



# ANNUAL REPORT 2016

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**PENSONIC**  
*Your Enjoyment*

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

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# INNOVATION AND GLOBAL OPERATIONS CENTRE GRAND OPENING

**PENSONIC**  
**BOLD & BEAUTIFUL**  
Cornell Leasing Sdn Bhd

Date: 30th October 2015, Friday | Venue: Pensonic, Bukit Minyak



# BOLD AND BEAUTIFUL CELEBRATION DINNER 2015

Date: 30th October 2015, Friday | Venue: Pensonic, Bukit Minyak

**PENSONIC**  
**BOLD & BEAUTIFUL**  
Lebensstil  
cornell



# CHEF'S LIKE CAMPAIGN LAUNCH



Date: 12th April 2016, Tuesday | Venue: Ballroom 2, eCity Hotel @ One City Subang Jaya, Selangor



# CHEF MAIL MASAK BERSAMA PENSONIC



Programme: Chef Mail Masak Bersama Pensonic | Broadcast Date: Every Monday  
Time: 6pm | Date: 16th May - 18th July 2016 | Channel: TV3 | Total: 8 Episodes



Programme: Chef Mail Masak Bersama Pensonic | Broadcast Date: Every Thursday  
HyppTV Channel 116: 7pm | HyppTV Channel 111: 9.30pm | Total: 8 Episodes  
Date: 19th May - 7th July 2016



# AUSPICIOUS FESTIVALS: RICE DUMPLINGS

Programme Name - Auspicious Festivals: Rice Dumplings | Broadcast time: 8.00pm to 8.30pm  
Channel: Astro's Wah Lai Toi Channel 311 (HD 310) | Episode 1: 29 May 2016 | Episode 2: 5 June 2016



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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**Y. BHG. DATO' SERI CHEW WENG KHAK**  
**@ CHEW WENG KIAK**  
*Group Executive Chairman*

**CHEW CHUON GHEE**  
*Managing Director*

**CHEW CHUON JIN**  
*Chief Executive Officer*

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

**KHAIRILANUAR 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

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Yeong Ah Lek (LS 01929)

### REGISTERED OFFICE

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85, Muntri Street,  
10200 Penang, Malaysia.

Tel : 604-2638 100/200  
Fax : 604-2638 500  
Email : tcms@tcms.com.my

### PRINCIPAL OFFICE

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

Tel : 604-5070 393  
Fax : 604-5073 825  
Email : info@pensonic.com  
Website : www.pensonic.com

### REGISTRARS

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Plantation Agencies Sdn Berhad  
3<sup>rd</sup> Floor, Standard Chartered Bank Chambers,  
Lebuh Pantai, 10300 Penang, Malaysia.

Tel : 604-2625 333  
Fax : 604-2622 018  
Email : sharereg@plantationagencies.com.my

### AUDITORS

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UHY (AF 1411)  
Chartered Accountants

### PRINCIPAL BANKERS

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

### STOCK EXCHANGE LISTING

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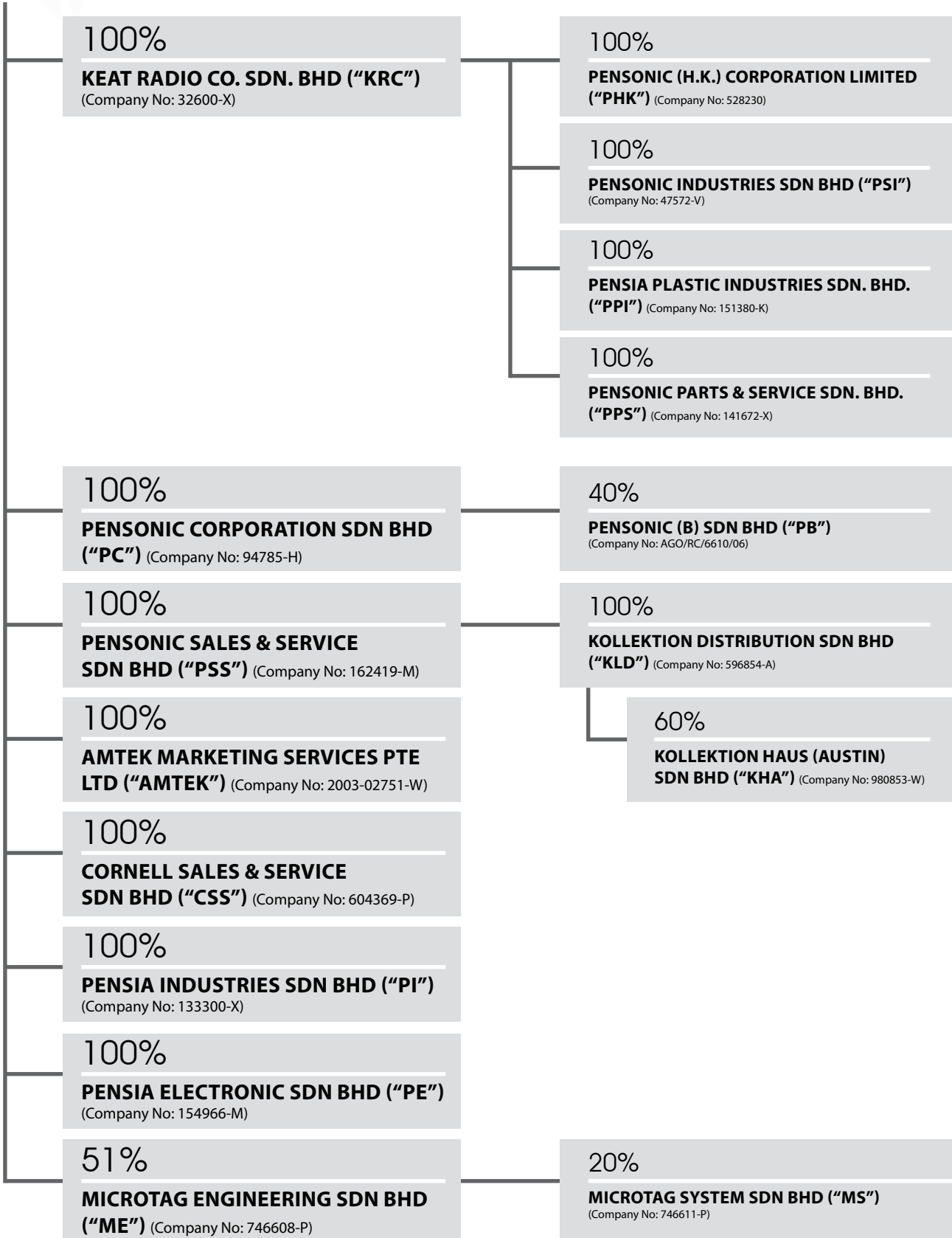
Main Market of Bursa Malaysia Securities Berhad  
(Listed since 13 September 1995)

Stock Name : PENSONI  
Stock Code : 9997

# CORPORATE STRUCTURE

## PENSONIC

HOLDINGS BERHAD (300426-P) ("PHB")





## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 22nd 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, on Tuesday, 18 of October, 2016 at 2.30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:-

### AGENDA

#### *As Ordinary Businesses*

1. To receive the Audited Financial Statements for the financial year ended 31 May 2016 together with Reports 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 2016 as recommended by the Directors in their report. (Resolution 1)
3. To approve the Directors’ Fees of RM125,000/- for the financial year ended 31 May 2016. (Resolution 2)
4. To re-elect the following Directors who retire in accordance with Article 129 of the Company’s Articles of Association:-
  - a) Chew Chuon Jin (Resolution 3)
  - b) Chew Chuon Ghee (Resolution 4)
  - c) Lee Hong Lim (Resolution 5)
5. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- (Resolution 6)
 

“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.”
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 7)

#### *As Special Businesses*

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

7. Ordinary Resolution
 

AUTHORITY TO ISSUE SHARES (Resolution 8)

“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. Special Resolution
 

PROPOSED AMENDMENTS OF THE COMPANY’S ARTICLE OF ASSOCIATION (Resolution 9)

“That the proposed amendments of the Articles of Association of the Company as set out in Appendix 1 be and is hereby approved.”
9. 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 22nd Annual General Meeting, the final single-tier dividend of 2.00 sen per ordinary share in respect of the financial year ended 31 May 2016 will be paid on 30 December 2016 to depositors registered in the Records of Depositors at the close of business on 15 December 2016.

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 2016 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 September 2016

### 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 12 October 2016. Only a depositor whose name appears on the Record of Depositors as at 12 October 2016 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 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 appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.
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.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

# NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

## EXPLANATORY NOTES OF SPECIAL BUSINESSES:

### 1. Authority to Issue Shares

The proposed Resolution No. 8, 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 17 November 2015 which will lapse at the conclusion of the 22nd AGM.

### 2. Proposed Amendments of the Company's Articles of Association ("Proposed Amendments")

The Proposed Amendments are to streamline the Company's Articles of Association to be aligned with the amendments to the Main Market Listing Requirements ("MMLRs").

**APPENDIX 1****PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION OF  
PENSONIC HOLDINGS BERHAD (COMPANY NO. 300426-P)**

Article No.	Existing Article	Amended Article	Rationale
To amend Article 180	A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (at least twenty-one (21) days before the general meeting at which they are to be laid) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and auditors' reports shall not exceed four (4) Months. The required number of copies of each of these documents shall at the same time be sent to the Exchange.	The Directors shall from time to time in accordance with section 169 of the Act and the Listing Requirements, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and directors' reports as are referred to in the section, and the Listing Requirements. A copy of the annual report including annual audited financial statements together with the auditors' and the directors' reports in printed format or in electronic format within four (4) months be sent to the Exchange and every Member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. This Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.	Pursuant to the amendments on Para 9.23 and 9.26 and the deletion of Para 7.33 and 9.35 of MMLRs

## STATEMENT ACCOMPANYING NOTICE

### OF THE 22ND 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 (who retiring Pursuant to Article 129 of the Articles of Association) are as follow:-
  - a) Chew Chuon Jin
  - b) Chew Chuon Ghee
  - c) Lee Hong Lim
2. The Director who is standing for re-appointment, pursuant to Section 129 of the Companies Act, 1965, at the 22nd Annual General Meeting is as follow:-
  - a) Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak
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 2015 to 31 May 2016. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follow:-

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

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

All four (4) Board of Directors' Meetings held during the financial year ended 31 May, 2016:-

<u>Date of Meeting</u>	<u>Venue</u>	<u>Time</u>
26 October 2015	1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	3.00 p.m.
26 January 2016	1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	3.00 p.m.
21 April 2016	1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	3.00 p.m.
26 July 2016	1165, Lorong Perindustrian Bukit Minyak 16, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang.	3.00 p.m.

5. Details of the profile of Directors are set out in the Board of Directors on pages 9 to 11 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 in 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:-
  - (a) Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, who hold directorship as:-
    - (i) Deputy Executive Chairman of SWS Capital Berhad;
    - (ii) Executive Director / Finance Director of Muar Ban Lee Group Berhad; and
    - (iii) Non-Executive Director of Denko Industrial Corporation Berhad.
  - (b) Khairilnuar Bin Tun Abdul Rahman, who hold directorship as:-
    - (i) Independent Non-Executive Director of Muar Ban Lee Group Berhad;
    - (ii) Independent Non-Executive Director of Farlim Group (M) Berhad and
    - (iii) Independent Non-Executive Director of Unimech Group Berhad.
9. Details of the Directors' securities holdings in the Company, and/or in related corporations are set out on pages 111 to 116 of the Annual Report.

## BOARD OF DIRECTORS

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

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A Malaysian, aged 74, was appointed to the Board as the Group Executive Chairman on 13 September 1995. He is founder of the Pensonic Group and remains as Group Executive Chairman.

Y. Bhg. Dato' Seri Chew's vision and stewardship over the past 50 years have steered the Group from a small family business into a leading electrical home appliances manufacturer and distributor in Malaysia. His invaluable experience and vast knowledge in management, production and his extensive network of business connections in Malaysia and overseas have been instrumental in the progressive growth of the Group. Y. Bhg. Dato' Seri Chew's innovative management style and foresight have greatly influenced the numerous advancements and milestones achieved by the Group over the years.

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 GHEE \***

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A Malaysian, aged 44, 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 the Group as Marketing Manager. Subsequently, his role was broadened to encompass the Manufacturing Sector, Human Resources, Sales, Operations, Administration and Finance. He proved to be an astute and capable leader and was promoted to his current position as Managing Director in 2014, in charge of the overall management of the group and focusing on Pensonic's domestic market that is based on a multi brand platform catering to all segments of the local market. He serves as the Chairman of the Malaysian Electrical Appliances Distributors Association (MEADA).

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

### **CHEW CHUON JIN \***

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A Malaysian, aged 47, is the Chief Executive Officer of Pensonic Holdings Berhad Group. He was appointed to the Board of Pensonic Holdings Berhad on 13 September 1995. A Bachelor of Business Administration graduate from the National Cheng Chi University of Taiwan, he joined Pensonic Holdings Berhad Group in 1993 after a short stint in Lapro Corporation in Taiwan, where he learnt about cutting edge manufacturing processes and marketing.

Mr. Chew Chuon Jin specialises in product development, brand building and strategic planning. With his many years of experience in the electrical home appliances industry and excellent entrepreneurial skills, Mr. Chew Chuon Jin has led the successful expansion of the Pensonic brand and products in many countries in Asia. Other than strategic planning for the Group, he is currently managing the export market, and is focusing on initiating new business developments and innovation drive within the Group.

Mr. Chew Chuon Jin also serves as President of the Hong Kong-Malaysia Business Association (HKMBA). Due to his excellent leadership, he was elected as President for two terms, from 2014 to 2016 and again from 2016 to 2018. The HKMBA is fully supported by the Hong Kong Trade Development Council (HKTDC).

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

**BOARD OF DIRECTORS**

(Cont'd)

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

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A Malaysian, aged 61, 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 Council Member of the Malaysian Association of Companies Secretaries. He has over 35 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 also hold directorship in the following public listed companies listed on Bursa Malaysia Securities Berhad:-

- (a) Senior Independent Non-Executive Director of Unimech Group Berhad (appointed on 6 March 2000 and was resigned on 5 July 2016);
- (b) Executive Director/ Finance Director of Muar Ban Lee Group Berhad (with effect from 30 June 2009);
- (c) Independent Non-Executive Director of Denko Industrial Corporation Berhad (with effect from 27 December 2010); and
- (d) The Deputy Executive Chairman of SWS Capital Berhad (with effect from 23 December 2015).

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.

**KHAIRILANUAR BIN TUN ABDUL RAHMAN**

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A Malaysian, aged 51, was appointed as the Independent Non-Executive Director and member of the Audit Committee of Pensonic Holdings Berhad on 28 June 2013. Subsequently, he was appointed as Chairman of Nomination Committee and member of Remuneration Committee on 1 July 2014. During the financial year, En. Khairilnuar was appointed as Chairman of Audit Committee and Remuneration Committee with effect from 17 November 2015.

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 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.

En Khairilnuar also hold directorship in the following public listed companies listed on Bursa Malaysia Securities Berhad:-

- (a) Independent Non-Executive Director of Muar Ban Lee Group Berhad (with effect from 30 June 2009);
- (b) Farlim Group (M) Berhad (with effect from 18 August 2011); and
- (c) Unimech Group Berhad (with effect from 1 October 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.

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

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A Malaysian, aged 69, 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.

Beside sits on the board of several private limited companies, he did not hold other directorship in other public listed companies listed on Bursa Malaysia Securities Berhad.

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

## BOARD OF DIRECTORS

(Cont'd)

### **TAHIR JALALUDDIN BIN HUSSAIN**

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A Malaysian, aged 53, 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 22 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.

Beside sits on the board of several private limited companies, he did not hold other directorship in other public listed companies listed on Bursa Malaysia Securities Berhad.

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

### **LEE HONG LIM \***

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A Malaysian, aged 46, 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 25 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.

Beside sits on the board of several private limited companies, he did not hold other directorship in other public listed companies listed on Bursa Malaysia Securities Berhad.

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

\* Directors who are standing for re-election



## CHAIRMAN'S STATEMENT

*Dear shareholders*

*On behalf of the Board of Directors, it is my pleasure to present to you the Pensonic Holdings Berhad's Annual Report for the financial year ended 31 May 2016.*

The past 12 months was an intense and eventful year which was full of challenges and uncertainty where Global economic climate was in a very cautious and moderate path arising from the slowdown in China's economy growth, plunge of global oil prices and geopolitical tensions in several major economies.

In Malaysia despite the projected economic growth estimated at 5% in 2015, more challenges and market uncertainties are expected in 2016 due the weaken crude oil prices that resulted in sluggish economic growth in most parts of the world. With the implementation of Goods and Services Tax, adjustment of subsidies on commodities and controlled prices, domestic market may be affected by these policies. It is forecasted that Malaysian economic growth is projected to sustain around 4.5% in 2016.

### FINANCIAL PERFORMANCE

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Against this challenging Macro environment, I am pleased to announce that for the current financial year ended 31 May 2016, the Group managed to maintain audited revenue of RM386.2 million with net profit attributable to shareholders of the Group at RM11.2 million (2015: RM17.7 million) for the financial year of 2016. The Group's earnings per share is 8.68 cents in year 2016 as compared to 13.67 cents in year 2015.

The Group's revenue increases by RM0.7 million as compared to previous year RM385.5 million but the Group's before tax profit has decreased by RM6.1 million to RM11.7 million (2015 : RM17.8 million) mainly due to previous year recognition of financial gain on disposal of property of about RM8.4 million. However, the improvement in our operational efficiency has further strengthen our gain in Group operating profits.

Overall, the Group's operation performance during the financial year under review has improved significantly due to various initiatives undertaken by the Group in innovation and focusing on its Operation Efficiency where the Management and its workforce strive for continuous process improvements and achieving common goals and objectives. In addition to that, rationalization exercises were carried out in minimizing losses through cessation of non-performing business units.

### OUR PROSPECT AND BUSINESS STRATEGIES

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PENSONIC believes its primary core competencies in its marketing strategies are the ability to identify the needs of the target customers and communicate its brand image in such a way that it evokes the favorable responses or reactions from its various customer segments.

Based on the recent 2015 Nielsen global survey reports, it was highlighted due to the slow economic growth, an estimated one-third of Malaysian consumer consumption income are now spent on investment on various equity and capital funds for their financial planning. There were cuts in out-of-home-entertainment and significant reduction was also reported on consumer spending toward fashion and clothing. In addition to that, consumers approach towards spending are now more cautious and geared towards more affordable grocery brands and home appliances.

In view of this, we see this as an opportunity to focus on building a strong market share based on our capability and cost performance of our products. PENSONIC has a wide range of brands to cater for various market segments ranging from mass, mid high and niche markets. Among the premium brand available in the market are Cornell, Lebensstil Kollektion, Indesit and Gaggia. With such market sentiment, the combination of various brand mix has given the consumer more choices and affordable options to choose from and this has helped to contribute to the sustainable business growth and its revenue.

## CHAIRMAN'S STATEMENT

(Cont'd)

### OUR PROSPECT AND BUSINESS STRATEGIES (CONT'D)

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PENSONIC remains focus on its business strategies through product diversity and innovations with constant emphasis on crafting high quality products and value added engineering to justify its product trustworthy, reliability and customer satisfaction in the discerning market. Needless to say, careful adaptation and forethought planning are the core Management efforts and adeptness in maximizing profitability for both local and overseas market.

We shall continue to look forward to recognize the timing and business opportunities that are available in this industry with constant product research and exploration into potential market. We shall continue to embark on the best resources to deliver our product through home appliances innovations and developments right to the effective business operations, distributions and services.

PENSONIC is fully dedicated to the growth through market share expansion in both local and global business dimension, building customer relationships and ensuring PENSONIC leading edge in the Electrical Home Appliances business for years to come.

### OUR PEOPLE OUR VALUABLE ASSET

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PENSONIC recognizes and acknowledges the importance of developing the human capital. Employees are the pillar to the growth and success of the organization. We always ensure the objectives and goals of the employees and organization are aligned with the organizations' core values. We are convinced that the Organization grows together with the employees and that the success which PENSONIC has achieved over many years were based on the wealth of ideas, innovation and commitments of our employees.

We appreciate the commitment and the expertise of our Employees as an essential factor in the contribution to the positive and successful development of our organization. These metaphors that instill in the organization, impart the confidence that PENSONIC will continue to be successful in human engagement and development and ever ready in meeting the challenges of the future. We set it as a main goal to permanently nurture our employees and harness their potential to their best.

### OUR DIRECTION AND FUTURE OUTLOOK

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PENSONIC shall continue to focus in increasing the overall Operation Efficiency and management of overhead through cost rationalization. In order to remain competitive, PENSONIC shall be generating sustainable growth in operating margin and continue to improve the quality and standard of our products through value added engineering to our customer.

At the same time, the Board takes corporate governance equally seriously and practices highest level of integrity and ethical conduct throughout our organization. The Board appreciates the adopting of the corporate governance best practices within the Group in order to safeguard stakeholders' interests as well as enhancing shareholders' value.

The Board is committed to deliver business strategies through performance, control and ownership without compromising Corporate Ethics and Integrity.

## CHAIRMAN'S STATEMENT

(Cont'd)

### REWARDING OUR SHAREHOLDERS

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The Group's ultimate measure of success is its consistent enrichment of its shareholders and the Board is pleased to recommend a first interim single tier dividend of 1.0 cents per ordinary share for the financial year ended 31 May 2016 which have been declared on 26 July 2016 by the Board and paid on 15 September 2016.

The Board also recommends final dividend of 2.0 cents per ordinary share for the financial year ended 31 May 2016 (2015: 2.0 cents) which is subject to approval of the shareholders at the forthcoming Annual General Meeting.

### APPRECIATION

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On behalf of the Board of Directors, I wish to extend our sincere appreciation to all our valued shareholders, customers, business associates, financiers, governmental authorities and partners for their continued support during the year.

Our thanks and gratitude also goes to the management team and all employees across the Group for their hard work and invaluable contribution in delivering a solid and impressive return for our Group. With the skill, expertise, dedication, loyalty and continuing commitment and hard work from the employee, the Group will emerge stronger to take on new challenges and opportunities in years ahead.

To my fellow Board members, I wish to express my deepest appreciation for their wisdom, contribution and counsel in steering the Group.

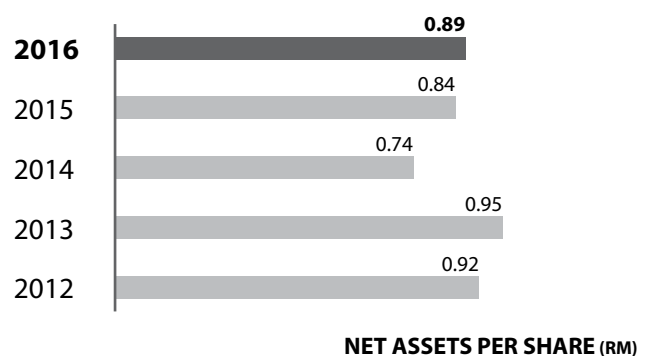
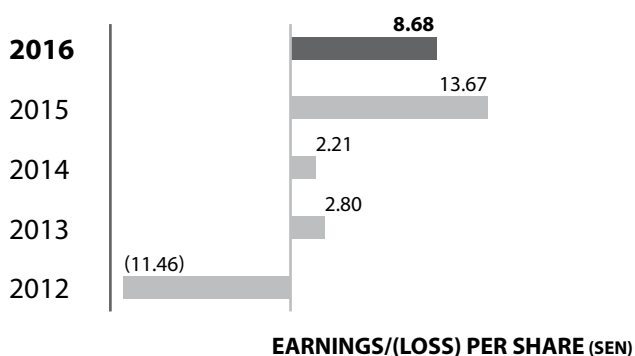
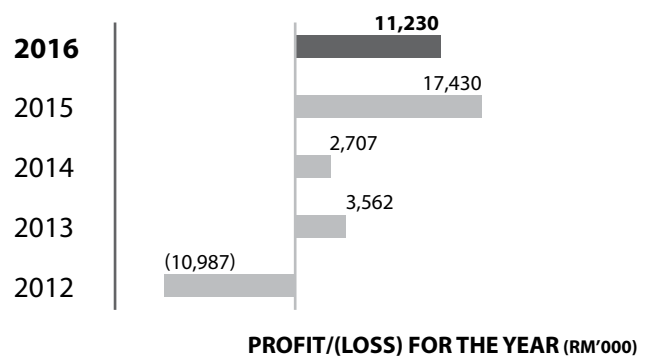
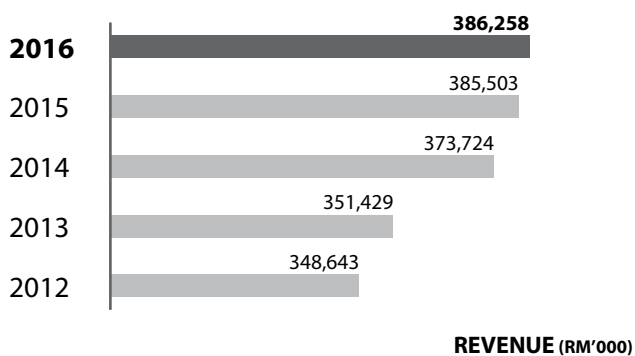
Finally, we are grateful for the continuous support from our shareholders.

**Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak**  
*Group Executive Chairman*  
13 September 2016

**FINANCIAL HIGHLIGHTS**

AS OF 31 MAY 2016

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>					
Revenue	348,643	351,429	373,724	385,503	<b>386,258</b>
Profit/(Loss) before tax	(11,064)	3,943	1,846	17,851	<b>11,754</b>
Profit/ (Loss) for the year	(10,987)	3,562	2,707	17,430	<b>11,230</b>
Profit/ (Loss) for the year attributable to owners of the Company	(10,615)	3,627	2,870	17,726	<b>11,250</b>
Net dividend proposed	1,216	1,702	2,593	4,538	<b>3,890</b>
<b>STATEMENTS OF FINANCIAL POSITION</b>					
Total Assets	241,523	240,017	254,730	265,167	<b>266,933</b>
Share Capital	46,310	46,310	64,834	64,834	<b>64,834</b>
Total equity attributable to owners of the Company	85,491	87,933	95,572	108,323	<b>115,871</b>
<b>FINANCIAL RATIOS</b>					
Return on shareholders' equity	(12.42%)	4.12%	3.00%	16.36%	<b>9.71%</b>
Basic earnings/ (loss) per share (sen)	(11.46)	2.80	2.21	13.67	<b>8.68</b>
Net assets per share (RM)	0.92	0.95	0.74	0.84	<b>0.89</b>
Dividend rate	3.5%	3.5%	4.0%	7.0%	<b>6.0%</b>



## STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Pensonic Holdings Berhad ("PENSONIC" or "the Company") observes the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or "the Code") and ensures that the highest standards of corporate governance are practiced throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

This Corporate Governance Statement ("Statement") sets out how the Group has applied the 8 Principles ("Principles") of the MCCG 2012 and observed the 26 Recommendations supporting the Principles during the financial year under review. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

### **PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT**

The Board recognizes the key role it plays in charting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- (a) review, evaluate, adopt and approve the strategic plans and policies for the Company and the Group and address the sustainability of the Group's business;
- (b) oversee and monitor the conduct of the Group's business and financial performance and major capital commitments of the Company and the Group;
- (c) review financial results of the Company and the Group, monitor compliance with applicable accounting standards and integrity and adequacy of financial information disclosure;
- (d) identify principal business risks and assess the appropriate risk management system and internal control to be implemented to manage these risks;
- (e) review, evaluate and approve any major corporate proposals, new business ventures or joint venture, material acquisition and disposal of undertakings and assets of the Group;
- (f) develop a corporate code of conduct to address, amongst others, any conflicts of interest relating directors, major shareholders and/or management;
- (g) establish and oversee a succession planning programme for the Company and the Group including the remuneration and compensation policy thereof;
- (h) establish, review and implement corporate communication policies with shareholders and investors, other key stakeholders and public; and
- (i) review and determine the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, to examine specific issues within their respective Terms of Reference as approved by the Board and report to the Board with their recommendations. Board may form such other committees from time to time as dictated by business imperative and/or to promote operational efficiency. The ultimate responsibility for decision making, however, lies with the Board.

#### **(a) The Board and Board Balance**

The Board of Directors has overall responsibility for strategic planning and direction, setting the corporate goals, organizing resources, monitoring the achievement of goals and identifying critical business risks. The Board assumes full responsibility for the overall performance of the Group by providing leadership and direction as well as management supervision. 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 Board consists of eight (8) members comprising four (4) Executive Directors, and four (4) Non-Executive Directors. All the four Non-Executive Directors also act as Independent Directors. The Board has complied with Paragraph 15.02 (1) of the Main Market Listing Requirements ("MMLRs") of Bursa Malaysia Securities Berhad 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 independence 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.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

### (a) The Board and Board Balance (Cont'd)

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 result 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 Managing Director 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 is to ensure effectiveness of the Board while the Managing Director manages the Group's day-to-day activities in achieving corporate and business objective. The Independent Non-Executive Directors are not employees and do not take in the daily management and the day-to-day operations of the Group. However, they bring an outside perspective and assist to develop proposals on strategy, assess the performance of the management in achieving goals and objectives and monitor the risk profile of the Group's business. They 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.

Key matters reserved for the Board's approval include the overall strategic direction of the Group, annual operating and capital expenditure budget, dividend policy, expansion of core business, structure and capital e.g. issuance of new securities and ensuring that there is a sound system of internal control and risk management in place.

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 is of the opinion that although it does not 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, regulations, 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 and Code of Conduct. The Board Charter and Code of Conduct are subject to review by the Board periodically to ensure that its remains consistent with the Board's objectives and responsibilities. The Board Charter and Code of Conduct are also available on the Group's website at [www.pensonic.com](http://www.pensonic.com).

### (b) Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact of the Group's business on the environmental, social and governance ("ESG") aspects is taken into consideration.

The Group's activities on corporate social responsibilities for the financial year under review are disclosed on the Corporate Social Responsibility Statement which formed part of this Annual Report.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

### (c) Access to Information and Advice

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, Board members have full and unrestricted access to all information pertaining to the Group's business and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Charter in furtherance of their duties.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretary constantly keeps himself abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training. The removal of the Company Secretary is a matter for the Board, as a whole to decide.

## PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

As at the date of this Statement, the Board consists of eight (8) members comprising four (4) Executive Directors of whom one is also the Managing Director and four (4) Independent Non-Executive Directors. This composition fulfils the requirements as set out under the MMLRs, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as entrepreneurship; finance; taxation; accounting and audit and legal and economics.

### (a) Nomination Committee –

#### (i) Selection and Assessment of Directors

The Nomination Committee had conducts an assessment on the performance of the Board, as a whole, based on a self-assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considers and approves recommendations by the Nomination Committee on the re-election and re-appointment of Directors at the Company's forthcoming annual general meeting. The Board recognizes the importance of the role the Nomination Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance of which the Nomination Committee can assist the Board to discharge its fiduciary and leadership functions.

As at the date of this Statement, the Nomination Committee comprises the following members:

Directors	Designation
Khairilnuar Bin Tun Abdul Rahman	Chairman Independent Non-Executive Director
Loh Eng Wee (retired with effective from 17 November 2015)	Member Independent Non-Executive Director
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Member Independent Non-Executive Director
Lee Hong Lim	Member Independent Non-Executive Director

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

### (a) Nomination Committee – (Cont'd)

#### (ii) Appointment/ Composition

- The Nomination Committee members shall be appointed by the Board of Directors and shall comprise exclusively of Non-Executive Directors and majority of whom must be independent.
- The Nomination Committee shall consist of not less than two (2) members.
- The Chairman of the Nomination Committee should be a senior independent director. En. Khairilnuar Bin Tun Abdul Rahman, the Chairman of Nomination Committee, has been identified as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

#### (iii) Duties and responsibilities

- Review the composition and size of the Board of Directors and determine the criteria for membership on the Board of Directors, which may include, among other criteria, issues of character, judgment, independence, gender diversity, age, expertise, corporate experience, length of service, other commitments and the like;
- Conduct periodic evaluations of the Board of Directors as a whole;
- Identify, consider and select, or recommend for the selection of the Board of Directors, candidates to fill new positions or vacancies on the Board of Directors and Board Committees;
- Evaluate the performance of individual members of the Board of Directors eligible for re-election and re-appoint, and select, or recommend for the selection of the Board of Directors, the director nominees for election to the Board of Directors by the stockholders at the annual general meeting;
- Periodically review the composition of each committee of the Board of Directors and make recommendations to the Board of Directors for the creation of additional committees or the change in mandate or dissolution of committees; and
- To give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the required skills and expertise that are needed by the Board in future. Insofar as board diversity is concerned, the Board does not intend to develop any specific policy on targets for women Director. The Board believes that the on-boarding process of Directors should not be based on any gender discrimination. As such, the evaluation of suitable candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as independent non-executive directors, as the case may be.

#### (iv) Authority

The Nomination Committee is authorized by the Board to carry out its duties mentioned above and the other Directors and employees of the Group are required to give full assistance to the Nomination Committee in discharging their duties. In addition, the Nomination Committee is also authorized to seek for external professional expertise when required.

#### (v) Meetings

The Nomination Committee will meet at least once per year unless otherwise determined by the Nomination Committee. The Nomination Committee will provide the schedule of Nomination Committee meetings to the Board of Directors. The quorum of the Nomination Committee meeting shall be at least two (2) members and comprised a majority of independent directors.

Special meetings may be convened as required. The Nomination Committee, or its Chair, shall report to the Board of Directors on the results of these meetings. The Nomination Committee may invite to its meetings other Directors, Company management and such other persons as the Nomination Committee deems appropriate in order to carry out its responsibilities.

The Nomination Committee met one during the financial year under review.



**STATEMENT OF CORPORATE GOVERNANCE**

(Cont'd)

**PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)****(b) Remuneration Committee**

The Remuneration Committee was established to assist the Board in the adoption of fair remuneration practices to attract, retain and motivate Executive Directors.

As at the date of this Statement, the Remuneration Committee comprises the following members:

<b>Directors</b>	<b>Designation</b>
Khairilnuar Bin Tun Abdul Rahman	Chairman Independent Non-Executive Director
Loh Eng Wee (retired with effective from 17 November 2015)	Member Independent Non-Executive Director
Tahir Jalaluddin Bin Hussain	Member Independent Non-Executive Director
Lee Hong Lim	Member Independent Non-Executive Director

**(i) Appointment/ Composition**

- The Remuneration Committee members shall be appointed by the Board of Directors.
- The Remuneration Committee shall consist of not less than two (2) members.
- The majority of the Remuneration Committee members shall be Independent Non-Executive Directors.

**(ii) Duties and responsibilities**

- To establish and recommend to the Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by the Company and/or the Group etc.
- To consider other remunerations or rewards to retain and attract Executive Directors.

**(iii) Meetings**

The Remuneration Committee shall meet at least once a year and at such times, whenever they deemed necessary. The quorum of the Remuneration Committee meeting shall be two (2) members and comprised a majority of independent directors.

Participants may be invited from time to time to attend the Remuneration Committee meeting depending on the nature of the subject under review.

The Remuneration Committee met one (1) during the financial year under review.

The determination of the remuneration for the Non-Executive Directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package. The Board recommends the directors' fees payables to Non-Executive Directors on a yearly basis to shareholders for approval at the Annual General Meeting ("AGM").

Directors' remuneration in aggregate, with categorization into appropriate components, distinguishing between Executive and Non-Executive Directors during the financial year ended 31 May 2016, is as follows:

<b>Category</b>	<b>Fees RM</b>	<b>Salaries &amp; Other Emoluments RM</b>	<b>Total RM</b>
Executive Directors	80,000	1,806,025	1,886,025
Non-Executive Directors	45,000	122,000	167,000

## STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

### PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### (b) Remuneration Committee (Cont'd)

The number of Directors of the Company, whose total remuneration during the financial year under review fell within the following successive bands of RM50,000 is as follows:

Range of Remuneration in RM	Number of Directors	
	Executive Director	Non-Executive Director
Below 50,000	–	4
50,000 - 100,000	1	–
100,001 - 150,000	–	–
150,001 - 200,000	–	–
200,001 - 250,000	–	–
250,001 and above	3	–

In respect of the non-disclosure of detailed remuneration of each Director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this Statement.

### PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The roles of Independent Non-Executive Directors are vital for the successful direction of the Group as they provide independent professional views, advice and decisions to take into account the interest of the Group, shareholders, employees, customers, suppliers and many others of which the Group conducts business.

The existing four (4) Independent Non-Executive Directors are able to express their opinions without any constraint. This strengthens the Board who benefits from the independent views expressed before any decisions are taken. The Group has made available a dedicated electronic email, [info@pensonic.com] to which stakeholders can direct such concerns to be reviewed and addressed by the Board accordingly.

The Policy on Assessing Independence of Directors ("Policy") approved by the Board as sets out policies and procedures to ensure the effectiveness of the Independent Non-Executive Directors on the Board, including new appointments. The Board, through the Nomination Committee, assesses the independence of Non-Executive Directors annually using the Policy, which is in line with Recommendation 3.1 of the MCCG 2012, as one of the factors in determining their eligibility to stand for re-election/ re-appointment. The Nomination Committee reviewed and was satisfied that all the Independent Non-Executive Directors had satisfied the criteria for an Independent Director as prescribed in the MMLRs. The Nomination Committee was also satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company and the Group.

On the other hand, the Board also observes Recommendation 3.2 of the MCCG 2012 whereby an Independent Director may continue to serve on the Board upon reaching the nine (9)-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the AGM of the Company. The key justifications as Independent Non-Executive Director are as follows:

- He fulfils the criteria under the definition of Independent Director as stated in the MMLRs and, therefore, is able to bring independent and objective judgment to the Board as a whole;
- His experience in the relevant industries has enabled him to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills and competence; and
- He has been with the Company long and therefore understands the Company's business operations which enables him to contribute actively and effectively during deliberations or discussions at Board and Committee meetings.

Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)

None of the Independent Non-Executive Directors hold office as at date of this Statement has reached nine (9) years of service since their appointment and/or election as Directors as at the date of this Statement.

The Managing Director, Mr. Chew Chuon Ghee is responsible for the overall performance of the Group operations, organization effectiveness and financial performance. As the Group Managing Director, supported by fellow Executive Directors and an Executive Management team, he implements the Group's strategies, policies and decision adopted by the Board and oversees the operations and business development of the Group.

The Board of Directors is chaired by Y. Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak, Executive Chairman, whose responsibility is to ensure Board effectiveness, corporate affairs, and implementation of Board policies and decisions of the Group. The Executive Chairman is an executive member of the Board and is not an independent director by virtue of his substantial interest in the Company.

However, the Board believes that he is well placed to act on behalf of the shareholders in their best interests. On the other hand, the existing Independent Non-Executive Directors account for more than one third (1/3) of the Board, where the Chairman of the Board is regarded as a Non-Independent Director pursuant to Recommendation 3.5 of the MCCG 2012. With such strong representation of high calibre Independent Non-Executive Directors, the Board is of the view that not only they represent the investment of the public and the minority shareholders as a whole, they also provide the necessary balance to the Board notwithstanding that both the Managing Director and the Executive Chairman are the major shareholders of the Company. Given such, it is not necessary to nominate an Independent Director as Chairman or to nominate additional Independent Director in order to get members of the Board comprise a majority of Independent Directors as recommended by the Code at this juncture. However, the Board will continuously review and evaluate the Recommendation 3.5 of the MCCG 2012 from time to time.

## PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committees papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members at least seven (7) days before the meeting to allow the Directors sufficient time to study for effective discussion and decision making at the meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

This is evidenced by the attendance record of the Directors at Board of Directors during the financial year under review.

Name	Designation	Attendance	Percentage (%)
Y.Bhg. Dato' Seri Chew Weng Khak @ Chew Weng Kiak	Group Executive Chairman	4/4	100%
Chew Chuon Ghee	Managing Director	3/4	75%
Chew Chuon Jin	Chief Executive Officer	4/4	100%
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	Executive Director	4/4	100%
Khairilnuar Bin Abdul Rahman	Independent Non-Executive Director	4/4	100%
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Independent Non-Executive Director	4/4	100%
Tahir Jalaluddin Bin Hussain	Independent Non-Executive Director	3/4	75%
Lee Hong Lim	Independent Non-Executive Director	4/4	100%

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

As stipulated in the Charter, the Directors are required to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Notwithstanding that no specific quantum of time has been fixed, all the Board members are required to notify the Board before accepting any new directorship. Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five public listed companies (as prescribed in Paragraph 15.06 of MMLRs).

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Executive Chairman and/or Company Secretary, where applicable.

### Directors' Training – Continuing Education Programme

The Board also oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Group's operating centers to have an insight on the operations which would assist the Board to make effective decisions.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfil their duties as Directors. Any Director so appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four months from the date of appointment.

The details of the relevant training sessions attended by each Director during the financial year under review are as follow:-

Name	Training Programme	Date
Chew Chuon Ghee	• Seminar on 2016 Budget	12.11.2015
	• Seminar on Projecting a Professional and confident Image	22.02.2016
Chew Chuon Jin	• Hong Kong Malaysia Business Association – How To Survive & Thrive Driving An Economic Slowdown	26.11.2015
	• Hong Kong Forum	01-03.12.2015
	• Project Citizens Forum What Makes Hong Kong An International Finance Centre?	15.04.2016
	• Belt and Road Summit Navigating a World of New Opportunities Through Hong Kong	18.05.2016
Y. Bhg. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	• Secretarial compliance Issue	18.09.2015
	• Monthly Tax Deduction – Final Tax	18.09.2015
	• Issue under the Proposed New Companies Bill	19.09.2015
	• SAME Financial Roadshows	26.11.2015
	• Focus Group Series : Corporate Governance Disclosures	06.04.2016
Khairilnuar Bin Abdul Rahman	• SAME Financial Roadshows	26.11.2015
Lee Hong Lim	• Common GST Errors and Validating GST Return	14.07.2015
	• Tax Updates	21.07.2015
	• Half Day Seminar on Quality Control	04.09.2015
	• Seminar Percukaian Kebangsaan 2015	03.11.2015
	• The 2016 Budget Seminar	25.11.2015

## STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

### PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

#### Directors' Training – Continuing Education Programme (Cont'd)

Directors who did not attend any training course during the financial year under review were due to other work and business commitment, will make great effort to attend training, seminar and/or conference to enhance their knowledge in moving forward.

The Company Secretary normally circulates the relevant statutory and regulatory requirements from time to time for the Board's reference and briefs the Board on the updates, where applicable. External Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements for the financial year under review.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

### PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

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 each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa Securities, the annual audited financial statements of the Group and the Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant.

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 the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

In assisting the Board to discharge its duties on financial reporting, the Board established the Audit Committee, comprising wholly Independent Non-Executive Directors, with En. Khairilnuar Bin Tun Abdul Rahman as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report on this Annual Report. One (1) of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and the Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 1965. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual audited financial statements.

The Audit Committee, without the presence of Executive Board members and Management also meets with the External Auditors at least twice during each financial year to exchange free and honest views on issues which the External Auditors may wish to discuss in relation to their audit plans and audit findings.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has formalized and adopted Non-Audit Services Policy for the types of non-audit services permitted to be provided by the External Auditors, including the need for the Audit Committee's approval in writing before such services can be provided by the External Auditors. To address the "self-review" threat faced by the External Audit Firm, the procedures to be included in the policy require the engagement team conducting the non-audit services to be different from the External Audit team.

In addition, the Audit Committee is also empowered by the Board to review any matters concerning the appointment and reappointment, resignations or dismissals of External Auditors and review and evaluate factors relating to their independence. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

In assessing the independence of External Auditors, the Audit Committee will seek assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

In this regard, the Audit Committee had assessed the independence of Messrs. UHY as External Auditors of the Company as well as reviewed the level of non-audit services rendered by UHY to the Company for the financial year under review. The Audit Committee was satisfied with the technical competency and audit independence of UHY. Having satisfied itself with the performance of and fulfilment of criteria as set out in the Non-Audit Services' Policy by the External Auditors, the Audit Committee recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the 22nd Annual General Meeting.

## STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

### PRINCIPLE 6 – RECOGNISE AND MANAGE RISK OF THE GROUP

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represent the key elements of the Group's risk management and internal control structure:

- (a) An organizational structure in the Group with formally defined lines of responsibility and delegation of authority;
- (b) Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives, the major risks and opportunities in the operations and ensuing action plans;
- (c) Quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment; and
- (d) Active participation and involvement by the Group Executive Chairman and Managing Director in the day-to-day running of the major businesses and regular discussions with the senior management of smaller business units on operational issues.

Recognizing the importance of having risk management processes and practices, the Board had formalized an Enterprise Risk Management framework to provide Management with structured policies and procedures to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks vis-à-vis the risk parameters of the Group.

The responsibilities of identifying and managing risks are delegated to the respective. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Statement on Risk Management and Internal Control which provides an overview of the state of risk management and internal control within the Group is form part of this Annual Report.

The Audit Committee will assist the Board in overseeing the risk management framework of the Group and review the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.

In line with the MCG 2012 and the MMLRs, the Company has outsourced the internal audit function to CH International as Internal Auditors, who reports directly to the Audit Committee on the adequacy and effectiveness of the Group's internal controls. The internal audit function is independent of the activities. The activities of internal audit conducted during the financial year under review is provided the Audit Committee Report on this Annual Report.

### PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to be made to the regulators, shareholders and stakeholders. Accordingly, the Board will formalize corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the MMLRs, but also setting out the persons authorized and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

The Company has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by the Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

The Company's corporate website at [www.pensonic.com](http://www.pensonic.com) provides all relevant information on the Company and the Group included announcements to the Bursa Malaysia, matter related to corporation governance and financial information on quarterly results and Annual Reports.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

### (a) Shareholders participation at general meeting

The Company recognizes the importance of maintaining transparency and accountability to its shareholders. The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders. In this regard, the Board will ensure that all the Company's shareholders and stakeholders are treated equitably and the rights of all investors, including minority shareholders, are protected.

The annual general meeting ("AGM"), which is the principal forum for shareholders dialogue, allow shareholders to review the Group's performance via the Company's Annual Report and raise questions to the Board for clarification as well as for the Chairman of the AGM to provide an overview of the Company's progress and receive questions from shareholders. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general.

The Notice of AGM is circulated to shareholders at least twenty-one (21) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. Where special business items appear in the Notice of AGM, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item.

At the last 21st AGM held on 17 November 2015, a question and answer session was held where the Chairman of the AGM invited shareholders to raise questions with responses from the Board and Senior Management.

The Board was of the view that with the level of attended shareholders at the last AGM, voting by way of a show of hands was efficient to monitor and control. All the resolutions set out in the Notice of the last AGM were put to vote by a show of hands and all resolutions were duly passed. The outcome of the last AGM was announced to Bursa Securities on the same meeting day. Copy of 21st AGM minute was uploaded in the website of the Group at [www.pensonic.com](http://www.pensonic.com).

Pursuant to the Paragraph 8.29A (1) of MMLRs, the Company is required to ensure that any resolution set out in the notice of general meeting is voted by poll. Therefore, all the resolutions to be passed at the forthcoming 22nd AGM will be voted by poll.

To in line with Paragraph 7.21A (2) of MMLRs for further promoting participation of members through proxies, the information regarding procedures and the rights of the members, corporate representatives and proxies present to speak and vote by show of hands and by poll on the resolutions set out in the Notice of AGM will be briefed via an explanatory note provided during the registration process and/or by the Chairman of the AGM and general meetings at the commencement of such meetings. Following the removal of the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account under the MMLRs, the beneficial owners of shares will have greater participation at general meetings of the Company. The Articles of Association of the Company further entitles a member to vote in person, by corporate representative, by proxy or by attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll as if they were a member of the Company.

### (b) Communication and engagement with shareholders and prospective investors

The Board recognizes the importance of being transparent and accountable to the Company's shareholders and prospective investors. The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the annual and extraordinary general meetings and through the Group's website at [www.pensonic.com](http://www.pensonic.com) where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail [info@pensonic.com](mailto:info@pensonic.com) to which stakeholders can direct their queries or concerns.

### (c) Investor Relations

The Company takes into consideration the shareholder's rights to access information relating to the Company and has thusly, taken measures to enable the Company to communicate effectively with its shareholders, prospective investors, stakeholders and public generally with the intention of giving them a clear picture of the Group's performance and operations.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## COMPLIANCE STATEMENT

This Statement on the Company's corporate governance practices is made in compliance with Paragraphs 15.25 and 15.08A of the MMLRs. Save and except for those stated therein, the Board considers and is satisfied that the Company complied with the Principles and Recommendations of the MCGG 2012, the relevant chapters of the MMLRs on corporate governance and all applicable laws and regulations throughout the financial year under review.

This Statement was approved by the Board on 13 September 2016.



## AUDIT COMMITTEE REPORT

Pursuant to Paragraph 15.15 of the Bursa Malaysia Securities Berhad Listing Requirements (“MMLRs”), the members of Audit Committee of Pensonic Holdings Berhad (“Pensonic” or “the Company”) are pleased to present the Audit Committee Report (“the Report”) of Pensonic and its subsidiaries (“the Group”) for the financial year ended 31 May 2016.

### OBJECTIVE

The primary objectives of the Audit Committee are as follow:

- (a) To assist the Board of Directors in discharging its fiduciary responsibilities, particularly in area relating to corporate accounting and financial reporting practice of the Company and the Group;
- (b) To ensure the adequacy and effectiveness of the Group’s internal control system and business ethics policies.
- (c) Provide greater emphasis on the audit function by serving as the focal point for communication between non-Committee Directors, the external auditors, internal auditors and management and providing a forum for discussion that is independent of the management.
- (d) It is to be the Board’s principal agent in assuring the independence of the Company’s external auditors, the integrity of the management and the adequacy of disclosures to shareholders; and
- (e) Undertake such additional duties as may be appropriate and necessary to assist the Board.

### COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations who have served during the financial year ended 31 May 2016 are as follows:

Member	Designation
Loh Eng Wee (retired with effective from 17 November 2015)	Chairman (Independent Non-Executive Director)
Khairiluanar Bin Tun Abdul Rahman (appointed with effective from 17 November 2015)	Chairman (Independent Non-Executive Director)
Y. Bhg. Dato’ Lela Pahlawan Dato’ Wira Ku Nahar Bin Ku Ibrahim	Member (Independent Non-Executive Director)
En. Tahir Jalaluddin Bin Hussain	Member (Independent Non-Executive Director)
Lee Hong Lim	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.

# AUDIT COMMITTEE REPORT

Cont'd

## TERMS OF REFERENCE (CONT'D)

### • Membership (Cont'd)

The Company must appoint an Audit Committee from amongst its Board of Directors which fulfils the following requirements:  
(Cont'd)

- (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 MMLRs 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 three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

### • Meetings and Procedures

The Audit Committee shall meet at least four (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 quorum for a meeting shall be two (2) members, and if only two members present both of them must be independent directors. If the member of members present for the meeting is more than two (2), the majority of members present must be independent directors.

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.

A resolution in writing signed or approved by a majority of members of the Audit Committee and who are sufficient to form a quorum shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called.

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 2016, the Audit Committee held a total of five (5) meetings, the details of attendance of which are as follows:

Member	No. of meetings attended
Loh Eng Wee (retired with effective from 17 November 2015)	1 of 5
Khairilnuar Bin Tun Abdul Rahman	5 of 5
Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	5 of 5
Tahir Jalaluddin Bin Hussain	4 of 5
Lee Hong Lim	5 of 5

The Head of Finance, Internal Auditors and External Auditors of the Group were attended the meetings held during the financial year by the invitation of the Audit Committee.

# AUDIT COMMITTEE REPORT

(Cont'd)

## TERMS OF REFERENCE (CONT'D)

### • **Authorities of the Audit Committee**

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

- (a) Have the authority to investigate any matter within its Terms of Reference.
- (b) Have the resources which are required to perform its duties.
- (c) Have full and unrestricted access to any information pertaining to the Group.
- (d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- (e) Be able to obtain and seek outside legal and other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (f) 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.
- (g) Review any significant transactions which falls under any one of the percentage ratios indicated in Paragraph 10.02 (g) of the MMLRs 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 the Group.

### • **Functions of the Audit Committee**

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

- (a) 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;
  - (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 annual financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (1) changes in or implementation of major accounting policy changes;
    - (2) significant and unusual events;
    - (3) significant adjustments arising from the audit;
    - (4) the going concern assumption; and
    - (5) 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 the Group including any transaction, procedure or course of conduct that raises questions on management integrity;

# AUDIT COMMITTEE REPORT

Cont'd

## TERMS OF REFERENCE (CONT'D)

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

The Audit Committee shall, amongst others, discharge the following functions: (Cont'd)

- (a) To review the following and report the same to the Board of Directors: (Cont'd)
  - (xii) 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.
- (b) To recommend the nomination of a person or persons as external auditors.
- (c) To review all areas of significant financial risks and the arrangement in place to contain these risks to acceptable levels
- (d) 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.
- (e) 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 2016, 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:

- (a) Reviewed the Audit Plan of internal audit and external audit.
- (b) Review and discuss the internal audit reports issued by the internal auditors for audit assignments carried out during the financial 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.
- (c) 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.
- (d) Review the annual audited financial statements of the Company and the Group and made relevant recommendations to the Board of Directors for approval.
- (e) 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.
- (f) To evaluated the performance of External Auditors covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as their audit fee.
- (g) 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.
- (h) Review the Group's key operational and business risks area and the policies in place to address and minimize such risks.
- (i) Review the procedures for identification of related party transactions of the Group.
- (j) Review and discuss the Audit Committee Report, Statement of Corporate Governance and Statement on Risk Management and 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, ("the Internal Auditors") to provide outsourced internal audit function for the Group in order to assist the Audit Committee in discharging its duties and responsibilities. The Internal Auditors report directly to the Audit Committee. The internal audit function is independent of the activities or operations of other operating units. 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 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.

For the financial year under review, the internal audit had conducted the following activities:-

- (a) Tabled the internal audit plan for Audit Committee's review and endorsement.
- (b) Reviewed the existing systems, controls and governance processes of various operating units within the Group;
- (c) Conducted internal auditing and review on selected operating units and evaluated risk exposures relating to the Group's governance process and system of internal controls on reliability and integrity of financial and operational information, safeguarding of assets, efficiency of operations, compliance with established policies and procedures and statutory requirements.
- (d) Presented internal audit report to the Audit Committee for review and provides the Committee with independent and objective assurance on the adequacy and integrity of its system of internal controls. The internal audit reports were incorporated with audit recommendations and management's responses in relation to audit findings on weaknesses in the systems and controls to the Audit Committee and the management of the respective operations. The provided recommendations were to assist the various operating units and the Group in accomplishing its internal control requirements by suggesting improvements to the control processes. During the financial year, a total of two (2) internal audit reports were presented by the Internal Auditors.
- (e) Followed up review to ensure that the agreed internal audit recommendations are effectively implemented.

The cost of internal audit services rendered by the independent professional accounting firm in respective of the financial year was amounted RM20,000 (2015: RM20,000).

## TERMS OF REFERENCE OF AUDIT COMMITTEE

The Terms of Reference of the Audit Committee can be viewed on the Group's website at [www.pensonic.com](http://www.pensonic.com).

This Report is issued in accordance with a resolution of Directors and Audit Committee dated 13 September 2016.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian 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. Pursuant to Paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements ("MMLRs") of Bursa Malaysia Securities Berhad in relation to requirement to prepare a statement about the state of risk management and internal control of the listed issuer as a group.

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 ("the Group") and in compliance with the MMLRs and the Statement of Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guidelines"). The Board is pleased to present the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 May 2016.

### BOARD RESPONSIBILITIES

The Board acknowledges the importance of maintaining an effective risk management and internal control system.

The Board has ultimate responsibility for the Group's risk management and internal control system being embedded into the culture, processes and structures of the Group to achieve the following objectives:-

- Adequate and effective to safeguard the shareholders' investment and assets of the Group;
- Identifying, evaluating, monitoring and manage risk that affecting the business of the Group;
- Business objective is achieve through effectiveness and efficiency of Operation;
- Ensure compliance with regulatory requirement; and
- Ensure the integrity and reliability of financial information.

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.

The Board is of the view the risk management and internal control system in place, adequate and effective to safeguard the interests of the Company and its shareholders.

### 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.

# 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:-

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- Code of ethics are established to all employee to ensure high standards of conduct and ethical values in all business practices; and
- The management has set the tone of control consciousness and employee conduct. There is also in place, a set of documented internal policies and procedures for operational and human resources management, which is subject to review and improvement;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- Meeting held at Management and Operation level to review the performance. Relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- The Executive Directors are kept updated on the Group's activities and its operations on a monthly basis through EXCO meeting held. The Managing Director presented the Group's monthly results, corporate proposal, business operation for decisions making, recommendations and feedback from Management.
- The Board and Audit Committee meets quarterly to review and evaluate the Group's financial performance, results, operation progress 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.
- Visits of operating units by members of the Board and Senior Management to formulate strategies and address the issues arising from changes in both the external business environment and internal control environment.

## 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 2016, a number of internal control weaknesses were identified, 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)

## REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board has reviewed the adequacy and effectiveness of the Group's risk management activities and internal control frameworks and ensure that necessary actions have been taken or rectified during the financial year under review.

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 financial 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 two associates namely, 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 MMLRs, 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 2016 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 13 September 2016.



## 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 Companies 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 2016, 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 2016, and the profit and loss for the financial year ended 31 May 2016 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 13 September 2016.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT



Corporate Social Responsibility ("CSR") is an integral part of any organization's business success and contributes to the welfare of employees, society at large and communities in the environment it operates. This approach to business that balances economic, social and environmental interests is commonly referred to as CSR or Sustainability. The Board of Directors of Pensonic Holdings Berhad regard the need for CSR as a vital part of its business operations and practices.

CSR initiatives undertaken by the Group are summarized as below:

## **ENVIRONMENT**

Pensonic Holdings Berhad and its subsidiaries ("the Group" / "Pensonic" / "we") 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 impacts from manufacturing operations, waste disposal, product design and packaging.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

(Cont'd)

## MANUFACTURING OPERATION

At Pensonic, sustainable production and operations refer to taking measures to supply and manufacture products in an economically, environmentally and socially sustainable way. Pensonic has always taken the necessary initiatives to operate responsibly and safeguard the environment in order to protect its current and future investments.

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

## PRODUCTS

Pensonic's fan received 5-star rating from the Energy Commission (EC) for its efficiency in energy consumption.

In the year 2010, Pensonic launched its caring for the environment Eco range's Eco Thermopot that is eco-friendly and energy saving with stylish design.

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

We launched a new blender called PapaBlend in 2013 under the food processing appliances category. This product supports the concept of a healthy lifestyle by making it easier for consumers to make and enjoy a variety of nutritious beverages.

Subsequently in 2015, Pensonic launched another range of cookware products, the "Longevity" series. The products in this series are two purple clay rice cookers, a ceramic steamer and two ceramic double boilers. The Longevity series cookware helps to lock in essential nutrients while retaining the food's natural color, flavor and taste.

Under the air conditioning product range, Pensonic became one of the very first local companies in 2015 to replace the R22 gas with the more environmental friendly R410 gas air conditioners in the market.

## COMMUNITY

We are committed to our responsibility to be a good corporate citizen by engaging and reaching out to our local communities.

During the financial year, the Group contributed to the community through donations and sponsorships to various organizations and charities, including the following:-

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
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

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

(Cont'd)

## COMMUNITY (CONT'D)

In addition to the above, the Group contributed to the community for social events, including the following:-

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

## EMPLOYEE DEVELOPMENT AND WORKPLACE

Employees' involvement is invaluable to the success of the Group.

The Group strives to motivate and retain the best employees by providing ample training and development opportunities. Employees are sent to relevant courses to upgrade their knowledge and skills. As a preferred employer, the Group encourages non-discriminatory employment policy, providing equal opportunity in all aspects of employment.

The Group also organizes annual get-togethers for its employees to foster better teamwork and cohesiveness among team members.

With the growing trends and increased awareness of green building benefits particularly in Asia, the Group has invested and integrated its Innovation & Global Operations Centre with the green technology concept, creating and promoting an eco-friendly and conducive working environment for its employees. Given the direct correlation between human capital and organizational performance, we have a competitive advantage as we have managed to attract talented people who are dedicated in their jobs, people who can grow together with Pensonic.

The Group believes in caring for its employees' well-being by providing a conducive environment to work and play. Pensonic's newly set up Gymnasium provides access for employees to exercise and improve their health. Healthy and engaged employees contribute to productivity and the Group's success. Apart from the gymnasium, the Group also organizes various indoor sports activities for employees to join after work and to foster better teamwork.

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 means such as through Health & Safety Committees, Safety Representatives, notice boards and regular management briefings.

## ETHICAL POLICY

In addition, the Board of Directors of the Group have adopted the Code of Business Conduct and Ethics, and the Conflict of Interests Policy for Board members. The Code is intended to guide the Board and each director in carrying out their duties and responsibilities, provide direction to help them recognize and deal with ethical issues, ensure a mechanism to report unethical conduct is in place and help foster a culture of honesty and accountability. Although no code or policy can fully anticipate every situation that may arise, codes and policies serve as 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 Nomination Committee Chairman, who may consult with inside or outside legal counsel as deemed 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 organization, at every level, to understand and see value in upholding such principles that must be applied holistically in all aspects of the Group's organizational objectives.

This statement is issued in accordance with a resolution of the Directors dated 13 September 2016.

## 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 2016.

- **OPTIONS OR CONVERTIBLE SECURITIES**

No options 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:-

Warrants	Exercise price per ordinary share	Expire date	Number of warrants outstanding at 31.5.2016
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 2016 amounted to RM44,800.

- **VARIATION IN RESULTS**

There were no material variances between the audited results for the financial year ended 31 May 2016 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 Directors dated 13 September 2016.