

# ANNUAL REPORT 2015



**PENSONIC** *Your Enjoyment* Holdings Berhad  
Incorporated in Malaysia (300426-P)

Pensonic's Chef's Like Campaign Season 2 Cooking Classes 2015 Launching



📍 e.City Hotel @ OneCity Subang Jaya, Selangor  
12 May 2015

DCH Ismail Bersama Chef's Like



Programme: DCH Ismail Bersama Chef's Like | Broadcast Date: Every Wednesday | Time: 6pm  
Date: 3rd Jun to 29th Jul 2015 | Channel: TV3 | Total: 8 episodes

## 6th Putra Brand Awards Gala Night

Putra Personality Award 2015 - Yg. Bhg. Dato' Seri Chew Weng Khak



21 Aug 2015  
The Majestic Hotel Kuala Lumpur, Federal Territory of Kuala Lumpur

**LONGevity**  
 nutritious taste of home cooking

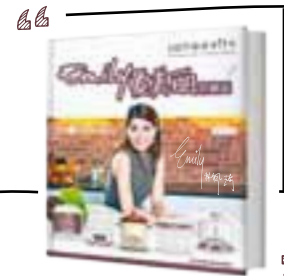
**PENSONIC**



## Experience the Nutritious Taste of Home Cooking with Pensonic's Longevity Series

A healthy and balanced diet will ensure your brain and body receive the nutrients and energy needed to increase your productivity at work, give you that youthful glow and have a better quality of life.

The Longevity Series Cookware range comprises safe and healthy rice cookers made of the nutrition enhancing Purple Clay, ceramic double boilers and steamer to help you prepare food the easy way to lock in essential nutrients while retaining its natural colour, flavour and taste. The result is deliciously healthy food that is nutritious and fresh, with the tasty goodness of a home cooked meal.



get 2 weeks of **DETOX RECIPES** 

on **facebook**

[www.facebook.com/pensonicmalaysia](http://www.facebook.com/pensonicmalaysia)



PSR-30AC



PSM-1604



PRC-20AC



PDB-453



PDB-283

**CoreLine**  
 1-800-881-770  
 call this number for any enquiries

[www.pensonic.com](http://www.pensonic.com)

**Instagram**  
 pensonicmalaysia

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[www.facebook.com/pensonicmalaysia](http://www.facebook.com/pensonicmalaysia)

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Y. Bhg. Dato' Seri Chew Weng Khak  
@ Chew Weng Kiak**  
Executive Chairman

**Chew Chuon Jin**  
Chief Executive Officer

**Chew Chuon Ghee**  
Managing Director

**Y. Bhg. Tan Sri Dato' Seri Tan King Tai  
@ Tan Khoon Hai**  
Executive Director

**Loh Eng Wee**  
Independent Non-Executive Director

**Khairilnuar Bin Tun Abdul Rahman**  
Independent Non-Executive Director

**Y. Bhg. Dato' Lela Pahlawan  
Dato' Wira Ku Nahar Bin Ku Ibrahim**  
Independent Non-Executive Director

**Tahir Jalaluddin Bin Hussain**  
Independent Non-Executive Director

**Lee Hong Lim**  
Independent Non-Executive Director

## SECRETARY

Yeong Ah Lek (LS 01929)

## REGISTERED OFFICE

85, Muntri Street  
10200 Penang, Malaysia  
Tel : 604-2638 100/200  
Fax : 604-2638 500  
Email : tcms@tcms.com.my

## PRINCIPAL OFFICE

1165, Lorong Perindustrian Bukit Minyak 16,  
Taman Perindustrian Bukit Minyak,  
14100 Simpang Ampat, Penang, Malaysia  
Tel : 604-5070393  
Fax : 604-5073825  
Email : info@pensonic.com  
Website : www.pensonic.com

## REGISTRAR

Plantation Agencies Sdn. Bhd.  
3rd Floor, Standard Chartered Bank Chambers  
Lebuh Pantai, 10300 Penang, Malaysia  
Tel : 604-2625 333  
Fax : 604-2622 018  
Email : general@plantationagencies.com.my

## AUDITORS

UHY (AF 1411)  
Chartered Accountants

## PRINCIPAL BANKERS

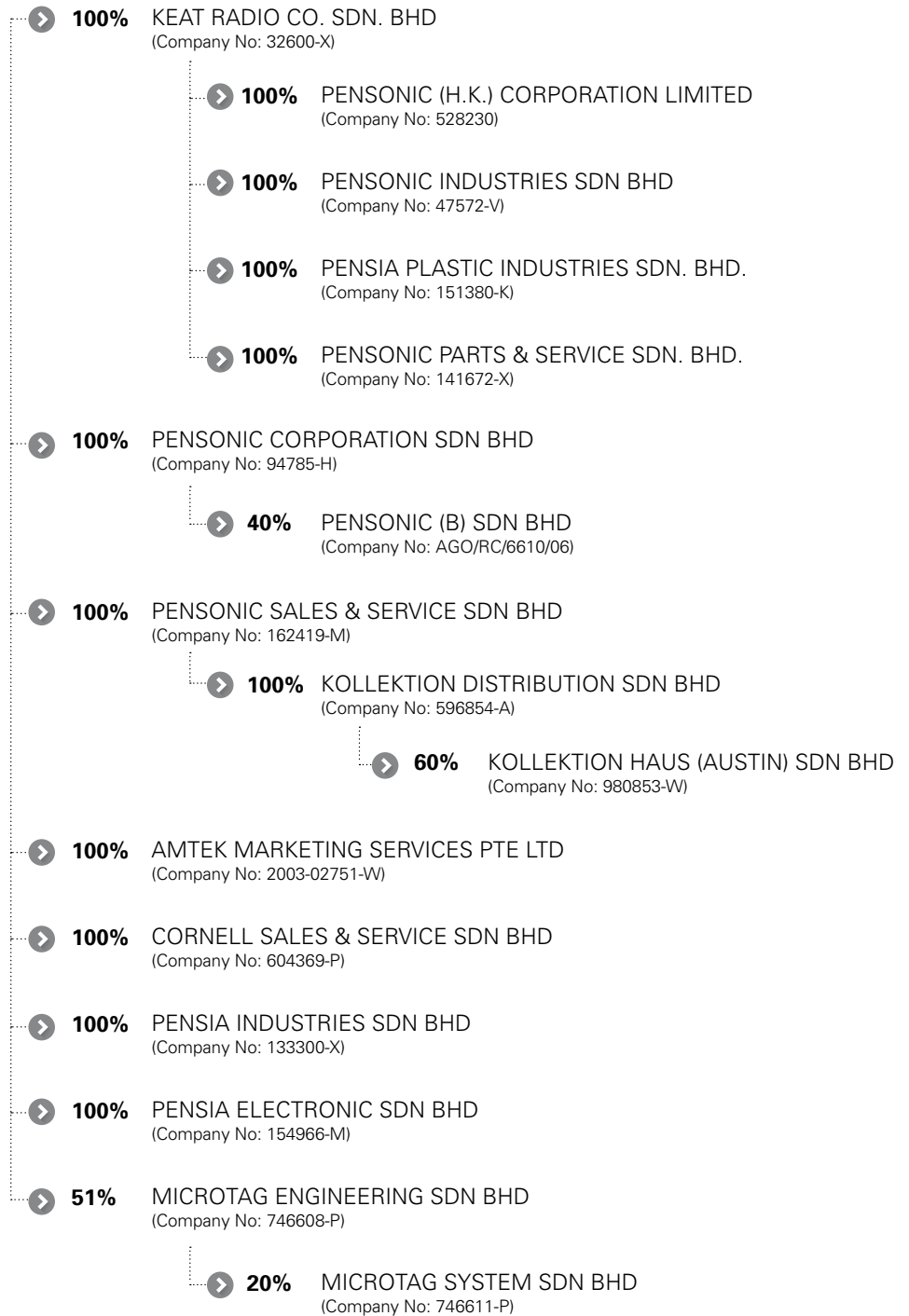
Malayan Banking Berhad  
HSBC Bank Malaysia Berhad  
CIMB Bank Berhad  
RHB Bank Berhad  
OCBC Bank (Malaysia) Berhad  
Hong Leong Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
(Listed since 13 September 1995)  
Stock name : PENSONI  
Stock code : 9997



# CORPORATE STRUCTURE



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 21st Annual General Meeting (AGM) of **PENSONIC HOLDINGS BERHAD** will be held at **1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang, Malaysia**, on Tuesday, 17th day of November, 2015 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:-

## **A G E N D A**

### ***As Ordinary Businesses***

1. To receive the Audited Financial Statements for the financial year ended 31 May 2015 together with Report of the Directors and Auditors thereon. (Please refer to Note A)
2. To approve a final single-tier dividend of 2.00 sen per ordinary share for the financial year ended 31 May 2015 as recommended by the Directors in their report. (Resolution 1)
3. To approve the Directors' Fees of RM105,000/- for the financial year ended 31 May 2015. (Resolution 2)
4. To re-elect the following Directors who retire in accordance with Article 129 of the Company's Articles of Association:-
  - a) Khairilnuar Bin Tun Abdul Rahman (Resolution 3)
  - b) Tahir Jalaluddin Bin Hussain (Resolution 4)Loh Eng Wee who retires in accordance with Article 129 of the Company's Articles of Association has expressed his intention not to seek re-election. Hence, he will retain office until the close of the 21st Annual General Meeting.
5. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

"THAT Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, a Director who is over seventy years of age, who retires in compliance with Section 129(2) of the Companies Act, 1965 be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next AGM."

(Resolution 5)
6. To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. (Resolution 6)

### ***As Special Business***

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

7. Ordinary Resolution (Resolution 7)

#### **AUTHORITY TO ISSUE SHARES**

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorized to issue and allot shares in the Company from time to time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

8. 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 HEREBY GIVEN** that subject to the approval of the shareholders at the 21st Annual General Meeting, the final single-tier dividend of 2.00 sen per ordinary share in respect of the financial year ended 31st May 2015 will be paid on 31st December 2015 to depositors registered in the Records of Depositors at the close of business on 10 December 2015.

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 10 December 2015 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

Yeong Ah Lek (LS 01929)  
Company Secretary

Penang  
Date : 26 October, 2015

### Note:-

- A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

### Proxy:-

1. For the purpose of determining a member who shall be entitled to attend at the Annual General Meeting, the Company shall be requesting a General Meeting Record of Depositors as at 9th November 2015. Only a depositor whose name appears on the Record of Depositors as at 9th November 2015 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. Where a member appoints up to two proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
4. The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owner in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The Proxy Form must be deposited at the Registered Office of the Company at 85, Muntri Street, 10200 Penang, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## **Explanatory Notes of Special Business:**

### **1. Authority to Issue Shares**

The proposed Resolution No. 7, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the last AGM held on 26 November 2014 which will lapse at the conclusion of the 21st AGM.

# STATEMENT ACCOMPANYING NOTICE OF THE 21ST ANNUAL GENERAL MEETING OF THE COMPANY

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

1. Name of Directors who are standing for re-election are as follow :-
  - a) Khairilnuar Bin Tun Abdul Rahman (retiring pursuant to Article 129 of the Articles of Association)
  - b) Tahir Jalaluddin Bin Hussain (retiring pursuant to Article 129 of the Articles of Association)
2. The Executive Director who is standing for re-appointment at the 21st Annual General Meeting is as follow :-
  - a) Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak (re-appoint pursuant to Section 129 of the Companies Act, 1965)
3. Details of attendance of Directors at the Board of Directors' Meetings :

Four (4) Board of Directors' Meeting were held during the financial year from 1 June, 2014 to 31 May, 2015. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follow :-

Name	No. of Meeting Attended
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	3
Chew Chuon Jin	3
Chew Chuon Ghee	4
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4
Loh Eng Wee	3
Khairilnuar Bin Tun Abdul Rahman	4
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	3
Tahir Jalaluddin Bin Hussain	4
Lee Hong Lim	4

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

All four (4) Board of Directors' Meetings held in Malaysia during the financial year ended 31 May, 2015 were at:-

Date of Meeting	Venue	Time
27 October, 2014	Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.	3.00 p.m.
23 January, 2015	Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.	3.00 p.m.
27 April, 2015	Plot 98, Perusahaan Maju 8, Bukit Tengah Industrial Park, 13600 Prai, Penang.	3.00 p.m.
24 July, 2015	1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	4.00 p.m.

5. Details of the profile of Directors are set out in the Board of Directors on page 8 to 9 of the Annual Report.
6. None of the Directors have any conflict of interest in the Company except for those transactions disclosed in Note 27 to the financial statements.
7. None of the Directors have been convicted of offences within the past ten (10) years other than traffic offences, if any.
8. None of the Directors hold any directorship in any public listed company other than Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, Loh Eng Wee and Khairilnuar Bin Tun Abdul Rahman. Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai is the Senior Independent Non Executive Director of Unimech Group Berhad, Executive Director / Finance Director of Muar Ban Lee Group Berhad and Independent Non Executive Director of Denko Industrial Corporation Berhad. Loh Eng Wee is the Independent Non Executive Director of Tatt Giap Group Berhad and Ideal Sun City Holdings Berhad. Khairilnuar Bin Tun Abdul Rahman is the Independent Non Executive Director of Muar Ban Lee Group Berhad, Farlim Group (M) Berhad and Unimech Group Berhad.
9. Details of the Directors' securities holdings in the Company, and/or in related corporations are set out on page 102 to 107 of the Annual Report.

# BOARD OF DIRECTORS

## **Y. BHG. DATO' SERI CHEW WENG KHAK @ CHEW WENG KIAK**

A Malaysian, aged 73, was appointed to the Board as the Group Executive Chairman on 13 September 1995. He is the Group Executive Chairman and the founder of Pensonic Holdings Berhad Group. He has more than 50 years' experience in the manufacturing and distribution of electrical and electronic products. His vision and stewardship over the past 50 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, Y. Bhg. 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.

Y. Bhg. Dato' Seri Chew is the father of Mr. Chew Chuon Jin and Mr. Chew Chuon Ghee, the Chief Executive Officer and Managing Director of Pensonic Holdings Berhad respectively.

## **CHEW CHUON JIN**

A Malaysian, aged 46, is the Chief Executive Officer of Pensonic Holdings Berhad. He was appointed to the Board of Pensonic Holdings Berhad on 13 September 1995. He graduated from the National Cheng Chi University of Taiwan with Bachelor of Business Administration in 1992. He joined Pensonic Holdings Berhad Group in 1993 after a short stint working for Lapro Corporation in Taiwan. He specialized on product development, brand building and strategic planning. With his many years of experience in the electrical home appliances industry and excellent entrepreneurial skills, Pensonic brand has been well expanded into many countries in Asia. He is currently in charge of the international and export market. He serves as the Chairman of Malaysia Hong Kong Business Association.

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

## **CHEW CHUON GHEE**

A Malaysian, aged 43, is the Managing Director of Pensonic Holdings Berhad. He was appointed to the Board of Pensonic Holdings Berhad on 22 February 2002. He graduated from Eastern Michigan University of the United States of America with a Bachelor of Business

Administration in 1995. Upon graduation, he initially joined Pensonic as Marketing Manager. Subsequently his roles expanded to various departments covering Manufacturing Sector, Human Resource, Sales, Operation, Administration and Finance. He was promoted to current position as Managing Director in charge of the overall management of the group and focusing fully on the domestic market with the various brands under the group. Currently he serves as the Chairman of Malaysian Electrical Appliances Distributors Association and the Executive Committee of Branding Association of Malaysia.

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

## **Y. BHG. TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI**

A Malaysian, aged 60, was appointed as the Executive Director of Pensonic Holdings Berhad on 13 September 1995. He is a member of The Institute of Certified Public Accountants, Ireland and is currently the Fellow Member of the Malaysian Association of Companies Secretaries. He has over 34 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. He was the Executive Director of Pensonic Holdings Berhad from 13 September 1995 to 13 December 2003 and was subsequently re-designated as a Non-Executive Director. However, he was re-designated as Executive Director on 28 April 2014. He was resigned the position in Audit Committee, Nomination Committee and Remuneration Committee on 25 July 2014. Y. Bhg. Tan Sri Tan is a Senior Independent Non-Executive Director of Unimech Group Berhad and was appointed as Independent Non-Executive Director of Denko Industrial Corporation Berhad on 27 December 2010, 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.

## **LOH ENG WEE#**

A Malaysian, aged 46, was appointed as the Independent Non-Executive Director and member of Audit Committee of Pensonic Holdings Berhad on 15 September 2011 and was subsequently re-designated as Audit Committee Chairman with effective from 4 June 2013. He was appointed as

member in Nomination and Remuneration Committee on 1 July 2013. Mr. Loh graduated from University Malaya in 1994 with a Bachelors of Law (Hons) and was admitted as an advocate and solicitor in 1995. He subsequently joined San & Associate as their advocate and solicitor, and in 1997, he was appointed as the partner of the firm. Mr. Loh's legal specialisation includes matters relating to banking, corporate, civil, land and conveyancing. He is an Independent Non-Executive Director and Audit Committee member of Tatt Giap Group Berhad and Ideal Sun City Holdings Berhad, both of which are listed on Bursa Malaysia Securities Berhad. He also sits on the board of several private limited companies.

Loh Eng Wee who retires in accordance with Article 129 of the Company's Articles of Association has express his intention not to seek re-election. Hence, he will retain office until the close of the 21st Annual General Meeting.

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

#### **KHAIRILANUAR BIN TUN ABDUL RAHMAN\***

A Malaysian, aged 50, was appointed as the Independent Non-Executive Director the Audit Committee member of Pensonic Holdings Berhad on 28 June 2013. He was appointed as Chairman of Nomination Committee and member of Remuneration Committee on 1 July 2014. He graduated from the Institute of Technology Mara in 1988 and was an entrepreneur from 1989 to 1993 dealing with electric cables and ballast. Encik Khairiluanuar 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 as an Independent Non-Executive Director of Muar Ban Lee Group Berhad (since 30 June 2009), Farlim Group (M) Berhad (since 18 August 2011) and Unimech Group Berhad (since 1 October 2013), all of the companies are also 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.

#### **Y. BHG. DATO' LELA PAHLAWAN DATO' WIRA KU NAHAR BIN KU IBRAHIM**

A Malaysian, aged 68, was appointed as the Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad on 16 August 2013. He was appointed as member of Nomination Committee on 25 July 2014. He graduated from University of Malaya and obtained a BA(Hons) in Geography in 1970. After graduation, he has various appointments with the Kedah State Administrative

Service and served as various State District Officer until 2001 as Director of the Kedah State Economic Planning Unit. He held position as the State Secretary until July 2003. Thereafter, he has been appointed as board members in several government control corporations from time to time. 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.

#### **TAHIR JALALUDDIN BIN HUSSAIN\***

A Malaysian, aged 52, was appointed as the Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad on 16 August 2013. He was appointed as member of Remuneration Committee on 25 July 2014. He has over 21 years of vast experience in business, corporate and entrepreneurial exposures. He was operation executive of Konsortium Perkapalan Berhad involve in shipping and logistic industries from 1985 to 1990. He has been appointed as Councilor in City Council of Penang from January 2011 to June 2013. 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.

#### **LEE HONG LIM**

A Malaysian, aged 45, was appointed as the Independent Non-Executive Director, member of Audit Committee, Nomination Committee and Remuneration Committee of Pensonic Holdings Berhad on 24 October 2014. He is a member of the Malaysian Institute of Accountants (MIA) since 1998 and a Fellow of the Association of Certified Chartered Accountants (ACCA) since 1997. He is also an approved company auditors under Section 8 of the Malaysian Companies Act, 1965. He is currently in public practice and has 24 years of working experience in audit practicing. He started his career with a local accounting firm in late 1991 until November 1999 when he was appointed by the Minister of Finance Malaysia to practice as a company auditor. He is presently the sole proprietor of the auditing firm, Honglim & Associates, Chartered Accountants.

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

\* Directors who are standing for re-election  
# Director who is not seek for re-election

# CHAIRMAN'S STATEMENT



## Dear Shareholders

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report of Pensonic Holdings Berhad ("PENSONIC" or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 May 2015 ("FY2015").



### REVIEW OF OPERATION AND BUSINESS PERFORMANCE

For the current financial year ended 31 May 2015, the Group recorded revenue of RM386 million, which represent an increase of RM12 million as compare to RM374 million revenue registered in the previous financial year. The net profit attributable to shareholders of the Group was RM17.4 million (2014: RM2.7million) for the full financial year of 2015. The Group's earnings per share is 13.67 cents in year 2015, as compare to 2.21 cents in year 2014.

The Group's revenue increased by 3.2% or RM 12 million in the financial year 2015. These were mainly contributed by overseas sales where local businesses were facing a slight drop in revenue due to the sluggish market and impact of Goods & Services Tax (GST) implementation. The overseas growth, however, surpassed the impact of global economic uncertainties and recent GST implementation challenges.

Correspondingly, the group after-tax profit of RM17.4 million increased from previous years of RM2.7 million. These gains mainly came from recognition of financial gain on disposal of property of about RM8.4 million and Improvement in Operation Efficiency. The management has implemented Decentralized Organizational Structure with KPI (Key Performance Index) and Incentives, where Heads of Company were empowered with higher responsibilities that allow more efficient decision making process being practised and at the same time working together with the Management in achieving the common goals and objectives. The group has conducted efficient cost control exercise and focused in its productivity which include better management of inventory and credit control. With such system and control measures in place, the group saw an increase in its profit for both local and overseas market. The group also took the major decision in cutting losses of non-performing divisions in order to maintain a sustainable growth business model in the coming future.

In respect to the decentralization and empowerment exercise, as currently practise in the organization by respective entities, one of the key drivers is to maximize the potentials of our leaders in their respective entities. We strongly believe this would bring the best out of



the leaders in terms of cognitive, resources and motivation in continuing the improvement processes and business performances. This shall be the vision of this organization for years to come in developing and preparing the human capital to meet the future business and economic challenges.

## **CHALLENGES, FUTURE PROSPECTS AND DIRECTIONS**

With recent implementation of the Goods and Services Tax (GST), volatile currency fluctuations and economic uncertainties had inadvertently generated more challenges to our business environment. In line with its corporate direction, the group is strongly committed to remain focus on its core competency through product diversity and innovations with constant emphasis on cost control and management in maximizing profitability for both local and overseas market.

The aim of the National Green Technology Policy (NGTP) launched in 2009 was the indication of the seriousness of the government in promoting the environmental friendly initiatives in Malaysia. With the growing trends and increased awareness of green building benefits particularly in Asia, PENSONIC has invested and integrated its R&D & International Distribution Hub in the state-of-the-art building with green technology concept. Besides creating and promoting an eco-friendly & conducive working environment for its employees, this has also intensified the green technology research programs and innovation towards business commercialization and public awareness. Given the direct correlation between human capital and career progression, we believe this would be the future of business and this effort has attracted talented people to work and grow together with PENSONIC.

In the face of increasing cost pressure with the weakening of Ringgit, we focus on generating sustainable growth in operating margin. Efforts taken to sustain the operating margin by driving our Operational Efficiency initiatives to sharpen the business strategies in gaining the industry competitive edge through management of overhead cost rationalization by way of prudent and discipline capital expenditure spending. With these initiatives, the group shall strive for continuous improvement in all aspects to further enhance it productivity and

# CHAIRMAN'S STATEMENT (CONT'D)

cost effectiveness without compromising on customer satisfactions. The group will also look into the new IT equipment and upgrades its existing IT infrastructure whose technology will boost our operational effectiveness.

## ECONOMIC PROSPECTS AND CHALLENGES

The depreciation of the Malaysian ringgit began in the second half of 2014 when global prices for oil started to decline, inflation picked up in 2014 due to reduce subsidies particularly on fuel and increased of electricity tariffs thus the economic growth is projected to slow in 2015.

With the uncertain economic outlook, PENSONIC prospects for the coming year are expected to be more challenging and demand growth in sales is expected to be moderate through the forecast period. As such, the management shall focus on more prudent expenditures and exercise extra caution on credit control.

Nevertheless, PENSONIC is fully dedicated to the growth of the Electrical Home Appliances business and spear head in the competitive edge through product innovations and developments by way of effective business operations. The group shall continue to seize new profit and growth opportunities by way of creating new demand and unlocking the conventional business boundaries.

## DIVIDENDS

The Board has declared a first interim single-tier dividend of 1.50 sen per ordinary share for the financial year ended 31 May 2015 on 20 July 2015 and paid on 21 August 2015.

The Board also recommends final dividend of 2.00 sen per ordinary share for the financial year ended 31 May 2015 (2014: 2.00 sen) which is subject to approval of the shareholders at the forthcoming Annual General Meeting.

## APPRECIATION

On behalf of the Board of Directors, I wish to thank our shareholders, customers, business partners and stakeholders for their unwavering support and confidence in the Group. I wish to express our profound appreciation to the management team and all employees across the Group for their contributions, hard work and continuing commitment to another successful year.

To my fellow Board members, I wish to express my sincere appreciation for their valuable support, contribution and guidance.

**Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak**  
Group Executive Chairman  
23 September 2015





# FINANCIAL HIGHLIGHTS

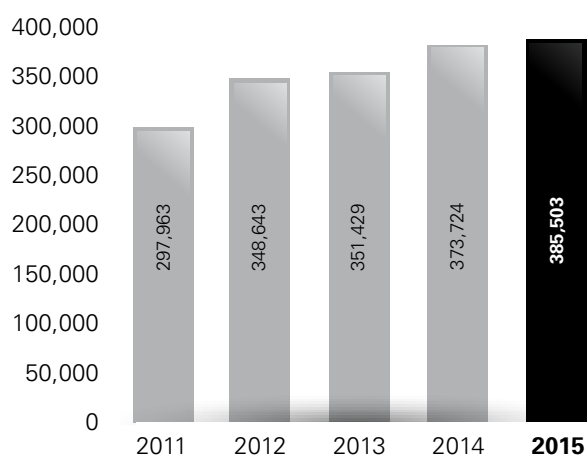
As of 31 May 2015

	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>					
Revenue	297,963	348,643	351,429	373,724	<b>385,503</b>
Profit/(Loss) before tax	5,278	(11,064)	3,943	1,846	<b>17,851</b>
Profit/ (Loss) for the year	3,016	(10,987)	3,562	2,707	<b>17,430</b>
Profit/ (Loss) for the year attributable to owners of the Company	3,338	(10,615)	3,627	2,870	<b>17,726</b>
Net dividend proposed	1,216	1,216	1,702	2,593	<b>4,538</b>

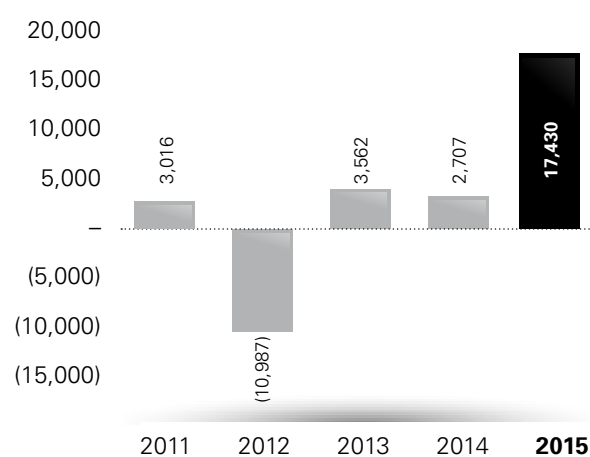
	2011	2012	2013	2014	2015
<b>STATEMENTS OF FINANCIAL POSITION</b>					
Total Assets	223,421	241,523	240,017	254,730	<b>265,167</b>
Share Capital	46,310	46,310	46,310	64,834	<b>64,834</b>
Total equity attributable to owners of the Company	96,959	85,491	87,933	95,572	<b>108,323</b>

	2011	2012	2013	2014	2015
<b>FINANCIAL RATIOS</b>					
Return on shareholders' equity	3.44%	(12.42%)	4.12%	3.0%	<b>16.36%</b>
Basic earnings/ (loss) per share (sen)	3.60	(11.46)	2.80	2.21	<b>13.67</b>
Net assets per share (RM)	1.06	0.92	0.95	0.74	<b>0.84</b>
Dividend rate	3.5%	3.5%	3.5%	4.0%	<b>7.0%</b>

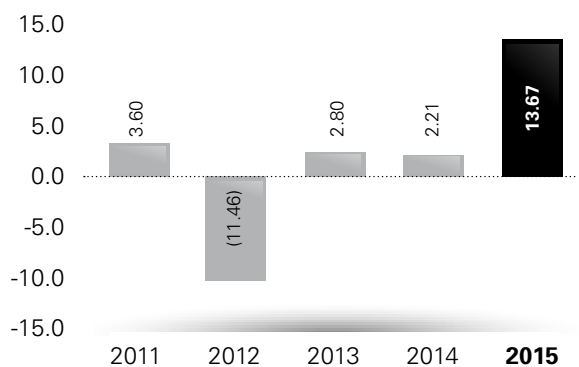
**Revenue (RM'000)**



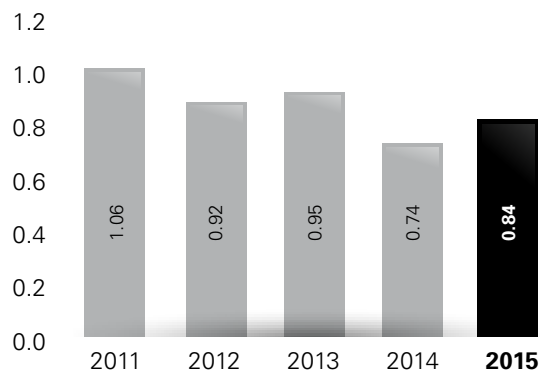
**Profit/ (loss) for this year (RM'000)**



**Earnings/ (loss) per share (sen)**



**Net Assets per share (RM)**



# STATEMENT OF CORPORATE GOVERNANCE

Pursuant to Paragraph 15.25 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR), the Board of Directors is pleased to disclose herein the Group's application of the Principles and Recommendations as set out in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012" or "the Code") and the extent of compliance during the financial year 2015 and to the date of this statement.

The Board of PENSONIC fully appreciates the importance of adopting high standards of corporate governance within the Group in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Board views corporate governance to be synonymous with four key concepts; namely transparency, accountability, integrity as well as corporate performance.

The Board of PENSONIC believes in inculcating a culture that seeks to balance conformance requirements with the need to deliver long-term strategic success through performance, predicated on entrepreneurship, control and ownership, without compromising personal or corporate ethics and integrity.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is pleased to provide a narrative statement on the application of the Principles and the extent of compliance with the Best Practices as set out in Part 1 and 2 of the MCCG 2012 respectively.

## Principles statement

The following statement sets out how the Company has applied the Principles as set out in the MCCG 2012.

## A. DIRECTORS

### The Board

The Board plays a pivotal role in the stewardship of the Group's direction and operations, including enhancing long-term shareholders' value. In order to fulfil this role, the Board is explicitly responsible for reviewing and adopting a strategic plan for business performance and direction, setting the corporate goals, organising resources, monitoring the achievement of goals, overseeing the proper conduct of the Group's business; identifying critical business risks and ensuring the implementation of systems to manage risks; succession planning; developing an investor relations programme; and reviewing the adequacy and integrity of the Group's internal control systems and management information systems.

The Board consists of nine (9) members comprising four (4) Executive Directors and five (5) Non-Executive Directors. Five out of nine directors are Independent Non-Executive Directors. The Board has complied with Paragraph 15.02 (1) Bursa Malaysia MMLR that at least two or one third of the Board, whichever is the higher is represented by Independent Non-executive Directors who are independent of management, thereby ensuring independent in the Board deliberations and decision-making. Given the scope of responsibilities for managing the Group's business operations, the Board considers its current composition and size are adequate.

Whilst the Board acknowledges that the general call and support for gender diversity in a board's composition, the Board believes that appointment of board members, regardless of gender, should be based on experience, character, integrity and competence as these are the essential criteria for an effective Board.

The profile of the Directors is set out in this Annual Report.

The Directors combined in them have expertise and experience in various fields. Their expertise, experience and background results in thorough examination and deliberations of the various issues and matters affecting the Group. There is a clear division of responsibility between the Executive Chairman and the Executive Directors to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Executive Chairman is responsible for the overall strategic direction of the Group and the leadership of the Board to ensure effectiveness of the Board while the Executive Directors manages the Group's day-to-day activities in achieving corporate and business objective. The Independent Non-Executive Directors provide independent views, advice and judgement and take into account the interest of Group and the various parties involved which 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.

**A. DIRECTORS (Cont'd)****The Board (Cont'd)**

The Board notes that the Code also recommends that where the Chairman of the Board is not an independent director, the Board must comprise a majority of independent directors. The Board has nevertheless always discharged its duties and responsibility in the best interest of the Group and its shareholders. The Board will nevertheless review and evaluate the appropriateness of the composition and size of the Board from time to time.

Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulation, rules, directives and guidelines, including the achievement of the Group's corporate objectives. This demarcation of roles both complements and reinforces the supervisory role of the Board.

The Board has a formal schedule of matters specifically reserved to it for decision. Such matters include the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and monitoring the financial and operating performance of the Group. This arrangement enables the direction and control of the Group to be firmly in the Board's hand.

The role and function of the Board, which includes the differing roles of Executive Directors and Non-Executive Directors as well as the schedule of matters reserved for the Board, are clearly delineated in a Board Charter.

**Retirement of Directors**

The Company's Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting (AGM). The Directors to retire in each year are the Directors who have been longest in office since their last re-appointment. Director who is appointed by the Board to fill a casual vacancy or as additional director shall hold office only until the next AGM. Retiring directors are eligible offer themselves for re-election. The re-election of each Director is voted on separately.

Annual assessment is carried out on the Independent Directors by the Board. Recommendation of MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine years. Currently, none of the Independent Directors' tenure has exceeds a cumulative term of nine years.

To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for re-election in furnished in a separate statement accompanying the Notice of the Annual General Meeting.

**Meetings**

The Board ordinarily meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Due notice is given of scheduled meetings and matters to be dealt with. All Board meeting proceedings are minuted, including the issues discussed and the conclusions made in discharging its duties and responsibilities.

During the financial year, the Board and Audit Committee met on four (4) occasions, where it deliberated upon and considered a variety of matters, including approving the Group's financial results, strategic and investments decisions, annual operating and capital budgets as well as financial and operating performance of its subsidiary companies. Principal risks that have a significant impact on the Group's business or on its financial position, were identified, including measures to mitigate such risks.

The agenda for each Board meeting and papers relating to the agenda items are disseminated to all Directors at least five (5) days before the meeting, in order to provide sufficient time for the Directors to review the Board papers and seek clarifications, if any.

# STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

## A. DIRECTORS (Cont'd)

### Meetings (Cont'd)

All proceedings from the Board's meetings were minuted and signed by the Chairman of the meeting. Details of each Director's meeting attendances were as follows:

Meetings Attended (out of 4)

Directors	Designation	Number of Meetings attended
Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	Group Executive Chairman	3/4
Chew Chuon Jin	Chief Executive Officer	3/4
Chew Chuon Ghee	Managing Director	4/4
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	Executive Director	4/4
Loh Eng Wee	Independent Non-Executive Director	3/4
Khairilnuar Bin Tun Abdul Rahman	Independent Non-Executive Director	4/4
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Independent Non-Executive Director	3/4
Tahir Jalaluddin Bin Hussain	Independent Non-Executive Director	4/4
Lee Hong Lim (Appointed on 24 October 2014)	Independent Non-Executive Director	4/4

### Board Committee

The Board has delegated certain functions to several committees namely:-

- The Audit Committee
- The Nomination Committee
- The Remuneration Committee

The functions and terms of reference of the respective committees, as well as the authority delegated by the Board to these committees have been clearly defined by the Board.

### Composition of the Committees

#### (a) Audit Committee

The members of the Audit Committee are as follows:-

Designation	Directors	Directorship
Chairman	Loh Eng Wee	Independent Non-Executive Director
Member	Khairilnuar Bin Tun Abdul Rahman	Independent Non-Executive Director
Member	Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Independent Non-Executive Director
Member	Tahir Jalaluddin Bin Hussain	Independent Non-Executive Director
Member	Lee Hong Lim (Appointed on 24 October 2014)	Independent Non-Executive Director

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 internal control measures. Audit Committee is responsible for recommending to the Board regarding selection of external auditors, reviewing the results and scope of audit and other services provided by the Group's external auditors as well as reviewing and evaluating the Group's internal audit and control function. The Audit Committee is also responsible in financial risk assessment and matters relating to related party transactions and conflicts of interest. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties. The composition, summary of the terms of reference and summary of activities of the Audit Committee is included in the Audit Committee Report of this Annual Report.

**A. DIRECTORS (Cont'd)****(b) Nomination Committee**

The members of the Nomination Committee are as follows:-

Designation	Directors	Directorship
Chairman	Khairilnuar Bin Tun Abdul Rahman	Independent Non-Executive Director
Member	Loh Eng Wee	Independent Non-Executive Director
Member	Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Independent Non-Executive Director
Member	Lee Hong Lim (Appointed on 24 October 2014.)	Independent Non-Executive Director

The Nomination Committee meets as and when required and a least once a year. The Nomination Committee met once during the financial year ended 31 May 2015.

The Nomination Committee's responsibilities included assessing and recommending to the Board the candidates of directors, appointment of director to the Board, retirement, re-election and re-appointment of directors, review of the Board's succession plans and training programme for the Board.

The Nomination Committee also review the overall composition of the Board in term of appropriate size, required mix of knowledge, skill, experience and core competencies and adequacy of balance between Executive Directors and Independent Non-Executive Directors. As part of the recruitment process and annual assessment of directors, the Nomination Committee will also consider a mix of Board members that represents a diversity of background and experience. No individuals shall be discriminated against on the basis of race, religion, national origin, disability or any other basis, including gender. Prior to the formation of this Nomination Committee, the function of Nomination Committee is carry out by the Audit Committee.

**(c) Remuneration Committee**

The members of the Remuneration Committee are as follows:-

Designation	Directors	Directorship
Chairman	Khairilnuar Bin Tun Abdul Rahman	Independent Non-Executive Director
Member	Loh Eng Wee	Independent Non-Executive Director
Member	Tahir Jalaluddin Bin Hussain	Independent Non-Executive Director
Member	Lee Hong Lim (Appointed on 24 October 2014)	Independent Non-Executive Director

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for the Executive Directors and assist the Board in ensuring that the remuneration of the Executive Directors reflects the performance, responsibility, experience and commitment of the Executive Directors concerned. The determination of the remuneration on Non-Executive Directors is a matter for the Board as a whole. Prior to the formation of this Remuneration Committee, the function of Remuneration Committee is taken up by the Board as a whole.

**Information Dissemination**

The Chairman undertakes primary responsibility for organising information necessary for the Board to deal with the agenda and in ensuring that all Directors have full and timely access to the information relevant to matters that will be deliberated at the Board meeting. The Board is supplied with a comprehensive balance of financial and non-financial information covering strategic, operational, financial, regulatory and marketing and human resources issues for informed decision making and effective discharge of its responsibilities.

Such information is supported by key performance indicators, which provide an ongoing overview of business performance through the use of balanced scorecard reporting approach. Detailed periodic briefings on the industry outlook and Company performance are also conducted for Directors to ensure that the Board is well informed on the Group's position, corporate trends, prospects and emerging issues.

# STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

## A. DIRECTORS (Cont'd)

### Information Dissemination (Cont'd)

All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making; that Board procedures are followed and all the statutory and regulatory requirements are met. The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained. The Board believes that the Company Secretary is capable of carrying out his duties to ensure the effective functioning of the Board and his removal from the post, if contemplated, is a matter for consideration by the Board as a whole.

All Directors have full and immediate access to information relating to the Company's business and affairs in the discharge of their duties. There is also a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary, in furtherance of their duties, at the Company's expense.

### Directors' training

The Board ensures a structured orientation and continuous education programme is in place for new and existing members of the Board. The programme includes, amongst others, briefings and updates on the organisational structure, salient matters covered under the Board Charter, key strategic, operational, financial and compliance aspects of the Group, the Group's performance management system, a presentation by the Group Managing Director, informal discussions with members of the Board and scheduled site visits. This is geared towards ensuring that all Directors are familiar with and are able to appreciate the Group's operating environment and business dynamics to enable them to contribute effectively during Board's deliberations.

All Directors have successfully completed the Mandatory Accreditation Programme under the auspicious of Bursa Malaysia. Since the last report, the Directors have pursued relevant courses and attended seminars to keep abreast with industry, regulatory and compliance issues, trends and best practices.

Seminars and training programmes attended by the Directors were as follows:

- 1 Seminar on 2015 Budget Talk & GST Roadshow on 27 November 2014
- 2 Seminar on 2015 Investment Outlook on 7 March 2015
- 3 Seminar on LHDNM-CTIM TAX FORUM 2015 on 19 March 2015
- 4 Seminar on 2015 Economic Forum on 26 April 2015
- 5 Seminar on Common GST Errors and Validating GST Return on 14 July 2015
- 6 Seminar on Tax Updates on 21 July 2015

The Company Secretary circulates guidelines on statutory and regulatory requirements periodically for the Boards' reference which include updates to the Board every quarter. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge, as appropriate.

## B. 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. For the Non-Executive Directors, the level of remuneration reflects the experience, expertise, level of responsibilities undertaken by the particular Non-Executive Director concerned. Remuneration of all Directors is approved by the Board as whole and the directors' fee is recommended to the shareholders for approval.

# STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

## B. DIRECTORS REMUNERATION (Cont'd)

The aggregate remuneration of the Directors for the financial year ended 31 May 2015 is as follows:

Categories Fees	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Directors	55,000	1,546,401	1,601,401
Non-Executive Directors	50,000	136,000	186,000

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	–	5
50,000 - 100,000	1	–
100,001 - 150,000	–	–
150,001 - 200,000	–	–
200,001 - 250,000	–	–
250,001 - 300,000	–	–
300,001 and above	3	–

## C. 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](http://www.pensonic.com).

The main forum 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 (CONT'D)

## **D. ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to Bursa Malaysia as well as the Chairman's statement and review of operations in the Annual Report.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting. 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 MFRS, and are supported by reasonable judgements and estimates.

### **Directors' Responsibility Statement In Respect of the Preparation of the Audited Financial Statements**

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their operations results and cash flows for the period then ended. Reasonable diligence is exercised by the Board and Audit Committee to ensure that the financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRS") and the requirements of the Companies Act, 1965.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### **State of Internal Control**

The Board acknowledges its responsibilities for the Group's systems of internal control covering not only financial controls but also operational and compliance controls as well as risk management.

The Statement on Risk Management and Internal Control furnished on pages 25 to 26 of the Annual Report provides an overview about the state of risk management and internal controls within the Group.

### **Relationship with the Auditor**

Key features underlying the relationship of the Audit Committee with the external auditor is included in the Audit Committee's terms of reference as detailed on page 21 to 24 of the Annual Report.

### **Corporate Social Responsibility**

The Group is committed to sustainable development. Safety, health and environment as well as community responsibilities are integral to the way in which the Group conducts its business. Pensonic's commitment to corporate social responsibility extends beyond corporate philanthropy as the Group actively seeks the participation of its employees in such programmes.

The Corporate Social Responsibility Statement is included in the Annual Report.

### **Compliance Statement**

The Board recognise the importance of the Group practising 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 2015, the Group has complied with all the best practise set out in the Code.

This statement is issued in accordance with the resolution of the Directors dated 23 September 2015.



# AUDIT COMMITTEE REPORT

Pursuant to paragraph 15.15 of the Bursa Malaysia Securities Berhad Listing Requirements, the members of Audit Committee of Pensonic Holdings Berhad are pleased to present the Audit Committee Report ("the Report") for the financial year ended 31 May 2015.

## 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 2015 are as follows:

Member	Designation
Loh Eng Wee	Chairman (Independent Non-Executive Director)
Khairilnuar Bin Tun Abdul Rahman	Member (Independent Non-Executive Director)
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Member (Independent Non-Executive Director)
Tahir Jalaluddin Bin Hussain	Member (Independent Non-Executive Director)
Lee Hong Lim (Appointed on 24 October 2014.)	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 specified in Part II of the 1st Schedule of the Accountants Act 1967.
  - iii. fulfils such other requirements as prescribed or approved by the Bursa Securities.
- d) The members of the Audit Committee shall elect a Chairman from among themselves who shall be an independent director.
- e) No alternate director shall be appointed as a member of the Audit Committee.
- f) 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 the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.
- g) 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)

## • 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 fulfil 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 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 2015, the Audit Committee held a total of four (4) meetings, the details of attendance of which were as follows:

Member	No. of meetings attended
Loh Eng Wee	3 of 4
Khairilnuar Bin Tun Abdul Rahman	4 of 4
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	3 of 4
Tahir Jalaluddin Bin Hussain	4 of 4
Lee Hong Lim (Appointed on 24 October 2014)	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.
- Review any significant transactions which falls under any one of the percentage ratios indicated in Paragraph 10.02 (g) of the MMLR with threshold of 5% or more and which are not within the normal course of business and not with any related party that may arise within the Company or Group.

## • 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:

- with the external auditor, the audit plan and to ensure co-ordination where more than one audit firm is involved;
- with the external auditor, his evaluation of the system of internal controls;
- with the external auditor, his audit report, his management letter and the management's response;
- the assistance given by the Company's employees to the external auditor;
- 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;

## • Functions of the Audit Committee (cont'd)

- 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;
- 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 and 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 2015, the Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference and the activities undertaken by the Audit Committee were as follows:

- Reviewed the Internal Audit Plan.
- Review and discuss the internal audit reports issued by the internal auditors for audit assignments carried out during the year including the 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.
- Review the unaudited quarterly financial statements and announcements of the Group and made recommendations to the Board of Directors for approval prior to the release of the results to Bursa Malaysia Securities Berhad. Review the annual audited financial statements of the Company and the Group and made relevant recommendations to the Board of Directors for approval.
- 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.
- 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.
- 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.

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.

# AUDIT COMMITTEE REPORT (CONT'D)

## **INTERNAL AUDIT FUNCTION**

The Company has appointed Messrs CH International Advisory Sdn.Bhd, 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 main role of the internal audit is to review the effectiveness of the Group's system of internal control and this is performed with impartially, proficiency and due professional care.

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.

The internal audit adopts a risk based auditing approach by focusing on identifying high risk areas and to recommend corrective measurements for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of control.

The cost of internal audit services rendered by an independent professional accountancy amounted to RM20,000 (2014: RM9,361).

This Report is issued in accordance with a resolution of Directors and Audit Committee dated 23 September 2015.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysia Code on Corporate Governance 2012 (“MCCG 2012”) requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investments and company’s assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Main Listing Requirements”), under paragraph 15.26 (b), Directors of public listed companies are required to produce a statement on the state of the company’s internal control in their Annual Report.

The Board of Directors (‘Board’) continues with its commitment to maintain sound systems of risk management and internal control throughout Pensonic Holdings Berhad and its subsidiaries (“Group”) and in compliance with the Main Listing Requirements and the Statement of Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) (“Internal Control Guidelines”). The Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review.

## **BOARD RESPONSIBILITIES**

The Board acknowledges the importance of risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover risk management and financial organizational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group’s system of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, the risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Group has an ongoing process for identifying, evaluating, monitoring and managing operational issues faced, or potentially exposed to, by the Group in pursuing its corporate objective. The adequacy and effectiveness of this process is reviewed by the Executive Committee (“EXCO”) comprising of Executive Directors of the Company.

## **RISK MANAGEMENT**

The Executive Directors monitors the operations and deal with risk events to safeguard the Group’s business interest from risk events that may impede the achievement of business strategy, enable value creation and growth through identification of opportunities and provide assurance to the Groups’ various stakeholders.

Management is accountable to the Board for the implementation of the processes in identifying, evaluating and monitoring of risk and internal control.

## **INTERNAL AUDIT FUNCTION**

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional consulting company, Messrs. CH International Advisory Sdn. Bhd. to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group’s systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee.

The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The internal auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to Management and the Audit Committee, the periodic follow-up of the implementation of actions plans. The Management is responsible for ensuring that corrective actions were implemented accordingly.

Based on the internal auditors’ reports for the financial year ended 31 May 2015, a number of internal control weaknesses were identify during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group’s annual report.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## **CONTROL STRUCTURE AND ENVIRONMENT**

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

- The Board meets quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains supervision over appropriate controls. In addition, subsequent to the current financial year end, the Executive Directors are kept updated on the Group's activities and its operations on a monthly basis through EXCO meeting held;
- 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 trail of accountability;
- A set of documented internal policies and procedures for operational and human resources management, which is subject to review and improvement;
- Relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making; and
- Visits of operating units by members of the Board and senior management.

## **ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has also received assurance from the Chief Executive Officer and the Managing Director that the risk management and internal control system of the Company and its subsidiaries are operating adequately and effectively, in all material aspects based on the risk management and internal control system adopted.

The Board continues to review and implement measures to strengthen the internal control environment of the Group. The Board is of the view that the risk management and internal control system in place during the year and up to the date of approval of this statement is sound and adequate to safeguard shareholders' investment, the interest of customers and other stakeholders

The Statement on Risk Management and Internal Control does not cover the associates, Pensonic (B) Sdn Bhd and Microtag System Sdn Bhd in which the Company has no major board representation.

## **CONCLUSION**

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement of Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 May 2015 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

This statement is issued in accordance with a resolution of the Directors dated 23 September 2015.

# 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 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 Company Act, 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors also have the responsibility to take such steps as are reasonably open to them of 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 2015, the Directors are satisfied that the Company and 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 2015, and the profit and loss for the financial year ended 31 May 2015 of the Company and the Group. The Directors have :

- Adopted the appropriate accounting policies and applied them consistently;
- Made judgments 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.

This statement is issued in accordance with a resolution of the Directors dated 23 September 2015.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility is an integral part of any organization's way of succeeding in business and contributing to the welfare of employees in particular and society at large and also to all communities in the environment it operates. This approach to business - balancing economic, social and environmental interests is commonly referred to as Corporate Responsibility or Sustainability. In this context, the Board of Directors of Pensonic Holdings Berhad regards the need for Corporate Responsibility (CR) as an integral part of a business's operations and practices.

CR initiatives undertaken by the Group are summarized below:

## **Environment**

The Group acknowledges responsibility for care of the environment. The Group considers safety and environmental factors in all operating decisions and explores feasible opportunities to minimize any adverse impact from manufacturing operations, waste disposal to product design and packaging.

## **Manufacturing Operation**

At Pensonic, sustainable production and operations mean taking measures to supply and manufacture products in an economically, environmentally and socially sustainable way. It is Pensonic's interest that it takes the necessary measures today to operate responsibly and, safeguard the environment in order to protect its current and future investments.

The notion of sustainable development extends beyond factories to include the entire product lifecycle. Creating shared value is Pensonic's concept of corporate responsibility, which means that as employees create value for the company, they must also benefit the community. It is a business strategy that brings value to society by examining multiple points where Pensonic touches society and make long term investments that benefit its stakeholders.

## **Products**

Pensonic's fan is awarded 5-star rating by Energy Commission (EC) for its efficiency in energy consumption.

In line with the government's policy banning the use of incandescent light in phases starting on 2011, Pensonic's sale range for lighting is the energy-saving Compact Florescent Light (CFL).

Pensonic launched its caring of the environment Eco range product in 2010, the Eco Thermopot which is eco-friendly and energy- saving with stylish design.

Pensonic's launched its new product LED range product in 2012, the Carinae LEDs solar cube its efficiency retro inspired Solar Cube is powered by solar energy.

Pensonic's launched new product Blender is call PapaBlend for Healthy Lifestyle it comes to the best in nutritious beverages.

## **Community**

During the year, the Group contributed to the communities through donation and sponsorship to various organizations and charities, including the followings:

1. Persatuan Meninggikan Akhlak Che Lu Khor
2. Che Kia Khor Moral Uplifting Society, KL
3. Che Hoon Khor Moral Uplifting Society Foundation
4. Ji Her Charity & Moral Uplifting Society
5. Che Huan Khor Moral Uplifting Society
6. Che Zhong Khor Moral Uplifting Society, Betong
7. Che Wei Khor Charity & Moral Uplifting
8. Pertubuhan Amal & Pendidikan Akhlak Ji Le Shan She Lundu
9. Yayasan Dialisis Pertubuhan Pendidikan Akhlak, Taiping
10. TWH Building Community
11. SMJK Jit Sin (OrkestraCina)
12. SMJK Jit Sin (Pancaragam)
13. Federation Oil Factory - School Building Fund Donation



**Community (Cont'd)**

14. Penang International Ballroom Dancing Championship
15. Pertubuhan Amal & Pendidikan Akhlak Ji Her Kota Kinabalu
16. Chung Hua Private Secondary School Building Fund
17. Moral Uplifting Society Jakarta Indonesia
18. Persatuan Pendidikan Akhlak Che Yang Khor
19. Pertubuhan Tek Chiao Tze Ch'ih Ko Bukit Mertajam

In addition to the above, the Group contributed to the communities for social events, including the followings:

1. Penang Chinese Town Hall
2. The Federated Teochew Associations of Malaya
3. Kwong Wah Yit Poh Press Bhd
4. Church Of The Holy Name Of Jesus
5. Teochew Merchants Association Penang
6. Persatuan Penganut Hock Teik Cheng Sin, Bandar Baru
7. Tek Chiao Tze Ch'ih Ko
8. Pusat Budidaya Cemerlang
9. Tan Si Chong Ghee Seah
10. Chung Ling High School Anniversary
11. Penang Xiamen Friendship Association

**Workplace**

The Group believes that employee's involvement is vital to the success of the Group. The Group strives to motivate and retain the best employees by providing continuous training by sending them to attend relevant courses to upgrade their knowledge and skills within their job scope.

The Group also organizes annual get-together for its employees where they will get to know each other better outside the workplace which can greatly enhance their workplace relationship.

As an employer, the Group recognizes and accepts its responsibilities for providing and maintaining a safe and healthy workplace for all its employees, contractors and visitors. Information on safety issues are communicated through various Health & Safety Committees, Safety Representatives, Notice Boards and regular management briefings.

**Ethical Policy**

In addition, the Board of Directors of the Company had adopted the Code of Business Conduct and Ethics and the Conflict of Interests Policy for Board members. The Code is intended to focus the Board and each director on the duties and responsibilities of directors, provide guidance to directors to help them recognize and deal with ethical issues, provide mechanism to report unethical conduct, and help foster a culture of honesty and accountability. Each director must comply with the letter and spirit of this Code. No code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles for directors. Directors are encouraged to bring up questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chairman of the Nomination Committee, who may consult with inside or outside legal counsel as appropriate.

We believe that principles of honesty, ethical practices, integrity and fairness are the cornerstones of a respectable and successful business. These principles are the heart of the Company's philosophy and values. They are vital elements for establishing trust in our relationships with shareholders and stakeholders. They cannot be compromised. It is therefore important for our organizations, at every level, to understand and see value in upholding such principles, which must be applied holistically in all aspects of the Company's and organizational objectives as an economic.

This statement is issued in accordance with a resolution of the Directors dated 23 September 2015.

# OTHER DISCLOSURE REQUIREMENTS

The information set out below is disclosed in compliance with Bursa Securities Main Market Listing Requirements

- **SHARE BUY BACK**

There was no share buybacks exercise carried out by the Company during the financial year ended 31 May 2015.

- **OPTIONS OR CONVERTIBLE SECURITIES**

No option were granted to any person to take up unissued shares of the Company during the financial year other than the following:-

The issuance of Warrants 2013/2023 on 20 December 2013 at an issue price of RM0.10 per warrant in conjunction with the right issue of warrants to shareholders on the basis of one (1) warrant for every two (2) ordinary shares held in the Company. The warrants entitle the holders to subscribe for new ordinary shares in the Company on the basis of one (1) ordinary share of RM0.50 each for every warrant held at an exercise price of RM0.60 per share within ten years from the date of issue of the warrants. The exercise price of the warrants is subject to adjustment from time to time in accordance with the condition stipulated in the Deed Poll created on 18 November 2013.

As at the end of the financial year, the Company has the following outstanding warrants:-

<b>Warrants</b>	<b>Exercise price per ordinary share</b>	<b>Expire date</b>	<b>Number of warrants outstanding at 31.5.2015</b>
Warrants 2013/2023	RM0.60	19 December 2023	64,834,000

- **UTILISATION OF PROCEEDS**

The Company did not raise proceeds from any corporate exercise during the financial year.

- **GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME**

The Company did not sponsor any depository receipt 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, which have material impact on the operations or financial position of the Group.

- **NON-AUDIT FEE**

The amount of non-audit fees paid by the Group to the external auditors during the financial year ended 31 May 2015 amounted to RM10,200.

- **VARIATION IN RESULTS**

There were no material variances between the audited results for the financial year ended 31 May 2015 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.

This statement is issued in accordance with a resolution of the Directors dated 23 September 2015.