2019
Annual Report

PENSONIC®
Your Enjoyment

RIANG RIA MEMASAK BERSAMA DATO' CHEF ISMAIL COOKING CLASS 2019

KEMUDI TIMUR	SENHENG	SHEN LEE	BAN HUAT	WAH LEE	CHIN MAU
13 APRIL 2019	20 APRIL 2019	21 APRIL 2019	27 APRIL 2019	27 APRIL 2019	28 APRIL 2019






ANAK MALAYSIA MASAK BERSAMA PENSONIC 2019

BROADCAST DATE : 12 AUGUST TO 30 SEPTEMBER 2019 | TIME : 6:00PM | TV3 | NO OF EPISODES : 8








ANAK MALAYSIA MASAK BERSAMA PENSONIC PRESS CONFERENCE

DATE : 11 JULY 2019 | LOCATION : W HOTEL KUALA LUMPUR





RISE & SHINE WITH MORPHY RICHARDS

DATE : 8 MARCH 2019 | LOCATION : POKOK CAFE, PETALING JAYA




GENTS CAN COOK

BROADCAST DATE : 7 JULY TO 11 AUGUST 2018 | TIME : 9:00PM | NO OF EPISODES : 6
CHANNEL : ASTRO WAH LAI TOI CHANNEL 311 & 310HD

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ONLINE WARRANTY • REWARDS • ESTORE • PRODUCT STATUS UPDATES

HALFEST MALAYSIA 2018

DATE : 26 TO 30 SEPTEMBER 2018 | LOCATION : THE MINES EXHIBITION CENTRE , KUALA LUMPUR

CSR ACTIVITY

DATE : 30 MAY 2019 | LOCATION : PUSAT JAGAAN TELAGA KASIH NUR MUHAMMAD ORPHANAGE DAMANSARA , KUALA LUMPUR

ASTRO BANTOK PROGRAM LAUNCH DINNER

DATE : 5 JANUARY 2019 | LOCATION : KLANG

Cornell®

LITHIUM POWERPRO STICK VACUUM

Stick Vacuum with Hard Floor and Carpet Brush

Detachable Battery Pack | Cyclonic HEPA Filter | Accessories | With Hard Floor Brush

CVC-E2301CHH

GENTLE ON THE FABRIC

Ceramic Iceglide Steam Station

Massive 6 Bar Pressure | Removable 1.7L Water | Digital 2 Minutes Quick Start | Safety Carry Lock | Cord Storage

CSS-E126DCS


LEBENSSTIL
KOLLEKTION
MADE IN
EUROPE
Your
Kitchen
Companion

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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

Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain

Nomination Committee

Y. Bhg. Dato' Lela Pahlawan
Dato' Paduka Ku Nahar Bin Ku Ibrahim
Chairman

Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain

Ong Huey Min, Lindy

Remuneration Committee

Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain
Chairman

Y. Bhg. Dato' Lela Pahlawan
Dato' Paduka Ku Nahar Bin Ku Ibrahim

Ong Huey Min, Lindy

Company Secretary

Ong Tze-En (MAICSA 7026537)

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
F : +604 507 3825
E : info@pensonic.com
W: www.pensonic.com

Registrars

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

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")
(Company No: 300426-P)

- **100% PENSONIC CORPORATION SDN BHD ("PC")** (Company No: 94785-H)
  - **40% PENSONIC (B) SDN BHD ("PB")** (Company No: AGO/RC/6610/06)
- **100% AMTEK MARKETING SERVICES PTE LTD ("AMTEK")** (Company No: 2003-02751-W)
- **100% CORNELL SALES & SERVICE SDN BHD ("CSS")** (Company No: 604369-P)
- **100% PENSIA INDUSTRIES SDN BHD ("PI")** (Company No: 133300-X)
- **100% KEAT RADIO CO. SDN BHD ("KRC")** (Company No: 32600-X)
  - **100% PENSONIC (H.K.) CORPORATION LIMITED ("PHK")** (Company No: 528230)
  - **100% PENSONIC INDUSTRIES SDN BHD ("PSI")** (Company No: 47572-V)
  - **100% PENSIA PLASTIC INDUSTRIES SDN BHD ("PPI")** (Company No: 151380-K)
  - **100% PENSONIC PARTS & SERVICE SDN BHD ("PPS")** (Company No: 141672-X)
  - **40% ANGKASA PENSONIC TRADING SDN BHD ("APT")** (Company No: 987226-D)
- **100% PENSIA ELECTRONIC SDN BHD ("PE")** (Company No: 154966-M)
- **51% MICROTAG ENGINEERING SDN BHD ("ME")** (Company No: 746608-P)
- **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)
- **100% PENSONIC SALES & SERVICE SDN BHD ("PSS")** (Company No: 162419-M)
  - **100% KOLLEKTION DISTRIBUTION SDN BHD ("KLD")** (Company No: 596854-A)
    - **60% KOLLEKTION HAUS (AUSTIN) SDN BHD ("KHA")** (Company No: 980853-W) (Commenced Members' Voluntary Winding up on 1 February 2018)

PROFILE OF DIRECTORS/ KEY SENIOR MANAGEMENT

Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK (Aged 77, 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 seven (7) 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 47, 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 seven (7) 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 50, 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 seven (7) 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.

PROFILE OF DIRECTORS/ KEY SENIOR MANAGEMENT (Cont'd)

CHEW CHUON FANG, NELSON (Aged 43, 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 seven (7) 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 61, 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 seven (7) Board meetings held during the financial year.

Lindy Ong is currently a partner with YNMA 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 72, 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 seven (7) 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 56, 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 seven (7) 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 and 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 2019 ("FY2019").

FINANCIAL PERFORMANCE

During the year under review, the Group registered revenue of RM324.4 million, an increase of 2.35% as compared with RM316.9 million recorded in the previous financial year. This is mainly attributed by the increase from local sales.

The Group's profit before tax ("PBT") for the current financial year is RM1.8 million, a decrease of 57% as compared to the PBT of RM4.2 million recorded in previous financial year, mainly due to increase in operating expenses.

OPERATIONS REVIEW

Marketing Activities

A new range of kitchen appliances named Batik Series was launched this year. This brand's attractive, batik design is a tribute to our local cultural heritage and also creates awareness among our younger generation about our unique Malaysian heirloom.

The Batik Series Home Appliances were promoted in the cooking programme 'Anak Malaysia Masak Bersama Pensonic', contests and product posts on Pensonic's Facebook pages. Pensonic also partnered with local dealers to arrange Live Cooking Classes 'Riang Ria Memasak Bersama Dato' Chef Ismail' in selected locations nationwide to promote Pensonic products.

'Gents Can Cook' is a Chinese language cooking programme sponsored by Pensonic and year 2019 is this programme's second season on Astro. This programme was also used as an avenue to promote Pensonic products.

Another very exciting milestone for Pensonic was the launching of Toush Series Smart Home Appliances. The Toush brand is Pensonic's new smart IoT home appliances series that are WiFi enabled and all the appliances in this series can be remotely controlled using the single Toush App.

Toush smart IoT appliances are intuitive appliances that sense and respond to the user, and remotely controlled using touchscreen devices. Toush smart appliances connect, automate, quantify, optimise energy and resources, giving consumers more savings while fitting seamlessly into their lifestyles.

According to a report published by MarketsandMarkets, Malaysian smart home market is expected to grow at an annual rate of 25.5% till 2023. According to Statista, revenue in the Malaysian smart home market is expected to reach US$105 million (RM436 million) in 2019 and may hit market volume of US$260 million by 2023.

In 2018, there were 28.7 million internet users, out of a population of 32 million. Out of this number, people in their 20s were using smartphones more than 8 hours a day. Malaysians have about 2.4 connected devices each, with smartphones being the most used device and spend an average of 3 hours and 43 minutes using mobile internet. This shows smartphones are the best tools to help consumers manage their appliances. Smartphone usage alone in 2018 was 93.1%.

The penetration of Smart WiFi enabled appliances has made the home appliance market more competitive, varied and more consumer oriented. There are many players in the market promoting smart home appliances, but majority have one App to manage one appliance.

Pensonic is seizing the opportunity to expand its horizon by being the first local electrical appliances brand to venture into smart IoT appliances and having an App that manages many products with a single App. Users can automate different appliances using the Toush App to operate or switch off at a certain time, schedule different operating hours for each product up to a maximum of 7 days, monitor energy usage for more savings, receive service and status alerts to maintain appliance in top working condition, have instant access to user manuals, and even add in a family member to manage Toush appliances together with the user.

More appliances will be included in the future to capture a bigger market share such as fans, washing machines, refrigerators, switches, wall plugs with USB, plug tops, water dispensers and cookers.

All Toush appliances are certified and approved by SIRIM, Energy Commission (Suruhanjaya Tenaga) and MCMC (Malaysian Communications and Multimedia Commission). Pensonic also ensures consumers' data privacy and data security when using smart appliances by partnering with Tuya Global Inc.("Tuya"). Tuya is a global IoT platform provider with one stop solution for smart appliances, including hardware access, cloud services, and app development capabilities.

With the launch of Toush Series Smart Home Appliances, Pensonic is looking forward to conquering a bigger chunk of the local home appliances market sales.

FUTURE OUTLOOK

Asia's e-commerce landscape has been booming in recent years. The swift adoption of smartphones and greater access to the internet have allowed consumers in the region to be a major force in the global digital economy.

The expansion looks set to continue at a rapid pace. According to a November 2018 report by Fitch Solutions, e-commerce sales in the region are forecast to increase by 14.2% this year, with an estimated average annual increase of 14% over the medium term (2018 to 2022). Malaysia posted the strongest growth in the region at 20%, a trajectory that will see e-commerce sales in the country rise to a projected US$12.9 billion in 2022.

There's no best of both sides. E-commerce, technology, the rise of millennials as the highest purchasing group and increase of online users are some of the disruptors that are impacting and reshaping the local retail market. Consumers are becoming more sophisticated and with easy access to comparing products and pricing, they are more discerning when making a purchase.

Today, our industry not only need to face with the slow growth in disposable income as the main challenges, but we also need to face with the global competitors from the cross- border e-commerce who can bring in their household goods without need to be certified on the safety by the local authorities. There definitely needs to be a control on the development of rules and regulation for the safety of the consumers.

As a proactive management, we need to ensure that we pursue more aggressive measures to market the categories that are weakening, as well as ensuring that the product is still relevant and attractive to consumers. We are reviewing our product profitability especially the Smart IoT related range, operational efficiencies with more automation process, production capabilities and marketing campaigns to chart the direction for the future.

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 2019

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") over the financial year ended 31 May 2019 ("FY2019"). 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' audited financial statements and accompanying notes for FY2019.

Introduction

Pensonic has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since 13 September 1995 as an investment holding entity, and Pensonic's subsidiaries ("Pensonic Group" or "the Group") are involved in the core businesses of manufacturing, importing, exporting, distributing and marketing of Electrical Home Appliances for both domestic and international markets. Today, Pensonic has an extensive domestic distribution network of 10 branches and more than 900 dealers nation-wide. The Pensonic products are exported to 30 countries in the ASEAN, East and West Asia, and the Middle-East regions, supported by a complete host of manufacturing facilities, warehouses, showrooms and customer care centres.

The Group, presently, has two (2) major operating divisions, namely, the 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 at the head office in Penang.

As the leading purveyor of high quality electrical home appliances, the Group's business philosophy is guided by its **Mission Statement** which informs the strategic planning towards realising the Group's **Vision.**

PENSONIC *for* ASIA

Brand Values

The intertwining principles of our mission statement of commitment to continuous improvement and the creation of products for consumers' enjoyment and a better quality of life are enshrined in our quality policy and our brand values.

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

Quality is our priority

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

Corporate development

Expansion abroad

During the year, the Group extended its overseas footprints to Myanmar and Indonesia. In the former, this followed a buy-in of a 35% stake on 28 February 2019 in an associate company under the name of Pensonic Appliances (Myanmar) Company Limited ("PAM"). The Group already has presence in Indonesia and Cambodia through PT Pensonic Appliances Indonesia ("PTPAI") and Pensonic (Cambodia) Co., Ltd. ("PCC") respectively. On 13 March 2019, the Group incorporated a new subsidiary in Indonesia called PT Pensonic Industry Indonesia ("PTPII") to later undertake manufacturing, assembly and sale of electrical products.

PAM, together with PCC, PTPII and PTPAI, are part of the Group's strategic marketing plan to expand the Group's business and market share into the greater ASEAN region for its range of home appliances.

Domestic market outreach

On the local front, the Group had also set up a new subsidiary, Angkasa Pensonic Trading Sdn. Bhd. on 15 April 2019 in partnership with Angkatan Koperasi Kebangsaan Berhad ("Angkasa") and two other parties with the purpose of marketing and distributing of electrical household appliances and related products directly to the members of Angkasa.

Disposal of landed property

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 4 storey office building with an annex 3 storey building comprising of warehouse on lower 2 levels and an office on the third level erected thereon for total cash consideration of RM19,500,000.00.

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"), Kollektion Haus (Austin) Sdn. Bhd. ("KHA"), 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 Pensonic Appliances Indonesia ("PTPAI").

A key to the Pensonic Group' marketing approach is our multi-brands platform to cater for different product categories and market segments.

PENSONIC®
Your Enjoyment

PENSONIC the brand was established in 1982. It is a portmanteau from "Pen-", a short form for Penang and "sonic", which means sound. In other words, "The sound of Penang". PENSONIC was registered as a trademark in Malaysia in 1984. Today, PENSONIC carries a few signature series of products for home appliances; namely, Chef's Like for kitchen appliances, Chef Room for built-in mass domestic appliances, Amber Chia series for hair dryers & straightener products, Longevity for ceramic based cooking appliances and the elegant electrical appliances under the Classic Series.

LEBENSSTIL
KOLLEKTION

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

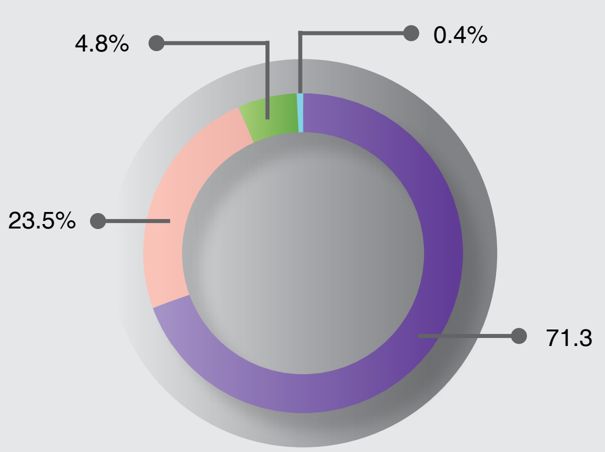
In 2006, Pensonic acquired Amtek Marketing Services Sdn. Bhd. and Amtek Marketing Services Pte. Ltd., which owns the "**CORNELL**" brand from USA. Cornell takes great pride in producing innovative, high quality yet affordably priced products that are created to fulfil today's lifestyle needs, be it at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

The Group is also sole distributor for a few internationally renowned household appliances. Since 2013, we are also the distributor of GAGGIA coffee machines.

In 2018, we are granted exclusive distributorship rights to premium quality home appliances from the world-famous U.K. brands of Morphy Richards and Belling for the Malaysia and Singapore markets. In view of the positive response from the market, we are in negotiation to secure sole distributorship for the greater Asian region.

Our products are available through our nationwide distribution network comprising dealers, wholesalers, departmental and chain stores, supermarkets and hypermarkets. We have also expanded to selected corporate clients and set up Official Stores on notable e-commerce platforms. We work on enhancing our own e-store to improve customer experience for the increasingly internet savvy and discerning consumers. Recently, we partnered up with Angkasa for the opportunity to directly access and market our products and services to the cooperative's members.

Sales by geographical segments 2019



Malaysia remains as primary market as indicated in an analysis of sales by geographical locations.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

The home appliances market is huge and growing and the Group is venturing abroad where great potential lies in the next few years. Our short to medium term plan will be to leverage on our strengths as manufacturer and distributor of choice to expand our footprints across ASEAN, Middle East and African and other identified regions.

Manufacturing Segment

Our manufacturing plant, with total built up area of approximately 75,260 square feet, is located on 3 acres of land in Bukit Minyak Industrial Park, Penang. Our manufacturing entities, Pensia Industries Sdn. Bhd. ("PI"), Pensia Electronic Sdn. Bhd. ("PE") and Pensia Plastic Industries Sdn. Bhd. ("PPI") helmed the production of the Group's flagship products such as fans, mixers and blenders.

During the financial year, the Group established PT Pensonic Industries Indonesia ("PTPII") in Indonesia with the intention of setting up a manufacturing and or assembly plant to cater to the local market for home appliances in Indonesia.

Others Segment

Others is a minor segment focusing on 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 millennial generation, born between the 1980s and 2000s, is an influencing force today. They are trendsetters across all industries having been born and raised in a digital and tech-savvy world. The consumption of mobile media among millennials is huge with around 60 percent of online traffic coming from smartphones. These consumers tend to gravitate towards fast, mobile friendly and responsive sites where they can scroll through items and make purchases within minutes. In acknowledgement of their increasing purchasing powers, we introduced Pensonic app for e-store and e-warranty. The app is now available to download from both Google Play Store and Apple IOS.

The general population and their homes are increasingly connected. Homes and appliances are getting smarter. An article in StarBiz dated 13 May 2019 declared that the Malaysian smart home market growth will be driven by the rapid adoption of smartphones and smart devices, healthier lifestyles, rise in energy saving and low-cost solutions, and the increase in more market players diversifying their smart home appliances. As penetration of Smart WiFi enabled appliances increases, the home appliance market has become more competitive, varied and more consumer oriented. There are many players in the market promoting smart home appliances, but majority are still on one app one appliance basis.

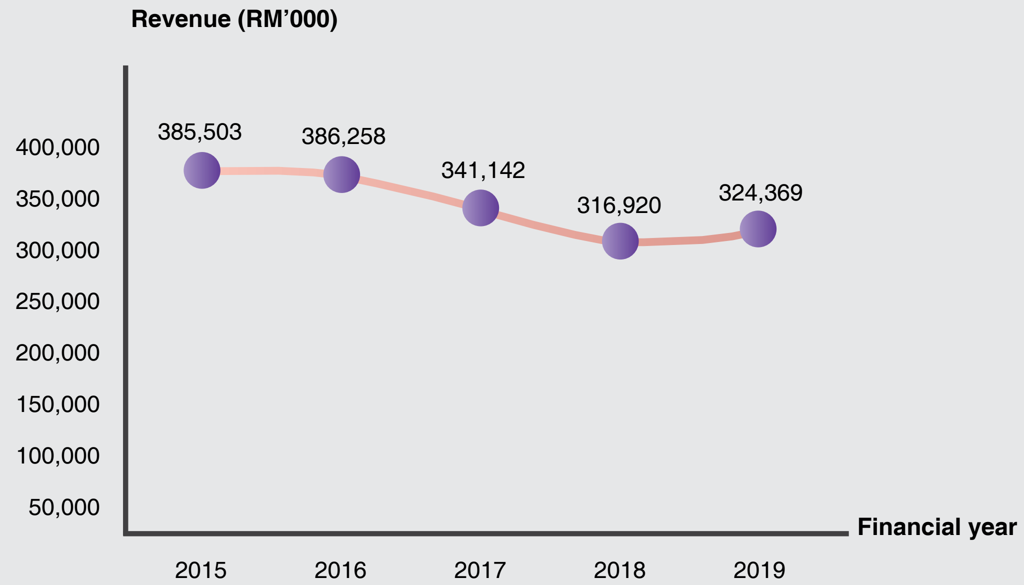
Pensonic is a step ahead. In partnership with AI+IoT (Artificial Intelligence + Internet of Things) platform leader, Tuya Smart, our venture into smart IoT appliances comes with a single app that manages many products simultaneously. The Toush brand is Pensonic's new line of smart IoT appliances that are WiFi enabled, utilise sensors to detect and manage changes in home environments and user reactions through the Toush app.

The Toush Smart Appliances range included Smart Robotic Vacuum Cleaner, Smart Water Heater, Smart Air Purifier, Smart Air Conditioner and Smart Kit presently. Toush Smart Kit contains a Smart Motion Sensor, Smart Temperature and Humidity Sensor, and Door and Window Sensor with a Gateway Control System. More appliances are in the pipeline to complete the series of Toush Smart Appliances to complete consumers' Smart Home system.

Review of Financial Results and Financial Highlights

Financial year ended 31 May	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
Statements of Comprehensive Income					
Revenue	385,503	386,258	341,142	*316,921	**324,369**
Profit before tax	17,851	11,754	6,580	4,246	**1,805**
Profit / (Loss) for the year	17,430	11,230	6,388	(3,346)	**427**
Profit / (Loss) for the year attributable to owners of the Company	17,726	11,250	6,450	(3,468)	**560**
Net dividend proposed	4,538	3,890	2,593	-	**-**
Statements of Financial Position					
Total Assets	265,167	266,933	253,225	276,135	**275,769**
Share capital	64,834	64,834	67,671	67,671	**67,671**
Total equity attributable to owners of the Company	108,323	115,871	119,662	112,613	**113,301**
Financial Ratios					
Return on shareholders' equity	16.36%	9.71%	5.39%	(3.08%)	**0.49%**
Basic earnings / (loss) per share (sen)	13.67	8.68	4.97	(2.67)	**0.43**
Net assets per share (RM)	0.84	0.89	0.92	0.87	**0.87**
Dividend rate	7.0%	6.0%	3.8%	-	**-**

*Restated



Group revenue was RM324.4 million, 2.4% higher than RM316.9 million reported for FY2018 powered by local sales which grew tremendously by 11.2% this year as new products were well accepted by the market. The growth has helped to mitigate the 14.6% drop in overseas sales owing to competitive pricing pressure and general slowdown in macro economy. Revenue contribution ratio was 71% in favour of domestic market.

Profit before tax was RM1.8 million, a decrease of 58.1% from RM4.3 million reported for FY2018. Lower profit before tax was due to higher operating expenses during the year.

The Group's non-current assets increased by RM6.2 million to RM115.2 million for FY2019 (FY2018: RM109.0 million) with RM11.6 million attributed to the construction of the warehouse in Kapar, Port Klang, Selangor Darul Ehsan which is anticipated to be completed by early 2020 and offset by depreciation and amortisation cost of RM6.3 million.

The current assets of the Group amounted to RM160.3 million (FY2018: RM167.2 million). Effective inventory control has helped to reduce inventory turnover days to 106 days from 110 days reported last financial year. The turnover days for trade and other receivables increased from 70 days to 71 days.

The Group's total liabilities decreased to RM160.2 million from RM161.4 million as at FY2018 mainly due to lower trade and other payables during the year under review. The Group's borrowings increased by RM8.4 million with gearing ratio increasing in tandem to 0.78 as at FY2019 (FY2018: 0.70). Net assets per share remained at RM0.87.

Anticipated or Known Risks

Foreign currency exchange risk

The Group is exposed to fluctuation in foreign currency exchanges as the cost of raw materials and imported goods are denominated in foreign currencies. As such, the fluctuations may have material effects to the costing of our products. As a counter-measure, the Group will follow natural hedging policy for its sales and purchases denominated in USD to mitigate impact from foreign currency exchange. The Group's Finance department will also closely monitor the movements in foreign currency rates.

Credit risk

The normal trade credit terms granted by the Group for trade receivables range from 30 to 90 days. In the event of significant delay or default in payment by our major customers, it may adversely affect our financial position and our Group's results should there be any impairment made for the credit losses. Credit terms and limits are evaluated every 6 months and ageing reports are reviewed monthly to identify slow paying customers for actions to be taken for recovery and provisions, if necessary.

Downtime risk

From operational perspective, our Manufacturing Division is exposed to downtime risk. The risk can 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

Moody's Investor Service recently reduced Malaysia's Gross Domestic Product ("GDP") outlook to 4.4% for this year, and 4.3% for 2020 due largely to the country's highly open economy and uncertainty in the global trade. This is a further reduction from its January report, in which it expected the country's GDP growth to slow down to 4.7% and 4.5% respectively. This forecast also mirrored Bank Negara Malaysia's conservative approach to cut the country' economic growth forecast this year due to slowing global growth and ongoing trade tensions which continued unabated. 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.

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 2019 ("FY2019") 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 which comprised Annual Financial Budget for FY2020, 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.

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.

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 (Cont'd)

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.

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.

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 (Cont'd)

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 board 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. On 13 September 2018, the Board Charter, relevant Board policies and the TORs were revised to enhance governance practices on the Board in line with recommendations from the Code and the MMLR.

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.

On 13 September 2018, the Board formalized Code of Conduct and Code of Ethics. The implementation of both codes 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.

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.

3.2 Whistleblowing policy

The Board had, on 13 September 2018, adopted 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.

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

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 Chew Chuon Ghee, Group Managing Director Chew Chuon Jin, Group Chief Executive Officer Chew Chuon Fang, Executive Director
Independent Non-Executive	Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim Dato' Tahir Jalaluddin Bin Hussain 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 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.

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").

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

Part II Board Composition (Cont'd)

4 Board Objectivity (Cont'd)

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.

4.6 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
	Ong Huey Min, Lindy

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

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.

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

Part II Board Composition (Cont'd)

4 Board Objectivity (Cont'd)

4.6 Nomination Committee (Cont'd)

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 appointment or reappointment. A retiring Director is eligible for re-appointment. 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.

On 13 September 2018, 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 FY2019, seven (7) 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.

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 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 Group Executive Chairman	7/7	-	-	-
Chew Chuon Ghee, Vincent Group Managing Director	7/7	-	-	-
Chew Chuon Jin, Dixon Group Chief Executive Officer	7/7	-	-	-
Chew Chuon Fang, Nelson Executive Director	4/7	-	-	-
Dato' Lela Pahlawan Dato' Paduka Ku Nahar Bin Ku Ibrahim Independent Non-Executive Director	7/7	5/5	5/5	1/1
Dato' Tahir Jalaluddin Bin Hussain Independent Non-Executive Director	7/7	5/5	5/5	1/1
Ong Huey Min, Lindy Independent Non-Executive Director	7/7	5/5	5/5	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.

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.

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 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	The 124th China Import and Export Fair 2018	15 to 19 October 2018
Chew Chuon Ghee, Vincent	Retail Marketing Driving in-Store and Online Sales	10 October 2018
	The 124th China Import and Export Fair 2018	15 to 19 October 2018
	Sustainability Reporting Workshop for Practitioners	4 & 5 March 2019
Chew Chuon Jin, Dixon	Asia Forum 2018	21 & 22 June 2018
	In Style • Hong Kong Expo in Ho Chi Minh City, Vietnam	20 & 21 September 2018
	The 124th China Import and Export Fair 2018	15 to 19 October 2018
	The 19th Hong Kong Forum	4 to 7 December 2018
	CES 2019	8 to 12 January 2019
Chew Chuon Fang, Nelson	The 124th China Import and Export Fair 2018	15 to 19 October 2018
	Techtextil Russia 2019	19 to 22 March 2019
Ong Huey Min, Lindy	Managing Tax Investigation and Tax Audit	27 August 2018
	KPMG Penang Tax Summit 2018	22 November 2018
	Case Study Workshop for Independent Directors	18 April 2019

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.

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

Part III Remuneration (Cont'd)

6 Level and composition of Remuneration (Cont'd)

6.1 Remuneration Policy (Cont'd)

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 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.

7 Remuneration of Directors and Senior Management

7.1 Details of Directors' remuneration

The remuneration payable in respect of Directors' fees for FY2019 and FY2020 are categorised as follows:

Directors' Fees	FY2019	FY2020
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 FY2019 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.

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

Part III Remuneration (Cont'd)

7 Remuneration of Directors and Senior Management

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.

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 Committee has considered the non-audit services provided by the external auditors during FY2019 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.

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

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.

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

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.

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)

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.

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 24th AGM held in 2018 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 24th 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 2019 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 24th AGM held on 25 October 2018.

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

Part II Conduct of general meetings (Cont'd)

12 Encourage Shareholder Participation at General Meetings (Cont'd)

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 2,700 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, International Financial Reporting Standards 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 2019.

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 2019 ("FY2019"), 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 FY2019 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)

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 2019.

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 FY2019 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 FY2019, the AC recommended the re-appointment of KPMG.

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 2019.

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

4. Corporate Governance (Cont'd)

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 FY2019.

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 RM30,000.

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 FY2019, the internal audit function carried out internal audits to test the adequacy and effectiveness of the internal control system on sales and marketing and credit control of Pensonic Sales & Service Sdn. Bhd., Cornell Sales & Service Sdn. Bhd. and Kollektion Distribution 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 2019.

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 of 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 2019 ("FY2019").

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, organizational, 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

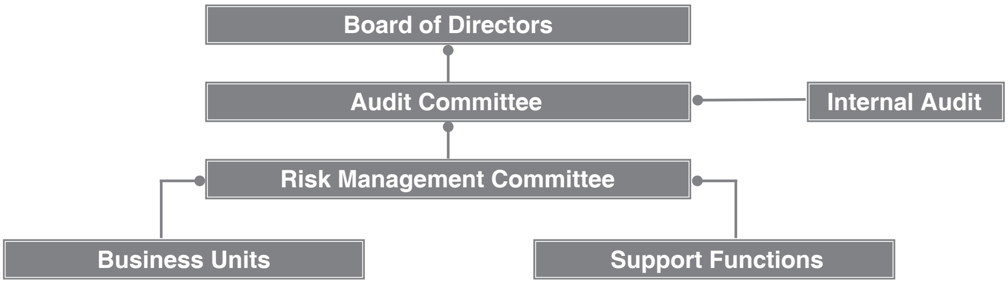
In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a structure and environment for the proper conduct of the Group's business operations as follows:

- 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 organization 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

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 formalize 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 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 effective implementation of risk policies and guidelines, ERM and cultivation of risk management culture within the organization; 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.

Risk awareness sessions 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.

In essence, Risk Management is conducted through an ongoing 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 adopts 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 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 systems. 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 FY2019, the Board has reasonable assurance that the Group's systems of internal control are generally adequate and appear 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.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 18 September 2019.

SUSTAINABILITY REPORTING

1.0 OVERVIEW

The Sustainability Management Committee ('SMC') of Pensonic Holdings Berhad ('PENSONIC') is responsible for overseeing the formulation, implementation and effective management of PENSONIC's sustainability strategies, taking into consideration economic, environmental, social and governance matters.

The SMC is chaired by the Group Managing Director with members comprising the Senior Management and relevant Heads of Business and Supporting Units.

2.0 MATERIAL SUSTAINABILITY MATTERS

2.1 Stakeholder Engagement

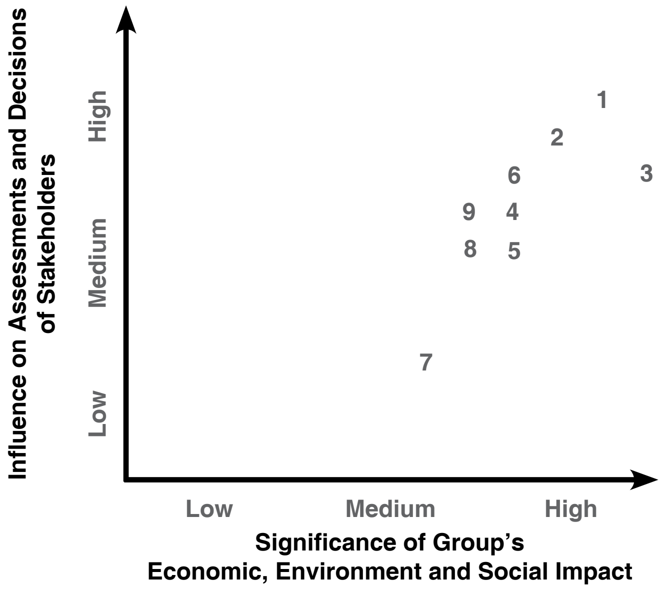
PENSONIC organises its stakeholder engagement and sustainability practices around the following categories and activities. This matrix assists PENSONIC in targeting its sustainability activities, engagement and communication in a systematic and focused manner:

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

2.0 MATERIAL SUSTAINABILITY MATTERS (Cont'd)

2.2 Materiality Assessment

As part of our sustainability obligations, PENSONIC reviews and organises our sustainability practices and policies around a materiality matrix. The following represents the Group's current materiality assessment of sustainability issues in terms of their potential material impact on its business operations, as well as its key stakeholders.



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			

3.0 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:

3.1 Minimising wastage of resources and preserving the environment

- Our head office boasts of green modern design where larger and more abundant window openings are being used in order for the natural light of the sun to light 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 CO2.
- Plants and greeneries adorn the ground floor areas

3.2 Waste and Hazardous Material Management

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 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 facility, where the waste is recycled or converted into environmentally-friendly products.

4.0 SOCIAL

4.1 Labour practices

At PENSONIC, we uphold human rights and respect the rights of each individual. We practice the following, but not limited to: no forced labour, prohibition of discrimination of any form, promoting a safe and healthy workplace, prohibition of child labour, strict adherence to the minimum wage requirements and promoting freedom of speech within the organisation.

Local hiring is done via multiple channels, i.e.; jobstreet, 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 college student as part of her internship program under her Graphic Design studies.

1) Career and Education Expo at USM from the 30 March, 2019 to 31 March, 2019
2) Career booths at Sunshine Bertam, Kepala Batas on 13 April, 2019

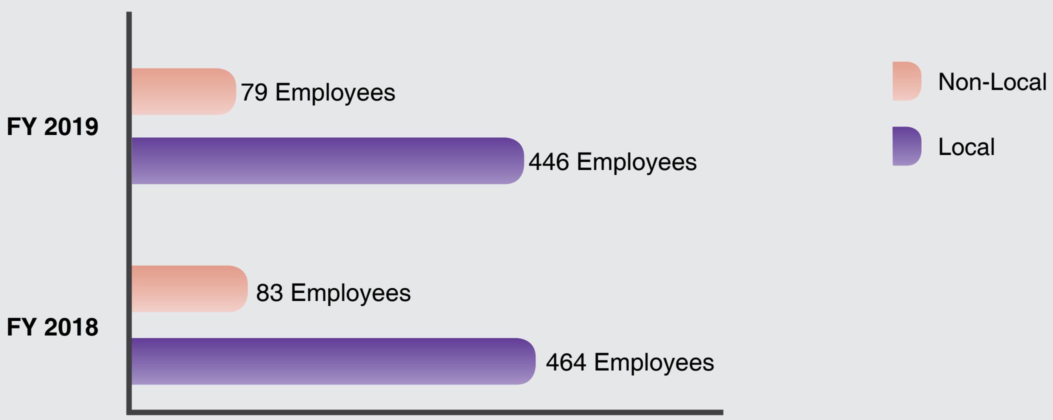
4.0 SOCIAL (Cont'd)

4.2 Employee well-being, health and safety

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.

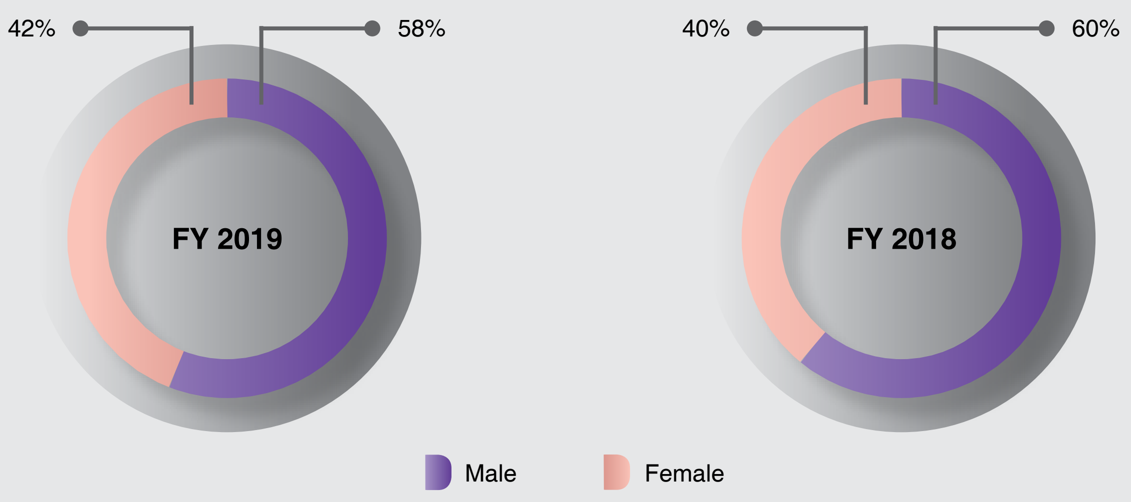
Furthermore, we believe in having a diverse workforce in terms of gender, age, ethnicity and cultural background as this provides us with a stronger platform to excel.

Number of full time employees



At the close of financial year 2019, our number of employees decreased by approximately 4% as compared to 2018. 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. Although there is only 42% of employees are females, this is an increase of 2% as compared to the last financial year.

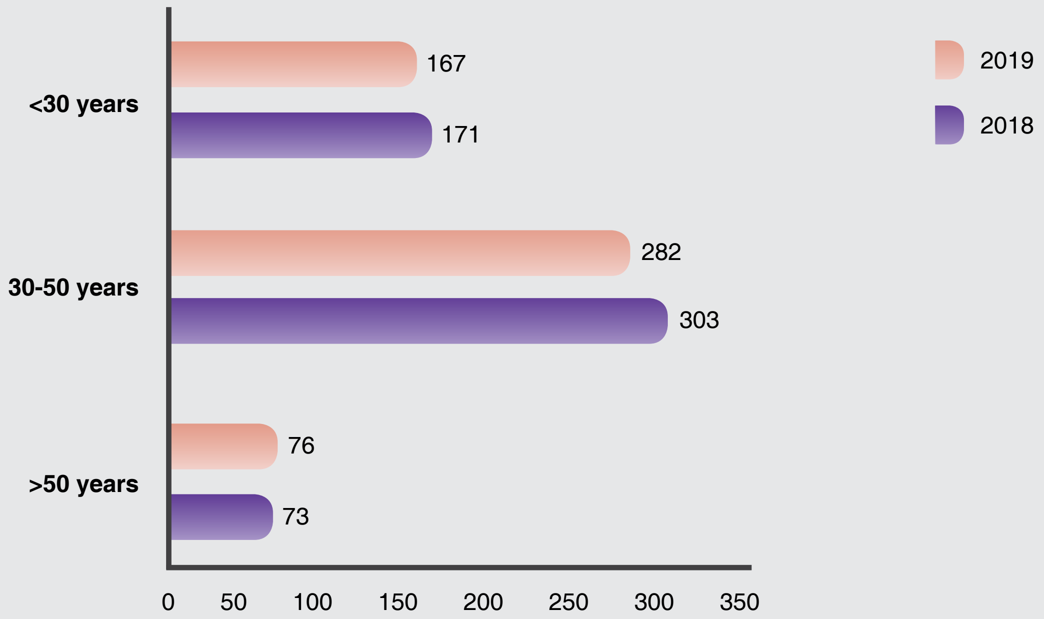
Percentage of employees by gender



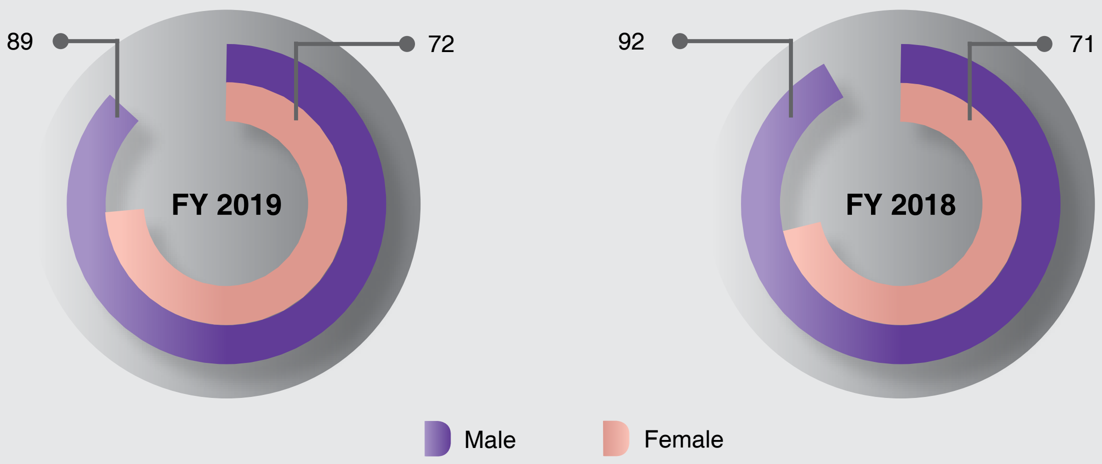
4.0 SOCIAL (Cont'd)

4.2 Employee well-being, health and safety (Cont'd)

Total Employees by Age



Employees in Executive Position



4.0 SOCIAL (Cont'd)

4.2 Employee well-being, health and safety (Cont'd)

The number of female employees in executive positions is at 45% compared to 44% in the last financial year.

Employees by Ethnicity	FY2018	FY2019
Malay	186	179
Chinese	207	204
Indian	72	60
Others	82	82
Total	**547**	**525**

Central to a sustainable workforce is developing new employee skills that enable PENSONIC to meet new challenges and improve competitiveness.

Ensuring the safety of our employees has always been high on our priority list. In the financial year 2019, the incident and severity rate saw a slight decrease compared to 2018. There were three (3) 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 trainings 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.

4.3 Employee learning and development

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 skill set of the employees. Among the training provided during the year were as follows:

Date	Topic
6 September 2018	Safety First! OSH Strategies for SMEs
3 to 4 November 2018	Teambuilding Program "Success Through Synergy" (STS 1)
5 to 6 January 2019	Teambuilding Program "Success Through Synergy" (STS 2)
20 March 2019	Awareness Training (Quality Policy and Objective)

4.4 Employee benefits

Among the employee benefits available are:

- Hospitalisation and surgical as well as personal accident insurance coverage
- Uniform
- Hostel accommodation and transportation via chartered buses
- Annual dinner and long service awards
- Employees' cafeteria
- Employee get-together to celebrate major festivals
- Annual/medical/maternity/paternity/compassionate/hospitalisation leave
- EPF/SOCSO/EES/Bonus/Annual increment
- In-house gym facility
- Employees' recreational activities

4.0 SOCIAL (Cont'd)

4.5 Customer Service

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

To ensure that customers have an avenue to seek help on any product information and repairs, the Group has a total of ten service centers in Malaysia, located at Bukit Minyak, Penang, Petaling Jaya, Malacca, Johor Bahru, Ipoh, Kuantan, Kota Bahru, Kuching and Kota Kinabalu, as well as one in Labuan.

Sales and service centers are also located worldwide in Zhuhai, Hong Kong, Singapore, Indonesia, Brunei 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 and App Store. It is an easy online warranty registration using QR code scanning or manual keying-in with automatic warranty period tracking.

Our eService boast of 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 are 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 for their favourite Pensonic products.

5.0 ECONOMIC & COMMUNITY

5.1 Code of Conduct

PENSONIC is committed to upholding a good corporate governance framework that promotes fairness, transparency and accountability. On our website is the Code of Conduct for Directors, management and officers of the Company and its subsidiaries, reflecting the underlying shared values which we uphold. In addition, there is also the Code of Ethics for Directors of the company to reflect our commitment to ethical professional conduct. The company also provides an avenue for Whistleblowing for office-based staff and workers, as well as the general public, for which there were no formal reportable cases in the financial year 2019.

5.0 ECONOMIC & COMMUNITY (Cont'd)

5.1 Code of Conduct (Cont'd)

PENSONIC also has in place, a Business Integrity Guideline as it believes in conducting business in an ethical, fair and transparent manner. This Guideline is an extension of the Company's Employee Handbook, which includes the Anti-Corruption Policy as well as the Non-Retaliation Policy.

5.2 Community Building

As PENSONIC believes in giving back to the community and assisting those who are most in need, we have supported and contributed to worthy organisations through events that help build sustainable bonds. During the financial year, a donation of RM50,000 was given to Han Chiang University College of Communication for the development of the University.

5.3 Product

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.

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.

5.4 Awards and Recognition

Pensonic is the only Electrical Home Appliances brand selected by the Malaysia External Trade Development Corporation (MATRADE) as one of the 20 leading and most prominent brands in Malaysia for the SHOWCASE MALAYSIA 2003 trade exhibition, held in conjunction with the 13th Non-Aligned Movement (NAM) Summit.

We are honoured to be the first brand in Malaysia to be accorded the Brand Promotion Grant for the export market and permitted to use the logo "MADE IN MALAYSIA FOR THE WORLD" by MATRADE. Pensonic has been awarded four times running for the Brand Excellence Award in 2007, 2008, 2009 and 2010 by the Ministry of Internal Trade and Industry.

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 2019 ("FY2019") were as follows:

	Group (RM)	Company (RM)
Audit fees	266,340	36,000
Non-audit fees	5,000	5,000
Total	271,340	41,000

2. Material Contracts 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 2019.

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 2019.

4. Recurrent Related Party Transactions ("RRPT") for FY2019

The aggregate value of RRPT conducted pursuant to the shareholders' mandate during FY2019 are 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	2,674,236	Chew Weng Khak Realty Sdn Bhd ("CWKR") is a major shareholder of PHB and PW Jit Seng. 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. Chew Chuon Jin, Dixon ("Dixon Chew"), a Director and shareholder of PHB, is also a Director of PW Jit Seng. Chew Chuon Ghee, Vincent ("Vincent Chew") and Chew Chuon Fang, Nelson ("Nelson Chew") are Directors and shareholders of PHB. Both are also Directors of CWKR. 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	220,937	Dato' Tahir Jalaluddin Bin Hussain ("Dato' Tahir") is a Director of PHB and Soo Hup Seng. 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 (RRPT) for FY2019 (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	188,706	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%). Nick Chew, the Director and shareholder of PTPAI, is a son of Dato' Seri Chew. 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. 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 2019

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2019.

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	560,260	150,571
Non-controlling interests	(133,007)	-
	427,253	150,571

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.

Dividends

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' 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 1.6.2018	Bought	(Sold)	Balance at 31.5.2019
Interests in the Company:					
Direct interests:					
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak					
- own		7,100,000	-	-	**7,100,000**
- others*		6,200,000	-	-	**6,200,000**
Chew Chuon Jin					
- own		4,898,400	3,000,000	-	**7,898,400**
- others*		16,800	-	-	**16,800**
Chew Chuon Ghee	- own	8,704,000	-	-	**8,704,000**
Chew Chuon Fang	- own	6,181,000	-	-	**6,181,000**
Deemed interests:					
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak					
- own		20,796,824	666,900	-	**21,463,724**

Directors' interests in shares (Cont'd)

	Number of warrants 2013/2023			
	Balance at 1.6.2018	Bought	(Sold)	Balance at 31.5.2019
Interests in the Company:				
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				
- own	10,663,912	-	-	**10,663,912**

* 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 2019 had any interest in the ordinary shares and 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 31.5.2019
Warrants 2013/2023	RM0.60	19.12.2023	**64,834,000**

The warrants 2013/2023 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 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, the financial performance of the Group and of the Company for the financial year ended 31 May 2019 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.

Subsequent event

Details of the subsequent event are disclosed in Note 28 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 17 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 2019

STATEMENTS OF FINANCIAL POSITION
as at 31 May 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Assets					
Property, plant and equipment	3	**113,276,848**	106,914,549	**46,848,888**	48,131,393
Intangible assets	4	**870,000**	1,058,298	**-**	-
Investments in subsidiaries	5	**-**	-	**42,750,697**	41,988,125
Investments in associates	6	**539,365**	383,236	**146,825**	-
Deferred tax assets	7	**532,553**	599,604	**-**	-
Total non-current assets		**115,218,766**	108,955,687	**89,746,410**	90,119,518
Inventories	8	**70,555,812**	82,937,994	**-**	-
Trade and other receivables	9	**67,101,418**	59,572,984	**2,151,736**	4,372,171
Current tax assets		**306,585**	23,329	**-**	-
Fixed deposits	10	**497,519**	1,068,024	**-**	-
Cash and bank balances		**21,885,561**	23,576,649	**158,009**	263,621
		160,346,895	167,178,980	**2,309,745**	4,635,792
Assets classified as held for sale	11	**203,682**	-	**-**	-
Total current assets		**160,550,577**	167,178,980	**2,309,745**	4,635,792
Total assets		**275,769,343**	276,134,667	**92,056,155**	94,755,310
Equity					
Share capital	12	**67,670,893**	67,670,893	**67,670,893**	67,670,893
Reserves	13	**45,629,640**	44,941,688	**14,452,857**	14,302,286
Total equity attributable to owners of the Company		**113,300,533**	112,612,581	**82,123,750**	81,973,179
Non-controlling interests		**2,272,987**	2,168,412	**-**	-
Total equity		**115,573,520**	114,780,993	**82,123,750**	81,973,179
Liabilities					
Loans and borrowings	14	**23,553,534**	23,351,745	**-**	-
Deferred tax liabilities	7	**358,000**	331,000	**42,000**	-
Total non-current liabilities		**23,911,534**	23,682,745	**42,000**	-
Trade and other payables	15	**42,201,074**	51,203,604	**9,855,405**	10,679,533
Loans and borrowings	14	**88,212,865**	80,005,514	**-**	2,099,743
Current tax liabilities		**5,870,350**	6,461,811	**35,000**	2,855
Total current liabilities		**136,284,289**	137,670,929	**9,890,405**	12,782,131
Total liabilities		**160,195,823**	161,353,674	**9,932,405**	12,782,131
Total equity and liabilities		**275,769,343**	276,134,667	**92,056,155**	94,755,310

The notes on pages 58 to 116 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 May 2019

		Group		Company	
	Note	2019 RM	2018 RM Restated	2019 RM	2018 RM
Revenue	16	**324,369,079**	316,920,590	**1,500,000**	3,400,000
Cost of sales		**(265,202,941)**	(258,481,837)	**-**	-
Gross profit		**59,166,138**	58,438,753	**1,500,000**	3,400,000
Other income		**2,248,099**	848,550	**1,519,154**	1,436,575
Selling and distribution expenses		**(25,515,272)**	(24,595,693)	**-**	-
Administrative expenses		**(29,737,337)**	(26,256,943)	**(2,629,818)**	(2,714,185)
Results from operating activities		**6,161,628**	8,434,667	**389,336**	2,122,390
Finance costs		**(4,365,697)**	(4,233,896)	**(66,305)**	(280,829)
Share of results of associates		**9,304**	44,786	**-**	-
Profit before tax	17	**1,805,235**	4,245,557	**323,031**	1,841,561
Tax expense	18	**(1,377,982)**	(7,591,268)	**(172,460)**	(41,855)
Profit/(Loss) for the year		**427,253**	(3,345,711)	**150,571**	1,799,706
Other comprehensive income/(expense), net of tax:					
Item that is or may be reclassified subsequently to profit or loss					
Foreign exchange translation differences for foreign operations		**369,831**	(988,377)	**-**	-
Total comprehensive income/(expense) for the year		**797,084**	(4,334,088)	**150,571**	1,799,706
Profit/(Loss) attributable to:					
Owners of the Company		**560,260**	(3,467,933)	**150,571**	1,799,706
Non-controlling interests		**(133,007)**	122,222	**-**	-
		427,253	(3,345,711)	**150,571**	1,799,706
Total comprehensive income/(expense) attributable to:					
Owners of the Company		**930,091**	(4,456,310)	**150,571**	1,799,706
Non-controlling interests		**(133,007)**	122,222	**-**	-
		797,084	(4,334,088)	**150,571**	1,799,706

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

for the year ended 31 May 2019

	Note	Group 2019 RM	Group 2018 RM Restated	Company 2019 RM	Company 2018 RM
Earnings/(Loss) per share					
Basic (sen)	20	**0.43**	(2.67)		

Diluted earnings/(loss) per share is not presented for reasons as disclosed in Note 20.

The notes on pages 58 to 116 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2019

	Note	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
		|---Attributable to owners of the Company---|								
		|---Non-distributable---|					Distributable			
Group										
At 1 June 2017		67,670,893	704,763	6,483,400	4,487,540	(638,792)	40,954,447	119,662,251	(89,720)	119,572,531
Loss for the year		-	-	-	-	-	(3,467,933)	(3,467,933)	122,222	(3,345,711)
Other comprehensive expense for the year										
- Foreign exchange translation differences for foreign operations		-	(988,377)	-	-	-	-	(988,377)	-	(988,377)
Total comprehensive (expense)/ income for the year		-	(988,377)	-	-	-	(3,467,933)	(4,456,310)	122,222	(4,334,088)
Transactions with owners of the Company:										
Dividends paid	21	-	-	-	-	-	(2,593,360)	(2,593,360)	-	(2,593,360)
Subscription of a subsidiary's shares by non-controlling interests		-	-	-	-	-	-	-	2,135,910	2,135,910
Total transactions with owners of the Company		-	-	-	-	-	(2,593,360)	(2,593,360)	2,135,910	(457,450)
At 31 May 2018		67,670,893	(283,614)	6,483,400	4,487,540	(638,792)	34,893,154	112,612,581	2,168,412	114,780,993
Group		Note 12	|---Note 13---|							

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the year ended 31 May 2019

	Note	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
		|------Attributable to owners of the Company						------|		
		|------*Non-distributable*				------|	*Distributable*			
Group										
At 1 June 2018, as previously reported		67,670,893	(283,614)	6,483,400	4,487,540	(638,792)	34,893,154	112,612,581	2,168,412	114,780,993
Adjustment on initial application of MFRS 9		-	-	-	-	-	(242,139)	(242,139)	-	(242,139)
At 1 June 2018, restated		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 of 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			------|			

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 May 2019

	Note	Share capital RM	Warrants reserve RM	Retained earnings RM	Total equity RM
		|-------*Non-distributable*-------|		*Distributable*	
Company					
At 1 June 2017		67,670,893	6,483,400	8,612,540	82,766,833
Profit and total comprehensive income for the year		-	-	1,799,706	1,799,706
Transaction with owners of the Company:					
- Dividends paid	21	-	-	(2,593,360)	(2,593,360)
At 31 May 2018/1 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		**67,670,893**	**6,483,400**	**7,969,457**	**82,123,750**
		Note 12	|-------------Note 13	---------------|	

The notes on pages 58 to 116 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 May 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities					
Profit before tax		**1,805,235**	4,245,557	**323,031**	1,841,561
Adjustments for:					
Depreciation of property, plant and equipment	3	**6,386,066**	6,298,263	**1,282,505**	1,282,206
Impairment loss of intangible assets	4	**194,386**	-	**-**	-
Dividend income from subsidiaries	16	**-**	-	**(1,500,000)**	(3,400,000)
Interest expense		**4,365,697**	4,233,896	**66,305**	280,829
Gain on disposal of property, plant and equipment	17	**(220,273)**	(220,807)	**-**	-
Property, plant and equipment written off	17	**151,791**	4,743	**-**	-
Interest income	17	**(112,820)**	(91,839)	**(52,878)**	(27,993)
Share of results of associates		**(9,304)**	(44,786)	**-**	-
Operating profit/(loss) before working capital changes		**12,560,778**	14,425,027	**118,963**	(23,397)
Changes in working capital:					
Inventories		**12,560,688**	(10,912,414)	**-**	-
Trade and other receivables		**(7,311,653)**	5,442,799	**2,220,435**	4,058,686
Trade and other payables		**(9,526,915)**	7,283,951	**(970,953)**	1,205,701
		(4,277,880)	1,814,336	**1,249,482**	5,264,387
Cash generated from operations		**8,282,898**	16,239,363	**1,368,445**	5,240,990
Tax paid		**(2,158,648)**	(834,465)	**(98,315)**	(39,418)
Net cash from operating activities		**6,124,250**	15,404,898	**1,270,130**	5,201,572
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**488,379**	531,451	**-**	-
Purchase of property, plant and equipment	3.1	**(12,860,881)**	(22,861,300)	**-**	(3,900)
Interest received		**112,820**	91,839	**52,878**	27,993
Dividends received		**-**	-	**1,500,000**	5,600,000
Investment in subsidiaries		**-**	-	**(762,572)**	(3,021,018)
Net cash (used in)/from investing activities		**(12,259,682)**	(22,238,010)	**790,306**	2,603,075

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STATEMENTS OF CASH FLOWS (Cont'd)
for the year ended 31 May 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from financing activities					
Drawdown/(Repayment) of loans and borrowings, net		**10,883,000**	17,324,071	**(2,099,743)**	(5,625,000)
Repayment of finance lease liabilities	14.1	**(608,966)**	(528,859)	**-**	-
Dividends paid		**-**	(2,593,360)	**-**	(2,593,360)
Withdrawal of fixed deposits		**570,505**	36,237	**-**	20,000
Subscription of shares by non-controlling interests		**321,582**	2,135,910	**-**	-
Capital distribution of a subsidiary		**(84,000)**	-	**-**	-
Interest paid		**(4,365,697)**	(4,233,896)	**(66,305)**	(280,829)
Net cash from/(used in) financing activities		**6,716,424**	12,140,103	**(2,166,048)**	(8,479,189)
Net increase/(decrease) in cash and cash equivalents		**580,992**	5,306,991	**(105,612)**	(674,542)
Effects of exchange translation differences on cash and cash equivalents		**99,414**	(580,874)	**-**	-
Cash and cash equivalents at 1 June		**19,586,054**	14,859,937	**263,621**	938,163
Cash and cash equivalents at 31 May		**20,266,460**	19,586,054	**158,009**	263,621

Note

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

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash and bank balances		**21,885,561**	23,576,649	**158,009**	263,621
Bank overdrafts	14	**(1,619,101)**	(3,990,595)	**-**	-
		20,266,460	19,586,054	**158,009**	263,621

The notes on pages 58 to 116 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 2019 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 2019.

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, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations 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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

MFRSs, Interpretations 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, interpretations and amendments, where applicable in the respective financial years when the abovementioned accounting standards, interpretations and amendments become effective.

The initial application of the accounting standards, interpretations 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 except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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 as disclosed in Note 8 - Inventories, Note 18 - Tax expense and 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 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 30 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 is 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.

(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.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(vii) Transactions eliminated on consolidation (Cont'd)

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, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the 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 or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Initial recognition and measurement

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

Current financial year

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.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(i) Initial recognition and measurement (Cont'd)

Current financial year (Cont'd)

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 policy applicable to the nature of the host contract.

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Current financial year

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 and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(g)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

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.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost.

(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.

Current financial year

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.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(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.

(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.

2. Significant accounting policies (Cont'd)

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

(iii) Depreciation (Cont'd)

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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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
Signboard and showcase	10

Leasehold land is depreciated over the lease periods ranging from 47 to 84 years.

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

2. Significant accounting policies (Cont'd)

(e) Leased assets (Cont'd)

(ii) Operating lease (Cont'd)

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

(f) Intangible assets

(i) Goodwill

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

(ii) Trademark

Trademark 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 development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads 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 lives 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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. 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, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

2. Significant accounting policies (Cont'd)

(g) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Current financial year (Cont'd)

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.

Previous financial year

All financial assets (except for investments in subsidiaries and investments in associates) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised.

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

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

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 and highly liquid investments 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 and pledged deposits.

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

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.

(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 is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(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.

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.

2. Significant accounting policies (Cont'd)

(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

	Lands RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Capital work-in-progress RM	Total RM
Group										
Cost										
At 1 June 2017	17,156,530	64,471,910	4,755,522	8,984,798	25,455,267	6,966,060	5,787,954	1,377,028	-	134,955,069
Additions	19,560,362	116,038	267,887	175,586	2,496,608	122,026	99,295	97,098	-	22,934,900
Disposals	-	(401,543)	(13,970)	(93,380)	-	(57,764)	(551,850)	(4,344)	-	(1,122,851)
Write-off	-	-	(25,418)	(380,000)	(63,424)	(239,460)	(42,052)	-	-	(750,354)
Exchange difference	-	-	(8,118)	-	-	(12,310)	-	-	-	(20,428)
At 31 May 2018/ 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 (Note11)	-	(351,680)	-	-	-	-	-	-	-	(351,680)
Exchange difference	-	-	5,780	902	-	8,667	-	-	-	15,349
At 31 May 2019	**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**

3. Property, plant and equipment (Cont'd)

	Lands RM	Buildings RM	Computers RM	Renovation and electrical installation RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard and showcase RM	Capital work-in-progress RM	Total RM
Group										
Accumulated depreciation										
At 1 June 2017	3,640,275	7,979,412	3,688,362	6,367,917	15,584,280	3,580,404	3,071,099	447,400	-	44,359,149
Depreciation for the year	295,188	1,240,140	346,509	531,244	2,465,410	592,159	680,026	147,587	-	6,298,263
Disposals	-	(94,012)	(13,969)	(90,290)	-	(57,755)	(551,839)	(4,342)	-	(812,207)
Write-off	-	-	(23,189)	(379,993)	(63,424)	(236,955)	(42,050)	-	-	(745,611)
Exchange difference	-	-	(8,076)	-	-	(9,731)	-	-	-	(17,807)
At 31 May 2018/ 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 (Note11)	-	(147,998)	-	-	-	-	-	-	-	(147,998)
Exchange difference	-	-	5,017	225	-	5,644	-	-	-	10,886
At 31 May 2019	**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**
Carrying amounts										
At 1 June 2017	13,516,255	56,492,498	1,067,160	2,616,881	9,870,987	3,385,656	2,716,855	929,628	-	90,595,920
At 31 May 2018/ 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**

3. Property, plant and equipment (Cont'd)

	Land RM	Buildings RM	Furniture, fittings and office equipment RM	Computers RM	Total RM
Company					
Cost					
At 1 June 2017	6,300,899	43,244,831	2,731,816	92,569	52,370,115
Additions	-	-	3,900	-	3,900
At 31 May 2018/1 June 2018/ 31 May 2019	6,300,899	43,244,831	2,735,716	92,569	52,374,015
Accumulated depreciation					
At 1 June 2017	673,895	1,729,793	538,215	18,513	2,960,416
Depreciation for the year	134,779	864,896	273,273	9,258	1,282,206
At 31 May 2018/1 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	**943,453**	**3,459,585**	**1,085,061**	**37,028**	**5,525,127**
Carrying amounts					
At 1 June 2017	5,627,004	41,515,038	2,193,601	74,056	49,409,699
At 31 May 2018/1 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**

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Total additions	**13,556,232**	22,934,900	**-**	3,900
Less: Amount financed by leases	**(506,600)**	(73,600)	**-**	-
Government grant received	**(188,751)**	-	**-**	-
Amount paid by cash	**12,860,881**	22,861,300	**-**	3,900

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:

	2019 RM	2018 RM
Motor vehicles	**1,572,374**	2,001,898

3.3 Assets pledged for banking facilities

The carrying amount of property, plant and equipment pledged as securities for borrowings granted to the Group and the Company as disclosed in Note 14 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Lands	**26,757,299**	25,966,709	**5,357,446**	5,492,225
Buildings	**53,736,018**	44,030,552	**39,785,246**	40,650,142
Plant and machinery	**2,055,445**	2,039,494	**-**	-
	82,548,762	72,036,755	**45,142,692**	46,142,367

4. Intangible assets - Group

	Goodwill RM	Trademark RM	Total RM
Cost			
1 June 2017	198,014	870,000	1,068,014
Exchange difference	(9,716)	-	(9,716)
At 31 May 2018/1 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	**-**	**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 was assessed to have an indefinite useful live subject to use in good faith.

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 flows projections and financial budgets approved by the Directors covering a period of 5 years (2018 : 5 years). The value-in-use calculations are determined by discounting the future cash flows using a pre-tax discount rate of 4.80% (2018 : 5.20%).

The values assigned to the key assumptions (e.g. sales growth rate 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).

The carrying amount of the CGU containing goodwill exceeded its estimated recoverable amount and an impairment loss of RM194,386 (2018 : Nil) was recognised in profit or loss.

5. Investments in subsidiaries - Company

	2019 RM	2018 RM
Unquoted shares, at cost	**43,770,697**	43,008,125
Less : Impairment losses	**(1,020,000)**	(1,020,000)
	42,750,697	41,988,125

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 2019 %	2018 %	Principal activities
Keat Radio Co. Sdn. Bhd.	Malaysia	100	100	Sale of electrical and electronic appliances
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	Distribution of electrical and electronic appliances
Pensonic Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Microtag Engineering Sdn. Bhd.(1)	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) (2) and (3)	Indonesia	70	-	Manufacture, assembly and sale of electrical products
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) and (4)	Malaysia	40	-	Dormant

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 2019 %	2018 %	Principal activities
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. (5)	Malaysia	60	60	Member's voluntary winding-up

(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) Incorporated on 13 March 2019.
(4) Incorporated on 29 February 2019.
(5) Commenced Members' Voluntary Winding-Up on 1 February 2018. On 25 July 2019, the Company has received final capital distribution from this subsidiary.

5.1 Although the Group owns less than half of the ownership interest in Angkasa Pensonic Trading Sdn. Bhd., 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 its other investors where the Group has de facto control over Angkasa Pensonic Trading Sdn. Bhd., on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.

5.2 The Group does not have any subsidiary that has material non-controlling interests.

5.3 There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Group in the form of repayment of loans and advances other than PSS.

6. Investments in associates

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted shares, at cost	**331,435**	184,610	**146,825**	-
Share of post-acquisition reserves	**207,930**	198,626	**-**	-
	539,365	383,236	**146,825**	-

6. Investments in associates (Cont'd)

Details of the associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %	Principal activities
Pensonic (B) Sdn. Bhd. *	Brunei	40	40	Trading of electrical and electronic appliances
Pensonic Appliances (Myanmar) Company Limited	Myanmar	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)

Group

Deferred tax assets and liabilities of the Group are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Property, plant and equipment - capital allowances	106,000	-	(548,000)	(1,190,335)	(442,000)	(1,190,335)
Other temporary differences	616,553	1,458,939	-	-	616,553	1,458,939
Tax assets/(liabilities)	722,553	1,458,939	(548,000)	(1,190,335)	174,553	268,604
Set-off of tax	(190,000)	(859,335)	190,000	859,335	-	-
	532,553	599,604	(358,000)	(331,000)	174,553	268,604

Company

Deferred tax liabilities of the Company are attributable to the following:

	Liabilities 2019 RM	2018 RM
Property, plant and equipment		
- capital allowance	**42,000**	-

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.

7. Deferred tax assets/(liabilities) (Cont'd)

Unrecognised deferred tax assets - Group

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2019 RM	2018 RM Restated
Property, plant and equipment - capital allowance	**(3,743,000)**	(4,700,000)
Unabsorbed capital allowance	**710,000**	313,000
Unutilised tax losses	**13,678,000**	13,191,000
Unutilised reinvestment allowance	**9,575,000**	9,575,000
Other deductible temporary differences	**1,025,000**	933,000
	21,245,000	19,312,000

Following the enactment of the Finance Bill 2018, unutilised tax losses and reinvestment allowance up to year of assessment 2018 shall be deductible against aggregate of statutory income until year of assessment 2025. Any amount not deducted at the end of year of assessment 2025 shall be disregarded. The unabsorbed capital allowance do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits therefrom.

8. Inventories - Group

	2019 RM	2018 RM
Raw materials	**5,263,221**	6,382,692
Goods-in-transit	**3,549,019**	12,098,876
Manufactured and trading goods	**61,743,572**	64,456,426
	70,555,812	82,937,994
Recognised in profit or loss:		
Inventories recognised in cost of sales	**253,178,279**	250,055,395
Inventories written back	**(549,450)**	(36,161)
Inventories written down	**350,458**	1,274,092
Inventories written off	**98,007**	-

9. Trade and other receivables

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Trade					
Trade receivables		**58,797,340**	52,960,036	**-**	-
Amount due from an associate	9.1	**845,322**	1,023,168	**-**	-
		59,642,662	53,983,204	**-**	-
Non-trade					
Dividend receivable		**-**	-	**-**	3,400,000
Amount due from subsidiaries	9.2	**-**	-	**2,113,079**	903,444
Other receivables		**3,811,646**	3,683,646	**3,967**	18,228
Deposits		**746,435**	615,033	**560**	1,310
Prepayments		**2,900,675**	1,291,101	**34,130**	49,189
		7,458,756	5,589,780	**2,151,736**	4,372,171
		67,101,418	59,572,984	**2,151,736**	4,372,171

9.1 Amount due from an associate

The trade amount due from an associate is subject to normal trade terms.

9.2 Amount due from subsidiaries

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

10. Fixed deposits - Group

Included in fixed deposits of the Group is RM497,519 (2018 : RM1,068,024) 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 (2018 : RM12,000) held in trust by a Director on behalf of the Group.

11. Assets classified as held for sale - Group

During the 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 (2018 : Nil) for which a deposit of RM64,000 (2018 : Nil) has been received. The remaining consideration was received on 28 August 2019.

	Note	2019 RM	2018 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

	2019		2018	
	Amount RM	Number of shares	Amount RM	Number of shares
Issued and fully paid ordinary shares:				
At 1 June/31 May	**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	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:					
Foreign currency translation reserve	13.1	**86,217**	(283,614)	-	-
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)	-	-
		10,418,365	10,048,534	6,483,400	6,483,400
Distributable:					
Retained earnings		**35,211,275**	34,893,154	7,969,457	7,818,886
		45,629,640	44,941,688	14,452,857	14,302,286

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 2013/2023 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 2019, the Company has the following outstanding warrants:

Warrants	Exercise price per ordinary share	Expiry date	Number of warrants outstanding as at 31.5.2019
Warrants 2013/2023	RM0.60	19.12.2023	64,834,000

Warrants 2013/2023 were issued on 20 December 2013 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 condition 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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-current				
Secured				
Term loans	**22,653,853**	22,361,478	-	-
Finance lease liabilities	**899,681**	990,267	-	-
	23,553,534	23,351,745	-	-
Current				
Unsecured				
Bank overdrafts	**1,009,921**	3,294,036	-	-
Bankers' acceptances	**54,476,961**	68,157,032	-	-
Revolving credit	**10,600,000**	2,500,000	-	-
	66,086,882	73,951,068	-	-
Current				
Secured				
Bank overdrafts	**609,180**	696,559	-	-
Finance lease liabilities	**536,069**	547,849	-	-
Bankers' acceptances	**730,128**	605,515	-	-
Term loans	**20,250,606**	4,204,523	-	2,099,743
	22,125,983	6,054,446	-	2,099,743
	88,212,865	80,005,514	-	2,099,743
Total loans and borrowings	**111,766,399**	103,357,259	-	2,099,743

14. Loans and borrowings (Cont'd)

14.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 June 2017 RM	New lease obtained RM	Drawdown RM	Net changes from financing cash flows RM	At 31 May/ 1 June 2018 RM	New lease obtained RM	Drawdown RM	Net changes from financing cash flows RM	At 31 May 2019 RM
Group									
Bankers' acceptances	60,354,625	-	-	8,407,922	68,762,547	-	-	(13,555,458)	**55,207,089**
Revolving credit	2,500,000	-	-	-	2,500,000	-	-	8,100,000	**10,600,000**
Finance lease liabilities	1,993,375	73,600	-	(528,859)	1,538,116	506,600	-	(608,966)	**1,435,750**
Term loans	17,649,852	-	15,638,244	(6,722,095)	26,566,001	-	21,929,912	(5,591,454)	**42,904,459**
	82,497,852	73,600	15,638,244	1,156,968	99,366,664	506,600	21,929,912	(11,655,878)	**110,147,298**
Company									
Term loans	7,724,743	-	-	(5,625,000)	2,099,743	-	-	(2,099,743)	-

14. Loans and borrowings (Cont'd)

14.2 Security

The bank overdrafts, bankers' acceptances, revolving credit and term loans 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			2018		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group						
Less than 1 year	**590,517**	**54,448**	**536,069**	612,446	64,597	547,849
Between 1 and 5 years	**956,637**	**56,956**	**899,681**	1,050,337	60,070	990,267
	1,547,154	**111,404**	**1,435,750**	1,662,783	124,667	1,538,116

Finance lease liabilities are 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 Group has a secured borrowings as at 31 May 2019 amounting to RM16,987,789 (2018 : RM16,054,773) 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.

As at 31 May 2019, the above covenants were not met and consequently, the long term borrowings outstanding subjected to the covenants have been reclassified as current liabilities.

15. Trade and other payables

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Trade					
Trade payables		**22,355,739**	26,010,400	**-**	-
Trade accruals		**3,549,019**	12,098,876	**-**	-
Amount due to a company in which certain Directors have a substantial financial interest	15.1	**565,966**	676,152	**-**	-
		26,470,724	38,785,428	**-**	-
Non-trade					
Amount due to subsidiaries	15.2	**-**	-	**9,494,462**	10,401,383
Amount due to an associate	15.2	**146,825**	-	**146,825**	-
Other payables		**6,019,621**	3,176,171	**30,910**	76,858
Deposits received		**28,000**	90,230	**-**	-
Accruals		**9,535,904**	9,151,775	**183,208**	201,292
		15,730,350	12,418,176	**9,855,405**	10,679,533
		42,201,074	51,203,604	**9,855,405**	10,679,533

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		Company	
	2019 RM	2018 RM Restated	2019 RM	2018 RM
Revenue from contracts with customers	**324,369,079**	316,920,590	**-**	-
Dividend income	**-**	-	**1,500,000**	3,400,000
	324,369,079	316,920,590	**1,500,000**	3,400,000

16. Revenue (Cont'd)

16.1 Disaggregation of revenue - Group

	2019 RM	2018 RM Restated
Primary geographical markets		
- Malaysia	231,234,528	207,900,388
- Other Asian countries	76,195,497	91,755,021
- Middle East	15,536,355	16,371,152
- Others	1,402,699	894,029
	324,369,079	316,920,590
Major product lines and services		
- Electrical and electronic appliances	324,369,079	316,920,590
Timing and recognition		
- At a point in time	324,369,079	316,920,590

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 recognised revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Household electrical and electronic appliances	Revenue is recognised at a 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 for exchanged with new goods or cash refunds on a case-by-case basis.	Generally, assurance warranty of 1 year are given to customers except for motors or compressors which are given 5 years 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 period.

17. Profit before tax

Profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration:				
- Audit fee:				
- KPMG PLT	211,000	196,000	36,000	36,000
- Other auditors				
- Current year	55,340	54,497	-	-
- Prior year	-	10,585	-	-
- Non-audit services				
- KPMG PLT	5,000	5,000	5,000	5,000
Bad debts written off	17,278	20,056	-	-
Property, plant and equipment written off	151,791	4,743	-	-
Rental expense	7,094,552	6,493,423	-	-
Research and development	858,879	577,641	-	-
Bad debt recovered	(8,184)	(6,313)	-	-
Gain on disposal of property, plant and equipment	(220,273)	(220,807)	-	-
Government grants*	(646,805)	(295,515)	(31,345)	(208,582)
Interest income	(112,820)	(91,839)	(52,878)	(27,993)
Royalty income	(435,664)	(119,007)	-	-
Realised gain on foreign exchange	(546,798)	(1,194,011)	(218,216)	-
Unrealised (gain)/loss on foreign exchange	(8,637)	495,646	(16,715)	-
Rental income	(70,980)	(102,057)	(1,200,000)	(1,200,000)

* The Group and the Company received matching government grants for qualifying research and development and training expenses incurred.

18. Tax expense

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Recognised in profit or loss				
Current tax expense				
Current year	**1,224,705**	1,068,892	**101,000**	42,000
Prior years	**59,226**	6,798,183	**29,460**	(145)
	1,283,931	7,867,075	**130,460**	41,855
Deferred tax expense				
Current year	**(16,949)**	(285,348)	**-**	-
Prior years	**111,000**	9,541	**42,000**	-
	94,051	(275,807)	**42,000**	-
	1,377,982	7,591,268	**172,460**	41,855

Reconciliation of tax expense

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit before tax	**1,805,235**	4,245,557	**323,031**	1,841,561
Income tax calculated using Malaysian tax rate of 24%	**433,256**	1,018,934	**77,527**	441,975
Effect of different tax rates in foreign jurisdictions	**(80,776)**	(165,489)	**-**	-
Income not subject to tax	**(43,747)**	(146,245)	**(423,906)**	(866,060)
Non-deductible expenses	**1,460,217**	1,497,069	**447,379**	466,085
Tax incentives	**(1,025,114)**	(719,399)	**-**	-
Deferred tax assets not recognised	**601,319**	321,806	**-**	-
Utilisation of previously unrecognised deferred tax assets	**(137,399)**	(1,023,132)	**-**	-
	1,207,756	783,544	**101,000**	42,000
Under/(Over) provision in prior years	**170,226**	6,807,724	**71,460**	(145)
	1,377,982	7,591,268	**172,460**	41,855

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.

18. Tax expense (Cont'd)

Reconciliation of tax expense (Cont'd)

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 and 25 April 2019 submitted appeals and is currently liaising with the relevant authority on this matter.

19. Staff costs - Group

	2019 RM	2018 RM
Salaries, wages and other emoluments	24,762,319	22,656,253
Defined contribution plans	2,617,059	2,522,311
Other employees benefits	976,517	1,116,484
	28,355,895	26,295,048

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.

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

20.1 Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share is calculated based on the consolidated profit/(loss) for the financial year attributable to owners of the Company and the weighted average number of ordinary shares, calculated as follows:

	2019	2018
Profit/(Loss) attributable to owners of the Company (RM)	560,260	(3,467,933)
Weighted average number of ordinary shares at 31 May	129,668,000	129,668,000
Basic earnings/(loss) per ordinary share (sen)	0.43	(2.67)

20. Earnings/(Loss) per ordinary share - Group (Cont'd)

20.2 Diluted earnings per ordinary share

Diluted earnings per ordinary share is calculated based on the adjusted consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2019	2018
Profit/(Loss) attributable to owners of the Company (RM)	**560,260**	(3,467,933)

The profit/(loss) attributable to owners of the Company is the same as disclosed in basic earnings/(loss) per share as there is no material effect arising from exercise of outstanding warrants.

Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	**129,668,000**	129,668,000
Adjusted for effect of conversion of warrants	**-**	1,797,067
Weighted average number of ordinary shares at 31 May (diluted)	**129,668,000**	131,465,067
Diluted earnings/(loss) per ordinary share (sen)	(1)	(2)

(1) Diluted earnings per share is not applicable as the exercise price of the warrants is higher than the average market price of the Company's ordinary shares during the period.

(2) The Group's diluted earnings/(loss) per ordinary share was not presented as the assumed potential new ordinary shares were anti-dilutive.

21. Dividends

Dividends recognised by the Company:

	RM per share	2019 RM	2018 RM	Date of payment
Final 2017 ordinary	0.02	-	2,593,360	29 December 2017

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.

22. Related parties (Cont'd)

22.2 Significant related party transactions

Related party transactions have been entered into under negotiated terms.

The significant related party transactions of the Group and of the Company are as follows:

	2019 RM	2018 RM
Company		
Transactions with subsidiaries		
- Dividend income	1,500,000	3,400,000
- Rental income	1,200,000	1,200,000
Group		
Transaction with associates		
- Sales	1,849,208	2,179,569
Transactions with companies in which certain Directors have a substantial financial interests		
- Purchases	2,674,236	2,716,964
- Transport charges	220,937	131,760

Transactions with key management personnel

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company				
Fee	**222,000**	121,700	**222,000**	121,700
Salaries and other emoluments	**2,125,523**	1,862,512	**-**	-
Defined contribution plans	**174,744**	159,775	**-**	-
	2,522,267	2,143,987	**222,000**	121,700
Other Directors (on Board of subsidiaries)				
Salaries and other emoluments	**333,736**	281,327	**-**	-
Defined contribution plans	**21,367**	21,647	**-**	-
	355,103	302,974	**-**	-
	2,877,370	2,446,961	**222,000**	121,700

The balances with related parties are shown in Note 9 and Note 15 to the financial statements.

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 units, 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 respective business activity 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						
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 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)

	Manufacturing RM	Trading RM	Others RM	Total RM	Eliminations RM	Consolidated RM
Group						
2018						
Revenue - Restated						
External customers	416,725	316,503,865	-	316,920,590	-	316,920,590
Inter-segment	98,037,225	12,220,360	9,436,000	119,693,585	(119,693,585)	-
Total revenue	98,453,950	328,724,225	9,436,000	436,614,175	(119,693,585)	316,920,590
Segment profit	634,528	7,516,781	3,078,811	11,230,120	(6,984,563)	4,245,557
Included in measure of segment profit are:						
Interest income	13,468	263,582	28,367	305,417	(213,578)	91,839
Finance costs	(957,569)	(3,088,216)	(280,830)	(4,326,615)	92,719	(4,233,896)
Depreciation and amortisation	(2,783,283)	(2,186,931)	(1,328,049)	(6,298,263)	-	(6,298,263)
Share of results of associates	-	-	44,786	44,786	-	44,786
Segment assets	53,901,143	235,266,860	96,337,405	385,505,408	(109,370,741)	276,134,667
Included in the measurement of segment assets are:						
Additions to property, plant and equipment	272,769	22,637,311	24,820	22,934,900	-	22,934,900

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	
	2019 RM	2018 RM
Malaysia	**114,011,342**	107,869,372
Other Asian countries	**135,506**	103,475
	114,146,848	107,972,847

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 RM
2019	
Customer A	**32,748,886**
2018	
Customer A	35,374,600

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 May 2019 categorised as amortised cost:

	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**

24. Financial instruments (Cont'd)

24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	AC RM
2019		
Financial assets		
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**

The table below provides an analysis of financial instruments as at 31 May 2018 categorised as follows:

(a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM
2018		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	58,281,883	58,281,883
Fixed deposits	1,068,024	1,068,024
Cash and bank balances	23,576,649	23,576,649
	82,926,556	82,926,556

24. Financial instruments (Cont'd)

24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM
2018		
Company		
Trade and other receivables (excluding prepayments)	4,322,982	4,322,982
Cash and bank balances	263,621	263,621
	4,586,603	4,586,603

	Carrying amount RM	FL RM
2018		
Financial liabilities		
Group		
Trade and other payables	51,203,604	51,203,604
Loans and borrowings	103,357,259	103,357,259
	154,560,863	154,560,863
Company		
Trade and other payables	10,679,533	10,679,533
Loans and borrowings	2,099,743	2,099,743
	12,779,276	12,779,276

24.2 Net gains and losses arising from financial instruments:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net (losses)/gains arising on:				
- Financial assets at amortised cost	**(159,210)**	-	**69,593**	-
- Loans and receivables	**-**	(790,099)	**-**	27,993
- Finance liabilities measured at amortised cost	**(4,182,075)**	(2,869,917)	**151,911**	(280,829)
	(4,341,285)	(3,660,016)	**221,504**	(252,836)

24. Financial instruments (Cont'd)

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 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

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:

	2019 RM	2018 RM
Group		
Malaysia	**48,256,457**	46,652,709
Other Asian countries	**9,503,328**	6,176,360
Middle east	**1,717,839**	1,006,512
Others	**165,038**	147,623
	59,642,662	53,983,204

Recognition and measurement of impairment loss

The Group uses an allowance matrix to measure Expected Credit Loss ("ECLs") of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 120 days as applicable to the relevant Group entities will be considered as credit impaired.

24. Financial instruments (Cont'd)

24.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 May 2019.

	Gross carrying amount RM	2019 Loss allowances RM	Net balance RM
Group			
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 historical collection trend from these customers.

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	2019 Lifetime ECL RM
Group	
Balance at 1 June as per MFRS 139	474,137
Adjustment on initial application of MFRS 9	242,139
Balance at 1 June as per MFRS 9	716,276
Loss allowance provided	501,422
Reversal of loss allowance	(108,812)
Amount written off	(59,417)
Balance at 31 May	1,049,469

24. Financial instruments (Cont'd)

24.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Comparative information under MFRS 139, Financial Instruments : Recognition and measurement

The aging of trade receivables as at 31 May 2018 was as follows:

	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
Group				
2018				
Not past due	43,764,378	-	-	43,764,378
Past due less than 60 days	8,849,413	-	-	8,849,413
Past due 61 - 120 days	539,826	-	-	539,826
Past due more than 120 days	1,303,724	(474,137)	-	829,587
	54,457,341	(474,137)	-	53,983,204

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

	Group RM
2018	
At 1 June	1,330,164
Impairment loss recognised	246,832
Impairment loss reversal	(44,251)
Impairment loss written off	(1,058,608)
At 31 May	474,137

The allowance account in respect of receivables is used to record impairment losses. The determination of the recoverability of past due amounts due from customers involves the identification of whether there is any objective evidence of impairment. In determining the level of impairment required, the Directors applied assumptions and judgement to assess the recoverability of past due balances and took into consideration amongst others, the ageing of the balance, historical payment trends of the customer and amount collected subsequent to the end of the financial reporting period. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

The cash and bank balances are held with 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.

24. Financial instruments (Cont'd)

24.4 Credit risk (Cont'd)

Other receivables

Credit risks on other receivables are mainly arising from goods and services tax claims from the authorities and advances to suppliers for securing the continuing supply of raw materials. The advances for supplies 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 RM102 million (2018 : RM91.45 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.

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 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.

24. Financial instruments (Cont'd)

24.4 Credit risk (Cont'd)

Inter company balances (Cont'd)

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 when they are payable, 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 loan or 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 RM2,113,079 as at 31 May 2019 (31 May 2018 : RM903,444) 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 cash equivalents 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 %	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)

24.5 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
2018							
Group							
Non-derivative financial liabilities							
Bank overdrafts	3,990,595	8.35 - 8.65	3,990,595	3,990,595	-	-	-
Bankers' acceptances	68,762,547	3.95 - 5.57	68,762,547	68,762,547	-	-	-
Revolving credit	2,500,000	4.90 - 5.57	2,500,000	2,500,000	-	-	-
Term loans	26,566,001	5.30 - 7.70	35,679,430	5,519,993	3,905,843	9,610,924	16,642,670
Finance lease liabilities	1,538,116	2.38 - 3.43	1,662,783	612,446	856,850	193,487	-
Trade and other payables	51,203,604	-	51,203,604	51,203,604	-	-	-
	154,560,863		163,798,959	132,589,185	4,762,693	9,804,411	16,642,670
Company							
Non-derivative financial liabilities							
Term loans	2,099,743	6.20	2,162,245	2,162,245	-	-	-
Trade and other payables	10,679,533	-	10,679,533	10,679,533	-	-	-
Financial guarantee	-	-	91,450,000	91,450,000	-	-	-
	12,779,276		104,291,778	104,291,778	-	-	-

24. Financial instruments (Cont'd)

24.6 Market risk (Cont'd)

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"), Hong Kong Dollar ("HKD") and Ringgit Malaysia ("MYR").

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 RM	RMB RM	HKD RM	MYR RM
Group				
2019				
Trade and other receivables	**-**	**-**	**3,030,863**	**5,882,053**
Cash and bank balances	**205,382**	**1,231**	**624,032**	**449,385**
Trade and other payables	**(5,737,881)**	**(1,725,371)**	**(2,391,074)**	**(5,711,217)**
Loans and borrowings	**(1,637,539)**	**-**	**-**	**(97,729)**
Net exposure	**(7,170,038)**	**(1,724,140)**	**1,263,821**	**522,492**
2018				
Trade and other receivables	147,261	-	3,623,616	8,066,526
Cash and bank balances	632,648	64,361	24,153	836,467
Trade and other payables	(3,835,070)	(1,973,322)	(657,346)	(8,786,826)
Loans and borrowings	(3,144,806)	-	-	(139,369)
Net exposure	(6,199,967)	(1,908,961)	2,990,423	(23,202)

24. Financial instruments (Cont'd)

24.6 Market risk (Cont'd)

24.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 10% (2018 : 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	
	2019 RM	2018 RM
USD	**544,923**	471,198
RMB	**131,035**	145,081
HKD	**(96,050)**	(227,272)
MYR	**(39,709)**	1,763

A 10% (2018 : 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.

Exposure to interest rate risk

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed rate instruments				
Financial asset				
- Fixed deposits	**497,519**	1,068,024	**-**	-

24. Financial instruments (Cont'd)

24.6 Market risk

24.6.2 Interest rate risk (Cont'd)

Exposure to interest rate risk (Cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial liabilities				
- Finance lease liabilities	1,435,750	1,538,116	-	-
- Bankers' acceptances	55,207,089	68,762,547	-	-
	56,642,839	70,300,663	-	-
Floating rate instruments				
Financial liabilities				
- Term loans	42,904,459	26,566,001	-	2,099,743
- Bank overdrafts	1,619,101	3,990,595	-	-
- Revolving credit	10,600,000	2,500,000	-	-
	55,123,560	33,056,596	-	2,099,743

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.

(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		Company	
	50 bp increase RM	50 bp decrease RM	50 bp increase RM	50 bp decrease RM
Profit or loss				
Floating rate instruments				
2019	**(209,470)**	**209,470**	**-**	**-**
2018	(125,615)	125,615	(7,979)	7,979

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				
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
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**

24. Financial instruments (Cont'd)

24.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
2018									
Group									
Financial liabilities									
Term loans									
- Variable rate	-	-	-	-	-	-	26,566,001	26,566,001	26,566,001
Finance lease liabilities	-	-	-	-	-	-	1,538,116	1,538,116	1,538,116
	-	-	-	-	-	-	28,104,117	28,104,117	28,104,117
Company									
Financial liabilities									
Term loans									
- Variable rate	-	-	-	-	-	-	2,099,743	2,099,743	2,099,743

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 (2018: 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 3.50% (2018 : 2.38% to 3.43%) .

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

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 RM	2018 RM
Less than one year	**813,565**	204,138
Between one and five years	**171,332**	174,342
	984,897	378,480

The Group leases an office unit, warehouse 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

	2019 RM	2018 RM
Property, plant and equipment		
Contracted but not provided for	**13,038,501**	210,000

28. Subsequent event

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 consideration of RM19,500,000.

The disposal is expected to result in a gain of approximately RM10,000,000 to the Group in the financial year ending 31 May 2020.

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29. Contingent liability - Company

	2019 RM	2018 RM
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries - limit	**202,120,000**	163,130,000

30. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

30.1 Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 9 and MFRS 15 on the Group's financial statements.

a. Consolidated statement of financial position

	As previously reported as at 31 May 2018 RM	MFRS 9 adjustments RM	As restated as at 1 June 2018 RM
Group			
Trade and other receivables	59,572,984	(242,139)	59,330,845
Retained earnings	(34,893,154)	242,139	(34,651,015)

30. Significant changes in accounting policies (Cont'd)

30.1 Impacts on financial statements (Cont'd)

b. Consolidated statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 May 2019	As previously reported RM	MFRS 15 adjustments RM	As restated RM
Group			
Revenue	326,828,370	(9,907,780)	316,920,590
Selling and distribution expenses	(34,503,473)	9,907,780	(24,595,693)

The adoption of MFRS 9 and MFRS 15 did not have any financial impacts to the Company's financial statements.

30.2 Accounting for revenue

The implementation of MFRS 15 resulted in certain changes to the presentation on the Group's Statement of Profit or Loss and Other Comprehensive Income namely, the reclassification of certain expenses previously presented as selling and distribution expenses to revenue.

30.3 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted :

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings as at 1 June 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application :

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; if any.

iii) Loss allowance for receivables is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9:

Trade and other receivables, fixed deposits and cash and bank balances that were classified as "loans and receivables" under MFRS 139 are now reclassified as "amortised cost". The remeasurement arising from the adoption of MFRS 9 on trade and other receivables is as disclosed in Note 30.1(a).

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 50 to 116 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 2019 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 2019

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 50 to 116 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 2019.

……………………………………..……….

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 MEMBERS OF PENSONIC HOLDINGS BERHAD
(Company No. 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 2019 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 50 to 116.

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 2019, 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' *Code of Ethics for Professional Accountants* ("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) – Impairment.

The key audit matter

As at 31 May 2019, the total trade receivables net of impairment as disclosed in Note 9 was RM60 million.

We identified impairment on 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 of the customers to make the required payments.

How the matter was addressed in our audit

Our audit procedures included amongst 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, by taking into account our own expectations based on the Group's experience of customers' historical and post year end payment trends.

Report on the Audit of the Financial Statements (Cont'd)

Valuation of inventories

Refer to Notes 1(d) - Use of estimates and judgements and 2(h) – Inventories.

The key audit matter

As at 31 May 2019, the carrying amount of the Group's inventories as disclosed in Note 8 amounted to RM71 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 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 sales by product reports relied by the Group to assess inventories for write down; and
- 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, related safeguards.

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.

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 : 03272/06/2020 J
Chartered Accountant

Date : 18 September 2019

Penang

LIST OF PROPERTIES OWNED BY THE GROUP

As at 31 May 2019

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 2019 RM
KRC	Blok H1-09, H1-10, H1-11, H2-09, H2-10, H2-11, C2-09, C2-10, C2-11, Taman Pelangi, 13600 Prai, Penang.	Residential	22	Leasehold Expiring in 2092	5,400 sq.ft.	203,682
PE	Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.	Industrial land with factory, warehouse and office	22	Leasehold Expiring in 2054	3.05632 acres/ 112,050 sq.ft.	4,154,595
PSS	Lot 4, Towering Industrial Centre, 88300 Penampang, Kota Kinabalu, Sabah.	Warehouse and office	27	Leasehold Expiring in 2037	2,700 sq.ft.	171,905
PSS	Lot 11-B, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	27	Leasehold Expiring in 2069	43,560 sq.ft.	7,868,313
PSS	Lot 11-A, Jalan 223, Section 51A, 46100 Petaling Jaya, Selangor.	Warehouse and office	15	Leasehold Expiring in 2070	43,560 sq.ft.	4,195,425
PSS	Lot No. 23B & 24B, Mukim Kapar, Daerah Klang, Selangor	Warehouse	*	Freehold	25,127 sq.ft.	31,196,030
PI	895, Jalan Perindustrian Bukit Minyak, Kawasan Perindustrian Bukit Minyak, MK. 13, 14100 Bukit Minyak, Penang.	Industrial land with factory, warehouse and office	16	Leasehold Expiring in 2063	3 acres/ 75,260 sq.ft	4,527,528
PHB	1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	Industrial land with ware-house and office	7	Leasehold Expiring in 2059	2.4283 ha/ 24,283 sq.ft.	45,142,692

* warehouse under construction

ANALYSIS OF SHAREHOLDINGS

SHAREHOLDINGS STATISTICS AS AT 30 AUGUST 2019

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	: 2,619

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 30 AUGUST 2019

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
39	less than 100 shares	1,002	#
184	100 to 1,000 shares	82,332	0.06
1,490	1,001 to 10,000 shares	8,035,862	6.20
800	10,001 to 100,000 shares	21,484,820	16.57
104	100,001 to less than 5% of issued shares	83,153,984	64.13
2	5% and above of issued shares	16,910,000	13.04
2,619		129,668,000	100.00

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 AUGUST 2019

	Name	No. of Shares	%
1	CHEW WENG KHAK REALTY SDN BHD	9,520,000	7.34
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW WENG KHAK REALTY SDN. BHD. (SMART)	7,390,000	5.70
3	CHEW CHUON GHEE	4,600,000	3.55
4	CHEW WENG KHAK REALTY SDN BHD	4,200,000	3.24
5	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	4,120,900	3.18
6	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOW WOOI HUAT (STA 2)	4,111,400	3.17
7	CHEW CHUON FANG	3,400,000	2.62
8	CHEW WENG KHAK @ CHEW WENG KIAK	2,800,000	2.16

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 AUGUST 2019 (Cont'd)

	Name	No. of Shares	%
9	CHEW WENG KHAK @ CHEW WENG KIAK	2,800,000	2.16
10	CHEW CHUON FANG	2,781,000	2.14
11	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW CHUON JIN (SMART)	2,772,000	2.14
12	CHEW CHUON JIN	2,626,400	2.03
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHUON JIN (6000225)	2,500,000	1.93
14	CHEW CHUON GHEE	2,310,000	1.78
15	TAN AH NYA @ TAN BEE TIANG	2,200,000	1.70
16	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHUN CHIA (MID-VALLEY-CL)	2,000,000	1.54
17	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW PEI GEE (MID-VALLEY-CL)	2,000,000	1.54
18	LEE ANN NEE	1,888,200	1.46
19	CHEW CHUON GHEE	1,794,000	1.38
20	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)	1,728,100	1.33
21	CHEW WENG KHAK REALTY SDN BHD	1,607,824	1.24
22	CHEW WENG KHAK @ CHEW WENG KIAK	1,500,000	1.16
23	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN	1,432,800	1.10
24	TIU JON HUI	1,380,000	1.06
25	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI	1,333,900	1.03
26	PANG KAH FANG	1,193,900	0.92
27	LIM LIENG PIAU	1,130,200	0.87
28	WAN THIAM HUAT	1,100,000	0.85
29	PANG SUN	1,000,000	0.77

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 AUGUST 2019 (Cont'd)

	Name	No. of Shares	%
30	LEE SENG LONG	858,180	0.66
	Total	**80,078,804**	**61.75**

SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2019

	Direct Interest			Indirect Interest	
Name of substantial shareholders	No of shares	%		No of shares	%
Chew Weng Khak Realty Sdn Bhd	22,717,824	17.52			
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	7,100,000	5.48	(a) / (b)	24,917,824	19.22
Chew Chuon Ghee	8,704,000	6.71			
Chew Chuon Jin	7,898,400	6.09	(c)	16,800	0.01

STATEMENT OF DIRECTORS' SHAREHOLDINGS AS AT 30 AUGUST 2019

	Direct Interest			Indirect Interest	
Name of directors	No of shares	%		No of shares	%
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	7,100,000	5.48	(a) / (b)	28,917,824	22.30
Chew Chuon Jin	7,898,400	6.09	(c)	16,800	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

PRINCIPAL STATISTICS AS AT 30 AUGUST 2019

Class of Securities	: 64,834,000 warrants
Exercise price of warrants	: RM0.60 for each warrant
Expiry date of warrants	: 29 November 2023
Voting Rights	: One Vote per warrant at any warrantholders' meeting
Number of warrantholders	: 754 holders

DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS AS AT 30 AUGUST 2019

No. of Holders	Size of Holdings	Total Holdings	% of Total Warrantholdings
13	less than 100 shares	595	#
30	100 to 1,000 shares	18,715	0.03
388	1,001 to 10,000 shares	1,842,952	2.84
244	10,001 to 100,000 shares	8,472,326	13.07
76	100,001 to less than 5% of issued shares	39,653,712	61.16
3	5% and above of issued shares	14,845,700	22.90
754		64,834,000	100.00

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 AUGUST 2019

	Name	No. of Warrants	%
1	CHEW WENG KHAK @ CHEW WENG KIAK	5,600,000	8.64
2	CHEW WENG KHAK REALTY SDN BHD	4,760,000	7.34
3	CHEW CHUON JIN	4,485,700	6.92
4	CHEW WENG KHAK REALTY SDN BHD	2,303,912	3.55
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	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW WENG KHAK REALTY SDN. BHD. (SMART)	1,500,000	2.31

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 AUGUST 2019 (Cont'd)

	Name	No. of Warrants	%
10	CHEW WENG KHAK @ CHEW WENG KIAK	1,400,000	2.16
11	CHEW WENG KHAK @ CHEW WENG KIAK	1,400,000	2.16
12	CHEW CHUON GHEE	1,155,000	1.78
13	CHEW CHUON FANG	1,050,000	1.62
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEN BOOK LEARN (8109660)	1,047,600	1.62
15	CGS-CIMB NOMINEES (ASING) SDN BHD PIONEER UNITED LIMITED (JS 803)	1,027,300	1.58
16	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEW CHUON JIN (SMART)	1,000,000	1.54
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)	780,100	1.20
18	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE WAH	778,700	1.20
19	HEH WUN YEE	768,100	1.18
20	EE CHAI CHAI	735,400	1.13
21	GV ASIA FUND LIMITED	700,800	1.08
22	CHEW CHUON GHEE	700,000	1.08
23	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE YNG	626,700	0.97
24	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN	615,000	0.95
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEN BOOK LEARN	608,600	0.94
26	CHANG CHOON KIAT	512,300	0.79
27	AIK SEAW GEE	500,000	0.77
28	CHANG YU SANG	487,100	0.75

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 AUGUST 2019 (Cont'd)

	Name	No. of Warrants	%
29	PANG CHONG SENG	464,400	0.72
30	SEE HOCK CHUAN	450,000	0.69
	Total	**43,437,812**	**66.98**

STATEMENT OF DIRECTORS' WARRANTHOLDINGS AS AT 30 AUGUST 2019

	Direct Interest			Indirect Interest	
Name of warrantholders	No of warrants	%		No of warrants	%
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	8,400,000	12.96	(a) / (b)	11,083,912	17.10
Chew Chuon Jin	5,485,700	8.46	(c)	10,000	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 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 25th 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, 30 October 2019 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 2019 together with the Reports of Directors and Auditors thereon.

2. To re-elect the following Directors who retire in accordance with Article 129 of the Company's Constitution and who, being eligible, have offered themselves for re-election:
   (a) Dato' Seri Chew Weng Khak @ Chew Weng Kiak — Ordinary Resolution 1
   (b) Chew Chuon Ghee — Ordinary Resolution 2

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 2020. — Ordinary Resolution 3

4. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. — Ordinary Resolution 4

As Special Business

To consider and if thought fit, to pass the following resolutions with or without modifications:

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** — Ordinary Resolution 5

   "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 SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** — Ordinary Resolution 6

   "THAT pursuant to Chapter 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions as set out in the Circular dated 30 September 2019, which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders; and that the 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."

AGENDA

As Special Business (Cont'd)

7. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("PROPOSED ADOPTION OF NEW CONSTITUTION")** — Special Resolution

"THAT the Company's existing Constitution be deleted in its entirety with immediate effect and in place thereof, adopt the new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 30 September 2019 AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

8. To transact any other business of which due notice shall have been given.

By Order of the Board

Ong Tze-En (MAICSA 7026537)
Company Secretary
Penang
30 September 2019

NOTES:

1. *A member entitled to attend and vote at a meeting of the Company, or at any meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. A member may appoint up to two (2) proxies to attend on the same occasion. There shall be no restriction as to the qualification of the proxy.*
2. *If a member appoints up to two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
4. *A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.*
5. *The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.*
6. *To be valid, this Form of Proxy, duly completed must be deposited at the Registered Of fice of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang at least 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).*
7. *For purpose of determining who shall be entitled to attend the 25th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Section 34(1) of SICDA to issue a General Meeting Record of Depositors ("ROD") as at 23 October 2019. Only a Depositor whose name appears on the ROD as at 23 October 2019 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his/her behalf.*

NOTES: (Cont'd)

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 Resolutions 3**, 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 2019 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2019.
3. The proposed **Ordinary Resolution 5**, 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 25 October 2018 and which will lapse at the conclusion of the 25th 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 6**, 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 30 September 2019. 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.
5. The proposed **Special Resolution**, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The Proposed Adoption of New Constitution is set out in Part B of the Circular to Shareholders dated 30 September 2019.

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.

FORM OF PROXY

CDS Account No.:	No. of shares held:

PENSONIC®

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

I/We ____
(Full name in Block Letters and NRIC/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 25h 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, 30 October 2019 at 2.30 pm and at any adjournment thereof, to vote as indicated below:-

Resolutions		For	Against
1	Re-election of Dato' Seri Chew Weng Khak @ Chew Weng Kiak		
2	Re-election of Chew Chuon Ghee		
3	Approval of payment of Directors' Fees		
4	Re-appointment of Auditors		
5	Authority to Issue Shares		
6	Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
7	Special Resolution - Proposed Adoption of New Constitution		

(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 _________________ 2019.

____
Signature of Member(s) or/Common Seal

Notes:

1. *A member entitled to attend and vote at a meeting of the Company, or at any meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. A member may appoint up to two (2) proxies to attend on the same occasion. There shall be no restriction as to the qualification of the proxy.*
2. *If a member appoints up to two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
4. *A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the members to speak at the meeting.*
5. *The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.*
6. *To be valid, this Form of Proxy, duly completed must be deposited at the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, at least 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).*
7. *For purpose of determining who shall be entitled to attend the 24th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Section 34(1) of SICDA to issue a General Meeting Record of Depositors ("ROD") as at 23 October 2019. Only a Depositor whose name appears on the ROD as at 23 October 2019 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his/her behalf.*

Personal Data Privacy:

By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting of the Company and any adjournment thereof.

Fold this flap for sealing

Stamp

The Company Secretary
PENSONIC HOLDINGS BERHAD
(Company No. 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,
Taman Perindustrian Bukit Minyak,
14100 Simpang Ampat, Penang, Malaysia.

PENANG

143-145, Perak Rd., 10150 Penang.
Tel: 604- 226 9923 / 050

KUALA LUMPUR 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

IPOH

29, Jalan Medan Ipoh 1A,
Medan Ipoh Bistari,
31400 Ipoh, Perak.

MALACCA

385-C, Jalan Melor Utama,
Taman Peringgit Jaya,
75400 Malacca.

JOHOR BAHRU

31, Jalan Ros Merah Satu / 1,
Taman Johor Jaya, 81100
Johor Bahru, Johor.

KOTA BHARU

PT-621 Ground Floor,
Batu 2 Jalan Pengkalan Chepa,
15400 Kota Bahru, Kelantan.

KUANTAN

No. A143, Ground Floor,
Jalan Wong Ah Jang,
25100 Kuantan, Pahang.

SARAWAK

Ground & 1st Floor, 253,
Jalan Datuk Wee Kheng Chiang,
93450 Kuching, Sarawak.

SABAH

Lot 4, Ground Floor & 1st Floor,
Towering Industrial Centre, 88300
Penampang, Kota Kinabalu, Sabah.

LABUAN

Lot 5, Kian Yap Shoplot
Taman Kian Yap, Jalan Rancha Rancha,
87000 Labuan F.T

U0037, PN 7884, Jalan OKK,
Awang Besar, W.P Labuan,
87000 Labuan

CareLine
Please Call 1-800-881-770 For Prompt After-Sales Service (For Malaysia Only)
call this number for any enquiries

* **Operation Hours: Mon - Fri** 8:30am - 5:45pm / **Sat, Sun & Public Holiday** Closed

PENSONIC SALES & SERVICE SDN. BHD. (162419-M)

Pensonic Sales & Service Centres
WORLDWIDE

CHINA

5F, Block 10, XiangZhou Technology
Industrial District Meihua Xi Road, No.
2372 XiangZhou Zhuhai City, 519000,
Guangdong, China
Tel: 0756- 8525 933

HONG KONG

Suite 1404, Tung Wai Commercial
Building 109-111 Gloucester Road,
Wan Chai, Hong Kong.
Tel. Fax: 852- 2727 0997 / 2758 5088

SINGAPORE

2 Leng Kee Road, #06-03 Thye Hong
Centre Singapore 159086
Tel. Fax: 65- 6472 6504 / 6475 9534

INDONESIA

JL. Jembatan III Barat, Blok E Kav.
No. 8 Kelurahan Penjaringan,
Kecamatan Penjaringan Jakarta
Utara 14440 Indonesia.
Tel: +621- 2267 4720

BRUNEI

No D1, Spg 396, Jln Jerudong,
Bangunan Perkasa 1, Kampung
Sengkurong B, Bg 1321,
Brunei Darussalam
Tel. Fax: 673- 2611 918 / 2610 801

THAILAND

83/ 161-162 Moo 6, Soi Chinaket 2,
Ngamwongwan Road, Thungsonghong
Laksi Bangkok 10210 Thailand.
Tel. Fax: 622- 9545 281-3 / 5807 443

VIETNAM

No 59-61 Nguyen Thi Thap Street,
Him Lam Area, Tan Phong Ward,
District 7 Ho Chi Minh City, Vietnam.
Tel. Fax: 848- 3945 3483 / 3945 3482

CAMBODIA

Lot# 1529, National Road 2,
Sangkat Chak Angre Krom,
Khan Meanchey,
Phnom Penh, Cambodia.
HP: +855- 89 308474

PHILIPPINES

165 Quirino Avenue Baesa, Quezon City
Manila Philippines 1115

#606 Evangelista St G Puyat St Quiapo Manila
Tel: 733-28-51 / (02) 7357691 / (02) 7332840

LEBANON

Verdun-Bekaa Str-Zahraa, Bldg-3 Flr,
P.O.Box 155150 Beirut-Lebanon.
Tel. Fax: 961- 1817 681 / 1318 152

EGYPT

Usama Shahin St of Saad
Zaglol St., El Bar Elsharkey
Shibin El Kom Menofia
POB 32514, Egypt.
Tel. Fax: 201- 0009 3033

EQUITORIALE GUINEA

Calle Ebebeyin B.P. 177 Malabo,
Equatorial Guinea.
Tel. Fax: 204- 096 444

SRI LANKA

No. 68, Keyzer Street
Colombo 11, Sri Lanka.
Tel: +9411- 2343586
Fax: +9411- 2326699

FIJI

Centerpoint 1, Ratu Dovi Road
GPO Box 14416 Suva Fiji
Tel. Fax: 679- 339 3111 / 334 0255

BAHRAIN

P.O.Box 10887 Manama, Bahrain.
Tel. Fax: 973- 1722 4220 / 1770 0043

SEYCHELLES

P.O.Box 1371, Victoria, Mahe, Seychelles.
Tel. Fax: 248- 323 680 / 324 724

IRAQ

Masbah Street, AL Karrada,
Baghdad, Iraq.
Tel: +964- 770 533 1123

TIMOR LESTE

Rua Bidau Lecidere P.O.Box 039
Dili, Timor Leste.
Tel: +670- 3311278

PAKISTAN

Shop. # 40 & 45, Gemini Shopping Plaza
Opp BVS School, Abdullah Haroon Road,
Saddar, Karachi-74400
Tel: +92 21- 32711377

MALDIVES

M.Faaroshige, 3rd Floor,
Orchid Magu,
Male 20189 Maldives.
Tel: +960- 3009907

MAURITIUS

12, Corderie Street, Port Louis, Mauritius.
Tel: +230- 2121563

MYANMAR

No. 15, (6) Ward, Waizayandar Road
South Okkalapa Township
Yangon, Myanmar.
Tel: 95- 9750114898

SOUTH KOREA

6F, Jung Am Building,
Eun-cheon-ro 25,
Kwan-Ak-gu, Seoul, Korea.
Tel: 070- 4185 3645
Fax: 0507- 0326 7040

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Your Enjoyment

Pensonic Holdings Berhad
- Incorporated In Malaysia
(300426-P)

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

Tel : 604-507 0393 ▲ Fax : 604-507 3825 ▲ info@pensonic.com