

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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# **Panasonic**

**Panasonic Manufacturing Malaysia Berhad**

Registration No. 196501000304 (6100-K)  
(Incorporated in Malaysia)

### **CIRCULAR TO SHAREHOLDERS**

**In relation to**

### **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The Notice convening the 55th Annual General Meeting of Panasonic Manufacturing Malaysia Berhad which will be held fully virtual at the broadcast venue at Auditorium, Panasonic Manufacturing Malaysia Berhad, No. 3 Jalan Sesiku 15/2, Section 15, Shah Alam Industrial Site, 40200 Shah Alam, Selangor Darul Ehsan on Wednesday, 26 August 2020 at 10.00 a.m. is sent to you together with this Circular. Shareholders are advised to refer to the Notice of 55th Annual General Meeting and the Form of Proxy which are included in the Annual Report 2020.

The Form of Proxy must be completed and lodged at Boardroom Share Registrars Sdn Bhd, 11th Floor Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not later than 48 hours before the time set for holding the meeting should you be unable to attend the meeting. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the 55th AGM should you subsequently wish to do so.

The last day and time for lodgement of the Form of Proxy is **Monday, 24 August 2020 at 10.00 a.m.**

**This Circular is dated 28 July 2020**

## **DEFINITIONS**

In this Circular and the accompanying appendix, the following abbreviations shall have the following meanings unless otherwise stated:

"Act"	: The Companies Act 2016 as amended from time to time and any re-enactment thereof.
"AGM"	: Annual General Meeting.
"Annual Report 2020"	: Annual Report of the Company issued in respect of the financial year ended 31 March 2020.
"Board" or "Directors"	: The Board of Directors of the Company.
"Bursa Securities"	: Bursa Malaysia Securities Berhad.
"Listing Requirements"	: The Main Market Listing Requirements of Bursa Securities.
"PA"	: Panasonic Asia Pacific Pte Ltd, a company incorporated in Singapore and is a wholly owned subsidiary of PHN. PA holds 100% equity interest in PMAM.
"PC" or "Panasonic")	: Panasonic Corporation, a company incorporated in Japan, the ultimate holding company of PMMA. PC indirectly holds 47.45% equity interest in PMMA through PMAM.
"PC related companies"	: Subsidiaries of PC excluding PMMA.
"PHN"	: Panasonic Holding (Netherlands) B.V., a company incorporated in Netherlands and is a wholly owned subsidiary of PC.
"PMAM"	: Panasonic Management Malaysia Sdn. Bhd., a company incorporated in Malaysia and is a wholly owned subsidiary of PA.
"PMMA" or "the Company"	: Panasonic Manufacturing Malaysia Berhad (Registration No. 196501000304 (6100-K)).
"Proposed Shareholders' Mandate"	: The proposed renewal of the existing shareholders' mandate for PMMA to enter into Recurrent Transactions of a Revenue or Trading Nature with related parties.
"Recurrent Transactions" or "RRPT"	: Recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and are in the ordinary course of business of PMMA.

"Related Party/(ies)"	: A Director, major shareholder or person connected with such Director or major shareholder, including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director or a major shareholder of the Company or any other company which is its subsidiary or holding company or a chief executive officer of the Company, its subsidiary or holding company.
"RM and sen"	: Ringgit Malaysia and sen respectively.
"Shareholders"	: Shareholders of PMMA.
"Shareholders' Mandate 2019"	: The shareholders' mandate obtained at the AGM held on 30 August 2019 for PMMA to enter into Recurrent Transactions of a Revenue or Trading Nature with related parties for the period from 30 August 2019 to 26 August 2020.
"2020 Mandate Period"	: The period from 26 August 2020 to 30 September 2021, being the estimated date of the next AGM.

## CONTENTS

<b>Letter to shareholders of PMMA containing:</b>	<b>Page</b>
1. Introduction.....	1
2. Details of the Proposed Shareholders' Mandate.....	2
2.1 Principal Activities of PMMA, its Ultimate Holding Company and Related Companies	
(a) PMMA .....	3
(b) Class of Related Parties	
(i) Ultimate Holding Company.....	3
(ii) Related Companies.....	4
2.2 Nature of RRPT under the Proposed Shareholders' Mandate and their Transaction Values.....	7
2.3 Amounts due and owing by Related Parties.....	19
2.4 Review Procedures for RRPT .....	19
3. Rationale and benefits for the Proposed Shareholders' Mandate .....	21
4. Financial Effects of the Proposed Shareholders' Mandate .....	22
5. Statement from Audit Committee .....	22
6. Directors' and Major Shareholders' Interests .....	23
7. Approval Required .....	24
8. Directors' Statement and Recommendation .....	24
9. Special Business of the 55th AGM .....	24
10. Further Information .....	24

**Panasonic Manufacturing Malaysia Berhad**

Registration No. 196501000304 (6100-K)

(Incorporated in Malaysia)

**Registered Office:**

No. 3, Jalan Sesiku 15/2  
Section 15  
Shah Alam Industrial Site  
40200 Shah Alam  
Selangor Darul Ehsan

28 July 2020

**The Board of Directors:**

Tan Sri Asmat Bin Kamaludin	(Chairman, Senior Independent Non-Executive Director)
Toyokatsu Okamoto	(Managing Director)
Siew Pui Ling	(Executive Director)
Kwan Wai Yue	(Executive Director)
Cheng Chee Chung	(Non-Independent Non-Executive Director)
Shigeru Dono	(Non-Independent Non-Executive Director)
Tan Sri Hasmah Binti Abdullah	(Independent Non-Executive Director)
Raja Anuar Bin Raja Abu Hassan	(Independent Non-Executive Director)
Dato' Kaziah Binti Abd Kadir	(Independent Non-Executive Director)

**To the Shareholders of Panasonic Manufacturing Malaysia Berhad**

Dear Sirs/Madam

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

On 30 August 2019, PMMA obtained a general mandate from its shareholders for PMMA to enter into RRPT with the Related Parties in the ordinary course of business based on commercial terms which are not more favourable to the Related Parties than those generally available to the public, which are necessary for PMMA's day-to-day operations.

The Shareholders' Mandate 2019 shall, in accordance with the Listing Requirements, lapse at the conclusion of the 55th AGM, unless the authority for its renewal is obtained from the shareholders of PMMA at the forthcoming AGM.

On 29 June 2020, PMMA announced its intention to seek the shareholders' approval on the Proposed Shareholders' Mandate.

The purpose of this Circular is to provide you with information on the Proposed Shareholders' Mandate and to seek your approval for the Ordinary Resolutions proposed under special business as set out in the Notice of 55th AGM which is to be tabled at the forthcoming AGM. The Notice of AGM is enclosed in the Annual Report 2020 which is sent to you together with this Circular.

## **2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**

In compliance with the Chapter 10 of the Main Market Listing Requirements and Practice Note 12, PMMA proposes to seek the shareholders' approval on the Proposed Shareholders' Mandate to allow PMMA to enter into RRPT from time to time with the Related Parties which are necessary for PMMA's day-to-day operations, based on commercial terms which are not more favourable to the Related Parties than those generally available to the public, and are not detrimental to the minority shareholders.

The Proposed Shareholders' Mandate, if approved by the shareholders, will take effect from the date of passing the Ordinary Resolutions proposed at the forthcoming AGM under the special business and will continue to be in force until the conclusion of the next AGM of PMMA in year 2021, unless a resolution for renewal is passed; or the expiration of the period within which the next AGM of PMMA is required to be held pursuant to Section 340 of the Companies Act 2016 but shall not extend to such extension as may be allowed pursuant to Section 340 of the Companies Act 2016; revoked or varied by a resolution passed by the shareholders in general meeting, whichever is earlier.

The breakdown of the aggregate value of the RRPT concluded during the financial year ended 31 March 2020 had been disclosed in the Annual Report 2020. Please refer to Note 24 to the statutory financial statements for further information. PMMA will also disclose the breakdown of the aggregate value of the RRPT conducted pursuant to the Proposed Shareholders' Mandate during the financial year ending 31 March 2021 in its Annual Report 2021.

Further, PMMA will make immediate announcement to Bursa Securities when the actual value of the RRPT entered into by PMMA exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more.

## **2.1 Principal Activities of PMMA, its Ultimate Holding Company and Related Companies**

### **(a) PMMA**

The principal activities of PMMA consist of the manufacture and sales of electrical home appliances and related components under the brand name of Panasonic. The products include dish dryer, bidet, electric fan, ceiling fan, ventilating fan, vacuum cleaner, electric dry iron, rice cooker, slow cooker, blender, juicer, food processor and home shower. There have been no significant changes in the nature of these activities.

PMMA does not have any subsidiaries. The Directors of PMMA regard Panasonic Corporation and Panasonic Malaysia Sdn. Bhd. as its ultimate holding company and associated company respectively. The principal activities of Panasonic Corporation and the existing related companies are set out in items 2.1(b)(i) to 2.1(b)(ii).

### **(b) Class of Related Parties**

#### **(i) Ultimate Holding Company**

<b>No.</b>	<b>Name of Company</b>	<b>Interest in Equity held in PMMA</b>	<b>Principal Activities</b>
1.	Panasonic Corporation ("PC")	PC has 47.45% equity interest in PMMA held via PMAM	Producer of electronic and electric products. PC currently offers a comprehensive range of products, systems and components for consumer, business and industrial use based on sophisticated electronics and precision technology, expanding to building materials and equipment and housing business.

## (ii) Related Companies

No.	Name of Company	Effective Interest in Equity held by PC	Principal Activities
1.	Panasonic Malaysia Sdn. Bhd. ("PM")	70%	Sales of consumer electronic products, home appliances, batteries, office automation, project systems and room air-conditioners under the brand name of Panasonic.
2.	Panasonic Management Malaysia Sdn. Bhd. ("PMAM")	100%	Investment holding and management service company.
3.	Panasonic Procurement Malaysia Sdn. Bhd. ("PPMY")	100%	Center for logistics and services in Malaysia.
4.	KDK Fans (M) Sdn. Bhd. ("KDK")	100%	Sales of electric fan under KDK brand.
5.	Panasonic Industrial Devices Malaysia Sdn. Bhd. ("PIDMY")	100%	Manufacture and sales of capacitors, resistors, tuners and switches.
6.	Panasonic Financial Centre (Malaysia) Sdn. Bhd. ("PFI(MY)")	100%	Provision of financial and treasury services such as deposits and hedging instruments for Panasonic Group of Companies in the Asia Pacific region.
7.	Panasonic Asia Pacific Pte. Ltd. ("PA")	100%	Sales of electrical and electronic consumer products such as thermal cut-off fuse, steel sheet, eflon, zinc ingot, carbon black, motor protect, compressor, polypropylene resin, etc and management support center.
8.	Panasonic Logistic Asia Pacific. ("PLAP")	100%	Center for logistics and services in Singapore.

<b>No.</b>	<b>Name of Company</b>	<b>Effective Interest in Equity held by PC</b>	<b>Principal Activities</b>
9.	Panasonic Industrial Devices Semiconductor Sales Asia. ("PIDSCSA")	100%	Manufacture and sales of diodes, transistors, etc.
10.	Panasonic Industrial Devices Singapore Pte. Ltd. ("PIDSG")	100%	Manufacture and sales of electronic components such as carbon resistor, varistor, transformer, metal film resistor, carbon film resistor, fixed resistor, etc.
11.	Panasonic Life Solutions Asia Pacific. ("PLSAP")	100%	Wholesales trading in general import and export.
12.	Panasonic Industrial Devices Automation Controls Sales Asia Pacific. ("PIDACSAP")	84%	Wholesales trading in general import and export.
13	Panasonic Ecology Systems Co. Ltd. ("PES")	100%	Development, manufacture and sales of environmental equipment and systems and related services and engineering.
14.	Panasonic Life Solutions (Hong Kong) Co., Ltd. ("PLSHK")	100%	Manufacture and sales of electric fans and related components.
15.	Panasonic Ecology Systems (Thailand) Co., Ltd. ("PESTH")	100%	Manufacture and sales of fan.
16.	P.T. Panasonic Manufacturing Indonesia ("PMI")	60%	Sales of electrical and electronic consumer products.
17.	Panasonic Appliances (Thailand) Co. Ltd. ("PAPTH")	100%	Manufacture and sales of home appliances products such as washing machine, rice cooker and jar pot.

<b>No.</b>	<b>Name of Company</b>	<b>Effective Interest in Equity held by PC</b>	<b>Principal Activities</b>
18.	Panasonic A. P. Sales (Thailand) Co. Ltd. ("PAT")	49%	Sales company for home appliance products.
19.	Panasonic Appliance India Co. Ltd. ("PAPIN")	100%	Manufacture and sale of electric rice cookers and mixer grinders.
20.	Panasonic Vietnam Co. Ltd. ("PV")	100%	Providing integrated marketing, sales and after-sales services.
21.	Panasonic Appliances R&D Centre Asia Pacific Sdn Bhd ("PAPRADAP")	100%	Providing corporate research and development services in support of Panasonic Group of companies.
22.	Panasonic Insurance Service Malaysia Sdn Bhd ("PISM")	100%	General insurance agent.

## **2.2 Nature of RRPT under the Proposed Shareholders' Mandate and their Transaction Values**

The RRPT for which the mandate of the shareholders is sought are in respect of transactions entered or to be entered into by PMMA with its ultimate holding company and related companies as stated above. The RRPT in which the Directors, major shareholders and/or persons connected with the Directors or major shareholders of PMMA have interests are as follows:

### **(a) Recurrent Transactions of a Trading or Revenue Nature**

#### **(i) Sales of Products**

No.	Nature of Transaction	Transacting Party – Customer	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
1.	Sales of electric fan and service parts.	KDK	180,000	85,721	180,000
2.	Sales of fans and service parts.	PLSHK	300,000	193,345	300,000
3.	Sales of blender, slow cooker, rice cooker, iron and home shower.	PESTH	400	-	100
4.	Sales of vacuum cleaner, fan, blender, slow cooker, dry batteries, rice cooker, iron, home shower, bidet, dish dryer and service parts.	PM	330,000	151,155	350,000
5.	Sales of fan and service parts.	PMI	15,000	7,720	20,000

No.	Nature of Transaction	Transacting Party – Customer	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
6.	Sales of vacuum cleaner, blender, slow cooker, rice cooker, iron, home shower and service parts.	PPMY	20,000	6,254	20,000
7.	Sales of vacuum cleaner, blender, slow cooker, rice cooker, iron, home shower and service parts.	PLAP	485,000	281,298	500,000

**(ii) Sales of tools and equipment**

No.	Nature of Transaction	Transacting Party – Customer	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
1.	Sales of tools and equipments, including Die and Moulds for PC's Global Manufacturing Division – Production Engineering Development Center (formerly known as Corporate Manufacturing Innovation Division)	PC and/or PC related companies	4,000	335	2,000

**(iii) Purchase of Parts, Components and Raw Materials**

No.	Nature of Transaction	Transacting Party – Supplier	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
1.	Purchase of electronic and electrical products and others, such as polypropylene, metalize polycapacitor, polycarbonate, cutting blade, capacitor, condenser, resistor, motor protect, belt, rivet washer, shredding blade, cord unit, film, cord, instruction manual push button, warranty card, DC pump for home shower, etc.	PC and/or PC related companies	20,000	9,946	20,000
2.	Purchase of resistors, fixed resistor, carbon resistor, capacitors, ceramic capacitor, chip capacitor, switches, tuners and electrolytic condenser.	PIDMY	500	13	100
3.	Purchase of carbon resistor, varistor, transformer, metal film resistor, carbon film resistor, fixed resistor, etc.	PIDSG	1,600	396	1,000

No.	Nature of Transaction	Transacting Party – Supplier	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
4.	Purchase of switch, cord, filter body, guard mark, shaft, PCB, timer, motor, heater set, thermal fuse and electronics components.	PLSHK	30,000	21,528	35,000
5.	Purchase of clutch switch wire, cover assembly, heater set plate, base, shutter assembly, AC cord.	PMI	250	338	800
6.	Purchase of as diode, transistor, LED, micro intergent circuit.	PIDSCSA	600	202	300
7.	Purchase of thermal cutoff fuse, motor protect, polypropylene resin, copper sheet etc.	PPMY	350,000	157,785	350,000
8.	Purchase of cast heater, lid heating plate, brass sheet & coil, steam basket.	PAPTH	100	-	-
9.	Purchase of parts such as micro switch and relay.	PIDACSA	650	-	-

**(iv) Promotion Expenses, Warranty Claims and/or Service Expenses**

No.	Nature of Transaction	Transacting Party	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
1.	Sales promotion, warranty claims / service expenses payable by the Company.	PC	8,500	163	2,500
2.	Sales promotion, warranty claims / service expenses payable by the Company.	KDK	2,500	860	1,800
3.	Sales promotion, warranty claims / service expenses payable by the Company.	PM	8,500	5,414	6,000
4.	Sales promotion, warranty claims / service expenses payable by the Company.	PAT	6,000	403	1,800
5.	Sales promotion expenses payable by the Company.	PV	4,000	804	1,300
6.	Sales promotion, warranty claims / services expenses payable by the Company.	PC and / or PC related companies	1,200	965	1,200

**(v) Payment of Fees**

No.	Nature of Transaction	Transacting Party	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
1.	KDK brand license fee.	PES	3,300	2,362	3,300
2.	Technical assistance fee paid and payable to provide PMMA with technical know-how and production technique pertaining to the assembly and manufacture of the home appliances products.	PC	20,000	14,521	20,000
3.	Technical assistance fee paid and payable to provide PMMA with technical know-how and production technique pertaining to the assembly and manufacture of the fan products.	PES	20,000	15,757	20,000
4.	Research and Development (R&D) services for home appliance and fan products	PC and/or PC related companies	38,800	23,318	33,000
5.	Service fee	PA	1,500	652	1,500
6.	Management fee	PMAM / PM	400	247	400

No.	Nature of Transaction	Transacting Party	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
7.	Information System related expenses: Subscription for e-Poch and Panasonic Backbone LAN for internet usage, running cost for systems, and others, etc	PC / PA	1,500	1,037	2,500
8.	Payment for Implementation and running cost for PISC / Glic / Sapphire.	PC / PA	3,200	1,978	300
9.	Payment for running costs for Oracle System Project.	PA	1,000	40	-
10.	Bonded warehouse rental at Lot No. 1A, Persiaran Jubli Perak, Jalan 22/1, Seksyen 22, 40300 Shah Alam, Selangor.	PPMY	950	221	950
11.	Support in deployment of Panasonic MRO system (a centralized order placement system for the procurement of indirect materials)	PPMY	1,600	674	1,200

No.	Nature of Transaction	Transacting Party	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
12.	Implementation of SAP Global Standard Template (SGST) ERP software	PA	4,500	773	-
13.	Implementation of SAP Global Standard Template (SGST) ERP software and annual maintenance of the system	PC and/or PC related companies	1,200	572	2,000
14.	Training expenses and IT support fees	PMAM	1,500	454	1,500
15.	Other training expenses, consultancy fee, others, etc	PC and/or PC related companies	1,000	478	1,000

**(vi) Receipt of Fees**

No.	Nature of Transaction	Transacting Party	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
1.	Provision of manufacturing innovation services for PC's Global Manufacturing Division – Production Engineering Development Center (formerly known as Corporate Manufacturing Innovation Division)	PC	2,800	2,491	2,800
2.	Rental of office premises	PMAM/PISM	30	22	30
4.	Rental for the lease of office space, work stations, and office equipments	PAPRADAP	3,300	2,601	3,300
5.	Provision of services for Accounting & Treasury, HR services, and IT support services	PAPRADAP	150	111	200

**(vii) Purchase of Machinery, equipments and tools**

No.	Nature of Transaction	Transacting Party	Estimated value as per Shareholders Mandate 2019 (RM'000)	*Actual value transacted from 01.09.2019 to 30.06.2020 (RM'000)	#Estimated value of RRPT for 2020 Mandate Period (RM'000)
1.	Purchase of machinery, die and mould equipments and tools	PC and/or PC related companies	10,000	531	5,000

**(viii) Placement of Cash Deposits and other Treasury Services**

PFI(MY) is a legal entity incorporated in Malaysia approved by Bank Negara Malaysia to manage a pool of funds from Panasonic Group of Companies in Malaysia and renders centralised treasury management functions for the Panasonic Group using the same financial IT application system called Panasonic Treasury System ("PATRES").

The Company is seeking its Shareholders' approval on the following treasury services that were and will be rendered by PFI(MY) to PMMA:

**PLACEMENT OF CASH AND DEPOSIT (\*)**



*(\*) Funds are substantially in local currencies*

(a) The placement of cash deposits and sweeping of funds to PFI(MY), where PFI(MY) then places with Tier 1 financial institutions and the interest income earned from the placement are higher compared with commercial banks. The estimated value of placement of cash deposits and sweeping of funds to PFI(MY) for the 2020 Mandate Period should not exceed RM700 million (Shareholders' Mandate 2019: RM700 million) at interest rates, ranging from 0.1% to 4.0% per annum depending on the type of placement. The actual amounts of placement of cash deposits and sweeping of funds were between RM528 million to RM577 million as at end of each month from 1 September 2019 to 30 June 2020 (being the latest practicable date) and this translates to additional interest income earned of approximately RM5.8 million.

(b) The fund collection and settlement services which PFI(MY) provides at no additional cost to PMMA to settle inter-company trade and non-trade transactions within Panasonic Group of Companies worldwide, on the predetermined monthly global settlement day and supplementary settlement day via PATRES System. The estimated values of fund collection and settlement through PFI(MY) for the 2020 Mandate Period are approximately RM1.2 billion and RM400 million per annum respectively (Shareholders' Mandate 2019: RM1.2 billion and RM400 million per annum respectively) depending on the level of activity. The actual value of the fund collection and settlement transacted for the period from 1 September 2019 to 30 June 2020 (being the latest practicable date) was about RM745 million and RM237 million respectively and this translates to cost savings of approximately RM2.3 million.

(c) The foreign exchange management services which PFI(MY) provides at no additional cost to PMMA. PFI(MY) arranges the foreign exchange forward or hedging contracts based on the Company's submission of estimated forecasts of transactions for the next 3 to 6 months, in currencies other than Ringgit Malaysia for highly probable forecasted transactions to manage the exposure to fluctuations in foreign currency exchange rates. This translates to cost savings of approximately RM1.0 million for the transactions entered for the period from 1 September 2019 to 30 June 2020 (being the latest practicable date).

(d) The telegraphic transfer (TT) transaction services which PFI(MY) arranges at lower charges compared with commercial banks. The estimated value of payment to PMMA's third party suppliers and certain related companies through TT transactions with PFI(MY) for 2020 Mandate Period is approximately RM300 million (Shareholders' Mandate 2019: RM300 million) depending on the level of activity. The actual value of the TT transaction for the period from 1 September 2019 to 30 June 2020 (being the latest practicable date) was RM299 million and this translates to a cost savings of approximately RM20,000. Cheque cutting services by PFI(MY) provided at no additional cost has been discontinued and replaced with the TT transaction services. The estimated value of payment to PMMA's third party suppliers under the vendor payment scheme through PFI(MY) and the actual value of the cheques cut for the period from 1 September 2019 to 31 December 2019 was RM12 million and this translates to a cost savings of approximately RM7,000.

The comparative terms offered by PFI(MY) and other commercial banks for the financial year ended 31 March 2020 are shown below:

<b>No.</b>	<b>Type of Service</b>	<b>PFI(MY) Terms</b>	<b>Normal Banking Terms</b>
1.	Average interest rate for placement of fund in Ringgit Malaysia with average 3 months rollover tenure	<ul style="list-style-type: none"> <li>• 3.61% per annum</li> </ul>	<ul style="list-style-type: none"> <li>• 2.28% per annum</li> </ul>
2.	Fund collection and settlement services	<ul style="list-style-type: none"> <li>• No charge by PFI (MY)</li> </ul>	<ul style="list-style-type: none"> <li>• For collection, bank charges of RM7.00 per transaction is imposed by the receiving bank for any amount received from its client.</li> <li>• For settlement, bank charge of RM7.00 per local TT and RM10.00 to RM25.00 per overseas TT depending on type of currencies, will be imposed by the Bank.</li> </ul>
3.	Foreign exchange management service	<ul style="list-style-type: none"> <li>• No charge by PFI (MY)</li> <li>• Negotiable for better rates of 1% to 2% from prevailing foreign currency exchange rate.</li> </ul>	<ul style="list-style-type: none"> <li>• At prevailing foreign currency exchange rate.</li> </ul>
4.	Cheque cutting service	<ul style="list-style-type: none"> <li>• No charge by PFI (MY)</li> <li>• Interest earned on float before</li> </ul>	<ul style="list-style-type: none"> <li>• Interests earned on float are not credited to the Company in lieu of</li> </ul>

No.	Type of Service	PFI(MY) Terms	Normal Banking Terms
		clearance of cheque, at an average interest of 0.0011% per annum, is credited to the Company.	the services rendered.
5.	TT transaction service	<ul style="list-style-type: none"> <li>Bank charges of RM3.00 per local TT.</li> <li>Flat rate of USD5.00 (equivalent to RM19.41) per overseas TT.</li> <li>Commission charges of RM0.50 per transaction.</li> </ul>	<ul style="list-style-type: none"> <li>Bank charge of RM7.00 per local TT.</li> <li>RM10.00 to RM25.00 per overseas TT depending on the payee's destination.</li> </ul>

The total savings for the period 1 September 2019 to 30 June 2020 is approximately RM3.327 million.

Notes:

- None of the actual value of RRPT has exceeded the estimated value of the Shareholders' Mandate 2019 by 10% or more.
- # The estimated values were derived based on the statutory financial statements for the financial year ended 31 March 2020 and projected sales growth, commodity prices and foreign exchange rates as per business plan for the next financial year ending 31 March 2021. The actual values transacted may vary from the estimated values above depending on the prevailing economic and competitive environment.

### **2.3 Amounts due and owing by Related Parties**

As at the end of the financial year ended 31 March 2020, none of the sums due and owing by the Related Parties, have exceeded the credit terms.

### **2.4 Review Procedures for RRPT**

To monitor the RRPT, the following review procedures for RRPT will continue to be implemented:

- The Management will ensure that the RRPT will be entered into after taking into account the pricing, availability of resources or expertise required and other related factors. Records will be maintained to capture all RRPT which are entered into pursuant to the Proposed Shareholders' Mandate.

- (b) At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison to determine whether the prices and terms offered to/by Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained as the products or services are proprietary in nature or where there are certain requirements for PMMA to source from Related Parties, then PMMA will rely on the most recent available quotations or purchase prices for comparison or rely on market knowledge of prevailing industry norms and taking into consideration the urgency and efficiency of the delivery of product/services to be provided to ensure that the RRPT are not detrimental to PMMA.
- (c) The Audit Committee and Board of Directors will ensure that the RRPT are conducted at arm's length basis and on normal commercial terms consistent with PMMA's usual business practices and policies, which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders.
- (d) All RRPT shall be tabled to the Audit Committee on quarterly basis for their review and recommendation to the Board for approval and/or ratification. The Audit Committee shall have the right to access to information on the Related Parties and is entitled to the services of an independent adviser, if required, in the discharge of their duties.
- (e) Where any Director(s) has an interest in the transactions to be reviewed, such Director(s) shall abstain from deliberation and decision making in respect of that transactions.
- (f) The Audit Committee shall review the terms of RRPT and appropriateness of the procedures to ascertain that the procedures established to monitor RRPT have been complied with. The review of the procedures for RRPT shall be conducted by the Audit Committee Meeting at least once a year or as and when required.
- (g) When the actual value of RRPT entered into by PMMA exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more, PMMA will make an immediate announcement to Bursa Securities.
- (h) The RRPT are reviewed and authorised by the following parties:

No.	Threshold for RPT for each single project or transaction with a related party	Approval / Ratification
1.	RM1 million and below	Immediate approval of Audit Committee is not required, provided that the aggregate value of the related party transactions (RPTs) does not

No.	Threshold for RPT for each single project or transaction with a related party	Approval / Ratification
		exceed RM5 million per quarter. A summary of such RPTs made each quarter shall be tabled to the Audit Committee and Board for ratification.
2.	Above RM1 million but less than RM5 million	The Audit Committee and Board's ratification is required after the usual approval process established under the capital expenditure policy, sanction rule and/or Business Plan.
3.	RM5 million and above	Prior consideration of the Audit Committee and approval of the Board is required before the transaction is procured.
4.	RRPT contemplated in the Circular to Shareholders	Annual review of the approval procedures to be undertaken by the Audit Committee and Board of Directors. Approval of the shareholders to be sought at the annual general meeting for renewal of existing RRPT mandate or new RRPT mandate.

None of the Audit Committee Members of PMMA have any interest, direct or indirect, in the Proposed Shareholders' Mandate.

### **3. RATIONALE AND BENEFITS FOR THE PROPOSED SHAREHOLDERS' MANDATE**

The RRPT entered or to be entered into by PMMA are all in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and may arise at any time, and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case by case basis before entering into them.

The RRPT to be undertaken will be entered into at arm's length basis and on normal commercial terms, and on terms not more favourable to the Related Parties than those generally available to the public, and are not to the detriment of the minority shareholders. By obtaining the Proposed Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur can be avoided. This would reduce substantially administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of PMMA or adversely affecting the business opportunities available to PMMA.

PC Group has been involved in the production and sales of a vast array of electronic and electrical products and maintains a high level of competitive edge in global markets, mainly under the brand name of "Panasonic". PC holds numerous Japanese and foreign patents for its products and also provides technical assistance or licensing to other manufacturers. PC Group's research and development centres continuously provide the latest, most innovative product design and technical know-how to PMMA. Coupled with PC's worldwide marketing support, PMMA is able to ensure its products remain competitive and worldwide.

PC Group has substantial knowledge of business similar and complimentary to PMMA's business. It would be to PMMA's interest to leverage on such experience and knowledge. PMMA benefits from the related parties through the synergies that are derived from the related parties' global network and expertise. Such network can enhance the ability of PMMA to explore business opportunities which bring about mutual benefits in terms of stability forged by the mutual support and closed working relationship fostered over the years. PMMA will also gain operational benefits in terms of global support to its marketing, distribution and manufacturing functions. As such, the Proposed Shareholders' Mandate is of paramount importance for the continued success and long term sustainability of PMMA.

#### **4. FINANCIAL EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholders' Mandate does not have any effect on the share capital of PMMA and will have financial effects on the earnings or the net assets of PMMA to the extent PMMA is allowed to transact with the related parties.

#### **5. STATEMENT FROM AUDIT COMMITTEE**

The Audit Committee has reviewed the terms of the Proposed Shareholders' Mandate and is satisfied that the Company has in place adequate procedures and processes to monitor, track and identify the RRPT in a timely and orderly manner and that the review procedures are sufficient to ensure that the RRPT will be made at arm's length basis and in accordance with PMMA's normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and will not be to the detriment of the minority shareholders, and hence, will not be prejudicial to the shareholders or disadvantageous to PMMA.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the other major shareholders, Directors and/or persons connected with them have any interest, direct or indirect, in the Proposed Shareholders' Mandate as at 20 July 2020:

<b>Name</b>	<b>No. of Shares Held</b>			
	<b>Direct Interest</b>	<b>%</b>	<b>Indirect Interest</b>	<b>%</b>
<b>Directors:</b>				
Toyokatsu Okamoto <sup>+#</sup>	-	-	-	-
Siew Pui Ling <sup>+</sup>	100	0.00	-	-
Cheng Chee Chung <sup>+</sup>	-	-	-	-
Kwan Wai Yue <sup>+</sup>	-	-	-	-
Shigeru Dono <sup>+@</sup>	-	-	-	-
<b>Major Shareholders:</b>				
PMAM	28,823,871	47.45	-	-
PC	-	-	28,823,871*	47.45
PHN	-	-	28,823,871*	47.45
PA	-	-	28,823,771*	47.45

Notes:

- + Persons connected with PC.
- # Holds 4,500 common shares in PC
- @ Holds 2,965 common shares in PC
- \* Deemed interested by virtue of its 47.45% indirect equity interest held in PMMA through PMAM.

The Directors, Toyokatsu Okamoto, Siew Pui Ling, Cheng Chee Chung, Kwan Wai Yue and Shigeru Dono being persons connected with PC have abstained and/or will continue to abstain from deliberation at the Board Meeting and/or voting in respect of their direct and indirect shareholdings on the Ordinary Resolutions pertaining to the Proposed Shareholders' Mandate. The abovenamed Directors have undertaken to ensure that person connected to them will abstain from voting on the Ordinary Resolutions approving the Proposed Shareholders' Mandate.

PA, PMAM, PHN and PC are interested in the Proposed Shareholders' Mandate by virtue of their respective direct and indirect shareholdings in PMMA. Thus, PA, PMAM, PHN and PC shall accordingly abstain and will continue to abstain from voting in respect of their respective direct and indirect shareholdings on the Ordinary Resolutions pertaining to the Proposed Shareholders' Mandate and will also ensure that the persons connected with them will abstain from voting in respect of their direct and indirect shareholdings, on the Ordinary Resolutions approving the Proposed Shareholders' Mandate.

## **7. APPROVAL REQUIRED**

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of PMMA at the forthcoming AGM.

## **8. DIRECTORS' STATEMENT AND RECOMMENDATION**

Having considered the rationale for the Proposed Shareholders' Mandate, the Directors, save for Toyokatsu Okamoto, Siew Pui Ling, Cheng Chee Chung, Kwan Wai Yue and Shigeru Dono are of the opinion that the Proposed Shareholders' Mandate is in the best interest of PMMA and is necessary for PMMA's day-to-day operations and recommend that you vote in favour of the Ordinary Resolutions on the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM. The said Ordinary Resolutions are set out in the Notice of AGM which is included in the Annual Report 2020.

## **9. SPECIAL BUSINESS OF THE 55TH AGM**

The 55th AGM, the notice of which is enclosed in the Annual Report 2020 will be held fully virtual at the broadcast venue at Auditorium, Panasonic Manufacturing Malaysia Berhad, No. 3 Jalan Sesiku 15/2, Section 15, Shah Alam Industrial Site, 40200 Shah Alam, Selangor Darul Ehsan on Wednesday, 26 August 2020 at 10.00 a.m., for the purpose of considering and if thought fit, passing the resolutions so as to give effect to the Proposed Shareholders' Mandate under special business in the Notice of 55th AGM.

## **10. FURTHER INFORMATION**

### **(a) Directors' Responsibility Statement**

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

### **(b) Material Contracts**

Save for the following, there are no material contracts, other than those entered into in the ordinary course of business by PMMA, within 2 years immediately preceding the date of this Circular :-

On 27 September 2019, PMMA had issued a letter of award and purchase order for the purchase and installation of 4,872 pieces of 325 Watt/pc solar panels with solar capacity of 1,583.4 kilowatt peak for the Company's rooftop solar panel project at its Shah Alam Plant for a total cash consideration of RM7,950,000 from Panasonic Life Solutions Malaysia Sdn Bhd ("PLSMY"). The rooftop solar project was undertaken by the Company as part of the cost savings measures on energy consumption and green initiative and to be completed by July 2020.

**(c) Material Litigation**

PMMA has not been or is not engaged in any material litigation, claims or arbitrations either as plaintiff or defendant as at the date of this Circular, and the Directors are not aware of any proceedings, pending or threatened, against PMMA or of any facts likely to give rise to any proceedings which might materially affect the position or business of PMMA.

**(d) Documents Available for Inspection**

The following documents will be available for inspection at the Registered Office of PMMA at No. 3 Jalan Sesiku 15/2, Section 15, Shah Alam Industrial Site, 40200 Shah Alam, Selangor Darul Ehsan, during the normal office hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:

- (i) Constitution of PMMA; and
- (ii) Unaudited financial statements of PMMA for financial quarter ended 31 March 2020;
- (iii) Audited statutory financial statements of PMMA for the past 2 financial years ended 31 March 2019 and 31 March 2020; and
- (iv) The letter of award and the purchase order issued to PLSMY as mentioned in item 10(b).

Yours faithfully

For and on behalf of the Board of Directors

Panasonic Manufacturing Malaysia Berhad (Registration No. 196501000304 (6100-K))

**Tan Sri Asmat bin Kamaludin**

Chairman