory complied with the principles and practices set out in the Code, except for the departures set out in the CG Report.

The Corporate Governance Overview Statement is issued in accordance with a resolution of the Board of Directors dated 18 September 2020.

# AUDIT COMMITTEE REPORT

## FORMATION

The primary objective of the Audit Committee ("AC" or "Committee"), as a Committee of the Board of Directors ("Board") of Pensonic Holdings Berhad ("Pensonic" or "the Company") is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control. The key responsibilities of the AC, include, among others, the following:

(a) Oversee the Group's financial reporting process and the integrity of the Group's financial statements;
(b) Assess the Group's processes in relation to its risks, governance and control environment;
(c) Review conflict of interest situations and related party transactions; and
(d) Evaluate the internal and external audit processes and performance.

The terms of reference of the AC is published on the Company's website at www.pensonic.com.

## COMPOSITION, MEETING AND ATTENDANCE

The present AC comprised solely of Independent Non-Executive Directors, in compliance with para 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")("MMLR") and Practice 8.4 of the Malaysian Code on Corporate Governance ("Code").

The members of the AC and their attendance at the five (5) meetings held during the financial year under review are as tabulated:

| Composition \| Position in Committee | Attendance |
|---|---|
| Ong Huey Min, Lindy \| Chairman | 5/5 |
| Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim \| Member | 5/5 |
| Dato' Tahir Jalaluddin Bin Hussain \| Member | 5/5 |

All members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC. The Chairman of the AC is a member of the Malaysian Institute of Accountants.

The minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting. The AC Chairman reported to the Board on the activities undertaken and the key recommendations for the Board's consideration and decision.

During the financial year ended 31 May 2020 ("FY2020"), the AC met five (5) times to discuss matters, among others, in relation to the accounting and reporting practices, related party transactions as well as internal and external audits of the Company and its subsidiaries.

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretary or her representative was present at all the meetings. The executive Board members, members of management as well as representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arose.

The AC also made arrangements to meet and discuss with the external and internal auditors on any matters relating to the Group and its audit activities. The AC met twice (2) with the external auditors without the presence of the executive Board members and management during the financial year under review.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the AC during FY2020 were as follows:

### 1. Financial Performance and Reporting

(a) Reviewed quarterly unaudited financial results of the Group before recommending to the Board for its consideration and approval and subsequent announcement to Bursa Securities.

(b) Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements, with the Listing Requirements of Bursa Securities, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements.

**SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR** (Cont'd)

The main activities undertaken by the AC during FY2020 were as follows: (Cont'd)

1. **Financial Performance and Reporting** (Cont'd)

    (c) Reviewed pertinent issues, which had significant impact on the results of the Group, including receivables, inventory management, bank borrowings, investments and divestments and strategic operations of subsidiaries.

    (d) Reviewed recurrent related party transactions of revenue and trading nature and other related party transactions entered into by the Group.

2. **Internal Audit ("IA")**

    (a) Reviewed and approved the annual IA plan for financial year ended 31 May 2020.

    (b) Reviewed the internal audit reports, audit recommendations made and management's response to these recommendations and actions taken to improve the system of internal control and procedures.

    (c) Monitored the feedback and reports from the Internal Auditors for matters of non-compliance, weakness in internal control systems or the lack of it as well as recommendations and management's response.

    (d) The AC has, where appropriate, directed management to rectify and improve control procedures and workflow processes based on the internal auditors' suggestions for improvement.

    (e) Reviewed the implementation of these recommendations through follow up audit reports.

    (f) Reviewed the performance of JWC Consulting Sdn Bhd ("JCW") as internal audit services provider upon confirmation that JWC has the appropriate qualification and experience as well as being a member of The Institute of Internal Auditors.

3. **External auditors ("EA")**

    (a) Discussed the audit plan, scope of work/audit and reporting obligations as well as proposed audit fee for the year under review with the external auditors before commencement of audit engagement.

    (b) Reviewed and discussed with the auditors, the findings and results arising from the audit of FY2020 and management letter (if any) together with management's response and comments.

    (c) Responded to external auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

    (d) Reviewed the suitability and performance as well as factors relating to the independence of the external auditors with due consideration to the quality, robustness and timeliness of the audit and report furnished, audit governance, level of understanding demonstrated of the Group's business and communication about new and applicable accounting practices and auditing standards and its impact on the Group's financial statements as well as the quality of the people and service level.

        The Committee also met once (1) with management, in the absence of auditors, to hear their views on the effectiveness of the external auditors.

    (e) Reviewed the non-audit services provided by the external auditors, if any.

    (f) Following a review of the performance and independence of the external auditors during FY2020, the AC recommended the re-appointment of KPMG.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (Cont'd)

### 4. Corporate Governance

(a) Reviewed the relevant regulatory changes and ensure compliance by the Company and the Group.

(b) Reviewed and approved / recommended, as applicable, the Audit Committee Report, Statement of Risk Management and Internal Control, Statement on Corporate Governance and Corporate Governance Report for Board's approval before inclusion in the Annual Report 2020.

(c) Reviewed, discussed, approved and monitored recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group as reported by the Management.

(d) Met twice (2) with the external auditors in the absence of the executive Board members and management staff to discuss issues of concern to the auditors arising from the annual statutory audit. None was reported.

### 5. Risk Management

(a) Reviewed and accepted the Risk Assessment Report from Chief Risk Officer which detailed the risk status in the Group for FY2020.

(b) Noted the participation by members of the senior management in the ERM (Enterprise Risk Management) training aimed at identifying, assessing, managing and monitoring all critical risks to in order to mitigate and or manage and or eliminate the impact arising therefrom.

(c) Noted the formation of the Risk Management Committee ("RMC") which is led by the Chief Risk Officer. The RMC, a management level committee, is populated by heads of departments. The RMC would review and assess the key risks of the Group as identified in the ERM Report and follow through on various action plans to manage, mitigate and or eliminate the risks so identified.

(d) Reviewed and endorsed the key risks profile of the Group as identified in the ERM Report.

(e) Reviewed the progress of ongoing risk management activities undertaken by RMC.

## INTERNAL AUDIT FUNCTION

The Board acknowledges the need for an effective system of internal control covering all aspects of the Group's activities including the mapping and management of risks which the Group may be exposed to.

The Group has engaged an independent professional consulting firm to provide outsourced internal audit function to carry out internal audit of the Group. This is to assist the Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM40,000.

The principal role of the internal audit function is to undertake independent and periodic reviews of the system of internal controls and risk management so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively.

It is the responsibility of the internal audit function to provide the Committee with independent and objective reports on the risk management profile as well as the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

JWC took the risk-based approach in planning the Internal Audit Plan for the approval of the AC.

During FY2020, the internal audit function carried out internal audits to test the adequacy and effectiveness of the internal control system on review of the recurrent related party transactions, sales and marketing and credit control of Pensonic Industries Sdn. Bhd., procurement and cash management of Pensonic Sales & Service Sdn. Bhd. and Cornell Sales & Service Sdn. Bhd.

Further information on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control in this Annual Report.

This report was approved by the AC on 18 September 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires the Board of Directors ("Board") to establish a sound risk management framework and internal controls system to safeguard shareholders' investments and the assets of Pensonic Holdings Berhad and its subsidiaries ("Group"). Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR"), the Board of listed issuers is required to include in their Annual Report, a statement on the Group's state of internal control and risk management. The Board recognises its responsibilities for and the importance of a sound system of risk management and internal controls.

The Board continues with its commitment to maintain sound systems of risk management and internal control throughout the Group and in compliance with the MMLR and the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guidelines"). The Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 May 2020 ("FY2020").

## BOARD RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal controls being embedded into the culture, processes and structures of the Group. The systems of internal control cover financial, organisational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatements or losses.

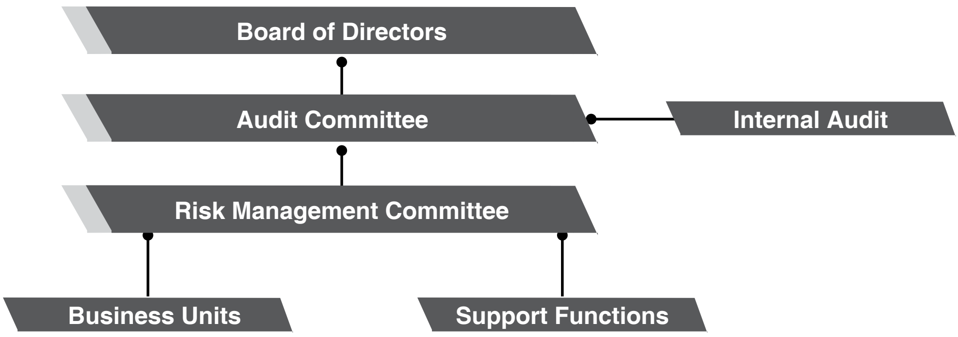
## CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a structure and environment for the proper conduct of the Group's business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains supervision over appropriate controls. The Group Financial Controller leads the presentation of board papers and provides explanation of pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a quarterly basis;
- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational and human resource management, which is subject to review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board's approval;
- Relevant information provided by management, covering financial and operational performance and key business indicators, for effective monitoring and decision making; and
- Regular visits to operating units by Executive Directors and senior management.

### RISK MANAGEMENT FRAMEWORK

The Board has established a process for identifying, evaluating and managing risk through the Enterprise Risk Management ("ERM") Framework. These include the formation of a Risk Management Committee ("RMC") which was delegated with the task of identifying risks within the Group. The Board through the Audit Committee, reviews this process as and when deem necessary. The main objective of the review is to formalise and embed a risk management process across the Group in order to sensitise all employees within the Group to risk identification, evaluation, monitoring and reporting. The Group's risk management structure to assign responsibility for risk management and to facilitate the process for assessing and communicating risk issues from transactional levels to the Board is summarised in the diagram below:




a. **Board of Directors**
- Overall risk oversight responsibility;
- Determines that the principal risks are identified and appropriate steps implemented to manage these risks; and
- Reviews the adequacy and the integrity of the Group's risk management and internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. **Audit Committee**
- Reviews and endorses policies and frameworks and other key components of risk management for implementation within the Group; and
- Reviews and endorses the corporate risk profile for the Group, and the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

c. **Risk Management Committee**
- Oversees the implementation of risk policies and guidelines, ERM and cultivation of risk management culture within the organisation; and
- Reviews and monitors annually the status of the Group's principal risks and their mitigation actions and update the Board and Audit Committee accordingly.

During the year, the Group has identified new risks, reviewed and updated the risk register. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified for the risks.

Discussions over risk areas have been incorporated in the monthly management meetings attended by the Group's senior and middle management and key employees. This is part of the ongoing initiative to sustain risk awareness and risk management capabilities.

The Anti-Bribery and Anti-Corruption Policy sets out the policies and procedures on the Group's commitment to conduct its business with high standards of ethics and integrity. The Group adopts a "zero-tolerance" approach towards bribery and corruption by its employees, business partners, suppliers, agents or contractors.

The Group's Whistleblowing Policy provides an avenue for employees and external parties to report actual or suspected malpractices, misconducts or violations of the Group's policies and regulations in a safe and confidential manner.

In essence, risk management is conducted through an integrated process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

**INTERNAL AUDIT FUNCTION**

The Board acknowledges the importance of the internal audit function and has, through the Audit Committee, engaged the services of an independent professional accounting and consulting firm, JWC Consulting Sdn Bhd, to provide the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal auditors adopt a risk-based approach in developing its audit plan which addresses the core business processes of the Group based on their risk profiles. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee.

The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The Internal Auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls and risk management system. Significant findings and recommendations for improvement are highlighted to Management and the Audit Committee, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions are implemented accordingly.

Based on the internal auditors' reports for FY2020, the Board has reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to review and implement measures to strengthen the internal control environment of the Group.

**REVIEW OF STATEMENT BY THE BOARD**

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this statement for inclusion in the Annual Report. The Board is of the view that the system of risk management and internal control instituted by the Group is sound and effective. The monitoring, review and reporting arrangements in place give reasonable assurance that the operation of controls is appropriate for the Group's operations.

The Board has received assurance from the Group Managing Director and Group Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. Reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the system of risk management and internal control, so as to safeguard shareholders' investments and the Group's assets.

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 May 2020, and reported to the Board that nothing has come to their attention that caused them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues, or
(b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control does not cover the associates as disclosed in Note 6 to the financial statements.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 18 September 2020.

# SUSTAINABILITY REPORTING

Pensonic Holdings Berhad ('PENSONIC') is committed towards embracing the tenets of sustainability in a comprehensive manner. In view of its business activities, PENSONIC plays a vital role in the growth of our national economy and, as such, it is important that the Group consistently operates in a transparent and sustainable manner. During the year, Pensonic reviewed and implemented initiatives that are in accordance with the key principles of sustainability, specifically in relation to the three sustainability pillars of economic, environment and social ("EES") themes.

The Board of Directors ("Board") of Pensonic has tasked Group Managing Director, who is supported by the Senior Management and relevant Heads of Business and Supporting Units, to review, deliberate, implement and execute the Group's sustainability strategy and initiatives.

## MATERIALITY ASSESSMENT PROCESS

PENSONIC's business sustainability is based on a myriad of factors, both internal as well as external. Considering a range of economic, environment and social aspects of the business, there are factors that are much more important than others in creating long term value to stakeholders. Pensonic has considered the following:

a) Group's strategic vision and business activities
b) Group's internal and external stakeholders; and
c) the ability of the Group to control and manage these matters

Based on the criteria above, PENSONIC assesses and prioritizes sustainability matters considering not only the Group's businesses, but also the views and concerns of the Group's internal and external stakeholders. The Group's stakeholders include, but are not limited to, customers, dealers, employees, regulators, shareholders, suppliers and communities. The Group has in place appropriate engagement channels with its key stakeholders to allow the views and concerns of stakeholders to be expressed and heard. Stakeholders' views and concerns, with regard to economic, environment and social aspects of the Group's businesses, were considered during the materiality assessment process.

## STAKEHOLDER ENGAGEMENT

PENSONIC categorises its stakeholder engagement and sustainability practices around the following categories and activities. This matrix assists PENSONIC in targeting its sustainability activities, engagement and communication in a systematic and focused manner:

<u>Stakeholder engagement on sustainability topics, type and frequency of engagement</u>

| Stakeholders | Sustainability Topic | Type of Engagement | Frequency |
|---|---|---|---|
| Investors / Shareholders | • Business performance<br>• Operations in compliance with applicable laws and regulations | • Quarterly result<br>• Annual Report and Annual General Meeting<br>• Corporate website and investor relationship channel | • Quarterly<br>• Annually<br>• On going |
| Customers | • Changing needs of customers and consumers<br>• Innovation<br>• Product quality and performance<br>• Business ethics | • Customer service<br>• Face-to-face interaction<br>• Business Review | • On going<br>• On going<br>• As required |
| Employees | • Job security and wages<br>• Conducive workplace<br>• Career development<br>• Corporate activity<br>• Health and safety<br>• Group's growth development | • Competitive remuneration package<br>• Safe and healthy working environment<br>• Learning and development programmes<br>• Employee performance appraisal<br>• Corporate Memo | • On going<br>• On going<br>• On going<br>• Annually<br>• On going |
| Suppliers | • Supplier performance review<br>• Product quality | • Regular meetings and correspondence<br>• Supplier rating | • On going<br>• Annually |
| Government & Regulators | • Regulatory compliance | • Site visit and meeting<br>• Participating in program organised by government bodies | • As required<br>• As required |

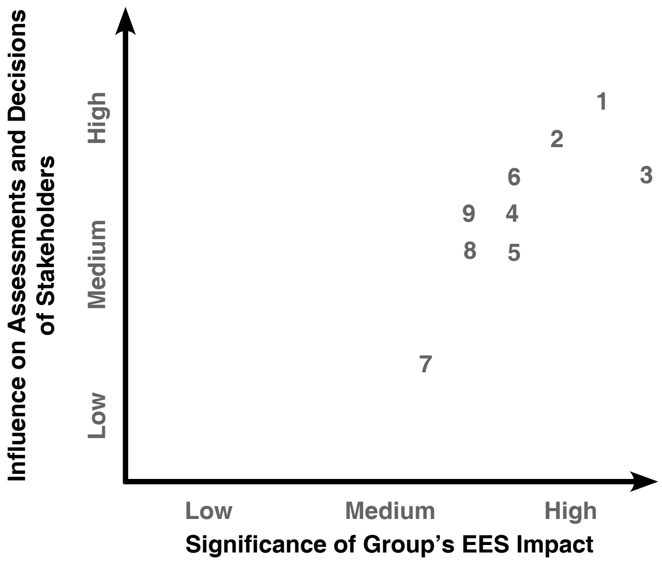
**STAKEHOLDER ENGAGEMENT** (Cont'd)

Stakeholder engagement on sustainability topics, type and frequency of engagement (Cont'd)

| Stakeholders | Sustainability Topic | Type of Engagement | Frequency |
|---|---|---|---|
| Media | • Timely and accurate information | • Press release | • As required |
| Community | • Environment protection<br>• Local community activities involvement | • Participation in local community and activities<br>• Sponsorship | • On going<br>• On going |

**MATERIALITY**

We conducted discussions with internal key stakeholders to identify and to understand their perspective on material matters to PENSONIC. The material issues that shape our strategies and business decision making are not limited to Company's financial performance alone but also to EES impact. We shortlisted 9 material areas of disclosures into a matrix.




**Material Sustainability Topics**

1 Financial performance
2 Product safety
3 Customer satisfaction
4 Compliance to law & regulations
5 People development & employee welfare
6 Occupation safety
7 Society
8 Waste management
9 Business conduct

The identified matters have been further categorised into four tenets that reflect our approach to managing sustainability and our commitment to create value for both our business and stakeholders:

| Our business performance | Our Environmental Management | Our People | Our Outreach |
|---|---|---|---|
| Economic Performance | Waste and Hazardous Material Management | Labour Practices | Local Communities |
| Ethics and Compliance | Energy Consumption | Diversity and Inclusion | Indirect Economic Impact |
| Supply Chain Management | | Employee Learning & Development | |
| Product and Service Quality | | Employee Well-Being, Health and Safety | |
| Customer Service | | | |

**ECONOMIC**

PENSONIC is committed to upholding a good corporate governance framework that promotes fairness, transparency and accountability. The Group has established policies on anti-corruption for ethical business practices, embedded in the Group's Code of Ethics, Code of Conduct and the Employees Handbook. The Group pledges to not bribe anyone nor accept bribes from anyone for any reasons, and customary business courtesies which may be customary shall be guided by reasonable ethical or cultural practices and shall not be inappropriately lavish or excessive, and shall not be material enough to influence, or appeal to be able to influence, business decisions.

Maintaining transparent and fair business dealings with dealers and customers remains as a crucial factor to build and promote the reliability, trustworthiness, and stakeholders' confidence in the Group's products and services. The Group ensures open and transparent engagement channels, including a well-maintained and up-to-date corporate website, are in place to effectively communicate applicable policies and expectations to dealers and customers.

For the financial year, the Group has recorded zero cases of whistleblowing concerning anti-corruption, anti-money laundering or ethical business practices. The Group will continuously review its policies and processes in place to enable the observance of high ethical and integrity standards in the conduct of the Group's business.

PENSONIC is ISO 9001:2015 certified and our products are regulated by Suruhanjaya Tenaga. We have obtained the relevant certification from SIRIM before our products enter the market.  Our Group's products which are sold in Singapore are attached with the Certificate of Conformity for controlled goods. Product warranty is provided for all our products sold and products with manufacturing defects can be returned for repairs under the warranty claim or under certain circumstances, the product may be exchanged for a new one.

The PENSONIC brand portfolio comprises a combination of in-house brands, i.e., Pensonic, Cornell and Lebensstil Kollektion, and agency brands such as Morphy Richards, Belling and Gaggia.

To ensure that customers have an avenue to seek help on any product information and repairs, the Group has a total of seven service centers in Malaysia, located at Bukit Minyak, Penang, Petaling Jaya, Johor Bahru, Kota Bahru, and Kota Kinabalu, as well as one in Labuan. Sales and service centers are also located worldwide in Zhuhai, Hong Kong, Singapore, Indonesia, Brunei, Myanmar and Cambodia.

To ease the registration of warranties for our products we have rolled out the 'Pensonic App' to enable eRegistration. The App is ready to be downloaded from Google Play, App Store and HUAWEI AppGallery. It is an easy online warranty registration using QR code scanning or manual keying-in with automatic warranty period tracking.


Our eService boasts convenience at your fingertips where customers can request on-site customer service for major domestic appliances and built-in appliances. A list of the nearest service centers is also provided for small domestic appliances.

An eStore is available for customers who wish to shop at the comfort of their homes or anytime and anywhere with their mobile phones, where the purchased Pensonic appliances will be delivered to their doorsteps. The Company has expanded its e-commerce and TV shopping market where our products are available via e-commerce platforms such as Lazada and Shopee as well as Astro Go-Shop and CJ Wow Shop.

The eLoyalty programme is available for new and existing customers to be rewarded via points accumulation for each purchase as they become a Pensonic member. These points can be used to redeem their favourite Pensonic products.

**ECONOMIC** (Cont'd)

PENSONIC maintains a healthy supply chain management through building its long-term relationships with its supplier. We are committed to ensure a stable and strong procurement practice to procure materials in best cost scales, conform to environment requirements, meeting quality standards, delivery on time and at competitive prices. Prior to engaging a new supplier, a systematic supplier assessment will be conducted based on quality, delivery and cost environment aspect. We carry out supplier assessment to ensure all suppliers comply with our directions and requirements.

**ENVIRONMENT**

At PENSONIC, we believe that environmental sustainability is as important as business sustainability. As a renowned manufacturer of electrical home appliances, it is our responsibility to manage and reduce our carbon footprint the best we can. As such, we have undertaken the following initiatives in several areas of the business operations:

- Our head office boasts green modern design where larger and more abundant window openings are being used. This allows the natural light of the sun to illuminate the interior of the building, hence rendering it unnecessary to turn on the interior lighting during the day.
- The air-conditioning system in our office building is set to be auto turned-off at 6pm.
- LED lights are used throughout our facilities and temperatures are kept at a level that is comfortable and energy efficient.
- A rain harvest system is in place with a special tank built into the facility to collect storm water which is then filtered and used for irrigation of the garden on the grounds of the head office.
- All forklifts used in our warehouses are reconditioned battery forklifts which utilize rechargeable batteries to operate, hence, enabling operators to do more work with less power, delivering sustainability with no emissions of $CO_2$.
- Plants and greeneries adorn the ground floor areas.

At PENSONIC, innovation in technology which integrates environmental considerations into our product design is vital in this changing environment and hence, we have introduced various energy saving appliances such as the table fans, wall fans, stand fans and exhaust fans.

We have in place, Standard Operating Procedures (SOPs) to ensure the best possible measures are taken throughout all our facilities to reduce any adverse environmental impacts arising from the discharge of waste.

All hazardous waste generated from our manufacturing processes are kept at designated areas and reported to the Department of Environment on a monthly basis through the Electronic Scheduled Waste Information System. The waste collected will be disposed by licensed hazardous waste recycling facilities, where the waste is recycled or converted into environmentally-friendly products.

For the financial year under review, we did not receive any fines or sanctions due to non-compliance with environmental legislation across the reporting regulations and requirements.

**SOCIAL**

At PENSONIC, we uphold human rights and respect the rights of each individual. We do not practice forced labour, prohibit discrimination of any form and are promoting a safe and healthy workplace, prohibit child labour, practice adherence to the minimum wage requirements and promote freedom of speech within the organisation.

Local hiring is done via multiple channels, i.e.; Jobstreet, our website, placement of hiring banners, employees' reference programme and participating in various roadshows.

PENSONIC offers internship programs at its Corporate Head Office with attractive monthly allowances and an option for the interns to be converted to become a permanent employee of the company upon the completion of the internship program. During the financial year, PENSONIC recruited a few college/university students as part of their internship program and worked in various departments.

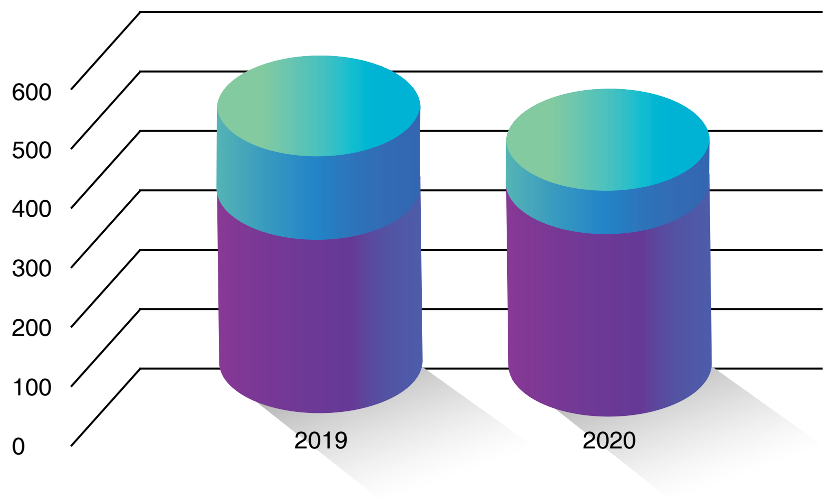
We recognise that it is our people that drive the business forward. We care for our employees and acknowledge that having good employee relations and a motivated workforce are crucial to our success. As such, we support life-long learning and development of our people and we promote opportunities for professional and personal growth. Our yearly training and development programmes are part of our strategy in managing talents and careers.

**SOCIAL** (Cont'd)

Talent development is one of the core aspects of PENSONIC's continued growth and success. Various training and safety awareness events and seminars were provided during the year to enhance and promote the importance of safety as well as to sharpen the skillset of the employees. Among the training programs provided during the year were as follows:

| Topic |
|---|
| Developing A World Class of Quality Culture Mindset |
| Seminar Sales & Services Tax Update, Amendments and SST Treatment 2019 |
| FMM Business Best Practices Seminar - eCommerce in Malaysia: Roadmap, Taxation and Acts |
| Training Forklift |
| Employment Law |
| Corporate Liability Provision-MACC Amendment Act 2019 |
| COVID-19 Mission: Recovery |
| MFRS Updates 2019/2020 Seminar |

Furthermore, we believe in having a diverse workforce in terms of gender, age, ethnicity and cultural background as this provides us with a stronger platform to excel.
Number of full-time employees




At the close of financial year 2020, our number of employees decreased by approximately 5% as compared to 2019. Pensonic is a diverse workforce comprising a mix of local and foreign employees, with majority of the employees in the 30 to 50 age group. Female is 42% of the total employees.

| Employees by Ethnicity | FY2019 | FY2020 |
|---|---|---|
| Malay | 179 | 174 |
| Chinese | 204 | 203 |
| Indian | 60 | 70 |
| Others | 82 | 50 |
| **Total** | **525** | **497** |

**SOCIAL** (Cont'd)

Ensuring the safety of our employees has always been high on our priority list. In the financial year 2020, there were four (4) reported cases without any injuries and one (1) with slight injuries. However, there was no fatality cases reported within this period. To further mitigate accident cases within our operations, we will continue to prioritise safety at the work place by increasing safety awareness initiatives and training including conducting daily spot checks for all potential hazards that can lead to accidents, and increase safety enforcement to all staff and workers in order to prevent accidents. Our safety system and processes are modelled on the internationally recognized OHSAS 18001 standard.

In order to provide our employees with a fair and better working environment, PENSONIC strives to ensure all legal requirements regarding employee benefits are met. For this reporting year, we comply with all related Employment Laws and Regulation.

Among the employee benefits available to our permanent employees are:

- Hospitalisation, surgical as well as personal accident coverage
- Uniform
- Hostel accommodation and transportation via chartered buses
- Long service awards
- Annual/medical/maternity/paternity/compassionate/hospitalisation leave
- EPF/SOCSO/EES/Bonus/Annual increment
- In-house gym facility
- Employees' recreational activities

During the financial year, PENSONIC has sponsored Pensonic products for a Family Fun Day @ Seberang Perai. It is <u>open to all office staff with their families (min/max. 4 pax – 2 adult & 2 children (age below 12 years old)</u> to participate in this **Family Obstacle Relay game**.


The Malaysian government has announced the implementation of the Movement Control Order (MCO) as a measure to control the spread of the COVID-19. At PENSONIC, we have implemented standard operation procedure ("SOP") in compliance with the Ministry of International Trade and Industry ("MITI"), Ministry of Health ("MOH") and Department of Occupational Safety and Health ("DOSH") guidelines. As such, efforts to control the spread of the virus, including physical distancing within our working premises, daily temperature checks, wearing of face masks by employees, hand sanitisers placed throughout the plant, regular disinfection are carried out in our day-to-day lives. With all these measures in place and strict adherence to the COVID-19 prevention SOP, PENSONIC will be able to operate safely and efficiently under the new norm.

# STATEMENT OF PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO BUY-BACK ITS OWN SHARES

## 1.0 INTRODUCTION

At the Extraordinary General Meeting of the Company held on 18 September 2020, the Directors obtained shareholders' approval to undertake the Proposed Share Buy-Back of up to ten per centum (10%) of the total issued shares of Pensonic Holdings Berhad ("PHB" or "the Company") through Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company's authority to undertake the Proposed Share Buy-Back shall, in accordance with Bursa Securities' Guidelines, lapse at the conclusion of the forthcoming AGM unless a new mandate is obtained from the shareholders for the Proposed Share Buy-Back.

Accordingly, on 18 September 2020, the Company made announcement to Bursa Securities that the Company intends to seek approval from the shareholders for a renewal of the Proposed Share Buy-Back.

The purpose of this Statement is to provide you with the details of the Proposed Share Buy-Back and to seek your approval for the ordinary resolution to be tabled at the forthcoming AGM of the Company.

**YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS STATEMENT BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK TO BE TABLED AT THE FORTHCOMING AGM**

## 2.0 DETAILS OF THE PROPOSED SHARE BUY-BACK

### 2.1 Proposed share buy-back

The Company proposes to seek the approval from shareholders of PHB to enable the Company to purchase and/or hold from time to time and at any time up to ten per centum (10%) of the total issued shares of the Company at the point of purchase. In accordance with Section 127 of the Companies Act, 2016 ("Act"), and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase, the Company is allowed to purchase its own Shares on the Bursa Securities through its appointed stockbroker(s) as approved by Bursa Securities.

As at 21 August 2020, issued share capital of PHB is RM67,670,893.00 comprising 129,668,000 shares. Hence, subject to shareholder's approval, a total of up to 12,966,800 PHB Shares may be purchased by the Company. Assuming the Warrants are fully exercised, the number of issued share capital will increase to 194,502,000 shares and accordingly, a maximum of 19,450,200 shares may be purchased by the Company pursuant to the Proposed Share Buy-Back.

The Proposed Share Buy-Back, if approved, will be effective upon the passing of the ordinary resolution at the forthcoming AGM and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time the authority will lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM is required by law to be held; or
(iii) revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting,

whichever occurs first.

### 2.2 Pricing

Pursuant to the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"), the Company may only purchase its own Shares on the Bursa Securities at a price not more than fifteen per centum (15%) above the weighted average market price of the Shares for the five (5) market days immediately preceding the date(s) of purchase(s).

The Company may only resell the Treasury Shares on the Bursa Securities at:

(a) a price which is not less than the weighted average market price of the Shares for the five (5) market days immediately before the resale; or
(b) a discounted price of not more than five per centum (5%) to the weighted average market price of the Shares for the five (5) market days immediately before the resale provided that:
    (i) the resale takes place no earlier than thirty (30) days from the date of purchase; and
    (ii) the resale price is not less than the cost of purchase of the Shares being resold.

**2.0 DETAILS OF THE PROPOSED SHARE BUY-BACK** (Cont'd)

**2.3 Treatment of Shares Purchased**

Pursuant to the provisions of Section 127 of the Act, the Company may either retain the Purchased Shares as Treasury Shares or cancel the Purchased Shares or a combination of both. The Purchased Shares held as Treasury Shares may either be distributed as share dividends, resold on Bursa Securities in accordance with the relevant rules of Bursa Securities, subsequently cancelled or any combination of the three. The distribution of Treasury Shares as share dividends may be applied as a reduction of the retained profits of the Company subject to any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase.

To date, the Company has yet to determine the manner of which the Purchased Shares are to be treated. However, the Board will deal with the Purchased Shares in accordance with Section 127 of the Act and will make an immediate announcement to Bursa Securities regarding the treatment of the Purchased Shares, whether the Shares purchased will be cancelled, retained as Treasury Shares, distributed as dividend to the shareholders and/or resold on Bursa Securities, or to retain part of the Purchased Shares and cancel the remainder or a combination of above, once determined.

**2.4 Ranking**

While the Purchased Shares are held as Treasury Shares, Section 127(9) of the Act states that the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended. The Treasury Shares shall not be taken into account in calculating the number or percentage of PHB Shares or of a class of PHB Shares for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

**3.0 SOURCE OF FUND**

The Proposed Share Buy-Back will be financed through internally generated funds and/or bank borrowings. The maximum amount of funds to be utilised by the Company for the Proposed Share Buy-Back shall not exceed the retained profits of the Company.

The retained profits of the Company, based on the latest audited financial statements of the Company as at 31 May 2020 is RM16,985,825.

In the event that the Company intends to purchase its own shares using bank borrowings, the Board shall ensure that the Company shall have sufficient funds to repay the external borrowings and that the repayment would not have any material effect on the cash flow of PHB and its subsidiaries ("Group"). The Board will ensure that the Company satisfies the solvency test as stated in Section 112(2) of the Act before implementation of the proposed Share Buy-Back.

**4.0 RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

Proposed Share Buy-Back will give the Directors the flexibility to purchase Shares, if and when circumstances permit, with a view to enhance the earnings per share ("EPS") of the Group and net asset per share ("NA") of the Company.

The Proposed Share Buy-Back is not expected to have any potential material disadvantage to the Company and the shareholders and it will be exercised only after due consideration of financial resources of PHB Group and of the resultant impact on its Shareholders. The Board in exercising any decision to buy-back any PHB Shares will be mindful of the interests of the Company and the Shareholders.

**5.0 POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK**

The Proposed Share Buy-Back, if exercised, is expected to potentially benefit the Company and its shareholders as follows:

**5.1 Potential Advantages**

(i) The Company would expect to enhance the EPS of the Group (in the case where the Directors resolve to cancel the Shares so purchased and/or retain the Shares in treasury and the Treasury Shares are not subsequently resold), and thereby long-term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company;

### 5.0 POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK (Cont'd)

#### 5.1 Potential Advantages (Cont'd)

(ii) If the Shares bought back are kept as Treasury Shares, it will give the Directors an option to sell the Shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Shares so purchased can be distributed as share dividends to reward shareholders;
(iii) The Company may be able to stabilise the supply and demand of its Shares in the open market and thereby supporting its fundamental values;
(iv) It allows the Company flexibility in attaining its desired capital structure; and
(v) It will enable the Company to utilise its surplus financial resources which is not immediately required for other usage as an additional option to utilise its financial resources more efficiently.

#### 5.2 Potential Disadvantages

(i) The Proposed Share Buy-Back, if exercised, will reduce the financial resources of the Company and may result in the Company having to forego other alternative investment opportunities which may emerge in the future or, at the least, deprive the Company interest income that can be derived from the funds utilised for the Proposed Share Buy-Back Mandate; and
(ii) The Proposed Share Buy-Back if implemented, may result in a lower amount of cash reserves available for distribution in the form of cash dividends to shareholders. However, the financial resources of the Company may increase upon resale of the Purchased Shares held as Treasury Shares at prices higher than the purchased price.

The Proposed Share Buy-Back is not expected to have any potential material disadvantage to the Company and its shareholders, other than as disclosed above, as it will be exercised only after consideration of the financial resources of the Group and of the resultant impact on its shareholders.

Nevertheless, the Board will be mindful of the interest of the Company and its shareholders in undertaking the Proposed Share Buy-Back and the subsequent resale of Treasury Shares on Bursa Securities.

### 6.0 EFFECTS OF THE PROPOSED SHARE BUY-BACK

Assuming that the Proposed Share Buy-Back is implemented in full by the Company, the effect of the Proposed Share Buy-Back on the issued shares, EPS, NA, working capital and dividends are as set out below:-

#### 6.1 Share Capital

Based on the number of issued shares of PHB and assuming full exercise of the Warrants, the maximum number of shares which can be bought back pursuant to the proposed Share Buy-Back are detailed as below:

| Share Capital | Based on existing share capital No. of shares | Assuming full exercise of the Warrants No. of shares |
|---|---|---|
| Existing as at 21 August 2020 | 129,668,000 | 129,668,000 |
| Add: new shares arising from the exercise of the Warrants | - | 64,834,000 |
| Enlarged share capital | 129,668,000 | 194,502,000 |
| Less: maximum number of Shares that may be purchased | (12,966,800) | (19,450,200) |
| Issued share capital after the Proposed Share Buy-Back | 116,701,200 | 175,051,800 |

However, there should be no effect on the issued shares of PHB if the Shares so purchased are retained as Treasury Shares.

#### 6.2 EPS

The effect of the Proposed Share Buy-Back on the EPS of the Group will depend on the purchase price(s) of the Shares and the actual number of Shares bought back. The reduced issued shares subsequent to the Proposed Share Buy-Back will generally have a positive impact, all else being equal, on the Group's EPS.

## 6.0 EFFECTS OF THE PROPOSED SHARE BUY-BACK (Cont'd)

### 6.3 NA

The effect of the Proposed Share Buy-Back on the NA per share of the Group is dependent on the purchase price(s) of the Shares purchased. If the purchase price is less than the audited NA per share of the Group at the time of purchase, the NA per share will increase. Conversely, if the purchase price exceeds the audited NA per share of the Group at the time of purchase, the NA per share will decrease.

### 6.4 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of Shares purchased, the purchase price of the Shares and any associated costs incurred in making the purchase.

However, if the Purchased Shares kept as Treasury Shares are resold on Bursa Securities, the working capital of the Group would increase if the Company realises a gain from the resale. The quantum of the increase in the working capital will depend on the actual selling price of the Treasury Shares and the number of Treasury Shares resold.

### 6.5 Dividends

The Proposed Share Buy-Back may reduce the amount of distributable reserves available for payment of dividend in the immediate future.

## 7.0 IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS ("CODE")

Pursuant to the Code, a person and any person acting in concert with him, will be obliged under Part II of the Code to make a mandatory offer for the remaining Shares of the Company not already owned by him/them if he and/or persons acting in concert with him hold more than 33% but less than 50% of the voting shares of the Company and has inadvertently increased his/their shareholdings by 2% or more in any six (6) month period.

However, an exemption from a mandatory general offer may be granted by the Securities Commission Malaysia ("SC") under Practice Note 9 of the Code, subject to the substantial shareholder(s) and/or the person(s) acting in concert complying with conditions stipulated in the said practice note, if the obligation is triggered as a result of any action that is outside their direct participation.

Should such circumstances arise and if required, the substantial shareholder(s) and/or the person(s) acting in concert are expected to make an application to the SC for the waiver from implementing a mandatory general offer under the Code, before implementing the Proposed Share Buy-Back.

In the event the proposed waiver is not granted by the SC, the Company will only proceed with Proposed Share Buy-Back to the extent that it will not contravene the limit as provided under the Code.

There is no implication relating to the Code on the Company's shareholders arising from the Proposed Share Buy-Back, in the event the Share Buy-Back is implemented in full.

## 8.0 PUBLIC SHAREHOLDING SPREAD

As at 21 August 2020, the public shareholdings spread of the Company was approximately 50.09%. Assuming the Proposed Share Buy-Back Mandate is implemented in full, and the number of ordinary shares held by the Substantial Shareholders, Directors and persons connected to the Substantial Shareholders and/or Directors remain unchanged, the public shareholdings spread of the Company will decrease.

The Company will only undertake the Proposed Share Buy-Back, provided that the public shareholding spread of at least 25% of the issued shares of PHB (excluding treasury shares) are in the hands of public shareholders. The Board is mindful of the compliance with the public shareholding spread as required by the Listing Requirements and will take into consideration the requirement when making any purchase of PHB Shares pursuant to the Proposed Share Buy-Back Mandate.

## 9.0 INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

The Directors, Major Shareholders and persons connected to the Directors and/or Major Shareholders of PHB Group have no direct or indirect interest in the Proposed Share Buy-Back Mandate and/or the resale of Treasury Shares, if any.

The proforma table below shows the equity interests held directly and indirectly in PHB by the Directors and Substantial shareholders of PHB as at 21 August 2020 before and after the Proposed Share Buy-Back:-

Minimum scenario: assuming none of the Warrants are exercised and 12,966,800 shares are buy-back by PHB.
Maximum scenario: assuming all Warrants in issued are fully exercised and 19,450,200 shares are buy-back by PHB.

| | As at 21 August 2020 No. of shares held | | | | As at 21 August 2020 No. of warrants held | | After minimum scenario No. of shares held | | | | After maximum scenario No. of shares held | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct | % | Indirect | % | Direct | Indirect | Direct | % | Indirect | % | Direct | % | Indirect | % |
| **Directors** | | | | | | | | | | | | | | |
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 9,867,200 | 7.610 | 32,024,924^ | 24.698 | 8,400,000 | 11,089,912* | 9,867,200 | 8.455 | 32,024,924^ | 27.442 | 18,267,200 | 10.435 | 43,114,836^ | 24.630 |
| Chew Chuon Jin, Dixon | 7,898,400 | 6.091 | 16,800# | 0.013 | 5,485,700 | 10,000# | 7,898,400 | 6.768 | 16,800# | 0.014 | 13,384,100 | 7.646 | 26,800# | 0.015 |
| Chew Chuon Ghee, Vincent | 8,704,000 | 6.713 | - | - | 2,002,000 | - | 8,704,000 | 7.458 | - | - | 10,706,000 | 6.116 | - | - |
| Chew Chuon Fang, Nelson | 6,181,000 | 4.767 | - | - | 2,877,000 | - | 6,181,000 | 5.296 | - | - | 9,058,000 | 5.174 | - | - |
| **Major shareholder** | | | | | | | | | | | | | | |
| Chew Weng Khak Realty Sdn Bhd | 25,824,924 | 19.916 | - | - | 10,669,912 | - | 25,824,924 | 22.129 | - | - | 36,494,836 | 20.848 | - | - |
| Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 9,867,200 | 7.610 | 28,024,924* | 21.613 | 8,400,000 | 11,089,912* | 9,867,200 | 8.455 | 28,024,924* | 24.014 | 18,267,200 | 10.435 | 39,114,836* | 22.345 |

# STATEMENT OF PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO BUY-BACK ITS OWN SHARES (Cont'd)

## 9.0 INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED (Cont'd)

| | As at 21 August 2020 No. of shares held | | | | As at 21 August 2020 No. of warrants held | | After minimum scenario No. of shares held | | | | After maximum scenario No. of shares held | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct | % | Indirect | % | Direct | Indirect | Direct | % | Indirect | % | Direct | % | Indirect | % |
| **Person connected to Directors and/or Major shareholders** | | | | | | | | | | | | | | |
| Datin Seri Tan Ah Nya @ Tan Bee Tiang | 2,200,000 | 1.697 | - | - | 420,000 | - | 2,200,000 | 1.885 | - | - | 2,620,000 | 1.497 | - | - |
| Tan Guat See | 16,800 | 0.013 | - | - | 10,000 | - | 16,800 | 0.014 | - | - | 26,800 | 0.015 | - | - |
| Dato' Tan Ah Lee | 365,000 | 0.281 | - | - | 182,000 | - | 365,000 | 0.313 | - | - | 547,000 | 0.312 | - | - |
| Chew Chun Chia, Nick | 2,000,000 | 1.542 | - | - | - | - | 2,000,000 | 1.714 | - | - | 2,000,000 | 1.143 | - | - |
| Chew Pei Gee | 2,000,000 | 1.542 | - | - | - | - | 2,000,000 | 1.714 | - | - | 2,000,000 | 1.143 | - | - |

Note:
By virtue of his interest of more than 20% in the ordinary shares of the Company, Dato' Seri Chew Weng Khak @ Chew Weng Kiak is also deemed to have interest in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.
* These shares are held in the name of spouse and Chew Weng Khak Realty Sdn Bhd.
^These shares are held in the name of spouse, children and Chew Weng Khak Realty Sdn Bhd.
#These shares are held in the name of spouse.

## 10.0 SHARE PRICES

The monthly highest and lowest prices of the Shares traded on the Bursa Securities for the last twelve (12) months from August 2019 to July 2020 are as follows:

| Month | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | July |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Highest Price (RM) | 0.390 | 0.395 | 0.400 | 0.365 | 0.335 | 0.325 | 0.330 | 0.320 | 0.300 | 0.315 | 0.320 | 0.335 |
| Lowest Price (RM) | 0.385 | 0.355 | 0.300 | 0.310 | 0.300 | 0.310 | 0.310 | 0.190 | 0.190 | 0.260 | 0.260 | 0.295 |

*(Source: Bloomberg)*

The last transacted price of PHB Shares on 21 August 2020, being the last practicable date prior to the printing of the Statement was RM0.340.

## 11.0 DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interests of the Group. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back Mandate to be tabled at the forthcoming EGM.

## 12.0 RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and the Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

## 13.0 DISCLAIMER

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

## 14.0 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of PHB at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the time set for convening the EGM:-

(a) Constitution of PHB;

(b) Audited consolidated financial statements of PHB for the past two (2) financial years ended 31 May 2019 and 31 May 2020.

# ADDITIONAL COMPLIANCE INFORMATION

**1. Audit fees and Non-audit Fees**

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 May 2020 ("FY2020") were as follows:

| | Group (RM) | Company (RM) |
|---|---|---|
| Audit fees | 255,173 | 36,000 |
| Non-audit fees | 45,000 | 5,000 |
| Total | 300,173 | 41,000 |

**2. Material Contracts**

There were no material contracts with the Company and its subsidiaries involving Directors' and major shareholders' interest during the financial year ended 31 May 2020.

**3. Status of Utilisation of Proceeds Raised from any Proposal**

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 May 2020.

**4. Recurrent Related Party Transactions ("RPT") for FY2020**

The aggregate value of RRPT conducted pursuant to the shareholders' mandate during FY2020 ae as follows:

| Related Party | Company within the Group involved | Nature of Transactions | Amount (RM) | Related Parties |
|---|---|---|---|---|
| PW Jit Seng Plastic Material Sdn Bhd ("PW Jit Seng") | PHB Group | Purchase of raw materials | 1,079,658 | Chew Weng Khak Realty Sdn Bhd ("CWKR") is a major shareholder of PHB and PW Jit Seng.<br>Dato' Seri Chew Weng Khak @ Chew Weng Kiak ("Dato' Seri Chew") is a Director and major shareholder of PHB and PW Jit Seng via CWKR.<br>Chew Chuon Jin, Dixon ("Dixon Chew") a Director and shareholder of PHB, is also a Director of PW Jit Seng.<br>Chew Chuon Ghee, Vincent ("Vincent Chew") and Chew Chuon Fang, Nelson ("Nelson Chew") are Directors and shareholders of PHB. Both are also a Directors of CWKR.<br>Dixon Chew, Vincent Chew and Nelson Chew are brothers and they are sons of Dato' Seri Chew. |
| Syarikat Perkapalan Soo Hup Seng Sdn Bhd ("Soo Hup Seng") | PHB Group | Shipping services | 136,554 | Dato' Tahir Jalaluddin Bin Hussain ("Dato Tahir") is a Director of PHB and Soo Hup Seng.<br>Dato' Tan Ah Lee is a Director of Soo Hup Seng and is the brother in law of Dato' Seri Chew. |

**4. Recurrent Related Party Transactions ("RPT") for FY2020** (Cont'd)

The aggregate value of RRPT conducted pursuant to the shareholders' mandate during FY2020 ae as follows: (Cont'd)

| Related Party | Company within the Group involved | Nature of Transactions | Amount (RM) | Related Parties |
|---|---|---|---|---|
| PT Pensonic Appliances Indonesia ("PTPAI") | PHB Group | Sale of electrical appliances | 1,073,639 | PHB is the holding company of PTPAI. The remaining 49%, in PTPAI is held by Chew Chun Chia, Nick ("Nick Chew") (16%) and Alex Tumondo Tan (33%).<br>Nick Chew, the Director and shareholder of PTPAI, is a son of Dato' Seri Chew.<br>Dato' Seri Chew, a Director and major shareholder of PHB, is also a Director of PTPAI. Dixon Chew, Vincent Chew and Nelson Chew are Directors and shareholders of PHB. Dixon Chew is also a Director of PTPAI.<br>Dixon Chew, Vincent Chew, Nelson Chew and Nick Chew are brothers and they are sons of Dato' Seri Chew. |

# FINANCIAL STATEMENTS CONTENTS

# DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2020.

**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.

**Subsidiaries**

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

**Results**

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to : | | |
| Owners of the Company | 2,881,708 | 9,016,368 |
| Non-controlling interests | (319,855) | - |
| | 2,561,853 | 9,016,368 |

**Reserves and provisions**

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

**Dividend**

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

**Directors of the Company**

Directors who served during the financial year until the date of this report are :

Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak
Chew Chuon Jin
Chew Chuon Ghee
Y. Bhg. Dato' Lela Pahlawan Dato' Paduka
Ku Nahar Bin Ku Ibrahim
Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain
Ong Huey Min
Chew Chuon Fang

### Directors of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries during the financial year until the date of this report are :

Alex Tumondo Tan
Chew Chun Jia
Koh Wan Tiong
Lee Chin Chuan
Dato' HJ Kamarudin Bin Ismail
Nor Azmin Bin Che Pin @ Ariffin
Dato' Tan Ah Lee

### Directors' interests in shares

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 financial 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 | | | |
|---|---|---|---|---|
| | Balance at 1.6.2019 | Bought | (Sold) | Balance at 31.5.2020 |
| **Interests in the Company :** | | | | |
| Direct interests : | | | | |
| Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak | | | | |
| - own | 7,100,000 | 2,717,800 | - | **9,817,800** |
| - others* | 6,200,000 | - | - | **6,200,000** |
| Chew Chuon Jin | | | | |
| - own | 7,898,400 | - | - | **7,898,400** |
| - others* | 16,800 | - | - | **16,800** |
| Chew Chuon Ghee | 8,704,000 | - | - | **8,704,000** |
| Chew Chuon Fang | 6,181,000 | - | - | **6,181,000** |
| Deemed interests : | | | | |
| Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 21,463,724 | 3,639,300 | - | **25,103,024** |

**Directors' interests in shares** (Cont'd)

| | Number of warrants 2014/2024 | | | |
|---|---|---|---|---|
| | Balance at 1.6.2019 | Bought | (Sold) | Balance at 31.5.2020 |
| Direct interests : | | | | |
| Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak | | | | |
| - own | 8,400,000 | - | - | **8,400,000** |
| - others* | 420,000 | - | - | **420,000** |
| Chew Chuon Jin | | | | |
| - own | 5,485,700 | - | - | **5,485,700** |
| - others* | 10,000 | - | - | **10,000** |
| Chew Chuon Ghee | 2,002,000 | - | - | **2,002,000** |
| Chew Chuon Fang | 2,877,000 | - | - | **2,877,000** |
| Deemed interests : | | | | |
| Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak | 10,663,912 | 6,000 | - | **10,669,912** |

* These are shares and warrants held by the spouse/children pursuant to Section 59(11)(c) of the Companies Act 2016.

By virtue of his interests in the shares of the Company, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak is also deemed to be interested in the shares of the subsidiaries during the financial year to the extent the Company has an interest.

None of the other Directors holding office at 31 May 2020 had any interest in the ordinary shares or warrants of the Company and of its related corporations during the financial year.

**Warrants**

As at the end of the financial year, the Company has the following outstanding warrants :

| Warrants | Exercise price per ordinary share | Expiry date | Number of warrants outstanding at 31.5.2020 |
|---|---|---|---|
| Warrants 2014/2024 | RM0.60 | 20.01.2024 | 64,834,000 |

The warrants 2014/2024 were constituted under the Deed Poll dated 18 November 2013. The salient terms of the warrants are disclosed in Note 13.2 to the financial statements.

### 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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and of 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 certain related corporations with companies in which certain Directors have a substantial financial interest as disclosed in Note 22 to the financial statements.

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

### Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and no debentures were issued 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.

### Indemnity and insurance costs

During the financial year, the total cost of insurance effected for Directors and officers of the Group and of the Company was RM5,000 for a total sum insured of RM2,000,000. There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

### Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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

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 gain on disposal of property, plant and equipment as disclosed in Note 18, the financial performance of the Group and of the Company for the financial year ended 31 May 2020 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 events during the financial year**

Details of the significant events are disclosed in Note 28 to the financial statements.

**Subsequent events**

Details of the subsequent events are disclosed in Note 29 to the financial statements.

**Auditors**

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

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

…………………………………………..………

**Y. Bhg. Dato' Seri Chew Weng Khak**
**@ Chew Weng Kiak**
Director

…………………………………………..………

**Chew Chuon Ghee**
Director

Penang,

Date : 18 September 2020

# STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2020

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | **125,512,828** | 113,276,848 | **45,584,266** | 46,848,888 |
| Intangible assets | 4 | **870,000** | 870,000 | **-** | - |
| Investments in subsidiaries | 5 | **-** | - | **45,370,697** | 42,750,697 |
| Investments in associates | 6 | **550,733** | 539,365 | **146,825** | 146,825 |
| Deferred tax assets | 7 | **476,765** | 532,553 | **-** | - |
| **Total non-current assets** | | **127,410,326** | 115,218,766 | **91,101,788** | 89,746,410 |
| Inventories | 8 | **44,595,617** | 70,555,812 | **-** | - |
| Trade and other receivables | 9 | **58,924,823** | 67,101,418 | **3,163,633** | 2,151,736 |
| Current tax assets | | **738,780** | 306,585 | **-** | - |
| Fixed deposits | 10 | **512,749** | 497,519 | **-** | - |
| Cash and bank balances | | **26,146,062** | 21,885,561 | **37,126** | 158,009 |
| | | **130,918,031** | 160,346,895 | **3,200,759** | 2,309,745 |
| Assets classified as held for sale | 11 | **-** | 203,682 | **-** | - |
| **Total current assets** | | **130,918,031** | 160,550,577 | **3,200,759** | 2,309,745 |
| **Total assets** | | **258,328,357** | 275,769,343 | **94,302,547** | 92,056,155 |
| **Equity** | | | | | |
| Share capital | 12 | **67,670,893** | 67,670,893 | **67,670,893** | 67,670,893 |
| Reserves | 13 | **49,149,580** | 45,629,640 | **23,469,225** | 14,452,857 |
| **Total equity attributable to owners of the Company** | | **116,820,473** | 113,300,533 | **91,140,118** | 82,123,750 |
| Non-controlling interests | 5 | **1,751,117** | 2,272,987 | **-** | - |
| **Total equity** | | **118,571,590** | 115,573,520 | **91,140,118** | 82,123,750 |
| **Liabilities** | | | | | |
| Loans and borrowings | 14 | **40,329,161** | 23,553,534 | **-** | - |
| Lease liabilities | | **780,234** | - | **-** | - |
| Deferred tax liabilities | 7 | **220,000** | 358,000 | **42,000** | 42,000 |
| **Total non-current liabilities** | | **41,329,395** | 23,911,534 | **42,000** | 42,000 |
| Trade and other payables | 15 | **39,728,097** | 42,201,074 | **3,115,429** | 9,855,405 |
| Loans and borrowings | 14 | **51,884,920** | 88,212,865 | **-** | - |
| Lease liabilities | | **837,437** | - | **-** | - |
| Current tax liabilities | | **5,976,918** | 5,870,350 | **5,000** | 35,000 |
| **Total current liabilities** | | **98,427,372** | 136,284,289 | **3,120,429** | 9,890,405 |
| **Total liabilities** | | **139,756,767** | 160,195,823 | **3,162,429** | 9,932,405 |
| **Total equity and liabilities** | | **258,328,357** | 275,769,343 | **94,302,547** | 92,056,15 |

The notes on pages 66 to 130 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2020

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| Revenue | 16 | **280,070,653** | 324,369,079 | **10,700,000** | 1,500,000 |
| Cost of sales | | **(233,677,068)** | (265,202,941) | **-** | - |
| **Gross profit** | | **46,393,585** | 59,166,138 | **10,700,000** | 1,500,000 |
| Other income | | **12,111,675** | 2,248,099 | **1,088,194** | 1,519,154 |
| Selling and distribution expenses | | **(21,202,400)** | (25,515,272) | **-** | - |
| Administrative expenses | | **(29,987,316)** | (29,737,337) | **(2,700,720)** | (2,629,818) |
| **Results from operating activities** | | **7,315,544** | 6,161,628 | **9,087,474** | 389,336 |
| Finance costs | 17 | **(4,224,135)** | (4,365,697) | **-** | (66,305) |
| Share of results of associates | | **11,368** | 9,304 | **-** | - |
| **Profit before tax** | 18 | **3,102,777** | 1,805,235 | **9,087,474** | 323,031 |
| Tax expense | 19 | **(540,924)** | (1,377,982) | **(71,106)** | (172,460) |
| **Profit for the year** | | **2,561,853** | 427,253 | **9,016,368** | 150,571 |
| **Other comprehensive income, net of tax :** | | | | | |
| **Item that is or may be reclassified subsequently to profit or loss** | | | | | |
| Foreign exchange translation differences for foreign operations | | **467,847** | 369,831 | **-** | - |
| **Total comprehensive income for the year** | | **3,029,700** | 797,084 | **9,016,368** | 150,571 |
| **Profit attributable to :** | | | | | |
| Owners of the Company | | **2,881,708** | 560,260 | **9,016,368** | 150,571 |
| Non-controlling interests | | **(319,855)** | (133,007) | **-** | - |
| | | **2,561,853** | 427,253 | **9,016,368** | 150,571 |

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

FOR THE YEAR ENDED 31 MAY 2020

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Total comprehensive income attributable to :** | | | | | |
| Owners of the Company | | **3,519,940** | 930,091 | **9,016,368** | 150,571 |
| Non-controlling interests | | **(490,240)** | (133,007) | **-** | - |
| | | **3,029,700** | 797,084 | **9,016,368** | 150,571 |
| Basic/Diluted earnings per ordinary share(sen) | 21 | **2.22** | 0.43 | | |

The notes on pages 66 to 130 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | Distributable | | | |
| | Share capital RM | Foreign currency translation reserve RM | Warrants reserve RM | Capital reserve RM | Other reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| **Group** | | | | | | | | | |
| **At 1 June 2018** | 67,670,893 | (283,614) | 6,483,400 | 4,487,540 | (638,792) | 34,651,015 | 112,370,442 | 2,168,412 | 114,538,854 |
| Profit for the year | - | - | - | - | - | 560,260 | 560,260 | (133,007) | 427,253 |
| Other comprehensive income for the year | | | | | | | | | |
| - Foreign exchange translation differences for foreign operations | - | 369,831 | - | - | - | - | 369,831 | - | 369,831 |
| **Total comprehensive income/(expense) for the year** | - | 369,831 | - | - | - | 560,260 | 930,091 | (133,007) | 797,084 |
| **Transactions with owners of the Company :** | | | | | | | | | |
| Subscription of a subsidiary's shares by non-controlling interests | - | - | - | - | - | - | - | 321,582 | 321,582 |
| Capital distribution by a subsidiary | - | - | - | - | - | - | - | (84,000) | (84,000) |
| **Total transactions with owners of the Company** | - | - | - | - | - | - | - | 237,582 | 237,582 |
| **At 31 May 2019** | 67,670,893 | 86,217 | 6,483,400 | 4,487,540 | (638,792) | 35,211,275 | 113,300,533 | 2,272,987 | 115,573,520 |
| | Note 12 | Note 13 | | | | | | | |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE YEAR ENDED 31 MAY 2020

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | Distributable | | | |
| | Share capital RM | Foreign currency translation reserve RM | Warrants reserve RM | Capital reserve RM | Other reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| **Group** | | | | | | | | | |
| **At 1 June 2019** | 67,670,893 | 86,217 | 6,483,400 | 4,487,540 | (638,792) | 35,211,275 | 113,300,533 | 2,272,987 | 115,573,520 |
| Profit for the year | - | - | - | - | - | 2,881,708 | 2,881,708 | (319,855) | 2,561,853 |
| Other comprehensive income for the year | | | | | | | | | |
| - Foreign exchange translation differences for foreign operations | - | 638,232 | - | - | - | - | 638,232 | (170,385) | 467,847 |
| **Total comprehensive income/(expense) for the year** | - | 638,232 | - | - | - | 2,881,708 | 3,519,940 | (490,240) | 3,029,700 |
| **Transactions with owners of the Company :** | | | | | | | | | |
| Capital distribution by a subsidiary | - | - | - | - | - | - | - | (31,630) | (31,630) |
| **At 31 May 2020** | **67,670,893** | **724,449** | **6,483,400** | **4,487,540** | **(638,792)** | **38,092,983** | **116,820,473** | **1,751,117** | **118,571,590** |
| | Note 12 | Note 13 | | | | | | | |

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2020

| | | *Non-distributable* | *Distributable* | |
|---|---|---|---|---|
| | Share capital RM | Warrants reserve RM | Retained earnings RM | Total equity RM |
| **Company** | | | | |
| **At 1 June 2018** | 67,670,893 | 6,483,400 | 7,818,886 | 81,973,179 |
| Profit and total comprehensive income for the year | - | - | 150,571 | 150,571 |
| **At 31 May 2019/1 June 2019** | 67,670,893 | 6,483,400 | 7,969,457 | 82,123,750 |
| Profit and total comprehensive income for the year | - | - | 9,016,368 | 9,016,368 |
| **At 31 May 2020** | **67,670,893** | **6,483,400** | **16,985,825** | **91,140,118** |
| | Note 12 | \|---------------- Note 13 | -----------------\| | |

The notes on pages 66 to 130 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | **3,102,777** | 1,805,235 | **9,087,474** | 323,031 |
| Adjustments for : | | | | | |
| Depreciation of property, plant and equipment | 3 | **7,178,702** | 6,386,066 | **1,283,955** | 1,282,505 |
| Impairment loss of intangible assets | 4 | **-** | 194,386 | **-** | - |
| Dividend income from subsidiaries | 16 | **-** | - | **(10,700,000)** | (1,500,000) |
| Interest expense | | **4,084,866** | 4,365,697 | **-** | 66,305 |
| Accretion of interest on lease liabilities | 17 | **139,269** | - | **-** | - |
| Gain on disposal of property, plant and equipment and right-of-use assets | 18 | **(9,431,321)** | (220,273) | **-** | - |
| Gain on disposal of asset classified as held for sales | 18 | **(436,318)** | - | **-** | - |
| Property, plant and equipment written off | 18 | **47,657** | 151,791 | **-** | - |
| Interest income | 18 | **(86,128)** | (112,820) | **(35,870)** | (52,878) |
| Share of results of associates | | **(11,368)** | (9,304) | **-** | - |
| Operating profit/(loss) before working capital changes | | **4,588,136** | 12,560,778 | **(364,441)** | 118,963 |

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| Changes in working capital : | | | | | |
| Inventories | | **25,996,337** | 12,560,688 | **-** | - |
| Trade and other receivables | | **9,066,167** | (7,311,653) | **998,784** | 2,220,435 |
| Trade and other payables | | **(3,023,031)** | (9,526,915) | **(2,750,657)** | (970,953) |
| **Cash generated from/(used in) operations** | | **36,627,609** | 8,282,898 | **(2,116,314)** | 1,368,445 |
| Tax paid | | **(948,763)** | (2,158,648) | **(101,106)** | (98,315) |
| **Net cash from/(used in) operating activities** | | **35,678,846** | 6,124,250 | **(2,217,420)** | 1,270,130 |
| **Cash flows from investing activities** | | | | | |
| Proceeds from disposal of property, plant and equipment and right-of-use assets | | **18,151,487** | 488,379 | **-** | - |
| Proceeds from disposal of assets classified as held for sale | | **640,000** | - | **-** | - |
| Purchase of property, plant and equipment | 3.1 | **(24,377,586)** | (11,910,120) | **(19,333)** | - |
| Interest received | | **86,128** | 112,820 | **35,870** | 52,878 |
| Dividends received | C | **-** | - | **4,700,000** | 1,500,000 |
| Investments in subsidiaries | | **-** | - | **(2,620,000)** | (762,572) |
| **Net cash (used in)/from investing activities** | | **(5,499,971)** | (11,308,921) | **2,096,537** | 790,306 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Cash flows from financing activities** | | | | | |
| (Repayment)/Drawdown of : | | | | | |
| - bankers' acceptances | 14.1 | **(18,352,399)** | (13,555,458) | **-** | - |
| - revolving credit | 14.1 | **(6,190,000)** | 8,100,000 | **-** | - |
| - hire purchase creditors | 14.1 | **(187,864)** | - | **-** | - |
| - finance lease liabilities | | **-** | (608,966) | **-** | - |
| - term loans | 14.1 | **932,142** | 16,338,458 | **-** | (2,099,743) |
| - lease liabilities | 14.1 | **(856,643)** | - | **-** | - |
| Withdrawal of fixed deposits | | **(15,230)** | 570,505 | **-** | - |
| Subscription of shares by non-controlling interests | | **-** | 321,582 | **-** | - |
| Capital distribution by a subsidiary | | **(31,630)** | (84,000) | **-** | - |
| Interest paid | 17 | **(5,097,683)** | (5,316,458) | **-** | (66,305) |
| **Net cash (used in)/from financing activities** | | **(29,799,307)** | 5,765,663 | **-** | (2,166,048) |
| **Net increase/(decrease) in cash and cash equivalents** | | **379,568** | 580,992 | **(120,883)** | (105,612) |
| Effects of exchange differences on cash and cash equivalents | | **91,640** | 99,414 | **-** | - |
| Cash and cash equivalents at 1 June | | **20,266,460** | 19,586,054 | **158,009** | 263,621 |
| **Cash and cash equivalents at 31 May** | A | **20,737,668** | 20,266,460 | **37,126** | 158,009 |

*Notes :*

A. Cash and cash equivalents

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Cash and bank balances | **26,146,062** | 21,885,561 | **37,126** | 158,009 |
| Bank overdrafts | **(5,408,394)** | (1,619,101) | **-** | - |
| | **20,737,668** | 20,266,460 | **37,126** | 158,009 |

B. Cash outflows for leases as a lessee

| | | Group | |
|---|---|---|---|
| | Note | 2020 RM | 2019 RM |
| **Included in net cash from operating activities :** | | | |
| Payment relating to : | | | |
| - short-term leases | 18 | **534,317** | - |
| - leases of low-value assets | 18 | **45,041** | - |
| **Included in net cash from financing activities :** | | | |
| Payment of lease liabilities | 14.1 | **856,643** | - |
| Interest paid in relation to lease liabilities | 17 | **139,269** | - |
| | | **1,575,270** | - |

C. Dividends received

During the financial year, the Company received dividends by way of the following :

| | Company | |
|---|---|---|
| | 2020 RM | 2019 RM |
| Cash payment | **4,700,000** | 1,500,000 |
| Set-off against amount due to a subsidiary | **3,989,319** | - |
| | **8,689,319** | 1,500,000 |

The notes on pages 66 to 130 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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

**Principal place of business**

1165, Lorong Perindustrian Bukit Minyak 16
Taman Perindustrian Bukit Minyak
14100 Simpang Ampat
Penang

**Registered office**

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang

The consolidated financial statements of the Company as at and for the financial year ended 31 May 2020 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "Group entities") and the Group's interests 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.

These financial statements were authorised for issue by the Board of Directors on 18 September 2020.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

***MFRSs and amendments effective for annual periods beginning on or after 1 January 2020***
- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

***MFRSs and amendments effective for annual periods beginning on or after 1 June 2020***
- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

***MFRSs and amendments effective for annual periods beginning on or after 1 January 2022***
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

1. **BASIS OF PREPARATION** (Cont'd)

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

***MFRSs and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

***MFRSs and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards and amendments, where applicable in the respective financial years when the abovementioned accounting standards and amendments become effective.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the accounting standards or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis other than 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 financial information is presented in RM, unless otherwise stated.

(d) **Use of estimates and judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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 3.4.1 - Extension options and incremental borrowing rate in relation to leases
- Note 8 - Inventories
- Note 19 - Tax expense
- Note 24.4 - Financial instruments (credit risk of 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, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those adopted in previous financial statements. This impacts arising from the changes are disclosed in Note 31 to the financial statements.

### (a) Basis of consolidation

#### *(i) Subsidiaries*

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

#### *(ii) Business combinations*

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

#### *(iii) Acquisitions of non-controlling interests*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

#### *(iv) Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### *(v) Associates*

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

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. 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 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 associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

#### *(vi) Non-controlling interests*

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

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

***(vii) Transactions eliminated on consolidation***

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

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

(b) **Foreign currency**

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

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

Monetary assets and liabilities denominated in foreign currencies at the end of 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.

***(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") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control or significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(c) Financial instruments**

***(i) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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 the policy applicable to the nature of the host contract.

***(ii) Financial instrument categories and subsequent measurement***

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

***Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(g)(i)) where the effective interest rate is applied to the amortised cost.

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

***Financial liabilities***

***Amortised cost***

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

(c) **Financial instruments** (Cont'd)

***(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 guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of :

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

***(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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the 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, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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 the profit or loss.

***(v) Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) **Property, plant and equipment**

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(d) Property, plant and equipment** (Cont'd)

***(ii) Subsequent costs***

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Capital-work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows :

| | Years |
|---|---|
| Buildings | 50 |
| Computers | 2 - 10 |
| Renovation and electrical installation | 8 - 10 |
| Plant and machinery | 8 - 10 |
| Furniture, fittings and office equipment | 3 - 20 |
| Motor vehicles | 5 - 10 |
| Signboards and showcases | 10 |

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

**(e) Leases**

The Group and the Company have applied MFRS 16, *Leases* using the modified retrospective approach, under which the cumulative effect of initial application, if any is recognised as an adjustment to retained earnings at 1 June 2019. Accordingly, the comparative information presented for financial year ended 31 May 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

***Current financial year***

***(i) Definition of a lease***

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether :

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(e) Leases** (Cont'd)

***Current financial year*** *(Cont'd)*

***(i) Definition of a lease*** *(Cont'd)*

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

***(ii) Recognition and initial measurement***

***(a) As a lessee***

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following :

- fixed payments, including in-substance fixed payments less any incentives receivable; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(e) Leases** (Cont'd)

***Current financial year*** *(Cont'd)*

***(ii) Recognition and initial measurement*** *(Cont'd)*

***(b) As a lessor***

When the Group and the Company acts as a lessor, they determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group and the Company are an intermediate lessor, they account for their interests in the head lease and the sublease separately. They assess the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company apply the exemption described above, then it classifies the sublease as an operating lease.

***(iii) Subsequent measurement***

***(a) As a lessee***

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

***(b) As a lessor***

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue" or "other income".

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(e) Leases** (Cont'd)

***(iii) Subsequent measurement*** *(Cont'd)*

***Previous financial year***

***As a lessee***

***(i) Finance lease***

Leases in terms of which the Group and the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

***(ii) Operating lease***

Leases, where the Group and the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

**(f) Intangible assets**

***(i) Goodwill***

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

***(ii) Trademark***

Trademark with indefinite useful life is measured at cost less any accumulated impairment losses.

***(iii) Research and development***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(f) Intangible assets** (Cont'd)

***(iii) Research and development*** *(Cont'd)*

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

***(iv) Amortisation***

Goodwill and trademark with indefinite useful life are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

**(g) Impairment**

***(i) Financial assets***

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(g) Impairment** (Cont'd)

***(ii) Other assets***

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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.

**(i) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(j) 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.

**(k) Equity instruments**

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

***(i) Issue expenses***

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

***(ii) Ordinary shares***

Ordinary shares are classified as equity.

**(l) Revenue and other income**

***(i) Revenue from contracts with customers***

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of goods or services at a point in time unless one of the following over time criteria is met :

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

***(ii) Dividend income***

Dividend income is recognised in profit or loss on the date that 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. Rental income from subleased property is recognised as other income.

***(iv) Interest income***

Interest income is recognised as it accrues using the effective interest method in profit or loss.

***(v) Government grants***

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis.

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

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(m) 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 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.

**(n) Income tax**

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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 tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities 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.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

**(o) 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.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(o) Employee benefits** (Cont'd)

***(ii) State plans***

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

***(iii) Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

**(p) Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants granted to shareholders.

**(q) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case are the Group's Chief Executive Officer and Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**(r) 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 not recognised in the statements of financial position and 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.

**(s) Fair value measurements**

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(s) Fair value measurements** (Cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**(t) Non-current asset held for sale**

Non-current assets, or disposal group 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 costs of disposal.

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

## 3. PROPERTY, PLANT AND EQUIPMENT

| | <- Right-of-use assets -> | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold land RM | Buildings RM | Land RM | Buildings RM | Computers RM | Renovation and electrical installation RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Signboards and showcases RM | Capital work-in-progress RM | Total RM |
| **Group** | | | | | | | | | | | | |
| **Cost** | | | | | | | | | | | | |
| At 1 June 2018 | - | - | 36,716,892 | 64,186,405 | 4,975,903 | 8,687,004 | 27,888,451 | 6,778,552 | 5,293,347 | 1,469,782 | - | 155,996,336 |
| Additions | - | - | 950,761 | - | 496,587 | 74,583 | 636,636 | 83,250 | 624,189 | 5,320 | 10,684,906 | 13,556,232 |
| Disposals | - | - | - | (141,000) | (5,832) | - | (2,719,480) | - | (92,879) | - | - | (2,959,191) |
| Write-off | - | - | - | - | (54,286) | (125,410) | (57,956) | (299,715) | (3,200) | (77,190) | - | (617,757) |
| Government grant received | - | - | - | - | (27,122) | (218,714) | (37,717) | (13,658) | - | - | - | (297,211) |
| Transfer to assets classified as held for sale (Note 11) | - | - | - | (351,680) | - | - | - | - | - | - | - | (351,680) |
| Exchange difference | - | - | - | - | 5,780 | 902 | - | 8,667 | - | - | - | 15,349 |
| At 31 May 2019, as previously reported | - | - | 37,667,653 | 63,693,725 | 5,391,030 | 8,418,365 | 25,709,934 | 6,557,096 | 5,821,457 | 1,397,912 | 10,684,906 | 165,342,078 |
| Reclassification | - | - | 3,419,390 | (3,835,042) | - | 415,652 | - | - | - | - | - | - |
| Adjustment on initial application of MFRS 16 | 20,575,920 | 2,346,993 | (20,575,920) | - | - | - | - | - | - | - | - | 2,346,993 |
| At 1 June 2019, as restated | 20,575,920 | 2,346,993 | 20,511,123 | 59,858,683 | 5,391,030 | 8,834,017 | 25,709,934 | 6,557,096 | 5,821,457 | 1,397,912 | 10,684,906 | 167,689,071 |
| Additions | - | 110,781 | - | 5,839,124 | 339,334 | 239,041 | 349,132 | 1,893,430 | 696,274 | - | 16,351,309 | 25,818,425 |
| Disposals | (7,720,242) | - | - | (4,247,836) | (223,739) | (2,276,684) | (5,140,676) | (724,591) | (77,526) | (159,055) | - | (20,570,349) |
| Write-off | - | - | - | - | - | (54,088) | (46,785) | (6,800) | (21,128) | - | - | (128,801) |
| Exchange difference | - | 19,212 | - | - | 1,150 | 740 | - | 4,833 | (129) | - | - | 25,806 |
| Reclassification | - | - | 574,237 | 26,461,978 | - | - | - | - | - | - | (27,036,215) | - |
| At 31 May 2020 | **12,855,678** | **2,476,986** | **21,085,360** | **87,911,949** | **5,507,775** | **6,743,026** | **20,871,605** | **7,723,968** | **6,418,948** | **1,238,857** | **-** | **172,834,152** |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| | <- Right-of-use assets -> | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold land RM | Buildings RM | Land RM | Buildings RM | Computers RM | Renovation and electrical installation RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Signboards and showcases RM | Capital work-in-progress RM | Total RM |
| **Group** | | | | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | | | | |
| At 1 June 2018 | - | - | 3,935,463 | 9,125,540 | 3,989,637 | 6,428,878 | 17,986,266 | 3,868,122 | 3,157,236 | 590,645 | - | 49,081,787 |
| Depreciation for the year | - | - | 295,188 | 1,237,627 | 369,028 | 517,809 | 2,507,108 | 516,805 | 800,463 | 142,038 | - | 6,386,066 |
| Disposals | - | - | - | (71,675) | (1,797) | - | (2,524,737) | - | (92,876) | - | - | (2,691,085) |
| Write-off | - | - | - | - | (54,285) | (100,289) | (53,942) | (240,724) | (3,199) | (13,527) | - | (465,966) |
| Government grant received | - | - | - | - | (18,986) | (76,822) | (7,530) | (5,122) | - | - | - | (108,460) |
| Transfer to assets classified as held for sale (Note 11) | - | - | - | (147,998) | - | - | - | - | - | - | - | (147,998) |
| Exchange difference | - | - | - | - | 5,017 | 225 | - | 5,644 | - | - | - | 10,886 |
| At 31 May 2019, as previously reported | - | - | 4,230,651 | 10,143,494 | 4,288,614 | 6,769,801 | 17,907,165 | 4,144,725 | 3,861,624 | 719,156 | - | 52,065,230 |
| Reclassification | - | - | 765,535 | (765,535) | - | - | - | - | - | - | - | - |
| Adjustment on initial application of MFRS 16 | 4,996,186 | - | (4,996,186) | - | - | - | - | - | - | - | - | - |
| At 1 June 2019, as restated | 4,996,186 | - | - | 9,377,959 | 4,288,614 | 6,769,801 | 17,907,165 | 4,144,725 | 3,861,624 | 719,156 | - | 52,065,230 |
| Depreciation for the year | 247,928 | 913,608 | - | 1,322,339 | 417,283 | 404,856 | 2,255,241 | 642,262 | 836,982 | 138,203 | - | 7,178,702 |
| Disposals | (2,260,673) | - | - | (1,746,513) | (218,753) | (1,666,034) | (5,118,780) | (665,627) | (77,524) | (96,279) | - | (11,850,183) |
| Write-off | - | - | - | - | - | (11,977) | (46,781) | (1,267) | (21,119) | - | - | (81,144) |
| Exchange difference | - | 3,036 | - | - | 910 | (61) | - | 4,847 | (13) | - | - | 8,719 |
| At 31 May 2020 | **2,983,441** | **916,644** | **-** | **8,953,785** | **4,488,054** | **5,496,585** | **14,996,845** | **4,124,940** | **4,599,950** | **761,080** | **-** | **47,321,324** |

## 3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| | <- Right-of-use assets -> | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold land RM | Buildings RM | Land RM | Buildings RM | Computers RM | Renovation and electrical installation RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Signboards and showcases RM | Capital work-in-progress RM | Total RM |
| **Group** | | | | | | | | | | | | |
| **Carrying amounts** | | | | | | | | | | | | |
| At 1 June 2018 | - | - | 32,781,429 | 55,060,865 | 986,266 | 2,258,126 | 9,902,185 | 2,910,430 | 2,136,111 | 879,137 | - | 106,914,549 |
| At 31 May 2019 | - | - | 33,437,002 | 53,550,231 | 1,102,416 | 1,648,564 | 7,802,769 | 2,412,371 | 1,959,833 | 678,756 | 10,684,906 | 113,276,848 |
| At 31 May 2020 | **9,872,237** | **1,560,342** | **21,085,360** | **78,958,164** | **1,019,721** | **1,246,441** | **5,874,760** | **3,599,028** | **1,818,998** | **477,777** | **-** | **125,512,828** |

3. **PROPERTY, PLANT AND EQUIPMENT** (Cont'd)

| | Right-of-use assets RM | Leasehold land RM | Buildings RM | Furniture, fittings and office equipment RM | Computers RM | Total RM |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **Cost** | | | | | | |
| At 1 June 2018/31 May 2019, as previously reported | - | 6,300,899 | 43,244,831 | 2,735,716 | 92,569 | 52,374,015 |
| Adjustment on initial application of MFRS 16 | 6,300,899 | (6,300,899) | - | - | - | - |
| At 1 June 2019, as restated | 6,300,899 | - | 43,244,831 | 2,735,716 | 92,569 | 52,374,015 |
| Additions | - | - | - | 19,333 | - | 19,333 |
| At 31 May 2020 | **6,300,899** | **-** | **43,244,831** | **2,755,049** | **92,569** | **52,393,348** |
| **Accumulated depreciation** | | | | | | |
| At 1 June 2018 | - | 808,674 | 2,594,689 | 811,488 | 27,771 | 4,242,622 |
| Depreciation for the year | - | 134,779 | 864,896 | 273,573 | 9,257 | 1,282,505 |
| At 31 May 2019, as previously reported | - | 943,453 | 3,459,585 | 1,085,061 | 37,028 | 5,525,127 |
| Adjustment on initial application of MFRS 16 | 943,453 | (943,453) | - | - | - | - |
| At 1 June 2019, as restated | 943,453 | - | 3,459,585 | 1,085,061 | 37,028 | 5,525,127 |
| Depreciation for the year | 134,779 | - | 864,896 | 275,023 | 9,257 | 1,283,955 |
| At 31 May 2020 | **1,078,232** | **-** | **4,324,481** | **1,360,084** | **46,285** | **6,809,082** |
| **Company** | | | | | | |
| **Carrying amounts** | | | | | | |
| At 1 June 2018 | - | 5,492,225 | 40,650,142 | 1,924,228 | 64,798 | 48,131,393 |
| At 31 May 2019 | - | 5,357,446 | 39,785,246 | 1,650,655 | 55,541 | 46,848,888 |
| At 31 May 2020 | **5,222,667** | **-** | **38,920,350** | **1,394,965** | **46,284** | **45,584,266** |

## 3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

### 3.1 Additions to property, plant and equipment

The additions to property, plant and equipment of the Group and of the Company during the financial year were acquired as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Total additions | **25,818,425** | 13,556,232 | **19,333** | - |
| Less: Assets acquired under hire purchase/lease arrangements | **(567,291)** | (506,600) | **-** | - |
| Government grant received | **-** | (188,751) | **-** | - |
| Interest capitalised (Note 17) | **(873,548)** | (950,761) | **-** | - |
| Amount paid by cash | **24,377,586** | 11,910,120 | **19,333** | - |

### 3.2 Assets held under finance lease

The carrying amounts of property, plant and equipment of the Group held under finance leases are as follows :

| | 2020 RM | 2019 RM |
|---|---|---|
| Motor vehicles | **1,506,640** | 1,572,374 |

### 3.3 Security

The carrying amount of property, plant and equipment (including right-of-use assets) pledged as securities for borrowings granted to the Group and the Company as disclosed in Note 14 are as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Leasehold land | **4,649,570** | - | **-** | - |
| Freehold land | **21,085,360** | 26,757,299 | **-** | 5,357,446 |
| Buildings | **35,908,294** | 53,736,018 | **-** | 39,785,246 |
| Plant and machinery | **-** | 2,055,445 | **-** | - |
| | **61,643,224** | 82,548,762 | **-** | 45,142,692 |

### 3.4 Right-of-use assets

The Group's and the Company's leased land, warehouses, apartments and office space run between 2 years to 84 years, with an option to renew some of the leases after the expiry of the initial lease period.

#### 3.4.1 Extension options

The leases for apartments and office space contain extension options exercisable by the Group ranging from 1 year to 5 years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

## 3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

### 3.4 Right-of-use assets (Cont'd)

#### 3.4.1 Extension options (Cont'd)

| | Lease liabilities recognised (discounted) RM'000 |
|---|---|
| **Group** | |
| Apartments | 99,958 |
| Office space | 524,544 |
| | 624,502 |

The disclosure of potential future lease payments not currently recognised as lease liabilities has not be made as the Directors noted the amount to be inconsequential.

#### 3.4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

#### 3.4.3 Restriction imposed by lease

The lease contracts for warehouses, apartments and office space prohibits the Group to sublease the leased assets.

## 4. INTANGIBLE ASSETS - GROUP

| | Goodwill RM | Trademark RM | Total RM |
|---|---|---|---|
| **Cost** | | | |
| 1 June 2018 | 188,298 | 870,000 | 1,058,298 |
| Impairment loss | (194,386) | - | (194,386) |
| Exchange difference | 6,088 | - | 6,088 |
| At 31 May 2019/1 June 2019/31 May 2020 | - | 870,000 | 870,000 |

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 any specified time frame and the Directors believe that there is no foreseeable limit to the period over which the brand is expected to generate cash inflows for the Group, the trademark is assessed to have an indefinite useful live subject to use in good faith.

## 4. INTANGIBLE ASSETS - GROUP (Cont'd)

**Impairment testing for cash generating units ("CGU") containing goodwill and trademark**

The recoverable amounts of goodwill and trademark are determined based on value-in-use calculations using cash flow projections and financial budgets approved by the Directors covering a period of 5 years (2019 : 5 years). The value-in-use calculations are determined by discounting the future cash flows using a pre-tax discount rate of 4.70% (2019 : 4.80%).

During previous financial year, the carrying amount of the CGU containing goodwill exceeded its estimated recoverable amount and an impairment loss of RM194,386 was recognised in profit or loss.

The values assigned to the key assumptions (e.g. sales growth rates and gross margins) represent the Directors' and management's assessment of future trends of the business and are based on both external and internal sources (historical data).

## 5. INVESTMENTS IN SUBSIDIARIES - COMPANY

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Unquoted shares, at cost | **46,390,697** | 43,770,697 |
| Less : Impairment losses | **(1,020,000)** | (1,020,000) |
| | **45,370,697** | 42,750,697 |

## 5. INVESTMENTS IN SUBSIDIARIES - COMPANY (Cont'd)

Details of the subsidiaries are as follows :

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| Keat Radio Co. Sdn. Bhd. | Malaysia | **100** | 100 | Ceased operations in the trading of electrical and electronic appliances and became an investment holding company during the financial year |
| Pensia Electronic Sdn. Bhd. | Malaysia | **100** | 100 | Manufacture, assembly and sale of electrical products |
| Pensia Industries Sdn. Bhd. | Malaysia | **100** | 100 | Manufacture, assembly and sale of electrical products |
| Pensonic Sales & Service Sdn. Bhd. ("PSS") | 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. (1) | Singapore | **100** | 100 | Marketing and distribution of electrical goods |
| Pensonic Corporation Sdn. Bhd. | Malaysia | **100** | 100 | Provision of management services |
| Microtag Engineering Sdn. Bhd. (1) and (3) | Malaysia | **51** | 51 | Dormant |
| Pensonic (Cambodia) Co., Ltd. (1) | Cambodia | **100** | 100 | Wholesale and retail sales of household appliances |
| PT Pensonic Appliances Indonesia (1) and (2) | Indonesia | **51** | 51 | Distribution of electrical and electronic appliances |
| PT Pensonic Industries Indonesia (1) and (2) | Indonesia | **70** | 70 | Manufacture, assembly and sale of electrical products |

## 5. INVESTMENTS IN SUBSIDIARIES - COMPANY (Cont'd)

Details of the subsidiaries are as follows (Cont'd) :

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| **Held through Keat Radio Co. Sdn. Bhd.** | | | | |
| Pensonic Industries Sdn. Bhd. | Malaysia | **100** | 100 | Distribution of electrical products |
| Pensonic (H.K.) Corporation Limited (1) | Hong Kong | **100** | 100 | Trading of home electrical appliances |
| Pensonic Parts & Service Sdn. Bhd. | Malaysia | **100** | 100 | Trading and servicing of parts for electrical and electronic appliances |
| Pensia Plastic Industries Sdn. Bhd. (1) | Malaysia | **100** | 100 | Plastic injection and moulding |
| Angkasa Pensonic Trading Sdn. Bhd. (1) | Malaysia | **40** | 40 | Dormant |
| **Held through Pensonic Sales & Service Sdn. Bhd.** | | | | |
| Kollektion Distribution Sdn. Bhd. | Malaysia | **100** | 100 | Distribution of home appliances |
| **Held through Kollektion Distribution Sdn. Bhd.** | | | | |
| Kollektion Haus (Austin) Sdn. Bhd. (4) | Malaysia | **-** | 60 | Dissolved |

(1) Not audited by KPMG
(2) The unaudited management accounts were consolidated in the Group's financial statements as these subsidiaries were not required by the local legislation to have its financial statements audited
(3) Application for strike off submitted on 16 June 2020
(4) Dissolved on 3 September 2019

5.1 Although the Group owns less than half of the ownership interest in Angkasa Pensonic Trading Sdn. Bhd. ("APTSB"), and less than half of the voting power of this entity, the Directors have determined that the Group controls this entity by virtue of an agreement with the remaining shareholders where the Group has de facto control over APTSB. The remaining voting rights in the investee are widely dispersed and there is no indication that other shareholders exercise their votes collectively.

**5. INVESTMENTS IN SUBSIDIARIES - COMPANY** (Cont'd)

5.2 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows :

| | PT Pensonic Appliances Indonesia RM | Other subsidiaries with immaterial NCI RM | Total RM |
|---|---|---|---|
| **2020** | | | |
| **NCI percentage of ownership interest and voting interest** | **49%** | | |
| Carrying amount of NCI | **1,497,004** | **254,113** | **1,751,117** |
| Loss allocated to NCI | **(267,552)** | **(52,303)** | **(319,855)** |

| | PT Pensonic Appliances Indonesia RM |
|---|---|
| **2020** | |
| **Summarised financial information before intra-group elimination** | |
| **At 31 May** | |
| Non-current assets | **166,976** |
| Current assets | **4,038,377** |
| Current liabilities | **(1,150,242)** |
| Net assets | **3,055,111** |
| **Year ended 31 May** | |
| Revenue | **2,323,995** |
| Loss for the year | **(546,024)** |
| Total comprehensive expense | **(564,405)** |
| Cash flows used in operating activities | **(983,811)** |
| Cash flows used in investing activities | **(114,171)** |
| Cash flows used in financing activities | **(2,909)** |
| Net decrease in cash and cash equivalents | **(1,100,891)** |
| Dividends paid to NCI | **-** |

**5. INVESTMENTS IN SUBSIDIARIES - COMPANY** (Cont'd)

5.2 Non-controlling interests in subsidiaries (Cont'd)

| | PT Pensonic Appliances Indonesia RM | Other subsidiaries with immaterial NCI RM | Total RM |
|---|---|---|---|
| **2019** | | | |
| **NCI percentage of ownership interest and voting interest** | 49% | | |
| Carrying amount of NCI | 1,923,042 | 349,945 | 2,272,987 |
| Loss allocated to NCI | (128,040) | (4,967) | (133,007) |

| | PT Pensonic Appliances Indonesia RM |
|---|---|
| **2019** | |
| **Summarised financial information before intra-group elimination** | |
| **At 31 May** | |
| Non-current assets | 70,077 |
| Current assets | 3,866,207 |
| Current liabilities | (316,768) |
| Net assets | 3,619,516 |
| **Year ended 31 May** | |
| Revenue | 1,233,479 |
| Loss for the year | (261,307) |
| Total comprehensive expense | (151,984) |
| Cash flows from operating activities | 1,402,648 |
| Cash flows used in investing activities | (26,095) |
| Net decrease in cash and cash equivalents | 1,376,553 |
| Dividends paid to NCI | - |

5.3 There is no significant restriction on the ability of the subsidiaries to transfer funds to the Company and other related companies other than PSS which is confined to the covenants imposed by its lenders.

## 6. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Unquoted shares, at cost | **331,435** | 331,435 | **146,825** | 146,825 |
| Share of post-acquisition reserves | **219,298** | 207,930 | **-** | - |
| | **550,733** | 539,365 | **146,825** | 146,825 |

Details of the associates are as follows :

| Name of entity | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| Pensonic (B) Sdn. Bhd. * | Brunei | **40** | 40 | Trading of electrical and electronic appliances |
| Pensonic Appliances (Myanmar) Company Limited | Myanmar | **35** | 35 | Trading of electrical and electronic appliances |

* Held through Pensonic Corporation Sdn. Bhd.

The Group's and the Company's associates are not individually material to the consolidated financial statements.

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities of the Group and the Company are attributable to the following :

**Group**

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Property, plant and equipment - capital allowance | **297,000** | 106,000 | **(242,000)** | (548,000) | **55,000** | (442,000) |
| Right-of-use assets | **-** | - | **(385,000)** | - | **(385,000)** | - |
| Lease liabilities | **396,000** | - | **-** | - | **396,000** | - |
| Other temporary differences | **190,765** | 616,553 | **-** | - | **190,765** | 616,553 |
| Tax assets/(liabilities) | **883,765** | 722,553 | **(627,000)** | (548,000) | **256,765** | 174,553 |
| Set-off of tax | **(407,000)** | (190,000) | **407,000** | 190,000 | **-** | - |
| | **476,765** | 532,553 | **(220,000)** | (358,000) | **256,765** | 174,553 |

## 7. DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

**Recognised deferred tax assets/(liabilities)** (Cont'd)

Deferred tax assets and liabilities of the Group and the Company are attributable to the following : (Cont'd)

**Company**

| | Liabilities | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Property, plant and equipment<br>- capital allowance | **42,000** | 42,000 |

Movements in temporary differences during the year are as follows :

| | At 1 June 2018 RM'000 | Recognised in profit or loss (Note 19) RM'000 | At 31 May 2019 RM'000 | Adjustment on initial application of MFRS 16 RM'000 | At 1 June 2019 RM'000 | Recognised in profit or loss (Note 19) RM'000 | At 31 May 2020 RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| Property, plant and equipment | | | | | | | |
| - capital allowance | (1,190,335) | 748,335 | (442,000) | - | (442,000) | 497,000 | **55,000** |
| Right-of-use assets | - | - | - | (691,000) | (691,000) | 306,000 | **(385,000)** |
| Lease liabilities | - | - | - | 691,000 | 691,000 | (295,000) | **396,000** |
| Other temporary differences | 1,458,939 | (842,386) | 616,553 | - | 616,553 | (425,788) | **190,765** |
| | 268,604 | (94,051) | 174,553 | - | 174,553 | 82,212 | **256,765** |
| **Company** | | | | | | | |
| Property, plant and equipment | | | | | | | |
| - capital allowance | - | - | 42,000 | - | 42,000 | - | **42,000** |

## 7. DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

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

**Unrecognised deferred tax assets - Group**

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Property, plant and equipment - capital allowance | **(5,308,000)** | (3,605,000) |
| Capital allowance carry-forwards | **3,059,000** | 400,000 |
| Tax loss carry-forwards | **15,667,000** | 13,824,000 |
| Unutilised reinvestment allowance | **10,182,000** | 9,582,000 |
| Other deductible temporary differences | **2,902,000** | 1,502,000 |
| Right-of-use assets | **(1,067,000)** | (340,000) |
| Lease liabilities | **1,081,000** | 340,000 |
| | **26,516,000** | 21,703,000 |

The capital allowance carry-forwards of the Group entities are available indefinitely for offsetting against future taxable profits, subject to no substantial change in shareholdings of those entities and guidelines issued under the Income Tax Act, 1967.

Effective from year of assessment 2018 as stipulated in the Finance Act 2018, the unutilised reinvestment allowance and tax loss carry-forwards as at 31 May 2019 and thereafter will only be available for carry forward up to a period of 7 consecutive years. Any amounts not utilised upon expiry of the 7 years will be disregarded.

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits therefrom.

## 8. INVENTORIES - GROUP

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Raw materials | **3,623,493** | 5,263,221 |
| Goods-in-transit | **5,239,827** | 3,549,019 |
| Manufactured and trading inventories | **35,732,297** | 61,743,572 |
| | **44,595,617** | 70,555,812 |
| **Recognised in profit or loss :** | | |
| Inventories recognised as cost of sales | **222,631,833** | 253,178,279 |
| Inventories written down/(back) | **146,383** | (198,992) |

## 9. TRADE AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Trade** | | | | | |
| Trade receivables | | **51,633,945** | 58,797,340 | **-** | - |
| Amount due from associates | 9.1 | **1,278,704** | 845,322 | **-** | - |
| | | **52,912,649** | 59,642,662 | **-** | - |
| **Non-trade** | | | | | |
| Amount due from subsidiaries | 9.1 | **-** | - | **813,932** | 2,113,079 |
| Amount due from an associate | 9.1 | **316,397** | - | **316,397** | - |
| Other receivables | | **2,519,884** | 3,811,646 | **-** | 3,967 |
| Deposits | | **1,228,468** | 746,435 | **560** | 560 |
| Prepayments | | **1,947,425** | 2,900,675 | **22,063** | 34,130 |
| Dividends receivable | | **-** | - | **2,010,681** | - |
| | | **6,012,174** | 7,458,756 | **3,163,633** | 2,151,736 |
| | | **58,924,823** | 67,101,418 | **3,163,633** | 2,151,736 |

### 9.1 Amounts due from subsidiaries and an associate

The trade amount due from associates is subject to normal trade terms.

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

## 10. FIXED DEPOSITS - GROUP

Included in fixed deposits of the Group is RM485,754 (2019 : RM497,519) which are held in lien for borrowings granted to the Group as disclosed in Note 14.

Included in fixed deposits of the Group is RM12,000 (2019 : RM12,000) held in trust by a Director on behalf of the Group.

## 11. ASSETS CLASSIFIED AS HELD FOR SALE - GROUP

During previous financial year, the Group entered into a Sale and Purchase Agreement ("SPA") for the disposal of properties for a total cash consideration of RM640,000 for which a deposit of RM64,000 has been received. The SPA was completed during the current financial year with a gain of RM436,318 being recognised by the Group.

## 11. ASSETS CLASSIFIED AS HELD FOR SALE - GROUP (Cont'd)

| | Note | 2020 RM | 2019 RM |
|---|---|---|---|
| Buildings | | - | 203,682 |
| Assets held for sale comprise the following amounts transferred from property, plant and equipment : | | | |
| Cost | 3 | - | 351,680 |
| Accumulated depreciation | 3 | - | (147,998) |
| | | - | 203,682 |

## 12. SHARE CAPITAL - GROUP/COMPANY

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount RM | Number of shares | Amount RM | Number of shares |
| Ordinary shares, issued and fully paid with no par value | **67,670,893** | **129,668,000** | 67,670,893 | 129,668,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 13. RESERVES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Non-distributable :** | | | | | |
| Foreign currency translation reserve | 13.1 | **724,449** | 86,217 | - | - |
| Warrants reserve | 13.2 | **6,483,400** | 6,483,400 | **6,483,400** | 6,483,400 |
| Capital reserve | 13.3 | **4,487,540** | 4,487,540 | - | - |
| Other reserve | 13.4 | **(638,792)** | (638,792) | - | - |
| | | **11,056,597** | 10,418,365 | **6,483,400** | 6,483,400 |
| **Distributable :** | | | | | |
| Retained earnings | | **38,092,983** | 35,211,275 | **16,985,825** | 7,969,457 |
| | | **49,149,580** | 45,629,640 | **23,469,225** | 14,452,857 |

**13. RESERVES** (Cont'd)

### 13.1 Foreign currency translation reserve

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

### 13.2 Warrants reserve

The warrants reserve represents the consideration of the warrants 2014/2024 at the date of issue. When the warrants are exercised or expired, the warrants reserve remains in equity, although it may be transferred to another reserve account within equity.

As at 31 May 2020, the Company has the following outstanding warrants :

| Warrants | Exercise price per ordinary share | Expiry date | Number of warrants outstanding as at 31.5.2020 |
|---|---|---|---|
| Warrants 2014/2024 | RM0.60 | 20.01.2024 | 64,834,000 |

Warrants 2014/2024 were issued on 21 January 2014 at an issue price of RM0.10 per warrant in conjunction with the rights issue of warrants undertaken by the Company on the basis of one warrant for every two ordinary shares held in the Company. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one ordinary share for every warrant held at an exercise price of RM0.60 per share within ten years from the date of issue of the warrants. The exercise price of the warrants is subject to adjustment from time to time in accordance with the conditions stipulated in the Deed Poll dated 18 November 2013.

### 13.3 Capital reserve

The capital reserve of the Group represents the statutory reserve of foreign subsidiaries as required by foreign legislations.

### 13.4 Other reserve

Other reserve comprises the premium paid on acquisition of non-controlling interests of the Group determined as the difference between the consideration paid and the carrying value of the interest acquired.

## 14. LOANS AND BORROWINGS - GROUP

| | Note | 2020 RM | 2019 RM |
|---|---|---|---|
| **Non-current** | | | |
| **Secured** | | | |
| Term loans | | **39,254,320** | 22,653,853 |
| Hire purchase creditors | | **1,074,841** | - |
| Finance lease liabilities | 14.3 | **-** | 899,681 |
| | | **40,329,161** | 23,553,534 |
| **Current** | | | |
| **Unsecured** | | | |
| Bank overdrafts | | **3,635,754** | 1,009,921 |
| Bankers' acceptances | | **33,839,390** | 54,476,961 |
| Revolving credit | | **4,410,000** | 10,600,000 |
| | | **41,885,144** | 66,086,882 |
| **Secured** | | | |
| Bank overdrafts | 14.2 | **1,772,640** | 609,180 |
| Bankers' acceptances | 14.2 | **3,015,300** | 730,128 |
| Term loans | 14.2 | **4,582,281** | 20,250,606 |
| Hire purchase creditors | 14.2 | **629,555** | - |
| Finance lease liabilities | 14.3 | **-** | 536,069 |
| | | **9,999,776** | 22,125,983 |
| | | **51,884,920** | 88,212,865 |
| Total loans and borrowings | | **92,214,081** | 111,766,399 |

## 14. LOANS AND BORROWINGS - GROUP (Cont'd)

### 14.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | At 1 June 2018 RM | New lease obtained RM | Net changes from financing cash flows RM | At 31 May 2019 RM | Adjustment on initial application of MFRS 16 RM | At 1 June 2019 RM | Assets acquired under hire purchase/ lease arrangements RM | Net changes from financing cash flows RM | Foreign exchange movements RM | At 31 May 2020 RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| Bankers' acceptances | 68,762,547 | - | (13,555,458) | 55,207,089 | - | 55,207,089 | - | (18,352,399) | - | **36,854,690** |
| Revolving credit | 2,500,000 | - | 8,100,000 | 10,600,000 | - | 10,600,000 | - | (6,190,000) | - | **4,410,000** |
| Hire purchase creditors | - | - | - | - | 1,435,750 | 1,435,750 | 456,510 | (187,864) | - | **1,704,396** |
| Finance lease liabilities | 1,538,116 | 506,600 | (608,966) | 1,435,750 | (1,435,750) | - | - | - | - | **-** |
| Term loans | 26,566,001 | - | 16,338,458 | 42,904,459 | - | 42,904,459 | - | 932,142 | - | **43,836,601** |
| Lease liabilities | - | - | - | - | 2,346,993 | 2,346,993 | 110,781 | (856,643) | 16,540 | **1,617,671** |
| | 99,366,664 | 506,600 | 10,274,034 | 110,147,298 | 2,346,993 | 112,494,291 | 567,291 | (24,654,764) | 16,540 | **88,423,358** |
| **Company** | | | | | | | | | | |
| Term loans | 2,099,743 | - | (2,099,743) | - | - | - | - | - | - | **-** |

## 14. LOANS AND BORROWINGS - GROUP (Cont'd)

### 14.2 Security

The bank overdrafts, bankers' acceptances, revolving credit, term loans and hire purchase creditors are secured by the following :

(i) a first party legal charge over certain lands, buildings and plant and machinery of the Group and the Company as disclosed in Note 3;

(ii) fixed deposits as disclosed in Note 10;

(iii) corporate guarantee by the Company;

(iv) joint and several guarantee by certain Directors of the Company; and

(v) negative pledge over certain subsidiaries' present and future assets.

### 14.3 Finance lease liabilities

| | 2019 | | |
|---|---|---|---|
| | Future minimum lease payments RM | Interest RM | Present value of minimum lease payments RM |
| **Group** | | | |
| Less than 1 year | 590,517 | 54,448 | 536,069 |
| Between 1 and 5 years | 956,637 | 56,956 | 899,681 |
| | 1,547,154 | 111,404 | 1,435,750 |

Finance lease liabilities were effectively secured as the right to the assets under the finance leases that revert to the lessor in the event of default.

### 14.4 Breach of loan covenants

A subsidiary of the Company has secured borrowings of 31 May 2020 amounting to RM31,091,880 (2019 : RM16,987,789) that were granted with the following debt covenants which required :

i. existing advances due from the Company to the said subsidiary to be reduced to RM2,700,000 by 31 May 2019;

ii. existing advances due from subsidiary, associates and related companies to be zerorised by 31 May 2019.

During the previous financial year, the above covenants were not met and consequently, the long term borrowings outstanding subjected to the covenants were reclassified as current liabilities as at 31 May 2019.

During the current financial year, the said subsidiary has obtained the indulgence from the bank to comply with the above covenants and the outstanding balance of the borrowings as at 31 May 2020 have been presented according to the normal repayment terms as contracted with the lenders.

## 15. TRADE AND OTHER PAYABLES

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | | **20,733,149** | 22,355,739 | **-** | - |
| Trade accruals | | **5,239,827** | 3,549,019 | **-** | - |
| Amount due to a company in which certain Directors have a substantial financial interest | 15.1 | **37,104** | 565,966 | **-** | - |
| | | **26,110,080** | 26,470,724 | **-** | - |
| **Non-trade** | | | | | |
| Amount due to subsidiaries | 15.2 | **-** | - | **2,823,006** | 9,494,462 |
| Amount due to an associate | 15.2 | **-** | 146,825 | **-** | 146,825 |
| Other payables | | **3,775,744** | 6,019,621 | **62,095** | 30,910 |
| Deposits received | | **15,520** | 28,000 | **-** | - |
| Accruals | | **9,826,753** | 9,535,904 | **230,328** | 183,208 |
| | | **13,618,017** | 15,730,350 | **3,115,429** | 9,855,405 |
| | | **39,728,097** | 42,201,074 | **3,115,429** | 9,855,405 |

### 15.1 Amount due to a company in which certain Directors have a substantial financial interest

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

### 15.2 Amounts due to subsidiaries and an associate

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

## 16. REVENUE

| | Group 2020 RM | Group 2019 RM Restated | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|
| Revenue from contracts with customers | **280,070,653** | 324,369,079 | **-** | - |
| Dividend income | **-** | - | **10,700,000** | 1,500,000 |
| | **280,070,653** | 324,369,079 | **10,700,000** | 1,500,000 |

## 16. REVENUE (Cont'd)

### 16.1 Disaggregation of revenue - Group

| | 2020 RM | 2019 RM |
|---|---|---|
| **Primary geographical markets** | | |
| - Malaysia | **198,177,601** | 231,234,528 |
| - Other Asian countries | **72,242,921** | 76,195,497 |
| - Middle East | **9,188,122** | 15,536,355 |
| - Others | **462,009** | 1,402,699 |
| | **280,070,653** | 324,369,079 |
| **Major product lines** | | |
| - Electrical and electronic appliances | **280,070,653** | 324,369,079 |
| **Timing and recognition** | | |
| - At point in time | **280,070,653** | 324,369,079 |

### 16.2 Nature of goods

The following information reflects the typical transactions of the Group :

| Nature of goods | Timing of recognition or method used to recognise revenue | Significant payment terms | Variable element in consideration | Obligation for returns or refunds | Warranty |
|---|---|---|---|---|---|
| Household electrical and electronic appliances | Revenue is recognised at point in time when the goods are delivered and accepted by the customers. | Credit period of 30 - 90 days from invoice date. | Discounts, rebates and incentives are given to customers on a case-by-case basis. | The Group allows defective goods to be returned in exchange for new goods or cash refunds on a case-by-case basis. | Generally, assurance warranty of 1-2 years are given to customers except for motors or compressors which are given 5 years assurance warranty. |

The Group applies the practical expedient on the exemption on disclosure of information on remaining performance obligations that would be fulfilled within one year.

## 17. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Interest expense on : | | | | |
| - financial liabilities that are not at fair value through profit or loss | **4,958,414** | 5,316,458 | **-** | 66,305 |
| - lease liabilities | **139,269** | - | **-** | - |
| | **5,097,683** | 5,316,458 | **-** | 66,305 |
| Less : Amount capitalised in property, plant and equipment (Note 3.1) | **(873,548)** | (950,761) | **-** | - |
| | **4,224,135** | 4,365,697 | **-** | 66,305 |

## 18. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) :

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Auditors' remuneration : | | | | |
| - Audit fee | | | | |
| - KPMG PLT | **191,000** | 191,000 | **36,000** | 36,000 |
| - Other auditors | **64,173** | 55,340 | **-** | - |
| - Non-audit services | | | | |
| - KPMG PLT | **5,000** | 5,000 | **5,000** | 5,000 |
| - Other auditors | **40,000** | 30,000 | **-** | - |
| **Material expenses/(income)** | | | | |
| Property, plant and equipment written off | **47,657** | 151,791 | **-** | - |
| Research and development expenditure | **1,122,038** | 858,879 | **-** | - |
| Warehousing and logistic charges | **4,809,000** | - | **-** | - |
| Gain on disposal of assets classified as held for sale | **(436,318)** | - | **-** | - |
| Gain on disposal of property, plant and equipment and right-of-use assets | **(9,431,321)** | (220,273) | **-** | - |
| Government grants* | **(696,475)** | (646,805) | **-** | (31,345) |
| Interest income | **(86,128)** | (112,820) | **(35,870)** | (52,878) |
| Royalty income | **(602,527)** | (435,664) | **-** | - |
| Realised gain on foreign exchange | **(597,066)** | (546,798) | **(2,324)** | (218,216) |
| Unrealised (gain)/loss on foreign exchange | **(4,438)** | (8,637) | **29,508** | (16,715) |

## 18. PROFIT BEFORE TAX (Cont'd)

| | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|
| **Expenses/(income) arising from leases** | | | | |
| Expenses relating to : | | | | |
| - short-term leases | **534,317** | - | **-** | - |
| - leases of low-value assets# | **45,041** | - | **-** | - |
| Rental expense | **-** | 7,094,552 | **-** | - |
| Rental income | **-** | (70,980) | **(1,050,000)** | (1,200,000) |
| **Net loss/(gain) on impairment of financial instruments** | | | | |
| Impairment loss on trade receivables | **970,791** | 392,610 | **-** | - |
| Bad debts written off | **853** | 17,278 | **-** | - |
| Bad debt recovered | **(5,400)** | (8,184) | **-** | - |

* The Group and the Company received government grants as wage subsidies to retain local employees during the approved period of economic uncertainty brought about by the Coronavirus (COVID-19) outbreak (2019 : grants received for qualifying research and development and training expenses incurred).

# The Group leases warehouses, office space, motor vehicles and office equipment with contract terms of 1 year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

## 19. TAX EXPENSE

| | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|
| **Recognised in profit or loss** | | | | |
| **Current tax expense** | | | | |
| Current year | **412,777** | 1,224,705 | **77,000** | 101,000 |
| Prior years | **210,359** | 59,226 | **(5,894)** | 29,460 |
| | **623,136** | 1,283,931 | **71,106** | 130,460 |
| **Deferred tax expense** | | | | |
| Current year | **189,757** | (16,949) | **-** | - |
| Prior year | **(271,969)** | 111,000 | **-** | 42,000 |
| | **82,212** | 94,051 | **-** | 42,000 |
| | **540,924** | 1,377,982 | **71,106** | 172,460 |

**19. TAX EXPENSE** (Cont'd)

**Reconciliation of tax expense**

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM** | **2019 RM** | **2020 RM** | **2019 RM** |
| Profit before tax | **3,102,777** | 1,805,235 | **9,087,474** | 323,031 |
| Income tax calculated using Malaysian tax rate of 24% | **744,666** | 433,256 | **2,180,994** | 77,527 |
| Effect of different tax rates in foreign jurisdictions | **(147,645)** | (80,776) | **-** | - |
| Income not subject to tax | **(2,453,629)** | (43,747) | **(2,568,558)** | (423,906) |
| Non-deductible expenses | **1,316,385** | 1,460,217 | **464,564** | 447,379 |
| Tax incentives | **(12,363)** | (1,025,114) | **-** | - |
| Deferred tax assets not recognised | **1,155,120** | 463,920 | **-** | - |
| | **602,534** | 1,207,756 | **77,000** | 101,000 |
| (Over)/Under provision in prior years | **(61,610)** | 170,226 | **(5,894)** | 71,460 |
| | **540,924** | 1,377,982 | **71,106** | 172,460 |

Certain subsidiaries of the Group were previously granted pioneer status for a period of five years commencing 1 June 2012 under Section 127(3) of the Income Tax Act, 1967 with an option to extend the pioneer status for a period of another five years upon expiry of the initial tax exemption period, subject to approval by the relevant authority. During the pioneer status period, the relevant subsidiaries' statutory income are exempted from income tax.

During the last financial year, the Company submitted an application to the relevant authority to extend the pioneer status of its subsidiaries for another 5 years commencing 1 June 2017 and at the same time, appealed for the relaxation of certain conditions attached to the pioneer status.

On 20 July 2018, the pioneer status for the subsidiaries and relaxation of the pioneer status conditions were approved by the authority. However, the terms of the pioneer status were revised whereby the relevant subsidiaries' statutory income will now be partially instead of fully exempted from income tax retrospectively effective 1 June 2012. Further to the above, the Company had on 31 July 2018, 25 April 2019 and 28 April 2020 submitted appeals and is currently liaising with the relevant authority on this matter.

## 20. STAFF COSTS - GROUP

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Salaries, wages and other emoluments | **24,008,398** | 24,762,319 |
| Defined contribution plans | **2,307,393** | 2,617,059 |
| Other employees benefits | **793,377** | 976,517 |
| Mutual separation scheme expenses | **869,052** | - |
| | **27,978,220** | 28,355,895 |

The above staff costs include those paid to Directors and key management personnel as disclosed in Note 22.

There is no staff cost applicable to the Company save for Directors' fee as the payroll costs for key management staff and employees are paid by the operating subsidiaries.

## 21. EARNINGS PER ORDINARY SHARE - GROUP

### 21.1 Basic earnings per ordinary share

The basic earnings per ordinary share is calculated based on the consolidated profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares, calculated as follows :

| | 2020 | 2019 |
|---|---|---|
| Profit attributable to owners of the Company (RM) | **2,881,709** | 560,260 |
| Weighted average number of ordinary shares at 31 May | **129,668,000** | 129,668,000 |
| Basic earnings per ordinary share (sen) | **2.22** | 0.43 |

### 21.2 Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as basic earnings per ordinary share as there are no dilutive potential ordinary shares.

## 22. RELATED PARTIES

### 22.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group and the Company has the ability, directly or indirectly, to control or jointly 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. Related parties may be individuals or other entities.

The Group has related party relationship with its significant investor, subsidiaries, associates and companies in which certain Directors have a substantial financial interest.

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

## 22. RELATED PARTIES (Cont'd)

### 22.2 Significant related party transactions

Related party transactions have been entered into under negotiated terms. The balances related to the below transactions are shown in Note 9 and Note 15.

The significant related party transactions of the Group and of the Company are as follows :

| | 2020 RM | 2019 RM |
|---|---|---|
| **Company** | | |
| **Transactions with subsidiaries** | | |
| - Dividend income | **10,700,000** | 1,500,000 |
| - Rental income | **1,050,000** | 1,200,000 |
| - Subscription of shares | **2,620,000** | 734,125 |
| **Group** | | |
| **Transaction with associates** | | |
| - Sales | **3,244,403** | 1,849,208 |
| **Transactions with companies in which certain Directors have a substantial financial interests** | | |
| - Purchases | **1,079,658** | 2,674,236 |
| - Transportation charges | **136,554** | 220,937 |
| **Transaction with a Director** | | |
| - Purchase of a property | **4,000,000** | - |

**Transactions with key management personnel**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Directors of the Company** | | | | |
| Fee | **222,000** | 222,000 | **222,000** | 222,000 |
| Salaries and other emoluments | **1,893,998** | 2,125,523 | **-** | - |
| Defined contribution plan | **162,047** | 174,744 | **-** | - |
| | **2,278,045** | 2,522,267 | **222,000** | 222,000 |
| **Directors of subsidiaries** | | | | |
| Salaries and other emoluments | **471,064** | 333,736 | **-** | - |
| Defined contribution plan | **21,567** | 21,367 | **-** | - |
| | **492,631** | 355,103 | **-** | - |
| | **2,770,676** | 2,877,370 | **222,000** | 222,000 |

## 23. OPERATING SEGMENT

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business unit, the Group's Chief Executive Officer and Managing Director review internal management reports at least on a quarterly basis.

The following summary describes the main business segments and business activities of each segment of the Group's reportable segments :

| | |
|---|---|
| Manufacturing | Manufacture, assembly and sales of electrical and electronic appliances |
| Trading | Sales and distribution of electrical and electronic appliances |
| Others | Investment holding and provision of management services |

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer and Managing Director, who are the Group's operating decision makers. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

**Segment assets**

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer and Group's Managing Director.

Segment total asset is used to measure the return of assets of each segment.

**Segment liabilities**

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Officer and Group's Managing Director. Hence, no disclosure is made on segment liabilities.

## 23. OPERATING SEGMENT (Cont'd)

| | Manufacturing RM | Trading RM | Others RM | Total RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2020** | | | | | | |
| **Revenue** | | | | | | |
| External customers | 1,114,321 | 278,956,332 | - | 280,070,653 | - | 280,070,653 |
| Inter-segment | 49,843,397 | 16,613,035 | 16,585,800 | 83,042,232 | (83,042,232) | - |
| Total revenue | 50,957,718 | 295,569,367 | 16,585,800 | 363,112,885 | (83,042,232) | 280,070,653 |
| **Segment (loss)/profit** | (2,698,452) | 7,259,775 | 9,589,401 | 14,150,724 | (11,047,974) | 3,102,777 |
| *Included in the measure of segment (loss)/profit are :* | | | | | | |
| Interest income | 14,330 | 79,539 | 36,285 | 130,154 | (44,026) | 86,128 |
| Finance costs | (745,528) | (3,557,988) | (10,032) | (4,313,548) | 89,413 | (4,224,135) |
| Depreciation and amortisation | (2,764,025) | (3,928,928) | (1,466,542) | (8,159,495) | 980,793 | (7,178,702) |
| Share of results of associates | - | - | 11,368 | 11,368 | - | 11,368 |
| *Not included in the measure of segment (loss)/profit but provided to CODM :* | | | | | | |
| Gain on disposal of property, plant and equipment, right-of-use assets and assets classified as held for sale | 1,389 | 9,866,250 | - | 9,867,639 | - | 9,867,639 |
| **Segment assets** | 33,691,169 | 229,811,937 | 97,302,254 | 360,805,360 | (102,477,003) | 258,328,357 |
| *Included in the measurement of segment assets are :* | | | | | | |
| Additions to property, plant and equipment and right-of-use assets | 1,347,474 | 25,920,074 | 49,792 | 27,317,340 | (1,498,915) | 25,818,425 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. OPERATING SEGMENT (Cont'd)

| | Manufacturing RM | Trading RM | Others RM | Total RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2019** | | | | | | |
| **Revenue** | | | | | | |
| External customers | 176,025 | 324,193,054 | - | 324,369,079 | - | 324,369,079 |
| Inter-segment | 92,435,070 | 8,999,093 | 7,410,000 | 108,844,163 | (108,844,163) | - |
| Total revenue | 92,611,095 | 333,192,147 | 7,410,000 | 433,213,242 | (108,844,163) | 324,369,079 |
| **Segment profit** | 446,469 | 4,903,242 | 496,390 | 5,846,101 | (4,040,866) | 1,805,235 |
| *Included in the measure of segment profit are :* | | | | | | |
| Interest income | 14,108 | 248,256 | 53,280 | 315,644 | (202,824) | 112,820 |
| Finance costs | (971,055) | (3,531,161) | (66,305) | (4,568,521) | 202,824 | (4,365,697) |
| Depreciation and amortisation | (2,787,339) | (2,276,759) | (1,321,968) | (6,386,066) | - | (6,386,066) |
| Impairment loss of intangible assets | - | (194,386) | - | (194,386) | - | (194,386) |
| Share of results of associates | - | - | 9,304 | 9,304 | - | 9,304 |
| **Segment assets** | 47,007,076 | 249,538,092 | 94,252,857 | 390,798,025 | (115,028,682) | 275,769,343 |
| *Included in the measurement of segment assets are :* | | | | | | |
| Additions to property, plant and equipment | 663,333 | 12,864,019 | 28,880 | 13,556,232 | - | 13,556,232 |

**23. OPERATING SEGMENT** (Cont'd)

**23.1 Geographical information**

Non-current assets information based on the geographical location of assets are as below. The amounts of non-current assets do not include financial instruments (including investments in associates and deferred tax assets).

| | Non-current assets | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Malaysia | **125,555,522** | 114,011,342 |
| Other Asian countries | **827,306** | 135,506 |
| | **126,382,828** | 114,146,848 |

The segregation of revenue by geographical area is disclosed in Note 16.

**23.2 Major customer**

The following represent sales to a company of which the total revenue equal or is more than 10% of the Group's total revenue :

| | Trading<br>RM |
|---|---|
| **2020** | |
| Customer A | **28,103,325** |
| **2019** | |
| Customer A | 32,748,886 |

## 24. FINANCIAL INSTRUMENTS

### 24.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 May 2020 and 31 May 2019 categorised as amortised cost ("AC").

| | Carrying amount RM | AC RM |
|---|---|---|
| **2020** | | |
| **Financial assets** | | |
| **Group** | | |
| Trade and other receivables (excluding prepayments) | 56,977,398 | 56,977,398 |
| Fixed deposits | 512,749 | 512,749 |
| Cash and bank balances | 26,146,062 | 26,146,062 |
| | 83,636,209 | 83,636,209 |
| **Company** | | |
| Trade and other receivables (excluding prepayments) | 3,141,570 | 3,141,570 |
| Cash and bank balances | 37,126 | 37,126 |
| | 3,178,696 | 3,178,696 |
| **Financial liabilities** | | |
| **Group** | | |
| Trade and other payables | 39,728,097 | 39,728,097 |
| Loans and borrowings | 92,214,081 | 92,214,081 |
| | 131,942,178 | 131,942,178 |
| **Company** | | |
| Trade and other payables | 3,115,429 | 3,115,429 |

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.1 Categories of financial instruments (Cont'd)

| | Carrying amount RM | AC RM |
|---|---|---|
| **2019** | | |
| **Financial assets** | | |
| **Group** | | |
| Trade and other receivables (excluding prepayments) | 64,200,743 | 64,200,743 |
| Fixed deposits | 497,519 | 497,519 |
| Cash and bank balances | 21,885,561 | 21,885,561 |
| | 86,583,823 | 86,583,823 |
| **Company** | | |
| Trade and other receivables (excluding prepayments) | 2,117,606 | 2,117,606 |
| Cash and bank balances | 158,009 | 158,009 |
| | 2,275,615 | 2,275,615 |
| **Financial liabilities** | | |
| **Group** | | |
| Trade and other payables | 42,201,074 | 42,201,074 |
| Loans and borrowings | 111,766,399 | 111,766,399 |
| | 153,967,473 | 153,967,473 |
| **Company** | | |
| Trade and other payables | 9,855,405 | 9,855,405 |

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.2 Net gains and losses arising from financial instruments :

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Net (losses)/gains arising on : | | | | |
| - Financial assets at amortised cost | **(698,888)** | (159,210) | **51,063** | 69,593 |
| - Finance liabilities measured at amortised cost | **(4,538,138)** | (5,132,836) | **(42,377)** | 151,911 |
| | **(5,237,026)** | (5,292,046) | **8,686** | 221,504 |

### 24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 24.4 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 borrowings granted to subsidiaries. There are no significant changes as compared to prior year.

**Trade 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.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.4 Credit risk (Cont'd)

**Trade receivables** (Cont'd)

*Exposure to credit risk, credit quality and collateral*

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

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

| | 2020 RM | 2019 RM |
|---|---|---|
| **Group** | | |
| Malaysia | **40,524,636** | 48,256,457 |
| Other Asian countries | **11,161,146** | 9,503,328 |
| Middle East | **1,226,867** | 1,717,839 |
| Others | **-** | 165,038 |
| | **52,912,649** | 59,642,662 |

*Recognition and measurement of impairment loss*

The Group uses an allowance matrix to measure Expected Credit Loss ("ECLs") of trade receivables. Consistent with the debt recovery process, invoices which are past due more than 120 days will be considered as credit impaired.

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales and finance teams. Where necessary, the Group will also commence legal proceeding against the customers.

Loss rates are based on actual credit loss experienced over the past three years and forward looking information. The Company believes that the financial impacts of the forward-looking information are inconsequential for the purpose of impairment calculation of trade receivables due to their relatively short term nature.

**24. FINANCIAL INSTRUMENTS** (Cont'd)

**24.4 Credit risk** (Cont'd)

**Trade receivables** (Cont'd)

*Recognition and measurement of impairment loss (Cont'd)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 May 2020 and 31 May 2019.

| | Gross carrying amount RM | Loss allowances RM | Net balance RM |
|---|---|---|---|
| **Group** | | | |
| **2020** | | | |
| Not past due | **37,994,504** | **-** | **37,994,504** |
| Past due less than 60 days | **9,034,872** | **(60,174)** | **8,974,698** |
| Past due 61 to 120 days | **4,453,450** | **(132,837)** | **4,320,613** |
| | **51,482,826** | **(193,011)** | **51,289,815** |
| **Credit impaired** | | | |
| Past due more than 120 days | **3,433,295** | **(1,810,461)** | **1,622,834** |
| | **54,916,121** | **(2,003,472)** | **52,912,649** |
| **2019** | | | |
| Not past due | 44,321,671 | - | 44,321,671 |
| Past due less than 60 days | 13,717,443 | - | 13,717,443 |
| Past due 61 to 120 days | 1,280,103 | (136,841) | 1,143,262 |
| | 59,319,217 | (136,841) | 59,182,376 |
| **Credit impaired** | | | |
| Past due more than 120 days | 1,372,914 | (912,628) | 460,286 |
| | 60,692,131 | (1,049,469) | 59,642,662 |

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the reporting period and from the historical collection trend of these customers.

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.4 Credit risk (Cont'd)

**Trade receivables** (Cont'd)

*Recognition and measurement of impairment loss (Cont'd)*

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

| | Lifetime ECL | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| **Group** | | |
| Balance at 1 June | **1,049,469** | 716,276 |
| Loss allowance provided | **1,026,485** | 501,422 |
| Reversal of loss allowance | **(55,694)** | (108,812) |
| Amount written off | **(16,788)** | (59,417) |
| Balance at 31 May | **2,003,472** | 1,049,469 |

**Cash and bank balances**

The cash and bank balances are held with reputable banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks have low credit risks. In addition, some of the bank balances are insured by government agencies.

**Other receivables**

Credit risks on other receivables are mainly arising from advances to suppliers for securing the continuing supply of raw materials and goods and services tax claims from the authorities. These advances to suppliers will be utilised against the raw materials delivered to the Group. The Group manages the credit risk together with the payables upon the delivery of the raw materials.

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

**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 amounted to RM90 million (2019 : RM102 million) representing the Company's exposure to the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

*Recognition and measurement of impairment loss*

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when :

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.4 Credit risk (Cont'd)

**Financial guarantees** (Cont'd)

*Recognition and measurement of impairment loss (Cont'd)*

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that any subsidiaries 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 mainly 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.

The advances provided are not secured by any collateral or supported by any other credit enhancements.

*Recognition and measurement of impairment loss*

Generally, the Company considers advances to subsidiaries to have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when :

- The subsidiary is unlikely to repay its advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The inter-company advances of RM813,932 (31 May 2019 : RM2,113,079) is regarded to be of low credit risk.

### 24.5 Liquidity risk

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

The Group or the Company maintains a level of cash and bank balances and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**24. FINANCIAL INSTRUMENTS** (Cont'd)

**24.5 Liquidity risk** (Cont'd)

*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/ discount rate % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| **Group** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Bank overdrafts | 5,408,394 | 7.50 - 8.50 | 5,408,394 | 5,408,394 | - | - | - |
| Bankers' acceptances | 36,854,690 | 3.28 - 4.50 | 36,854,690 | 36,854,690 | - | - | - |
| Revolving credit | 4,410,000 | 3.85 - 4.35 | 4,410,000 | 4,410,000 | - | - | - |
| Term loans | 43,836,601 | 3.94 - 6.54 | 57,386,342 | 6,135,745 | 7,393,602 | 14,442,071 | 29,414,924 |
| Hire purchase creditors | 1,704,396 | 2.22 - 3.45 | 1,864,280 | 701,996 | 528,802 | 633,482 | - |
| Lease liabilities | 1,617,671 | 5.38 - 11.00 | 1,787,989 | 917,501 | 385,088 | 309,400 | 176,000 |
| Trade and other payables | 39,728,097 | - | 39,728,097 | 39,728,097 | - | - | - |
| | 133,559,849 | | 147,439,792 | 94,156,423 | 8,307,492 | 15,384,953 | 29,590,924 |
| **Company** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 3,115,429 | - | 3,115,429 | 3,115,429 | - | - | - |
| Financial guarantee | - | - | 90,000,000 | 90,000,000 | - | - | - |
| | 3,115,429 | | 93,115,429 | 93,115,429 | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.5 Liquidity risk (Cont'd)

*Maturity analysis (Cont'd)*

| | 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 |
|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | |
| **Group** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Bank overdrafts | 1,619,101 | 7.70 - 8.49 | 1,619,101 | 1,619,101 | - | - | - |
| Bankers' acceptances | 55,207,089 | 3.47 - 5.78 | 55,207,089 | 55,207,089 | - | - | - |
| Revolving credit | 10,600,000 | 4.53 - 5.48 | 10,600,000 | 10,600,000 | - | - | - |
| Term loans | 42,904,459 | 4.40 - 5.63 | 53,436,634 | 6,246,811 | 7,858,978 | 16,578,511 | 22,752,334 |
| Finance lease liabilities | 1,435,750 | 2.22 - 3.50 | 1,547,154 | 590,517 | 558,646 | 397,991 | - |
| Trade and other payables | 42,201,074 | - | 42,201,074 | 42,201,074 | - | - | - |
| | 153,967,473 | | 164,611,052 | 116,464,592 | 8,417,624 | 16,976,502 | 22,752,334 |
| **Company** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 9,855,405 | - | 9,855,405 | 9,855,405 | - | - | - |
| Financial guarantee | - | - | 102,000,000 | 102,000,000 | - | - | - |
| | 9,855,405 | | 111,855,405 | 111,855,405 | - | - | - |

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.6 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 and the Company's financial position or cash flows.

#### *24.6.1 Currency risk*

The Group is exposed to foreign currency risk on sales and purchases 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"), Renminbi ("RMB") and Hong Kong Dollar ("HKD").

*Risk management objectives, policies and processes for managing the risk*

Foreign currency exchange exposures in currencies other than functional currencies of the Group entities are kept to an acceptable level.

*Exposure to foreign currency risk*

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

| | Denominated in | | |
|---|---|---|---|
| | USD<br>RM | RMB<br>RM | HKD<br>RM |
| **Group** | | | |
| **2020** | | | |
| Trade and other receivables | **716,465** | **-** | **5,541,376** |
| Cash and bank balances | **45,233** | **4,767** | **195,924** |
| Trade and other payables | **(9,540,243)** | **(2,497,201)** | **(2,201,281)** |
| Loans and borrowings | **(1,130,983)** | **-** | **-** |
| **Net exposure** | **(9,909,528)** | **(2,492,434)** | **3,536,019** |
| **2019** | | | |
| Trade and other receivables | - | - | 3,030,863 |
| Cash and bank balances | 205,382 | 1,231 | 624,032 |
| Trade and other payables | (5,737,881) | (1,725,371) | (2,391,074) |
| Loans and borrowings | (1,637,539) | - | - |
| **Net exposure** | (7,170,038) | (1,724,140) | 1,263,821 |

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.6 Market risk (Cont'd)

#### *24.6.1 Currency risk* (Cont'd)

*Currency risk sensitivity analysis*

A 10% (2019 : 10%) strengthening of the respective functional currencies of the Group entities against the following currencies 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 interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| | Profit or loss | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| USD | **753,124** | 544,923 |
| RMB | **189,425** | 131,035 |
| HKD | **(268,737)** | (96,050) |

A 10% (2019 : 10%) weakening of the respective functional currencies of the Group entities 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.

#### *24.6.2 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 and the Company'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*

The Group manages this risk by having a combination of borrowings with fixed and floating rates. The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a regular basis.

**24. FINANCIAL INSTRUMENTS** (Cont'd)

**24.6 Market risk** (Cont'd)

***24.6.2 Interest rate risk*** (Cont'd)

*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 :

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **Group** | | |
| **Fixed rate instruments** | | |
| Financial asset | | |
| - Fixed deposits | **512,749** | 497,519 |
| Financial liabilities | | |
| - Hire purchase creditors | **1,704,396** | - |
| - Finance lease liabilities | **-** | 1,435,750 |
| - Bankers' acceptances | **36,854,690** | 55,207,089 |
| - Lease liabilities | **1,617,671** | - |
| | **40,176,757** | 56,642,839 |
| **Floating rate instruments** | | |
| Financial liabilities | | |
| - Term loans | **43,836,601** | 42,904,459 |
| - Bank overdrafts | **5,408,394** | 1,619,101 |
| - Revolving credit | **4,410,000** | 10,600,000 |
| | **53,654,995** | 55,123,560 |

*Interest rate risk sensitivity analysis*

*(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.

**24. FINANCIAL INSTRUMENTS** (Cont'd)

**24.6 Market risk** (Cont'd)

***24.6.2 Interest rate risk*** (Cont'd)

*Interest rate risk sensitivity analysis (Cont'd)*

*(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Group | |
|---|---|---|
| | 50 bp increase RM | 50 bp decrease RM |
| **Profit or loss** | | |
| **Floating rate instruments** | | |
| 2020 | **(203,889)** | **203,889** |
| 2019 | (209,470) | 209,470 |

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.7 Fair value information

The carrying amounts of cash and bank balances, fixed deposits, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | RM |
| **2020** | | | | | | | | | |
| **Group** | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | |
| Term loans | | | | | | | | | |
| - Variable rate | - | - | - | - | - | - | 43,836,601 | 43,836,601 | 43,836,601 |
| Hire purchase creditors | - | - | - | - | - | - | 1,704,396 | 1,704,396 | 1,704,396 |
| | - | - | - | - | - | - | 45,540,997 | 45,540,997 | 45,540,997 |
| **2019** | | | | | | | | | |
| **Group** | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | |
| Term loans | | | | | | | | | |
| - Variable rate | - | - | - | - | - | - | 42,904,459 | 42,904,459 | 42,904,459 |
| Finance lease liabilities | - | - | - | - | - | - | 1,435,750 | 1,435,750 | 1,435,750 |
| | - | - | - | - | - | - | 44,340,209 | 44,340,209 | 44,340,209 |

The Company provides financial guarantees to banks for borrowings granted to certain subsidiaries. The fair value of such guarantees is negligible as the probability of the subsidiaries defaulting on the credit lines is remote.

## 24. FINANCIAL INSTRUMENTS (Cont'd)

### 24.7 Fair value information (Cont'd)

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either direction).

**Non-derivative financial liabilities**

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 determined by reference to similar borrowing arrangements at the end of the reporting period.

**Level 3 fair value**

The carrying amount of floating rate term loans approximate their fair values as their effective interest rates change accordingly to movements in the market interest rate. The fair value of finance lease liabilities is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements which range from 2.22% to 3.45% (2019 : 2.22% to 3.50%).

## 25. 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 are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

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

## 26. OPERATING LEASE COMMITMENTS - GROUP

**Leases as lessee**

Non-cancellable operating lease rentals were payable as follows :

| | 2019<br>RM |
|---|---|
| Less than one year | 813,565 |
| Between one and five years | 171,332 |
| | 984,897 |

The Group leased an office unit, warehouses and office equipment under operating leases. The leases are for an initial period ranging from 6 to 24 months, with options to renew the leases upon the expiry of the initial lease period date, except for office equipment which runs for 60 months.

## 27. CAPITAL COMMITMENT

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| **Property, plant and equipment** | | |
| Contracted but not provided for | **1,133,031** | 13,038,501 |

## 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

1. Pensonic Sales & Service Sdn. Bhd., a wholly owned subsidiary of the Company had on 9 July 2019 entered into a Sale and Purchase Agreement ("SPA") to dispose of a piece of leasehold land together with a four storey office building for a total cash consideration of RM19,500,000.

   The disposal resulted in a gain of RM9,428,432 (net of Real Property Gains Tax) being recognised by the Group during the current financial year.

2. On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic, which has caused severe global social and economic disruptions and uncertainties, including markets where the Group operates.

   The consequences brought about by COVID-19 have partially impacted the operations of the Group during the fourth quarter of the current financial year and whilst the consequences continue to evolve, the Group is actively monitoring and managing its operations to respond to these changes and minimise any impacts that may arise.

## 29. SUBSEQUENT EVENTS

1. On 5 August 2020, a fire occurred at Pensonic Sales & Services Sdn. Bhd.'s ("PSS") office cum service centre in Petaling Jaya. The damage caused by the fire resulted in the after sales service carried out at the said location being disrupted. PSS has filed for insurance claims and is currently liaising with the insurance adjuster to estimate the loss.

2. At an Extraordinary General Meeting convened on 18 September 2020, the Company's shareholders have approved the Company to purchase its own shares of up to 10% of its total number of issued shares ("Share Buy-Back").

## 30. CONTINGENT LIABILITY - COMPANY

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries - limit | **207,080,000** | 202,120,000 |

## 31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16, *Leases*.

**As a lessee**

Where the Group and the Company are a lessees, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any as an adjustment to the opening balance of retained earnings at 1 June 2019.

At 1 June 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rates as at 1 June 2019. The weighted-average rate applied ranged from 5.38% - 11.00%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment.

The Group and the Company used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117 :

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 June 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

### 31.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 June 2019, there are no adjustments made to the prior period financial statements presented.

The following table reconciles the difference between operating lease commitments previously disclosed applying MFRS 117 at 31 May 2019, and the lease liabilities recognised in the statements of financial position at 1 June 2019.

| | RM |
|---|---|
| **Group** | |
| Operating lease commitments at 31 May 2019 as disclosed in Note 26 | 984,897 |
| Discounted using the incremental borrowing rate at 1 June 2019 | 913,549 |
| Recognition exemption for short-term leases | (213,888) |
| Recognition exemption for leases of low-value assets | (500,342) |
| Extension options reasonably certain to be exercised | 2,147,674 |
| Lease liabilities recognised at 1 June 2019 | 2,346,993 |

The adoption of MFRS 16 did not have any material financial impacts to the Company's separate financial statements.

# STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 56 to 130 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2020 and of their financial performance and cash flows for the financial year then ended.

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

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

…………………………………………..
**Chew Chuon Ghee**
Director

Penang,

Date : 18 September 2020

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, the Director primarily responsible for the financial management of Pensonic Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 56 to 130 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed at George Town in the State of Penang on 18 September 2020.

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

Before me :

Goh Suan Bee
(No. P125)
Commissioner for Oaths
Penang

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF PENSONIC HOLDINGS BERHAD
(Registration No. 199401014746 (300426 - P))
(Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Pensonic Holdings Berhad, which comprise the statements of financial position as at 31 May 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Recoverability of trade receivables**

Refer to Notes 1(d) - Use of estimates and judgements and 2(g)(i) - Impairment of financial assets.

**The key audit matter**

As at 31 May 2020, total trade receivables net of impairment as disclosed in Note 9 amounted to RM53 million.

We identified impairment of trade receivables as a key audit matter because trade receivables are significant to the Group's consolidated financial statements both in amount and nature, and the estimation of impairment losses entails judgement by the Directors of the inability by the customers to make the required payments.

**How the matter was addressed in our audit**

Our audit procedures included amongs others :

- We tested the accuracy of the trade receivables ageing report used by the Group to identify past due balances;
- We tested the cash receipts after the year end for past due balances to bank statements; and
- We assessed the Group's allowance for expected credit losses made against doubtful trade receivables, taking into account the ageing of the outstanding balance and our own expectations based on the Group's experience of the customers' historical payment trends.

**Valuation of inventories**

Refer to Notes 1(d) - Use of estimates and judgements and 2(h) – Inventories.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont'd)

**Key Audit Matters** (Cont'd)

**The key audit matter** (Cont'd)

As at 31 May 2020, the carrying amount of the Group's inventories as disclosed in Note 8 amounted to RM45 million which comprised of a wide range of household electrical products and appliances.

The inventories are required to be measured at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value require the use of judgement on estimated selling price and future customer demand.

Given the wide range of inventories carried by the Group and the judgement required to determine the write down of the inventories, we have identified valuation of inventories as a key audit matter.

**How the matter was addressed in our audit**

Our audit procedures performed in this area included, among others :

- We attended the year end physical inventory counts to identify whether any inventories were damaged;
- We assessed the Group's inventory write-down policy by taking into account the historical consumption and sales of the inventories;
- We tested the accuracy of the sales by product reports relied by the Group to assess inventories for write down; an
- We selected items of inventories on sampling basis and compared the carrying amount of the inventories to the selling price for sales transacted after year end or recent sales transacted during the year.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont'd)

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

# INDEPENDENT AUDITORS' REPORT (Cont'd)

TO THE MEMBER OF PENSONIC HOLDINGS BERHAD
(Registration No. 199401014746 (300426 - P))
(Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont'd)

**Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**
LLP0010081-LCA & AF 0758
Chartered Accountants

**Raymond Chong Chee Mon**
Approval Number : 03272/06/2022 J
Chartered Accountant

Penang

Date : 18 September 2020

# LIST OF PROPERTIES OWNED BY THE GROUP
AS AT 31 MAY 2020

| Registered Owner | Address/ Location | Description/ Existing use | Approximately age of buildings (Years) | Tenure | Land/ Built-up area | Audited net book value as at 31 May 2020 RM |
|---|---|---|---|---|---|---|
| PE | Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang. | Industrial land with factory, warehouse and office | 23 | Leasehold Expiring in 2054 | 133,289 sq. ft./ 112,050 sq. ft. | 4,014,663 |
| PSS | Lot 4, Towering Industrial Centre, 88300 Penampang, Kota Kinabalu, Sabah. | Warehouse and office | 28 | Leasehold Expiring in 2037 | 2,700 sq. ft. | 162,857 |
| PSS | Lot No. 23B & 24B, Mukim Kapar, Daerah Klang, Selangor | Warehouse | 1 | Freehold | 270,465 sq. ft. / 159,435 sq. ft. | 47,370,926 |
| PSS | Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor. | Warehouse and office | 16 | Leasehold Expiring in 2070 | 43,560 sq. ft. / 36,255 sq. ft. | 5,833,968 |
| PI | 895, Jalan Perindustrian Bukit Minyak, Kawasan Perindustrian Bukit Minyak, MK. 13, 14100 Bukit Minyak, Penang. | Industrial land with factory, warehouse and office | 17 | Leasehold Expiring in 2063 | 130,685 sq. ft. / 75,260 sq. ft. | 4,423,668 |
| PHB | 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang. | Industrial land with warehouse and office | 8 | Leasehold Expiring in 2059 | 261,380 sq. ft. / 224,158 sq. ft.. | 44,143,017 |
| PSS | 141, 143 & 145 Jalan Perak, 11600 George Town, Penang | Shophouse | 14 | Freehold | 4,887 sq. ft. / 5,889 sq. ft. | 3,966,667 |

# ANALYSIS OF SHAREHOLDINGS

## SHAREHOLDINGS STATISTICS AS AT 21 AUGUST 2020

| | |
|---|---|
| Class of Securities | : Ordinary Shares |
| Total number of issued shares | : 129,668,000 ordinary shares |
| Voting Rights | : 1 vote per share on a poll |
| Number of shareholders | : 2,524 |

## DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 21 AUGUST 2020

| No. of Holders | Size of Holdings | Total Holdings | % of Total Issued Capital |
|---|---|---|---|
| 37 | less than 100 shares | 861 | # |
| 189 | 100 to 1,000 shares | 83,613 | 0.06 |
| 1,430 | 1,001 to 10,000 shares | 7,707,722 | 5.94 |
| 765 | 10,001 to 100,000 shares | 20,313,020 | 15.67 |
| 102 | 100,001 to less than 5% of issued shares | 81,737,860 | 63.04 |
| 1 | 5% and above of issued shares | 19,824,924 | 15.29 |
| 2,524 | | 129,668,000 | 100.00 |

# Negligible

## THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 AUGUST 2020

| | Name | No. of Shares | % |
|---|---|---|---|
| 1 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR<br>CHEW WENG KHAK REALTY SDN. BHD. (SMART) | 19,824,924 | 15.29 |
| 2 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KHAK @<br>CHEW WENG KIAK | 6,082,200 | 4.69 |
| 3 | CHEW WENG KHAK REALTY SDN BHD | 6,000,000 | 4.63 |
| 4 | CHEW CHUON GHEE | 4,600,000 | 3.55 |
| 5 | CIMB GROUP NOMINEES (ASING) SDN. BHD.<br>EXEMPT AN FOR DBS BANK LTD (SFS) | 4,120,900 | 3.18 |
| 6 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR CHEW WENG KHAK @ CHEW WENG KIAK (PB) | 3,785,000 | 2.92 |
| 7 | CHEW CHUON FANG | 3,400,000 | 2.62 |
| 8 | CHEW CHUON FANG | 2,781,000 | 2.14 |
| 9 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR<br>CHEW CHUON JIN (SMART) | 2,772,000 | 2.14 |
| 10 | CHEW CHUON JIN | 2,626,400 | 2.03 |
| 11 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>CHEW CHUON JIN (6000225) | 2,500,000 | 1.93 |

**THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 AUGUST 2020** (Cont'd)

| | Name | No. of Shares | % |
|---|---|---|---|
| 12 | CHEW CHUON GHEE | 2,310,000 | 1.78 |
| 13 | TIU JON HUI | 2,217,000 | 1.71 |
| 14 | TAN AH NYA @ TAN BEE TIANG | 2,200,000 | 1.70 |
| 15 | LEE ANN NEE | 2,060,000 | 1.59 |
| 16 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHEW CHUN CHIA<br>(MID-VALLEY-CL) | 2,000,000 | 1.54 |
| 17 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHEW PEI GEE (MID-VALLEY-CL) | 2,000,000 | 1.54 |
| 18 | CHEW CHUON GHEE | 1,794,000 | 1.38 |
| 19 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN | 1,432,800 | 1.10 |
| 20 | LIM LIENG PIAU | 1,352,500 | 1.04 |
| 21 | VOON SZE LIN | 1,255,400 | 0.97 |
| 22 | WAN THIAM HUAT | 1,247,000 | 0.96 |
| 23 | PANG KAH FANG | 1,064,000 | 0.82 |
| 24 | TIU JON SEN | 906,800 | 0.70 |
| 25 | LEE SENG LONG | 858,180 | 0.66 |
| 26 | GV ASIA FUND LIMITED | 812,800 | 0.63 |
| 27 | LIM LIENG PIAU | 785,800 | 0.61 |
| 28 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>ONG CHOO HOON (MG0000126) | 721,700 | 0.56 |
| 29 | TAM KAI YUEN | 700,000 | 0.54 |
| 30 | LIEW TEEN CHAI | 659,000 | 0.51 |
| | **Total** | **84,869,404** | **65.46** |

# ANALYSIS OF SHAREHOLDINGS (Cont'd)

**SUBSTANTIAL SHAREHOLDERS AS AT 21 AUGUST 2020**

| Name of substantial shareholders | Direct Interest No of shares | % | Indirect Interest No of shares | | % |
|---|---|---|---|---|---|
| CHEW WENG KHAK REALTY SDN BHD | 25,824,924 | 19.92 | | | |
| Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK | 9,867,200 | 7.61 | 28,024,924 | a / b | 21.61 |
| CHEW CHUON GHEE | 8,704,000 | 6.71 | | | |
| CHEW CHUON JIN | 7,898,400 | 6.09 | 16,800 | c | 0.01 |

**STATEMENT OF DIRECTORS' SHAREHOLDINGS AS AT 21 AUGUST 2020**

| Name of directors | Direct Interest No of shares | % | Indirect Interest No of shares | | % |
|---|---|---|---|---|---|
| Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK | 9,867,200 | 7.61 | 32,024,924 | a / b | 24.70 |
| CHEW CHUON JIN | 7,898,400 | 6.09 | 16,800 | c | 0.01 |
| CHEW CHUON GHEE | 8,704,000 | 6.71 | | | |
| CHEW CHUON FANG | 6,181,000 | 4.77 | | | |

Notes :

a By virtue of his interest in the shares of the Company (through Chew Weng Khak Realty Sdn Bhd), Dato' Seri Chew Weng Khak @ Chew Weng Kiak is deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

b Indirect interest through his spouse, Datin Seri Tan Ah Nya @ Tan Bee Tiang and/or children, Chew Chun Chia and Chew Pei Gee pursuant to Section 59(11)( c ) of the Companies Act 2016 ("Act").

c Indirect interest through his spouse, Tan Guat See pursuant to Section 59(11)( c ) of the Act.

# ANALYSIS OF WARRANTHOLDINGS

| | |
|---|---|
| Class of Securities | : 64,834,000 warrants |
| Exercise price of warrants | : RM0.60 for each warrant |
| Expiry date of warrants | : 20 January 2024 |
| Voting Rights | : One Vote per warrant at any warrantholders' meeting |
| Number of warrantholders | : 699 holders |

**DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS AS AT 21 AUGUST 2020**

| No. of Holders | Size of Holdings | Total Holdings | % of Total Warrantholdings |
|---|---|---|---|
| 12 | less than 100 shares | 522 | # |
| 35 | 100 to 1,000 shares | 20,314 | 0.03 |
| 367 | 1,001 to 10,000 shares | 1,724,386 | 2.66 |
| 214 | 10,001 to 100,000 shares | 7,418,066 | 11.44 |
| 68 | 100,001 to less than 5% of issued shares | 37,015,100 | 57.09 |
| 3 | 5% and above of issued shares | 18,655,612 | 28.78 |
| 699 | | 64,834,000 | 100.00 |

# Negligible

**THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 AUGUST 2020**

| | Name | No. of Warrants | % |
|---|---|---|---|
| 1 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR<br>CHEW WENG KHAK REALTY SDN. BHD. (SMART) | 8,569,912 | 13.22 |
| 2 | CHEW WENG KHAK @ CHEW WENG KIAK | 5,600,000 | 8.64 |
| 3 | CHEW CHUON JIN | 4,485,700 | 6.92 |
| 4 | CGS-CIMB NOMINEES (ASING) SDN BHD<br>PIONEER UNITED LIMITED (JS 803) | 2,767,600 | 4.27 |
| 5 | OLIVE LIM SWEE LIAN | 2,200,000 | 3.39 |
| 6 | CHEW WENG KHAK REALTY SDN BHD | 2,100,000 | 3.24 |
| 7 | ANG YOOK CHU @ ANG YOKE FONG | 1,854,100 | 2.86 |
| 8 | CHEW CHUON FANG | 1,827,000 | 2.82 |
| 9 | CHEW WENG KHAK @ CHEW WENG KIAK | 1,400,000 | 2.16 |
| 10 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KHAK @<br>CHEW WENG KIAK | 1,400,000 | 2.16 |
| 11 | GV ASIA FUND LIMITED | 1,263,800 | 1.95 |
| 12 | CHEW CHUON GHEE | 1,155,000 | 1.78 |
| 13 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR VOON JYE WAH | 1,089,000 | 1.68 |
| 14 | CHEW CHUON FANG | 1,050,000 | 1.62 |
| 15 | VOON SZE LIN | 1,018,800 | 1.57 |

# ANALYSIS OF WARRANTHOLDINGS (Cont'd)

**THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 AUGUST 2020** (Cont'd)

| | Name | No. of Warrants | % |
|---|---|---|---|
| 16 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR<br>CHEW CHUON JIN (SMART) | 1,000,000 | 1.54 |
| 17 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM) | 780,100 | 1.20 |
| 18 | HEH WUN YEE | 768,100 | 1.18 |
| 19 | EE CHAI CHAI | 735,400 | 1.13 |
| 20 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR VOON JYE YNG | 715,700 | 1.10 |
| 21 | JF APEX NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN | 715,100 | 1.10 |
| 22 | CHEW CHUON GHEE | 700,000 | 1.08 |
| 23 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>TAN HUI LUN | 615,000 | 0.95 |
| 24 | AIK SEAW GEE | 550,000 | 0.85 |
| 25 | PANG CHONG SENG | 464,400 | 0.72 |
| 26 | SEE HOCK CHUAN | 450,000 | 0.69 |
| 27 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR<br>AWAN TRAVEL SDN.BHD. (SMART) | 431,000 | 0.66 |
| 28 | YAU YIK LIAN | 430,500 | 0.66 |
| 29 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LEN BOOK LEARN | 425,200 | 0.66 |
| 30 | TAN AH NYA @ TAN BEE TIANG | 420,000 | 0.65 |
| | **Total** | **46,981,412** | **72.45** |

### STATEMENT OF DIRECTORS' WARRANTHOLDINGS AS AT 21 AUGUST 2020

| Name of warrantholders | Direct Interest No of warrants | % | Indirect Interest No of warrants | % |
|---|---|---|---|---|
| Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK | 8,400,000 | 12.96 | 11,089,912 [a / b] | 17.11 |
| CHEW CHUON JIN | 5,485,700 | 8.46 | 10,000 [c] | 0.02 |
| CHEW CHUON GHEE | 2,002,000 | 3.09 | | |
| CHEW CHUON FANG | 2,877,000 | 4.44 | | |

Notes :

a By virtue of his interest in the shares of the Company (through Chew Weng Khak Realty Sdn. Bhd.), Dato' Seri Chew Weng Khak @ Chew Weng Kiak is deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

b Indirect interest through his spouse, Datin Seri Tan Ah Nya @ Tan Bee Tiang and/or children, Chew Chun Chia and Chew Pei Gee pursuant to Section 59(11)( c ) of the Companies Act 2016 ("Act").

c Indirect interest through his spouse, Tan Guat See pursuant to Section 59(11)( c ) of the Act.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 26th Annual General Meeting ("AGM") of PENSONIC HOLDINGS BERHAD ("PENSONIC" or the "Company") will be held at 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang, on Wednesday, 28 October 2020 at 2.30 pm to transact the following business:

**AGENDA**

**As Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 May 2020 together with the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors who retire in accordance with Clause 103 of the Company's Constitution and who, being eligible, have offered themselves for re-election:

    (a) Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim — Ordinary Resolution 1

    (b) Ong Huey Min — Ordinary Resolution 2

    (c) Chew Chuon Fang — Ordinary Resolution 3
3. To approve the payment of Directors' Fees of up to RM300,000 for the period commencing this AGM through to the next AGM of the Company in 2021. — Ordinary Resolution 4
4. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. — Ordinary Resolution 5

**As Special Business**

To consider and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** — Ordinary Resolution 6

    "THAT, subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Act, to allot and issue shares in the Company at any time until the conclusion of the next AGM and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of total number of issued shares/ total number of voting shares of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."

6. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** — Ordinary Resolution 7

    "THAT subject always to the Act, the Constitution, the Listing Requirements and the approvals of the relevant government/regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to enter into related party transactions with the Mandated Related Parties, particulars of which are set out in the Circular dated 29 September 2020, provided that such transactions are:

    (a) recurrent transaction of a revenue or trading nature;

    (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;

    (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms with those generally available to the public; and

    (d) not detrimental to the interests of the minority shareholders of the Company;

6. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** (Cont'd)

AND THAT such authority shall continue to be in force until:

(a) the conclusion of the next AGM of the Company following this AGM where the authority is approved, at which time the authority will lapse unless renewed by a resolution passed at the meeting; or

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorized to do, carry out and complete all such acts, things and arrangements (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions as contemplated/authorized by the Proposed Shareholders' Mandate in accordance with the Act, provisions of the Constitution, the Listing Requirements and any other regulatory authorities, and other relevant approvals."

7. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO BUY-BACK ITS OWN SHARES** Ordinary Resolution 8

"THAT, subject always to the Act, provisions of the Constitution and the Main Market Listing Requirements of the Bursa Securities ("Listing Requirements") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to purchase ordinary shares in the Company's total number of issued shares ("PHB Shares") through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:

(a) the maximum aggregate number of ordinary shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the PHB Shares for the time being;

(b) the maximum amount of fund to be allocated by the Company for the purpose of purchasing the PHB Shares shall not exceed the audited retained profits of RM16,985,825 of the Company as at 31 May 2020;

(c) the authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue in force until:

   (i) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

   (ii) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements or any other relevant authorities;

(d) upon completion of the purchase(s) of the PHB Shares by the Company, the Directors of the Company be hereby authorised to deal with the PHB Shares in the following manner:

   (i) to cancel the PHB Shares so purchased; or

   (ii) to retain the PHB Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or

   (iii) to retain part of the PHB Shares so purchased as treasury shares and cancel the remainder; or

   (iv) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

7. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO BUY-BACK ITS OWN SHARES** (Cont'd)

   AND THAT the Directors of the Company be and are hereby authorised to take all such actions and steps as are necessary or expedient to implement or to effect the purchase of PHB Shares."

8. To transact any other business of which due notice shall have been given.

By Order of the Board

Ong Tze-En | Company Secretary | MAICSA 7026537 | SSM PC No. 202008003397
Penang, 29 September 2020

**Notes:**
1. A proxy must be of full age. A proxy may but need not be a member.
   To be valid, this form, duly completed must be deposited at the Registered Office of the Company, 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than forty-eight (48) hours before the time for holding the meeting PROVIDED that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
2. A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an Exempt Authorized Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorized Nominee may appoint in respect of each omnibus account it holds. An Exempt Authorized Nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
6. If the appointor is a corporation the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorized.
7. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors ("ROD") as at 21 October 2020 and only a Depositor whose name appears on such ROD shall be eligible to attend this meeting or appoint proxy to attend and/or vote on his/her behalf.

**Explanatory Notes on Ordinary and Special Business:**
1. Item 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of shareholders of the Company and hence, Item 1 is not put forward for voting.
2. Under the proposed **Ordinary Resolution 4**, the Directors' fees to the Directors have been reviewed by the Remuneration Committee and the Board of Directors of the Company. The Directors' fees are in the best interest of the Company and in accordance with the remuneration framework of the Group. The Directors' fees, if passed, will facilitate the payment of Directors' fees to the Directors for the period commencing this AGM through to the next AGM. Details of Directors' fees for the financial year ended 31 May 2020 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2020.
3. The proposed **Ordinary Resolution 6**, is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issue and allot ordinary shares at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 30 October 2019 and which will lapse at the conclusion of the 26th AGM. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.
4. The proposed **Ordinary Resolution 7,** if passed, will approve the Proposed Shareholders' Mandate and allow the Company and its subsidiaries to enter into the existing recurrent related party transactions as set out in the Circular dated 29 September 2020. This approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earliest.

**Explanatory Notes on Ordinary and Special Business:** (Cont'd)

5. The proposed **Ordinary Resolution 8**, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued share capital of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the next AGM of the Company.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities)

No individual is standing for election as a Director at the forthcoming AGM of the Company.

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# PROXY FORM

| CDS Account No.: | No. of shares held: |
|---|---|
| | |

**PENSONIC**®
**PENSONIC HOLDINGS BERHAD**
(Registration No: 199401014746/300426-P)
(Incorporated in Malaysia)

I/We ______________________________________________
(Full name in Block Letters and NRIC / Passport No. / Company No.)

of ______________________________________ and ______________________
(Address) (Tel. No.)

being a Member(s) of Pensonic Holdings Berhad, hereby appoint

| Full Name (in Block Letters) | NRIC/Passport No. | No. of Shares | % of Shareholding |
|---|---|---|---|
| | | | |

* and/or (*delete if not applicable)

| Full Name (in Block Letters) | NRIC/Passport No. | No. of Shares | % of Shareholding |
|---|---|---|---|
| | | | |

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf at the 26th Annual General Meeting of the Company to be held at 1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang on Wednesday, 28 October 2020 at 2.30 pm and at any adjournment thereof, to vote as indicated below:-

| | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1 | Re-election of Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim | | |
| 2 | Re-election of Ong Huey Min | | |
| 3 | Re-election of Chew Chuon Fang | | |
| 4 | Approval of payment of Directors' Fees | | |
| 5 | Re-appointment of Auditors | | |
| 6 | Authority to Issue Shares | | |
| 7 | Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |
| 8 | Proposed Renewal of Authority for the Company to Buy-Back its Own Shares | | |

(Please indicate with an "X" in the spaces provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this ________ day of _________________ 2020.

_________________________________
Signature of Member(s) or/ Common Seal

**Notes:**

1. *A proxy must be of full age. A proxy may but need not be a member.*
   *To be valid, this form, duly completed must be deposited at the Registered Office of the Company, 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than forty-eight (48) hours before the time for holding the meeting PROVIDED that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).*
2. *A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member is an Exempt Authorized Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorized Nominee may appoint in respect of each omnibus account it holds. An Exempt Authorized Nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*
6. *If the appointor is a corporation the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorized.*
7. *For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors ("ROD") as at 21 October 2020 and only a Depositor whose name appears on such ROD shall be eligible to attend this meeting or appoint proxy to attend and/or vote on his/her behalf.*

*Fold this flap for sealing*

**Stamp**

The Company Secretary
**PENSONIC HOLDINGS BERHAD**
(Registration No: 199401014746 (300426-P)

170-09-07, Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang

*Fold here*


## PENSONIC SALES & SERVICE CENTRES

# MALAYSIA

**PENANG HEAD OFFICE, SHOWROOM**

1165, Lorong Perindustrian Bukit Minyak 16,
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**PJ SHOWROOM & CUSTOMER CARE CENTRE**

Lot 11A, Jalan 223 Sec 51A, 46100
Petaling Jaya, Selangor Darul Ehsan.

**Showroom**
Tel. Fax: 603- 7954 5200 / 7954 5705

**Customer Care Centre**
Tel. Fax: 603- 7954 5221 / 7954 5706

**PENANG**

143- 145, Perak Rd., 10150 Penang.
Tel: 604- 226 9923 / 050

**JOHOR BAHRU**

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Taman Johor Jaya, 81100
Johor Bahru, Johor.

**SABAH**

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Towering Industrial Centre, 88300
Penampang Kota Kinabalu, Sabah.

**KOTA BHARU**

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Batu 2 Jalan Pengkalan Chepa,
15400 Kota Bahru, Kelantan.

**LABUAN**

SU11T/SL05, Wisma Wong
Wo Lo, 87000 Labuan.

PN 7884, Jalan OKK,
Awang Besar, W.P Labuan,
87000 Labuan.

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**PENSONIC SALES & SERVICE CENTRES**

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Usama Shahin St of Saad Zaglol St., El Bar Elsharkey Shibin El Kom Menofia, POB 32514, Egypt.
Tel. fax: 201- 0009 3033

**EQUITORIALE GUINEA**

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Tel. Fax: 204- 096 444

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Tel: 9411- 2343586 Fax: 9411- 2326699

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Tel. Fax: 679- 339 3111 / 334 0255

**BAHRAIN**

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**SEYCHELLES**

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**MALDIVES**

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**MAURITIUS**

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Tel: 230- 2121563

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**SOUTH KOREA**

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Tel: 070- 4185 3645 Fax: 0507- 0326 7040

PENSONIC
Your Enjoyment

Pensonic Holdings Berhad
- Incorporated In Malaysia
(199401014746/300426-P)

1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak,14100 Simpang Ampat, Penang.

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