

PENSONIC

Holdings Berhad

Incorporated in Malaysia (300426 - P)

2009

Annual Report



h o m e a p p l i a n c e s . a u d i o . v i s u a l . a i r c o n d i t i o n e r



Cooking with Pensonic Fiesta 09

Cooking with Pensonic Fiesta 2009



PLEO

The Launch & Roadshows



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BOARD OF DIRECTORS

Executive Chairman

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

Managing Director

Mr. Chew Chuon Jin

Executive Director

Mr. Chew Chuon Ghee

Non Executive Directors

Y.Bhg. Dato' Seri Tan King Tai @ Tan Khoon Hai

En. Khairilnuar Bin Tun Abdul Rahman

Dato' Dr. Ku Abd Rahman Bin Ku Ismail

SECRETARY

Mdm. Ker Siew Luan

REGISTERED OFFICE

87, Muntri Street

10200 Penang.

Tel : 604-2638 100/200

Fax : 604-2638 500

REGISTRAR

Plantation Agencies Sdn. Bhd.

Standard Chartered Bank Chambers

Lebuh Pantai, 10300 Penang.

Tel : 604-2625 333

Fax : 604-2622 018

AUDITORS

Horwath

Chartered Accountants

PRINCIPAL BANKERS

Malayan Banking Berhad

HSBC Bank Malaysia Berhad

CIMB Bank Berhad

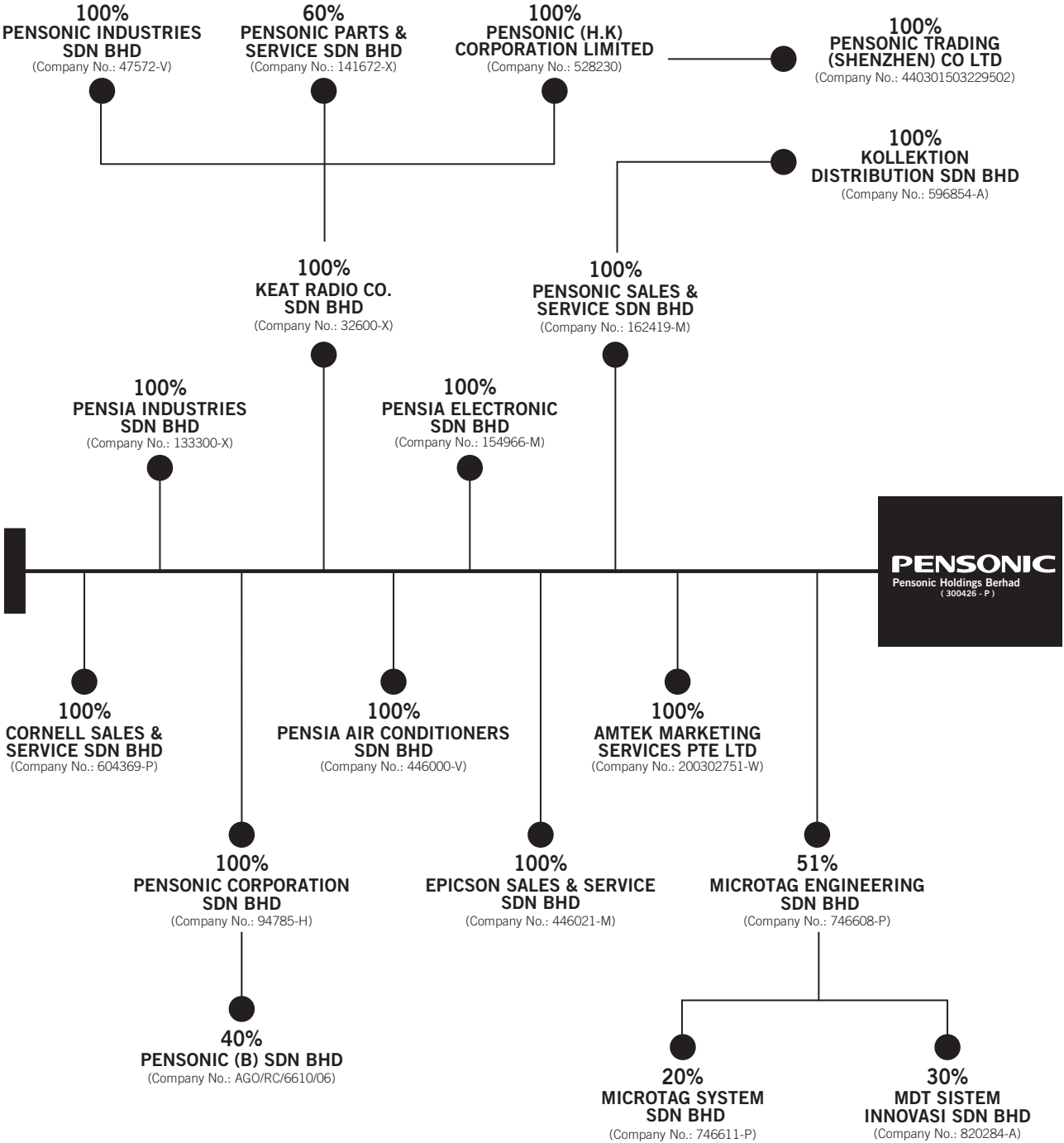
RHB Bank Berhad

OCBC Bank (Malaysia) Berhad

Malaysian Industrial Development Finance Berhad

Corporate Structure

As At 5 October 2009



PENSONIC HOLDINGS BERHAD (300426-P)

Corporate Structure

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of PENSONIC HOLDINGS BERHAD will be held at Hard Rock Hotel Penang, Batu Ferringhi Beach, 11100 Penang, on Thursday, 26 day of November, 2009 at 11.00 a.m for the following purposes:-

A G E N D A

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 May, 2009 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve a Final Dividend of 1.25 sen per share less tax of 25% for the financial year ended 31 May 2009. (Resolution 2)
3. To approve Directors' Fees for the financial year ended 31 May 2009. (Resolution 3)
4. To re-elect the following Directors who retire in accordance with Article 129 of the Company's Articles of Association:-
 - a) En. Khairilnuar Bin Tun Abdul Rahman (Resolution 4)
 - b) Dato' Seri Chew Weng Khak @ Chew Weng Kiak (Resolution 5)
5. To appoint Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 6)

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, copy of which is annexed on the Annual Report has been received by the Company for the nomination of Messrs. KPMG for appointment as Auditors of the Company in place of the retiring Auditors and the intention to propose the following ordinary resolution:-

"That Messrs. KPMG be hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Horwath, and such appointment shall be until the conclusion of the next Annual General Meeting at a remuneration to be determined between the Directors and Auditors."

6. AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:-

ORDINARY RESOLUTION:-

Power To Issue Shares pursuant to Section 132D of the Companies Act, 1965

"That pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (Bursa Securities) and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

(Resolution 7)

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

Notice of Annual General Meeting

cont'd

Notice of Dividend Entitlement

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 15th Annual General Meeting, the Final dividend of 1.25 sen per share less tax of 25% in respect of the financial year ended 31 May 2009 will be paid on 30 December 2009 to depositors registered in the Records of Depositors at the close of business on 15 December 2009.

A depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15 December 2009 in respect of transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Ker Siew Luan
Company Secretary

Penang
Date: 3 November 2009

Notes:-

1. Every member of the Company is entitled to appoint a proxy or in the case of a corporation, to appoint a representative to attend and vote in his stead. A proxy need not be a member of the Company. The Proxy Form must be signed by the appointer or by his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
2. The Proxy Form must be deposited at the Registered Office of the Company at 87, Muntri Street, 10200 Penang, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory Notes of Special Business:

3. Resolution Pursuant to Section 132D of the Companies Act, 1965. The Ordinary Resolution proposed under item 6, if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

Statement Accompanying Notice Of

The 15th Annual General Meeting Of The Company

(Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements)

1. Names of Directors who are standing for re-election:-

- a) En. Khairilnuar Bin Tun Abdul Rahman (retiring pursuant to Article 129 of the Articles of Association)
- b) Dato' Seri Chew Weng Khak @ Chew Weng Kiak (retiring pursuant to Article 129 of the Articles of Association)

2. Details of attendance of Directors at the Board of Directors' Meetings:

Five (5) Board of Directors' Meeting were held during the financial year from 1 June 2008 to 31 May 2009. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follows:-

Name	No. Of Meeting Attended
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	5
Chew Chuon Jin	5
Dato' Seri Tan King Tai @ Tan Khoon Hai	5
Dato' Dr. Ku Abd Rahman Bin Ku Ismail	4
Chew Chuon Ghee	3
Khairilnuar Bin Tun Abdul Rahman	4

3. Venue, date and time of the Board of Directors' Meetings:-

All Five (5) Board of Directors' Meeting held during the financial year ended 31 May, 2009 took place at Plot 98 Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.

Date of Meeting	Time
28 July 2008	11.30 a.m.
16 September 2008	10.00 a.m.
24 October 2008	3.00 p.m.
21 January 2009	3.00 p.m.
28 April 2009	3.30 p.m.

4. Details of the profile of Directors are set out in the Board of Directors on pages 7 to 8 of the Annual Report.
5. None of the Directors have any conflict of interest in the Company except for those transactions disclosed in Note 27 to the financial statements.
6. None of the Directors have been convicted of offences within the past ten (10) years other than traffic offences, if any.
7. None of the Directors hold any directorship in any public listed company other than Dato' Seri Tan King Tai @ Tan Khoon Hai, En. Khairilnuar Bin Tun Abdul Rahman & Dato' Dr. Ku Abd Rahman Bin Ku Ismail. Dato' Seri Tan King Tai @ Tan Khoon Hai is a director of Unimech Group Berhad, Executive Director of UDS Capital Berhad & Executive Director/Finance Director of Muar Ban Lee Group Berhad. En. Khairilnuar Bin Tun Abdul Rahman is a director of Muar Ban Lee Group Berhad & Dato' Dr. Ku Abd Rahman Bin Ku Ismail is a Non-Executive Chairman of Melati Ehsan Holdings Berhad.
8. Details of the Directors' securities holdings in the Company, and/or in related corporations are set out on pages 73 to 77 of the Annual Report.

Dato' Seri Chew Weng Khak @ Chew Weng Kiak

A Malaysian, aged 67, was appointed to the Board as the Group Executive Chairman. He is the Group Executive Chairman and the founder of Pensonic Holdings Berhad Group. He has more than 40 years experience in the manufacturing and distribution of electrical and electronic products. His vision and stewardship over the past 40 years has taken the Group from being a small family operation into a leading electrical home appliances manufacturer and distributor in Malaysia. His invaluable experience and vast knowledge of management and production coupled with the business connections he had established in Malaysia and overseas over the years have helped the Group tremendously in achieving its growth. Through his innovative management style and foresight, Dato' Seri Chew Weng Khak @ Chew Weng Kiak has been responsible for and was the catalyst of the numerous advancements and milestones achieved by the Group.

Dato' Seri Chew is the father of Mr. Chew Chuon Jin and Mr. Chew Chuon Ghee, the Group Managing Director and Executive Director of Pensonic Holding Berhad respectively.

Chew Chuon Jin

A Malaysian, aged 40, is the Group Managing Director of Pensonic Holdings Berhad Group. He graduated from the National Cheng Chi University of Taiwan with Bachelor of Business Administration in 1991. Upon graduation, he worked for Lapro Corporation, a Taiwanese company, as Management Trainee for 2 years prior to joining the Pensonic Holdings Berhad Group in June 1993. Besides managing the overall business of the Pensonic Group, he also has a special focus on product development, brand building and strategic planning. His many years of experience in the electrical home appliances industry and excellent entrepreneurial skills have helped steered the Pensonic Group to greater heights and expanded the Pensonic brand presence into many countries in Asia. He is also a Director and member of the Executive Committee of Malaysian Industry-Government Group for High Technology (MIGHT) and a committee member of the National Branding Task Force set-up by the Ministry of International Trade and Industry.

Mr. Chew Chuon Jin is the eldest son of Dato' Seri Chew Weng Khak @ Chew Weng Kiak, the Group Executive Chairman.

Chew Chuon Ghee

A Malaysian, aged 37, is the Executive Director of Pensonic Holdings Berhad Group. He graduated from Eastern Michigan University with a Bachelor of Business Administration in 1995. Upon graduation, he initially joined the Pensonic Group as a Marketing Manager. He is now in charge of the management of the sales and marketing functions of the Pensonic Group for both the local as well as the export markets. He also assists the Group Managing Director on special projects.

Mr. Chew Chuon Ghee is the second son of Dato' Seri Chew Weng Khak @ Chew Weng Kiak, the Group Executive Chairman.

Board Of Directors

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Dato' Seri Tan King Tai @ Tan Khoon Hai

A Malaysian, aged 54, is a Non-Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad. He is a member of The Institute of Certified Public Accountants, Ireland and is currently the Council Member of The Malaysian Association of Company Secretaries. He has over 28 years of working experience in the fields of auditing, accounting and corporate finance. He is a director of Pensia Industries Sdn Bhd and Pensonic Corporation Sdn Bhd., under the Pensonic Group. Dato' Seri Tan King Tai @ Tan Khoon Hai is an Independent Non-Executive Director of Unimech Group Berhad and was appointed an Executive Director of UDS Capital Berhad on 30 November 2003, both of which are listed on Bursa Malaysia Securities Berhad. With effect from 30 June 2009, he was appointed as Executive Director/ Finance Director of Muar Ban Lee Group Berhad, a company listed on Bursa Malaysia Securities Berhad. He also sits on the board of several private limited companies.

He has no family relationship with any other director or major shareholder of the Group.

Khairilnuar Bin Tun Abdul Rahman

A Malaysian, aged 44, is an Independent Non-Executive Director and Chairman of the Audit Committee of Pensonic Holdings Berhad. He graduated from the Institute of Technology Mara in 1998. Encik Khairilnuar is the Executive Director of Infinity Prospect Sdn. Bhd. since 1993 and also a committee member of UMNO Youth of Kepala Batas Division since 2001. He was appointed on 30 November 2003 and subsequently resigned with effective from 16 February 2009 as an Independent Non-Executive Director of UDS Capital Berhad, a company listed on Bursa Malaysia Securities Berhad in March 2004. He was appointed on 30 June 2009 as an Independent Non-Executive Director of Muar Ban Lee Group Berhad, a company listed on Bursa Malaysia Securities Berhad. He also sits on the board of several private limited companies

He has no family relationship with any other director or major shareholder of the Group.

Dato' Dr. Ku Abd Rahman Bin Ku Ismail

A Malaysian, aged 57, is an Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad. Dato' Dr. Ku served the Rubber Research Institute of Malaysia as a scientist and subsequently as a senior scientist between the years 1976 and 1988. He then moved on to MARDEC Berhad in 1989 to take up the post of Senior Manager, Operation and Technical and left MARDEC in 1997 with the last post held as Technical Director. He was appointed as the Political Secretary to the Minister of Defence Malaysia in July 1997 and thereafter from 1999 to 2001 as the Political Secretary to Minister of Foreign Affairs, Malaysia. Dato' Dr. Ku joined the Board of Directors of Bina Darulaman Berhad on 1 August 2001 as Managing Director and subsequently resigned on 31 December 2004. On 7 January 2005, he was appointed as the President of Malaysian Friendship and Trade Centre, Taipei, Taiwan (Head of Mission until June 2007). He was appointed onto the Board of Directors of Melati Ehsan Holdings Berhad on 29 January 2007.

He has no family relationship with any other director or major shareholder of the Group.

On behalf of the Board of Directors of Pensonic Holdings Berhad, I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and of the Company, for the year ended 31 May 2009.

Operating Environment

During the financial year, we saw the world economy collapsing, by mid 2008, into a severe tail-spin with the demise of some world renowned financial institution in the United States and some developed western economies. Malaysian economy was growing at a moderate pace in the second quarter of the financial year. As the sub-prime deepened, our economy started to decelerate before showing signs of stabilizing in the fourth quarter of the financial year, in line with the global economic condition.

Despite the adverse development in global economy, Pensonic Group is still growing strong with the harvest of the seeds planted in earlier years in building the brand name in the market. The strategy has proven its effectiveness with the improvement in the Group's performance by the increase in the gross profit margin by 1.1% from 18.9% in 2008 to 20.0% in 2009 and improvement of net profit from RM1.1 Million to RM2.2 Million.

Operating Results

The Group produced yet another set of excellent results for the year under review. Although the revenue of the Group for the financial year has decreased by approximately RM43 Million, decreased from RM322 Million in 2008 to RM279 Million in 2009, gross profit margin of the Group has shown improvement. Gross profit margin of the group has increased from 18.9% to 20.0%.

The Group has achieved higher profit before tax for the financial year. Profit before tax was RM3.79 Million in 2009 as compared to RM2.41 Million in 2008.

The Group recorded a Net Profit for the year of RM2.18 Million (2008: RM1.14 Million). Net Profit for the year attributable to the shareholders of the Company was RM2.23 Million. (2008: RM1.46 Million).

The Net Assets per share attributable to ordinary equity holders of the parent and Earnings per share of the Group for the financial year under review are RM 1.01 (2008: RM0.99) and 2.41 sen (2008: 2.66 sen) respectively.

The improvement in the Group's profit for the year was principally due to the change in product mix whereby the Group has strategized to focus on high profit margin products and the continuous improvements of the Group's operation and distribution effectiveness.

Chairman's Statement

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Prospects

Going forward, we are optimistic about our prospects although we have to tread carefully as we believe that the coming year will bring with it many challenges. The Group has proven its resilience by riding out the effects of the global financial crisis and the collapse of the financial market. Despite the downturn, our Group remained strong, recording significantly higher profitability as compared to prior year.

The stimulus packages initiated by the Malaysian government have given us cause for optimism. In addition, the performance of the Group since the end of the financial year under review to date of this report has given us a renewed sense of confidence. Nonetheless, we have to be ware that economic conditions remain volatile and the Group must be constantly on the lookout for any signs of deterioration.

In view of the improved economic picture, particularly in Asia, our Board is cautiously confident, barring unforeseen circumstances, of the prospects of the Group for the foreseeable future and that the Group will improve on its performance compared to that of the previous year.

Dividend

The Board is recommending a final dividend of 1.25 sen per share less 25% tax for the financial year ended 31 May 2009 (2008: 1.25 sen per share less 25% tax).

Appreciation

The Board of Directors and I would like to express our appreciation to our valued shareholders, customers, vendors, business associates, bankers, media, government authorities and regulatory bodies for their continuing confidence and support towards the Group. I would also like to thank my fellow directors, management team and all employees of the Group for their unwavering commitment and diligence to accomplish the objectives and goals of the Group.

Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak
Group Executive Chairman
22 September 2009

Statement Of Corporate Governance

Pursuant to paragraph 15.26 of the Bursa Malaysia Securities Berhad Listing Requirements, the Directors are under obligations to issue a statement pertaining to the status of compliances by the Company and its subsidiaries (“The Group”) with The Code of Corporate Governance (“The Code”). The principles and best practices on structures that companies may adopt and implement to achieve the ultimate objective of maximizing long term shareholders’ value are set-out in The Code.

It is the commitment of the Board of Directors (the “Board”) of Pensonic Holdings Berhad to ensure the adoption of good governance throughout the Group in order to protect and enhance the shareholders’ value and the performance of the Group. For the financial year ended 31 May 2009, the Group has applied the key principles of corporate governance and best practices as set out in the Code as outlined in the following statement.

DIRECTORS

1. The Board and Board Balance

The Board consists of six (6) members comprising three (3) executive directors, and three (3) non-executive directors. Two of the six directors are independent directors. The Board has complied with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad that at least two or one-third of the Board, whichever is the higher is independent directors. Given the scope of responsibilities for managing the Group’s business operations, the Board considers its current composition and size are adequate.

The Board of Directors is involved in the areas of reviewing the Group’s strategic plan and identifying critical business risks. It also lays down the appropriate policies for managing the related risks to ensure that good internal control is in place for operational efficiency and effectiveness of the Group. The independent non-executive directors provide independent views, advice and judgment and take into account the interests of the Group and the various parties involved which include shareholders, employees, customers, suppliers and other communities in which the Group conducts its business, and their presence brings an additional element of balance on the Board.

2. Appointment and Re-election

The Company’s Articles of Association governs the appointment and re-election onto its Board. Directors who are appointed by the Board to fill a casual vacancy shall hold office only until the next Annual General Meeting (“AGM”) and shall then be eligible for re-election. The Articles also provide that one-third or the number nearest to one-third of the Directors shall retire from office at every AGM and if eligible, may offer themselves for re-election. In compliance with the Code, each Director shall retire from office at least once in every three (3) years.

The Board is of the opinion that a Nomination Committee is not required currently as the full Board is involved in carrying out any assessment of appointments.

3. Attendance at Meetings

The attendance record of the members at Board meetings during the financial year ended 31 May 2009 are as follows:-

Directors	Attendance
Dato’ Seri Chew Weng Khak @ Chew Weng Kiak	5 of 5
Chew Chuon Jin	5 of 5
Chew Chuon Ghee	3 of 5
Dato’ Seri Tan King Tai @ Tan Khoon Hai	5 of 5
Khairilnuar Bin Tun Abdul Rahman	4 of 5
Dato’ Dr. Ku Abd Rahman Bin Ku Ismail	4 of 5

Statement Of Corporate Governance

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DIRECTORS (cont'd)

4. Information Dissemination

It is recognized by the Board that timely and quality information are required for sound decision making process. Accordingly, the Board members are given full and unrestricted access to whatever information required pertaining to the Group's business activities and state of affairs. Important matters are tabled to their attention for consideration. The Directors are also provided with an agenda and a set of Board papers prior to each Board meetings to ensure the Directors have sufficient time to obtain explanations and clarifications, where necessary. The Directors also get advice of the Company Secretary and have a transparent dealing with the external auditors in order to discharge their stewardship responsibilities. Where and when deemed necessary, the Board also seeks independent professional advice and the related cost will be borne by the Company. It is the Company Secretary's role to ensure that proper policies and procedures are in place and the governing statutory and regulatory requirements pertaining to a Directors' duties and responsibilities are complied with and that all proceedings of the Board are recorded in writing for the effective functioning of the Board.

5. Directors' Training

It is acknowledged by the Board on the importance of continuous education and training to enable the Directors to discharge their responsibilities effectively. All the Directors have successfully undergone the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn. Bhd. The Directors have attended various training programmes and seminars during the year under review in areas relating to general management, latest regulatory developments, financial reporting, branding and corporate governance, to enhance their knowledge and expertise. To further enhance their skills and knowledge in discharging their duties as Director in an effective manner, the Directors will continue to participate in other relevant training programmes. The adequacy and suitability of the training requirements of the Directors on a regular basis is reviewed by the Board.

DIRECTORS' REMUNERATION

The remuneration package for the Directors after due consideration is given on individual contribution and a rewarding remuneration package granted to retain and attract Directors with the relevant experience and expertise to manage the Group effectively.

The remuneration of the Directors is reviewed annually by the respective Executive Directors are abstained from discussions and decisions on their own remuneration.

The aggregate remuneration of the Directors for the financial year ended 31 May 2009 is as follows:-

Category	Fees	Salaries & Other Emoluments	Total
	RM	RM	RM
Executive Directors	50,000	1,062,740	1,112,740
Non-Executive Directors	30,000	57,940	87,940

Statement Of Corporate Governance

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DIRECTORS' REMUNERATION (cont'd)

Remuneration categories of the Directors during the financial year are as follows:-

Range of Remuneration In RM	Number of Directors	
	Executive Director	Non-Executive Director
Below 50,000	–	3
50,000 – 100,000	–	–
100,001 – 150,000	–	–
150,001 – 200,000	–	–
200,001 – 250,000	–	–
250,001 – 300,000	1	–
300,001 and above	2	–

INVESTOR RELATION AND SHAREHOLDER COMMUNICATION

It is acknowledged by the Board of the need for its shareholders, investors and stakeholders to be informed of all material business matters affecting the Group. The shareholders, investors and stakeholders are kept abreast with the development in the Group through the various announcements made to the Bursa Securities. If required, relevant information is provided in a Circular to its shareholders. Regular communication by the Group with its shareholders are made through timely release of financial results, statement of affairs and other material financial information on quarterly basis. The Board responds to all formal queries by Bursa Securities and other regulatory authorities on a timely manner. A comprehensive avenue for information dissemination, with dedicated sections on corporate information, press releases and company news are provided via the Company's website at www.pensonic.com.

The main forum for dialogue with shareholders remains at the general meetings. Shareholders are encouraged to participate in the proceedings of the general meetings and to direct questions concerning the business and financial performance of the Group to the Board. General meetings are held by the Company at places that are easily accessible and at a time convenient to the shareholders to encourage them to attend the meetings.

Notices of meetings convening the general meetings and related circulars are sent to the shareholders in accordance with the regulatory and statutory provisions. All notices were advertised in a national English newspaper within the prescribed deadlines.

Minutes of the proceedings of the general meetings were properly maintained and the shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

Statement Of Corporate Governance

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ACCOUNTABILITY AND AUDIT

1. Financial reporting

It is the responsibility of the Board to present a balanced, clear and comprehensive assessment of the Group's financial position and prospects through the quarterly and annual financial reporting to the shareholders. Reasonable diligence is exercised reasonable by the Board and the Audit Committee to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. The Board has ensured that the Audited Financial Statements give a true and fair view of the state of affairs of the Group and the Company, and have been prepared based on applicable accounting policies in accordance with Financial Reporting Standards, and are supported by reasonable judgements and estimates. The accounting policies had also been consistently applied (except those new accounting policies which are being adopted for the first time during the financial year) under the revised Financial Reporting Standards ("FRSs") which are relevant to their operations and effective for financial period beginning on or after 1 July 2007.

2. Internal Control

The Board assumes responsibility on the Group's financial and operational controls, and ensures compliance with the related rules and legislation. Regular risk assessment and internal control review are conducted to identify control inefficiency and major risks areas affecting business operations and viability. It is recognized by the Board that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable assurance against material misstatements, loss or fraud.

The internal control system of the Group is supported by an established organizational structure with well-defined authority and responsibility lines, and which comprises of appropriate financial, operational and compliance controls.

3. Relationship with Auditors

The Group has established a transparent and appropriate professional relationship with the Group's Auditors both external and internal through the Audit Committee.

COMPLIANCE STATEMENT

The Board recognizes the importance of the Group practicing good corporate governance. It is a corporate policy to continually improve on its corporate governance practices and structure to achieve an optimal governance framework. Throughout the financial year ended 31 May 2009, the Group has complied with all the best practices set out in the Code.

Audit Committee Report

Pursuant to paragraph 15.16 of the Bursa Malaysia Securities Berhad Listing Requirements, the Board hereby presents its Audit Committee Report for the financial year ended 31 May 2009.

COMPOSITION OF THE AUDIT COMMITTEE

The primary objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices and to ensure the adequacy and effectiveness of the Group's internal control measures.

The members of the Audit Committee and their respective designations who have served during the financial year ended 31 May 2009 are as follows:-

Member	Designation
Encik Khairilnauar Bin Tun Abdul Rahman	Chairman (Independent Non-Executive Director)
Dato' Seri Tan King Tai @ Tan Khoon Hai	Member (Non-Independent Non-Executive Director)
Dato' Dr. Ku Abd Rahman Bin Ku Ismail	Member (Independent Non-Executive Director)

TERMS OF REFERENCE

- **Membership**
 - The Company must appoint an Audit Committee from amongst its Board of Directors which fulfils the following requirements:-
 - (a) the Committee must be composed of no fewer than 3 members;
 - (b) all members of the Audit Committee must be non-executive directors, with a majority of them being independent directors; and
 - (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
 - The members of the Audit Committee shall elect a Chairman from among themselves who shall be an independent director.
 - No alternate director shall be appointed as a member of the Audit Committee.
 - In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.
 - The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Audit Committee Report

cont'd

TERMS OF REFERENCE (cont'd)

• Meetings and Procedures

The Audit Committee shall meet at least 4 times in a year, and at such additional meetings as the Chairman shall decide in order to fulfill its duties. The external auditors may request for a meeting if they consider this necessary.

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible for the coordination of administrative details including sending out notice of meetings, preparing and keeping minutes of meetings. The minutes of the Audit Committee's meetings are to be extended to the Board of Directors.

The Head of Finance, the representatives of internal auditors and external auditors shall normally attend the Audit Committee meetings. Other directors and employees may attend any particular Audit Committee meeting only at the invitation of the Audit Committee. The Audit Committee shall meet with the external auditors without the presence of any executive directors and employees of the Company, whenever deemed necessary.

During the financial year ended 31 May 2009, the Audit Committee held a total of four (4) meetings, the details of attendance of which are as follows:-

Member	No. of meetings attended
Encik Khairilnuar Bin Tun Abdul Rahman	3 of 4
Dato' Tan King Tai @ Tan Khoon Hai	4 of 4
Dato' Dr. Ku Abd Rahman Bin Ku Ismail	4 of 4

• Quorum

The quorum for an Audit Committee meeting shall consist of two (2) members and the majority of members present must be independent directors.

• Authority of the Audit Committee

The Audit Committee is empowered by the Board of Directors with the following authority:

- Have the authority to investigate any matter within its terms of reference.
- Have the resources which are required to perform its duties.
- Have full and unrestricted access to any information pertaining to the Group.
- Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- Be able to obtain independent professional or other advice.
- Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

• Functions of the Audit Committee

The Audit Committee shall, amongst others, discharge the following functions:

- To review the following and report the same to the Board of Directors:
 - (i) with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;
 - (ii) with the external auditor, his evaluation of the system of internal controls;
 - (iii) with the external auditor, his audit report, his management letter and the management's response;
 - (iv) the assistance given by the Company's employees to the external auditor;
 - (v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (vii) to review any appraisal or assessment of the performance of members of the internal audit function;

TERMS OF REFERENCE (cont'd)

• Functions of the Audit Committee (cont'd)

- (viii) to approve any appointment or termination of senior staff members of the internal audit function;
 - (ix) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - (x) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant and unusual events;
 - (c) significant adjustments arising from the audit;
 - (d) the going concern assumption; and
 - (e) compliance with accounting standards and other legal requirements;
 - (xi) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions on management integrity;
 - (xii) any letter of resignation from the external auditors; and
 - (xiii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.
- To recommend the nomination of a person or persons as external auditors.
 - To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.
 - To carry out any other functions as may be agreed by the Audit Committee and the Board of Directors.

SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2009, the activities of the Audit Committee included the following:-

- Review and discuss the memorandum of matters and issues with external auditors and management's response to all pertinent issues and findings raised and noted by the external auditors during their audit of the financial statements, together with recommendations in respect of their findings.
- Review the unaudited quarterly financial statements and announcements and the year-end audited financial statements of the Group with the management and the external auditors to ensure that the Group complied with the provisions of the Companies Act, the Bursa Malaysia Securities Berhad Listing Requirements, the approved accounting standards of the International Accounting Standards Board ("IASB") and other statutory and regulatory requirements.
- Ensure that the financial reporting and disclosure requirements of the relevant authorities had been complied with prior to approval by the Board of Directors.
- Review the procedures for identification of related party transactions of the Group.
- Review and discuss the Audit Committee Report and Statement on Internal Control for inclusion in the Group's Annual Report.
- Review and discuss the internal audit reports issued by the internal auditors for audit assignments carried out during the year including follow-up reviews of previous audits undertaken and the status of actions taken by management to resolve and rectify major issues raised by the auditors.
- Brief the Board of Directors on any major issues discussed at the Audit Committee meeting for further deliberation or decision as the case may be.
- Review the Group's key operational and business risks area and the policies in place to address and minimize such risks.

The Audit Committee is of the opinion that it has discharged its duties in accordance with the Terms of Reference as established above during the financial year.

INTERNAL AUDIT FUNCTION

The Company has appointed an independent professional accounting firm to provide outsourced internal audit function for the Group in order to assist the Audit Committee in discharging its duties and responsibilities. The internal audit activities have been carried out in accordance with the internal audit plan which has been approved by the Audit Committee. The internal audit function reports directly to the Audit Committee and provides the Committee with independent and objective assurance on the adequacy and integrity of its system of internal controls.

Statement On Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard its shareholders' investments and the Group's assets.

Pursuant to Paragraph 15.26(b) of the Bursa Securities Listing Requirements, the Board of Directors of Pensonic Holdings Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement of Guidance for Directors of Public Listed Companies ("Statement on Internal Control") issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

For the purpose of this Statement, the Group means the Company and its subsidiary companies. As the Company does not have control over the operations, management and internal control system of the associated companies, this Statement does not cover the associated companies.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and management practice proactive significant risks identification in the processes and activities of the Group, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

INTERNAL AUDIT

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trails of accountability;
- A set of documented internal policies and procedures which is subject to regular review and improvements;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

Statement On Internal Control

cont'd

INTERNAL AUDIT (cont'd)

Based on the internal auditors' report for the financial year ended 31 May 2009, there is a reasonable assurance that the Group's system of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require additional disclosures in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of Bursa Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 19 September 2009

Statement Of Directors' Responsibilities

On Financial Statements

The Directors are required to prepare financial statements for each financial year in accordance with applicable approved accounting standards such that the financial statements should give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group and the Company for the financial year then ended in accordance with the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors also have the general responsibility to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In preparing the financial statements for the financial year ended 31 May 2009, the Directors are satisfied that the Company and the Group had maintained adequate and proper accounting records and sufficient internal control to enable the Company to disclose, with reasonable accuracy and without any material misstatement, the financial position as at 31 May 2009, and the profit and loss for the financial year ended 31 May 2009 of the Company and the Group. The Directors have:

- adopted the appropriate accounting policies and applied them consistently (except those new accounting policies which are being adopted for the first time) under the new Financial Reporting Standards ("FRSs");
- made judgements and estimates that are reasonable and prudent;
- ensured applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements;
- ensured the financial statements have been prepared on a going concern basis; and
- provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate to enable them to give their audit report on the financial statements.

Other Disclosure Requirements

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad

- **SHARE BUY BACK**
There was no share buybacks exercise carried out by the Company for the financial year ended 31 May 2009.
- **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**
The Company did not issue any options or convertible securities during the financial year.
- **UTILISATION OF PROCEEDS**
The Company did not raise proceeds from any corporate exercise during the financial year.
- **AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME**
The Company did not sponsor any ADR or GDR programme during the financial year.
- **SANCTIONS AND/OR PENALTIES**
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities during the financial year.
- **NON-AUDIT FEE**
There was no non-audit fees paid to the external auditors during the financial year.
- **VARIATION IN RESULTS**
There were no material variances between the audited results for the financial year ended 31 May 2009 and the unaudited results previously announced. The Company did not announce any profit estimates, forecasts and projections for the financial year.
- **PROFIT GUARANTEE**
The Company did not give any profit guarantee during the financial year.
- **MATERIAL CONTRACTS INVOLVING DIRECTORS'/MAJOR SHAREHOLDERS' INTERESTS**
During the financial year, the Company did not enter into any material contract involving Directors'/major shareholders' interests.
- **CONTRACTS RELATING TO LOANS**
There were no contracts relating to loans by the Company.
- **REVALUATION POLICY**
Saved as disclosed in Note 2.6 of the Notes to the Financial Statements, the Group does not have a revaluation policy on landed properties.

Other Disclosure Requirements

cont'd

- **RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”) OF A REVENUE OR TRADING NATURE**

Details of the RRPT entered into during the financial year in accordance with the shareholders' mandate obtained at the Extraordinary General Meeting of the Company held on 26 November 2008 are as follows:

Related Party	Nature of Transaction	Interested Directors, major shareholders and connected persons	Value of RRPT (In RM)
Pensia Plastic Industries Sdn. Bhd.	Electricity charges charged	<ul style="list-style-type: none"> • Dato' Seri Chew Weng Khak @ Chew Weng Kiak • Chew Chuon Jin • Chew Chuon Ghee 	308,603
Pensia Plastic Industries Sdn. Bhd.	Purchase of goods	<ul style="list-style-type: none"> • Dato' Seri Chew Weng Khak @ Chew Weng Kiak • Chew Chuon Jin • Chew Chuon Ghee 	5,256,665
Pensia Plastic Industries Sdn. Bhd.	Rental of premises charged	<ul style="list-style-type: none"> • Dato' Seri Chew Weng Khak @ Chew Weng Kiak • Chew Chuon Jin • Chew Chuon Ghee 	120,000