



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 AUGUST 2018**

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

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The figures have not been audited

	Note	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31-Aug-18 RM'000	31-Aug-17 RM'000	31-Aug-18 RM'000	31-Aug-17 RM'000
Revenue	9	93,067	87,659	93,067	87,659
Cost of sales		(75,586)	(72,630)	(75,586)	(72,630)
Gross profit		17,481	15,029	17,481	15,029
Other operating income		254	189	254	189
Interest income		15	11	15	11
Operating expenses		(14,207)	(11,913)	(14,207)	(11,913)
Results from operating activities		3,543	3,316	3,543	3,316
Finance costs		(1,017)	(1,174)	(1,017)	(1,174)
Operating profit		2,526	2,142	2,526	2,142
Share of loss of equity accounted associates		-	-	-	-
Profit before tax		2,526	2,142	2,526	2,142
Tax expense	18	(776)	(4)	(776)	(4)
Profit after tax		1,750	2,138	1,750	2,138
Other comprehensive expenses, net					
Foreign currency translation		203	21	203	21
Total comprehensive income for the period		1,953	2,159	1,953	2,159
Profit attributable to:					
Shareholders of the Company		1,755	2,140	1,755	2,140
Non-controlling interests		(5)	(2)	(5)	(2)
		1,750	2,138	1,750	2,138
Total comprehensive					
Shareholders of the Company		1,958	2,161	1,958	2,161
Non-controlling interests		(5)	(2)	(5)	(2)
		1,953	2,159	1,953	2,159
Basic earnings per ordinary share (sen)	24	1.35	1.65	1.35	1.65
Diluted earnings per ordinary share (sen)	24	1.37	1.59	1.37	1.59

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 May 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

INTERIM REPORT FOR THE FINANCIAL AS AT 31 AUGUST 2018

Condensed Consolidated Statement of Financial Position

The figures have not been audited

	Note	(Unaudited) 31-Aug-18 RM'000	(Audited) 31-May-18 RM'000
ASSETS			
Property, plant and equipment		106,192	106,915
Investments in associates		383	383
Intangible assets		1,061	1,058
Deferred tax assets		600	600
Total non-current assets		108,236	108,956
Inventories		82,728	82,938
Trade and other receivables	20	55,903	59,573
Current tax assets		19	23
Fixed deposit		1,833	1,068
Cash and cash equivalents		18,700	23,577
Total current assets		159,183	167,179
TOTAL ASSETS		267,419	276,135
EQUITY			
Share capital		67,671	67,671
Reserves		46,900	44,942
Total equity attributable to owners of the Company		114,571	112,613
Non-controlling interests		2,163	2,168
TOTAL EQUITY		116,734	114,781
LIABILITIES			
Loans and borrowings	21	23,127	23,352
Deferred tax liabilities		325	331
Total non-current liabilities		23,452	23,683
Loans and borrowings	21	79,097	80,006
Trade and other payables		41,104	51,203
Current tax liabilities		7,032	6,462
Total current liabilities		127,233	137,671
Total liabilities		150,685	161,354
TOTAL EQUITY AND LIABILITIES		267,419	276,135
Net assets per share attributable to equity holders (RM)		0.90	0.89

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 May 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

INTERIM REPORT FOR THE FINANCIAL QUARTER ENDED 31 AUGUST 2018

Condensed Consolidated Statement of Changes in Equity

The figures have not been audited

	Attributable to owners of the Company						Total	Non-controlling interests	Total Equity
	Non-Distributable			Distributable					
	Share Capital	Exchange translation Reserve	Capital reserve	Warrant reserve	Other Reserve	Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 June 2017	67,671	705	4,488	6,483	(639)	40,955	119,663	(90)	119,573
Foreign currency translation differences	-	21	-	-	-	-	21	-	21
Profit for the period	-	-	-	-	-	2,140	2,140	(2)	2,138
Total comprehensive income for the period	-	21	-	-	-	2,140	2,161	(2)	2,159
Shares issued to Non-controlling Interests	-	-	-	-	-	-	-	2,136	2,136
At 31 August 2017	<u>67,671</u>	<u>726</u>	<u>4,488</u>	<u>6,483</u>	<u>(639)</u>	<u>43,095</u>	<u>121,824</u>	<u>2,044</u>	<u>123,868</u>
At 1 June 2018	67,671	(284)	4,488	6,483	(639)	34,894	112,613	2,168	114,781
Foreign currency translation differences	-	203	-	-	-	-	203	-	203
Profit for the period	-	-	-	-	-	1,755	1,755	(5)	1,750
Total comprehensive income for the period	-	203	-	-	-	1,755	1,958	(5)	1,953
At 31 August 2018	<u>67,671</u>	<u>(81)</u>	<u>4,488</u>	<u>6,483</u>	<u>(639)</u>	<u>36,649</u>	<u>114,571</u>	<u>2,163</u>	<u>116,734</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 May 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

Condensed Consolidated Statement of Cash Flows

The figures have not been audited

	Cumulative Quarters 3 months ended	
	31-Aug-18 RM'000	31-Aug-17 RM'000
Cash flows from operating activities		
Profit before tax	2,526	2,142
Adjustments for :		
Depreciation of property, plant and equipment	1,589	1,550
(Gain)/Loss on disposal of plant and equipment	35	(18)
Unrealised foreign exchange loss	-	229
Impairment loss on receivables	83	-
Interest expense	1,017	1,174
Interest income	(15)	(11)
Inventories written down, net	-	202
Plant and equipment written off	4	-
Operating profit before working capital changes	5,239	5,268
Changes in working capital:		
Inventories	210	(3,183)
Trade and other receivables	3,587	4,633
Trade and other payables	(10,099)	(3,502)
Cash (used in)/generated from operations	(1,063)	3,216
Income tax paid	(208)	(108)
Net cash (used in)/from operating activities	(1,271)	3,108
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	2	18
Purchase of property, plant and equipment	(907)	(615)
Interest received	15	11
Proceeds from issuance of share to non-controlling interest	-	2,136
Net cash (used in)/from investing activities	(890)	1,550
Cash flows from financing activities		
Drawdown of term loans	-	3,373
Repayment of term loans	(1,044)	(2,368)
Drawdown of finance lease liabilities	400	-
Repayment of finance lease liabilities, net	(143)	(134)
Net changes in bankers' acceptances	(172)	-
Placement of pledged fixed deposits	(765)	(769)
Interest paid	(1,017)	(1,174)
Net cash used in financing activities	(2,741)	(1,072)
Net increase/(decrease) in cash and cash equivalents	(4,902)	3,586
Cash and cash equivalents at beginning of period	19,586	14,860
Effect of exchange differences on cash and cash equivalents	201	17
Cash and cash equivalents at end of period	14,885	18,463

PENSONIC HOLDINGS BERHAD (300426-P)
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INTERIM REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

Condensed Consolidated Statement of Cash Flows (cont'd)

The figures have not been audited

	3 months ended	
	31-Aug-2018	31-Aug-2017
	RM'000	RM'000
Cash and cash equivalents comprised the following:		
Cash and bank balances	18,700	22,632
Bank overdrafts	(3,815)	(4,169)
	<u>14,885</u>	<u>18,463</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 May 2018 and the accompanying explanatory notes attached to the interim financial statements.

PENSONIC HOLDINGS BERHAD (300426-P)
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INTERIM REPORT FOR THE PERIOD ENDED 31 AUGUST 2018 (Unaudited)
Notes to the condensed consolidated interim financial statements

1. Basis of preparation

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

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2018. These explanatory notes, attached to the condensed consolidated interim financial statements, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 May 2018.

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 June 2018. The adoption of MFRS 9 does not have any significant impact to the financial report to the Group. MFRS 15 gives impact to the financial statements of the Group in the following manner :

- Reclassification of certain expenses previously presented as selling and distribution expenses to revenue, and
- Recognising revenue in instances where the Group is acting as a contract manufacturer over time instead of point in time. The Group has assessed and noted the impact to be immaterial.

2. Significant Accounting Policies

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 31 May 2018 except for those as disclosed in Note 1 above.

The changes in the accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 May 2019.

3. Audit Qualification

There was no audit qualification on the annual financial statements of the Company and the Group for the year ended 31 May 2018.

4. Seasonality of Operations

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current period ended 31 August 2018.

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6. Significant Estimates and Changes in Estimates

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

7. Debt and Equity Securities

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

8. Dividend Paid

There was no Dividend paid during the period under review.

9. Segmental Information

	For the 3 months ending 31 August 2018					
	Manufacturing	Trading	Others	Total	Elimination	Consolidated Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	182	92,885	-	93,067	-	93,067
Segment profit	158	2,629	(268)	2,519	7	2,526
Segment assets <i>Included in the measure of segment assets is:</i>						
Capital expenditure	69	834	4	907	-	907
	For the 3 months ending 31 August 2017					
	Manufacturing	Trading	Others	Total	Elimination	Consolidated Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	208	87,451	-	87,659	-	87,659
Segment profit	102	2636	(282)	2,456	(314)	2,142
Segment assets <i>Included in the measure of segment assets is:</i>						
Capital expenditure	48	553	14	615	-	615

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10. Event after the Reporting Period

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

11. Changes in Composition of the Group

There was no change in the composition of the Group for the current quarter under review.

12. Changes in Contingent Liabilities or Contingent Assets

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

13. Significant Related Party Transactions

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

	Individual Quarter		Cumulative Period	
	3 months ended		3 months ended	
	31 Aug 18	31 Aug 17	31 Aug 18	31 Aug 17
	RM'000	RM'000	RM'000	RM'000
Transaction with associate				
-Sales	401	617	401	617
Transaction with related party				
- Purchases	872	875	872	875
- Services acquired	55	31	55	31
- Sales	6	3	6	3

14. Review of Performance

	Individual Quarter			Cumulative Period		
	3 months ended			3 months ended		
	31 Aug 18	31 Aug 17	%	31 Aug 18	31 Aug 17	%
	RM'000	RM'000		RM'000	RM'000	
Revenue	93,067	87,659	6.2	93,067	87,659	6.2
Profit before tax	2,526	2,142	17.9	2,526	2,142	17.9
Profit after tax	1,750	2,138	(18.1)	1,750	2,138	(18.1)
Profit attributable to owner of the Company	1,755	2,140	(18.0)	1,755	2,140	(18.0)

The Group registered revenue of RM93.1 million compared to RM87.7 million in the preceding year corresponding quarter. The Group reported higher profit before tax for the quarter under review in tandem with the increase of revenue.

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15. Variation of results Against Preceding Quarter

	Current Quarter Ended 31 Aug 18 RM'000	Immediate Preceding Quarter Ended 31 May 18 RM'000	%
Revenue	93,067	78,986	17.8
Profit before tax	2,526	1,416	78.4
Profit/(Loss) after tax	1,750	(5,577)	>100
Profit/(Loss) attributable to owner of the Company	1,755	(3,500)	>100

The Group recorded revenue of RM93.1 million for the current financial quarter compared to RM79.0 million reported in the immediate preceding quarter ended 31 May 2018. The Group recorded a profit before tax of RM2.5 million, an improvement of 78.4% compared with RM1.4 million in the preceding financial period. The surge in sales was due to suspension of GST from 1 June through 31 August 2018.

The significant improvement in profit after tax was due to a provision for income tax of RM6.8 million during the immediate preceding financial quarter which resulted in the Group recording a loss after tax of RM5.6 million for that quarter.

16. Commentary on Prospects

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

The Group has developed its Digital Customer Relationship Management (CRM) as a long-term strategy for customer retention and sustainable sales solution, with the objective to provide customers with eWarranty, eService, eLoyalty, eCommerce and in the near future for the Smart Appliances Management. According to Statistic Department of Malaysia, 45% of the Malaysian population are aged between 13 to 37 and 32% are aged between 38 to 72. Among them, 81% of the former group and about 39% of the latter group are on social media. Therefore, embarking on aggressive social media marketing and mobile related Digital CRM is inevitable.

The Group has also inked / sealed e-commerce arrangements and partnerships with various reputable marketplaces, as well as TV shopping channels. Although we have seen significant growth in revenue from these channels, the contribution is still minimal compared to the total group revenue. With the e-commerce platform, we will be developing our Online-To-Offline commerce together with our existing dealers to create a win-win business solution in this trending e-commerce market.

On top of that, we are on track on our initiative to expand our warehousing and office operations to cater to business expansion in the south and central regions and export markets, save on warehouse rental cost and consolidate various logistic operations in one location.

17. Profit Forecast

Not applicable as no profit forecast was published.

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18. Taxation

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>3 months ended</u>		<u>3 months ended</u>	
	<u>31-Aug-18</u>	<u>31-Aug-17</u>	<u>31-Aug-18</u>	<u>31-Aug-17</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expenses				
- Current year	782	-	782	-
Deferred tax expense				
- Current year	(6)	4	(6)	4
	<u>776</u>	<u>4</u>	<u>776</u>	<u>4</u>

Domestic income tax rate is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate for the Group is higher than the statutory tax rate in the current quarter mainly due to business losses incurred by certain subsidiaries which cannot be utilised for set-off against profits earned by other subsidiaries.

19. Status of Corporate Proposal

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

20. Trade Receivables

The age analysis of trade receivables is as follow:

	<u>Unaudited</u>	<u>Audited</u>
	<u>31-Aug-2018</u>	<u>31-May-2018</u>
	<u>RM'000</u>	<u>RM'000</u>
Neither past due nor impaired	42,706	43,764
Past due but not impaired:		
Less than 60 days	9,295	8,849
60 to 120 days	(402)	540
More than 120 days	1,777	1,304
	<u>10,670</u>	<u>10,693</u>
	<u>53,376</u>	<u>54,457</u>
Impaired	(567)	(474)
	<u>52,809</u>	<u>53,983</u>

Except for the impairment provided, the Group is satisfied that recovery of the remaining amount is possible, therefore there is no impairment for past due trade receivables.

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21. Borrowings and Debts Securities

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

	Unaudited 31-Aug-2018 RM'000	Audited 31-May-2018 RM'000
<u>Current</u>		
Unsecured		
Bank overdraft	3,325	3,294
Revolving credit	4,300	2,500
Bankers' acceptance	66,790	68,763
	<u>74,415</u>	<u>74,557</u>
Secured		
Bank overdraft	489	697
Bankers' acceptance	597	548
Term loans	3,596	4,204
Finance lease liabilities		
	<u>4,682</u>	<u>5,449</u>
	<u>79,097</u>	<u>80,006</u>
<u>Non – current</u>		
Secured		
Term loans	21,928	22,362
Finance lease liabilities	1,199	990
	<u>23,127</u>	<u>23,352</u>
	<u>102,224</u>	<u>103,358</u>
<u>Currency Denominated In</u>		
Ringgit Malaysia ("MYR")	<u>102,224</u>	<u>103,358</u>

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

- (a) Legal charges over certain properties belonging to the Company and subsidiary companies;
- (b) Lien on fixed deposits belonging to the subsidiary companies; and
- (c) Corporate guarantee by the Company.

22. Material Litigation

The Group is not engaged in any material litigation for the current financial period ended 31 August 2018.

23. Dividend

The Board does not recommend any dividend for the current financial period ended 31 August 2018.

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24. Earnings per Share (“EPS”)

(a) Basic EPS

	Individual Quarter		Cumulative Period	
	3 months ended		3 months ended	
	31-Aug-18	31-Aug-17	31-Aug-18	31-Aug-17
Net profit for the period attributable to owners of the Company (RM'000)	1,755	2,140	1,755	2,140
Number of ordinary shares in issue ('000)	129,668	129,668	129,668	129,668
Basic earnings per share (sen)	1.35	1.65	1.35	1.65

(b) Diluted EPS

	Individual Quarter		Cumulative Period	
	3 months ended		3 months ended	
	31-Aug-18	31-Aug-17	31-Aug-18	31-Aug-17
Net profit for the period attributable to owners of the Company (RM'000)	1,755	2,140	1,755	2,140
Weighted average number of ordinary shares ('000)	127,897	134,716	127,897	134,716
Diluted earnings per share (sen)	1.37	1.59	1.37	1.59

25. Profit for the period

Profit for the period has been arrived at:

	Individual Quarter		Cumulative Quarters	
	3 months ended		3 months ended	
	31-Aug-18	31-Aug-17	31-Aug-18	31-Aug-17
	RM'000	RM'000	RM'000	RM'000
After charging / (crediting):-				
Interest income	(15)	(11)	(15)	(11)
Government grants received	(19)	(144)	(19)	(144)
(Gain)/Loss on disposal of property, plant and equipment	35	(18)	35	(18)
Realised (gain)/loss on foreign exchange	68	(270)	68	(270)
(Reversal)/Provision for doubtful debt	84	(4)	84	(4)
Interest expense	1,017	1,174	1,017	1,174
Depreciation & amortization	1,589	1,550	1,589	1,550
Inventories provision	311	202	311	202
Plant and equipment written off	4		4	
Unrealised (gain)/loss on foreign exchange	(393)	229	(393)	229
Rental income	(27)	(25)	(27)	(25)

26. Authorization for Issue

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