

PENSONIC HOLDINGS BERHAD (300426-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 MAY 2017

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR ENDED 31 MAY 2017 (Unaudited)**

	Note	Individual Quarter 3 months ended		Cumulative Period 12 months ended	
		31.05.2017 RM'000	31.05.2016 RM'000	31.05.2017 RM'000	31.05.2016 RM'000
Revenue	9	89,325	103,629	341,087	386,258
Cost of sales		(70,280)	(81,937)	(268,694)	(309,120)
Gross profit		19,045	21,692	72,393	77,138
Other operating income		150	4,211	612	5,356
Interest income		25	(61)	76	102
Operating expenses		(14,744)	(19,854)	(61,663)	(65,731)
Results from operating activities		4,476	5,988	11,418	16,865
Finance costs		(1,176)	(1,328)	(5,016)	(5,148)
Operating profit		3,300	4,660	6,402	11,717
Share of profit of equity accounted associates		42	37	42	37
Profit before tax		3,342	4,697	6,444	11,754
Tax expense	19	(74)	(276)	(127)	(524)
Profit for the period/year		3,268	4,421	6,317	11,230
Other comprehensive income, net of tax					
Foreign currency translation differences		(674)	(265)	(65)	187
Total comprehensive income for the period/year		2,594	4,156	6,252	11,417
Profit attributable to:					
Shareholders of the Company		3,305	4,423	6,380	11,250
Non-controlling interests		(37)	(2)	(63)	(20)
		3,268	4,421	6,317	11,230
Total comprehensive income attributable to:					
Shareholders of the Company		2,631	4,158	6,315	11,437
Non-controlling interests		(37)	(2)	(63)	(20)
		2,594	4,156	6,252	11,417
Basic earnings per ordinary share (sen)	24	2.55	3.41	4.92	8.68
Diluted earnings per ordinary share (sen)	24	2.50	n/a	4.70	n/a

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 May 2016 and the accompanying explanatory notes attached to the interim financial statements.

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017 (Unaudited)**

	Note	Unaudited 31.05.2017 RM'000	Audited 31.05.2016 RM'000
ASSETS			
Property, plant and equipment		90,596	95,194
Investment properties		-	481
Investments in associates		338	296
Intangible assets		1,068	1,061
Total non-current assets		92,002	97,032
Inventories		72,257	70,706
Trade and other receivables		63,102	71,650
Current tax assets		734	565
Cash and cash equivalents		22,327	26,980
Total current assets		158,420	169,901
TOTAL ASSETS		250,422	266,933
EQUITY			
Share capital		67,671	64,834
Reserves		51,922	51,037
Total equity attributable to owners of the Company		119,593	115,871
Non-controlling interests		(90)	(27)
TOTAL EQUITY		119,503	115,844
LIABILITIES			
Loans and borrowings	21	11,936	18,798
Deferred tax liabilities		7	7
Total non-current liabilities		11,943	18,805
Loans and borrowings	21	76,924	78,001
Trade and other payables		42,052	54,283
Total current liabilities		118,976	132,284
Total liabilities		130,919	151,089
TOTAL EQUITY AND LIABILITIES		250,422	266,933
Net assets per share attributable to equity holders (RM)		0.92	0.89

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 May 2016 and the accompanying explanatory notes attached to the interim financial statements.

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2017 (Unaudited)

	← Attributable to owners of the Company →						→			
	← Non-Distributable Reserve			→ Distributable						
	Share capital RM'000	Share premium RM'000	Exchange translation Reserve RM'000	Capital reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
At 1 June 2015	64,834	2,837	583	4,488	6,483	(639)	29,738	108,324	(7)	108,317
Foreign currency translation differences	-	-	187	-	-	-	-	187	-	187
Profit for the year	-	-	-	-	-	-	11,250	11,250	(20)	11,230
Total comprehensive income for the year	-	-	187	-	-	-	11,250	11,437	(20)	11,417
Dividend to owners of the Company	-	-	-	-	-	-	(3,890)	(3,890)	-	(3,890)
At 31 May 2016	64,834	2,837	770	4,488	6,483	(639)	37,098	115,871	(27)	115,844
At 1 June 2016	64,834	2,837	770	4,488	6,483	(639)	37,098	115,871	(27)	115,844
Foreign currency translation differences	-	-	(65)	-	-	-	-	(65)	-	(65)
Profit for the year	-	-	-	-	-	-	6,380	6,380	(63)	6,317
Total comprehensive income for the year	-	-	(65)	-	-	-	6,380	6,315	(63)	6,252
Dividend to owners of the Company	-	-	-	-	-	-	(2,593)	(2,593)	-	(2,593)
Reclassification due to compliance with Companies Act 2016	2,837	(2,837)	-	-	-	-	-	-	-	-
At 31 May 2017	67,671	-	705	4,488	6,483	(639)	40,885	119,593	(90)	119,503

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 May 2016 and the accompanying explanatory notes attached to the interim financial statements.

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2017 (Unaudited)**

	12 months ended	
	31.05.2017	31.05.2016
Note	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	6,444	11,754
Adjustments for:		
Depreciation of property, plant and equipment	6,123	6,142
Depreciation of investment properties	4	8
Interest expense	5,016	5,148
Interest income	(76)	(102)
Plant and equipment written off	15	630
Bad debt written off	83	-
Loss on disposal of plant and equipment	17	(57)
Loss on disposal of investment properties	54	-
Share of profit of equity accounted associates, net of tax	(42)	(37)
Operating profit before changes in working capital	17,638	23,486
Changes in working capital:		
Inventories	(1,551)	(9,361)
Trade and other receivables	8,464	(2,663)
Trade and other payables	(12,231)	(7,048)
Cash generated in operations	12,320	4,414
Income tax paid	(296)	(392)
Net cash generated from operating activities	12,024	4,022
Cash flows used in investing activities		
Interest received	76	102
Purchase of property, plant and equipment	(789)	(2,674)
Proceeds from disposal of plant and equipment	217	372
Proceeds from disposal of investment properties	423	-
Net cash used in investing activities	(73)	(2,200)
Cash flows from financing activities		
Repayment of term loans	(10,329)	(10,562)
Drawdown/(Repayment) of finance lease liabilities, net	(587)	(610)
Drawdown of borrowings, net	4,244	7,110
Interest paid	(5,016)	(5,148)
Placement of pledged fixed deposits	1,322	1,518
Dividend paid	(2,593)	(4,538)
Net cash used in financing activities	(12,959)	(12,230)
Net decrease in cash and cash equivalents	(1,010)	(10,408)
Cash and cash equivalents at beginning of year	15,941	25,723
Effect of exchange differences on cash and cash equivalents	73	625
Cash and cash equivalents at end of year	14,861	15,940

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
FOR THE YEAR ENDED 31 MAY 2017 (Unaudited)**

	12 months ended	
	31.05.2017	31.05.2016
	RM'000	RM'000
Cash and cash equivalents comprised the following:		
Cash and bank balances	21,223	24,553
Bank overdrafts	(6,362)	(8,613)
Short term deposits with licensed banks	1,104	2,427
	<u>15,965</u>	<u>18,367</u>
Less: Fixed deposits pledged with licensed bank	(1,092)	(2,404)
Less: Fixed deposit with maturity more than three months	<u>(12)</u>	<u>(23)</u>
	<u>14,861</u>	<u>15,940</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 May 2016 and the accompanying explanatory notes attached to the interim financial statements.

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD AND YEAR ENDED 31 MAY 2017 (Unaudited)

PART A: EXPLANATORY NOTES AS PER FRS 134 - INTERIM FINANCIAL REPORTING

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with MFRS134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34: Interim financial Reporting issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2016. These explanatory notes, attached to the condensed consolidated interim financial statements, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 May 2016.

2. Significant Accounting Policies

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 31 May 2016.

At the date of authorization of these interim financial statements, The Group has not adopted the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB"):

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (cont'd)

- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 15, *Revenue from Contracts with Customers*
- MFRS 9, *Financial Instruments*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Lease*

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

3. Audit Qualification

The External Auditors of the Company, had expressed a qualified opinion in their Auditors' Report on the Financial Statements of the Company for the financial year ended 31 May 2016 and their basis for qualified opinion was:-

"Included in the Group's other receivables is an amount of RM3,460,279 (HKD 6,656,297) due from a company in which certain Directors of the Company has substantial financial interest as disclosed in Note 12 to the financial statements that has been long outstanding and was not impaired. Minimal payment was received from this receivables as at the date of this report. In the absence of any documentary evidence and alternative audit procedure, we are unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the abovementioned long outstanding balance."

As at 31 May 2017, the amount due from the said company was RM1,345,044 (HKD2,295,297). This amount has been fully settled as at to-date.

4. Seasonality of Operations

The Group's business operations are generally affected by festive seasons, school holidays and carnival sales in Malaysia.

5. Unusual and Material Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current period ended 31 May 2017.

6. Significant Estimates and Changes in Estimates

There were no changes in estimates of amounts reported in the prior quarter and/ or financial period that have a material effect on the Group in the current period under review.

7. Debt and Equity Securities

There were no issuance and repayment of debts and equity security, share buy-backs, share cancellation, share held as treasury shares by the Company during the financial period under review.

8. Dividend Paid

Since the end of previous financial year, the Company paid:

A final interim single tier dividend of 2.0 sen per ordinary share, totalling RM2,593,360 in respect of financial year ended 31 May 2016 on 30 December 2016.

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

9. Segmental Information

	For the 12 months ending 31.05.2017					
	Manufacturing	Trading	Others	Total	Elimination	Consolidated Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	684	340,403	-	341,087	-	341,087
Inter-segment revenue	99,488	8,555	11,697	119,740	(119,740)	-
	<u>100,172</u>	<u>348,956</u>	<u>11,697</u>	<u>460,827</u>	<u>(119,740)</u>	<u>341,087</u>
Segment profit	<u>(664)</u>	<u>6,826</u>	<u>4,045</u>	<u>10,207</u>	<u>3,805</u>	<u>6,402</u>

Segment assets*Included in the measure of segment assets is:*

Capital expenditure	<u>346</u>	<u>1,696</u>	<u>(270)</u>	<u>1,772</u>	<u>-</u>	<u>1,772</u>
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	For the 12 months ending 31.05.2016					
	Manufacturing	Trading	Others	Total	Elimination	Consolidated Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	467	385,791	-	386,258	-	386,258
Inter-segment revenue	113,848	8,679	12,455	134,982	(134,982)	-
	<u>114,315</u>	<u>394,470</u>	<u>12,455</u>	<u>521,240</u>	<u>(134,982)</u>	<u>386,258</u>
Segment profit	<u>3,964</u>	<u>13,207</u>	<u>3,674</u>	<u>20,845</u>	<u>(9,091)</u>	<u>11,754</u>

Segment assets*Included in the measure of segment assets is:*

Capital expenditure	<u>1,186</u>	<u>3,215</u>	<u>399</u>	<u>4,800</u>	<u>(823)</u>	<u>3,977</u>
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10. Events after the Reporting Period

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial statements for the current quarter under review.

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(Incorporated in Malaysia)

11. Changes in Composition of the Group

On 6 June 2017, the Group incorporated a wholly owned subsidiary in Cambodia under the name of Pensonic (Cambodia) Co., Ltd. (“PCC”). PCC is capitalized at USD1,000, only represented by 1,000 ordinary shares and its intended principal activities are wholesale and retail of household appliances.

12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets of a material nature as at the end of current financial quarter.

13. Capital Commitments

There were no capital expenditure contracted but not provided as at the reporting date.

14. Significant Related Party Transactions

The significant transactions with companies in which certain Directors and persons connected to Directors have substantial financial interests are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>3 months ended</u>		<u>12 months ended</u>	
	<u>31.05.2017</u>	<u>31.05.2016</u>	<u>31.05.2017</u>	<u>31.05.2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Transaction with associate				
-Sales	1,077	1,612	1,869	2,644
Transaction with related party				
- Purchases	742	857	2,896	2,543
- Services acquired	47	69	267	319

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD AND YEAR ENDED 31 MAY 2017 (Unaudited)

PART B : ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. Review of Performance

For the Quarter

The Group registered revenue of RM89.3 million for the current quarter ended 31 May 2017 compared to the revenue of RM103.6 million in the preceding year corresponding quarter. The Group registered a profit before tax of RM3.3 million for the current quarter compared to the profit before tax of RM4.7 million in the preceding year corresponding financial quarter. Both local and overseas markets remained slow due to competitive pressure and general slowdown in macro economy.

For the Year ended

The Group recorded revenue of RM341.1 million for the current financial year ended 31 May 2017 compared to RM386.3 million in the preceding year corresponding financial year. The Group registered a profit before tax of RM6.4million compared to the profit before tax of RM11.8 million. Despite lower revenue, the Group has been able to maintain its gross profit margin. Nonetheless, the Group continued to face challenging macro economy which necessitated higher advertising and promotional expenses to improve sales and market shares. This has resulted in lower profits as reported.

16. Variation of results Against Preceding Quarter

The Group recorded revenue of RM89.3 million for the current financial quarter ended 31 May 2017 compared to the revenue of RM82.2 million in the preceding quarter ended 28 February 2017. The Group registered a profit before tax of RM3.3 million compared to the profit before tax of RM1.1 million in the preceding quarter. The better profit before tax in current financial quarter was mainly contributed by higher demand approaching the Hari Raya festive month.

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

17. Commentary on Prospect

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. 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.

At the same time, the Group will continue to explore new markets and growth opportunities in emerging markets abroad.

On 28 November 2016, the Group successfully secured the distributorship for MYTV set-top-box (decoder) in anticipation of digitalisation of the Malaysian television broadcasting in 2018. By then, all households in Malaysia will require the decoders to receive television signals for continued access to Free-to-Air TV channels. This distributorship is anticipated to contribute to Group revenue in the short-to-medium term.

Given the Group's extensive experience in the industry, the Board believes that the Group will be able to manage the challenges ahead and remain competitive in the foreseeable future.

18. Profit Forecast

Not applicable as no profit forecast was published.

19. Taxation

	Individual Quarter		Cumulative Period	
	3 months ended		12 months ended	
	31.05.2017	31.05.2016	31.05.2017	31.05.2016
	RM'000	RM'000	RM'000	RM'000
Malaysian statutory tax				
- Current year	82	172	94	402
- Prior year	-	128	8	130
Foreign statutory tax				
- Current year	9	(23)	25	-
- Prior year	-	-	-	-
	91	277	127	532
Deferred tax expense				
- Current year	(17)	(1)	-	(7)
- Prior year	-	-	-	(1)
	74	276	127	524

Domestic income tax rate is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate for the quarter and year were lower than the statutory rate due to tax exemption status granted to certain subsidiaries of the Company.

20. Status of Corporate Proposal

As at the date of this report, there are no corporate proposals that are pending for completion.

PENSONIC HOLDINGS BERHAD (300426-P)

(Incorporated in Malaysia)

21. Borrowings and Debts Securities

Details of the Group's borrowings as at the end of this financial period are as follows:

	Unaudited 31.05.2017 RM'000	Audited 31.05.2016 RM'000
<u>Current</u>		
Unsecured		
Bank overdraft	6,362	5,640
Revolving credit	2,500	-
Bankers' acceptance	60,355	56,520
	<u>69,217</u>	<u>62,160</u>
Secured		
Bank overdraft	-	2,973
Bankers' acceptance	-	2,090
Term loans	7,184	10,383
Finance lease liabilities	523	395
	<u>7,707</u>	<u>15,841</u>
	<u>76,924</u>	<u>78,001</u>
<u>Non – current</u>		
Secured		
Term loans	10,466	17,596
Finance lease liabilities	1,470	1,202
	<u>11,936</u>	<u>18,798</u>
	<u>11,936</u>	<u>18,798</u>
<u>Currency Denominated In</u>		
Ringgit Malaysia ("MYR")	88,860	96,799
	<u>88,860</u>	<u>96,799</u>

The bank borrowings and term loans are secured by the following:

- i) Legal charges over certain properties belonging to the Company and subsidiary companies;
- ii) Lien on fixed deposits belonging to the subsidiary companies; and
- iii) Corporate guarantee by the Company.

22. Material Litigation

The Group is not engaged in any material litigation for the current financial period ended 31 May 2017.

23. Dividend

The Board recommends a first and final dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 May 2017, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

The payment date for the recommend final dividend shall be determined by the Directors and to be announced at a later date.

PENSONIC HOLDINGS BERHAD (300426-P)
(Incorporated in Malaysia)

24. Earnings per Share (“EPS”)

(i) Basic EPS

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>3 months ended</u>		<u>12 months ended</u>	
	<u>31.05.2017</u>	<u>31.05.2016</u>	<u>31.05.2017</u>	<u>31.05.2016</u>
Net profit for the period attributable to owners of the Company (RM'000)	3,305	4,423	6,380	11,250
Number of ordinary shares in issue ('000)	129,668	129,668	129,668	129,668
Basic earnings per share (sen)	2.55	3.41	4.92	8.68

(ii) Diluted EPS

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>3 months ended</u>		<u>12 months ended</u>	
	<u>31.05.2017</u>	<u>31.05.2016</u>	<u>31.05.2017</u>	<u>31.05.2016</u>
Net profit for the period attributable to owners of the Company (RM'000)	3,305	n/a	6,380	n/a
Weighted average number of ordinary shares ('000)	131,971	n/a	135,648	n/a
Diluted earnings per share (sen)	2.50	n/a	4.70	n/a

25. Disclosure of Realised and Unrealised Retained Earnings

	<u>Unaudited 31.05.2017 RM'000</u>	<u>Audited 31.05.2016 RM'000</u>
- realised	44,390	38,096
- unrealised	(1,742)	877
	<u>42,648</u>	<u>38,973</u>
Total retained earnings of associates		
- realised	103	92
Less: Consolidation adjustments	(1,866)	(1,967)
Total retained earnings	<u>40,885</u>	<u>37,098</u>

PENSONIC HOLDINGS BERHAD (300426-P)
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26. Profit for the period

Profit for the period has been arrived at:

	Individual Quarter		Cumulative Period	
	3 months ended		12 months ended	
	31.05.2017	31.05.2016	31.05.2017	31.05.2016
	RM'000	RM'000	RM'000	RM'000
After charging / (crediting):-				
Interest income	(25)	61	(76)	(102)
Government grants	(90)	(353)	(373)	(939)
Loss /(Gain) on disposal of property, plant and equipment	23	(24)	17	(57)
Realised (gain)/loss on foreign exchange	(1,759)	987	(3,564)	(1,671)
Interest expense	1,176	1,328	5,016	5,148
Depreciation & amortization	1,541	1,544	6,127	6,150
Provision/(Reversal) for doubtful debt	(371)	208	227	(785)
Inventories provision	188	417	276	591
Loss on disposal of investment properties	54	-	54	-
Plant and equipment written off	5	206	15	630
Unrealised(gain)/loss on foreign exchange	(573)	2,629	1,735	(884)
Bad debt written off	90	-	83	-

27. Authorization for Issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors.