

# PENSONIC & MYTV SIGN MOU

Location: Pensonic New Head Office, Bukit Minyak, Penang

Date: 28 November 2016 | Time: 6.30pm



# PENSONIC & GUANG MING CREATIVE COOKING COMPETITION

Location: Ballroom, Pensonic New Head Office, Bukit Minyak, Penang

Date: 2 October 2016





# AUSPICIOUS WINTER SOLSTICE AWARD NIGHT

Location: Ballroom, Pensonic New Head Office, Bukit Minyak, Penang

Date: 28 November 2016 | Time: 7.00pm



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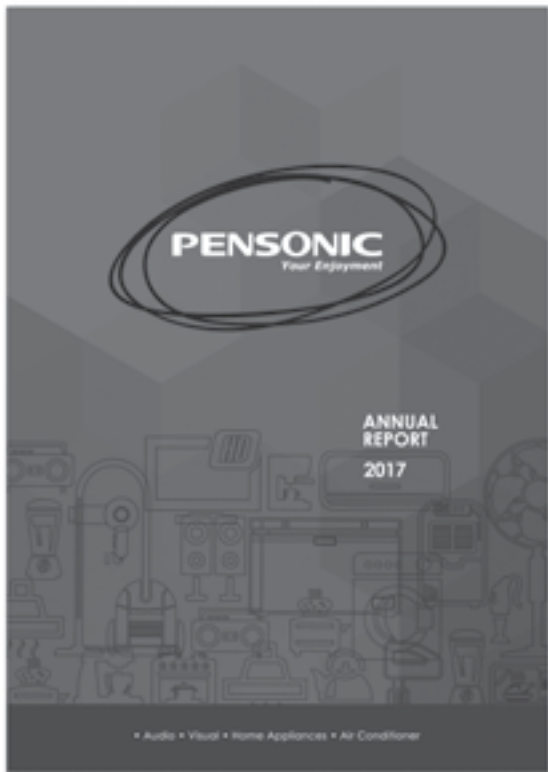
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## BOARD OF DIRECTORS

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

*Group Executive Chairman*

**CHEW CHUON GHEE, VINCENT**

*Managing Director*

**CHEW CHUON JIN, DIXON**

*Chief Executive Officer*

**CHEW CHUON FANG, NELSON**

*Executive Director*

**ONG HUEY MIN, LINDY**

*Independent Non-Executive Director*

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

*Independent Non-Executive Director*

**Y. BHG. DATO' TAHIR JALALUDDIN BIN HUSSAIN**

*Independent Non-Executive Director*

## AUDIT COMMITTEE

**ONG HUEY MIN, LINDY**

*Chairman*

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

**Y. BHG. DATO' TAHIR JALALUDDIN BIN HUSSAIN**

## REMUNERATION COMMITTEE

**Y. BHG. DATO' TAHIR JALALUDDIN BIN HUSSAIN**

*Chairman*

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

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

**ONG HUEY MIN, LINDY**

## NOMINATION COMMITTEE

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

*Chairman*

**Y. BHG. DATO' TAHIR JALALUDDIN BIN HUSSAIN**

## SECRETARY

Ong Tze-En (MAICSA 7026537)

## REGISTERED OFFICE

Suite 16-1 (Penthouse Upper),  
Menara Penang Garden,  
42A, Jalan Sultan Ahmad Shah, 10050  
Penang

Tel : +604 229 4390

Fax : +604 226 5860

## PRINCIPAL OFFICE

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

Tel : +604 507 0393

Fax : +604 507 3825

Email : [info@pensonic.com](mailto:info@pensonic.com)

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

## REGISTRARS

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

Tel : +604 262 5333

Fax : +604 262 2018

Email : [sharereg@plantationagencies.com.my](mailto:sharereg@plantationagencies.com.my)

## AUDITORS

UHY (AF 1411)

Chartered Accountants

Suite 11.05, Level 11.

The Gardens South Tower

Mid Valley City Lingkaran Syed Putra

59200 Kuala Lumpur

## PRINCIPAL BANKERS

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

## STOCK EXCHANGE LISTING

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

Stock Name : PENSONI

Stock Code : 9997

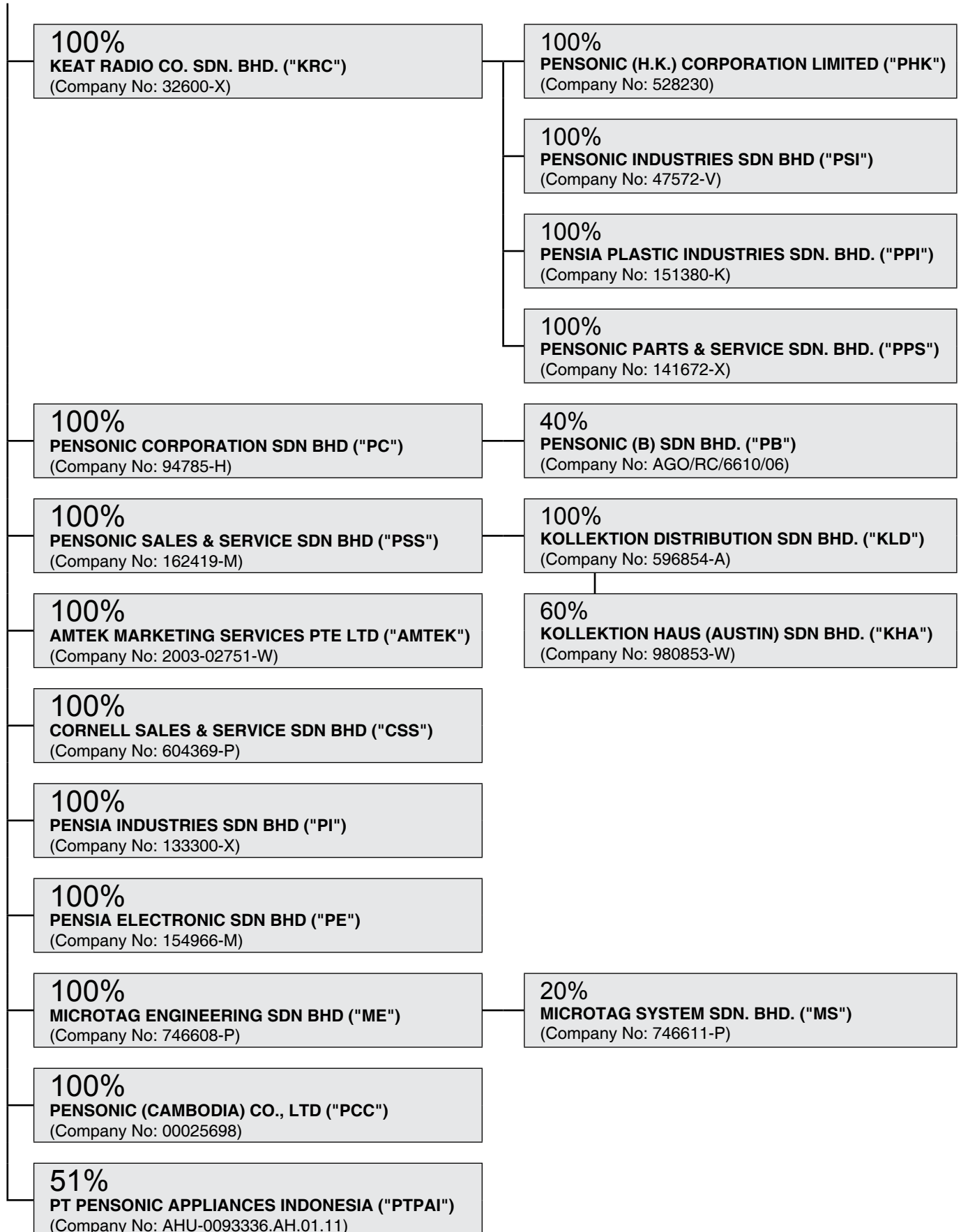
## LEGAL FORM & DOMICILE

Public Limited Liability Company  
Incorporated and Domiciled in  
Malaysia



**PENSONIC**

**HOLDINGS BERHAD** (300426-P)



# PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

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

*Aged 75, Male, Malaysian*

*Group Executive Chairman/Key Senior Management*

Y. Bhg. Dato' Seri Chew, founder of Pensonic Group and Group Executive Chairman, was appointed to the Board on 13 September 1995.

For more than five decades, his vision and stewardship have steered the Group from a small family business into the leading home grown electrical home appliances manufacturer and distributor. His invaluable experience and broad based knowledge in management to sales and production as well as his extensive network of business connections both locally and overseas have been instrumental in sustaining the progressive growth of the Group. His innovative management style and foresight have greatly influenced the numerous advancements and milestones achieved by the Group over the years.

He is a member of Remuneration Committee. He has attended all the 5 Board meetings held during the financial year.

Dato' Seri Chew is the father of Dixon Chew, Vincent Chew and Nelson Chew, all executive Board members. He is a major shareholder by virtue of his interest through Chew Weng Khak Realty Sdn. Bhd.. He also sits on the board of subsidiaries as well as several private limited companies.

## **CHEW CHUON GHEE, VINCENT**

*Aged 45, Male, Malaysian*

*Managing Director/Key Senior Management*

Vincent Chew joined the Board on 22 February 2002. He graduated from Eastern Michigan University in the United States of America with a Bachelor of Business Administration in 1995. Upon graduation, he joined the Group as Marketing Manager. Subsequently, his role was broadened to encompass manufacturing, operations and sales to human resources, administration and finance.

He has proved to be an astute and capable leader and was promoted as Managing Director in 2014, in charge of the overall management of the Group with focus on both domestic and international market. He serves as the Chairman of the Malaysian Electrical Appliances Distributors Association (MEADA).

He has attended all the 5 Board meetings held during the financial year. He is a son of Dato' Seri Chew Weng Khak and the brother of Dixon Chew and Nelson Chew. He also sits on the board of subsidiaries as well as several private limited companies.



## **CHEW CHUON JIN, DIXON**

*Aged 48, Male, Malaysian*

*Chief Executive Officer/Key Senior Management*

Dixon Chew was appointed to the Board on 13 September 1995. He graduated from the National Cheng Chi University in Taiwan Republic of China with a Bachelor of Business Administration. He joined Pensonic Group in 1993 after a short stint with Lapro Corporation in Taiwan where he gained experience and knowledge on cutting edge manufacturing processes and marketing.

With his many years of experience in the electrical home appliances industry and excellent entrepreneurial skills, Dixon Chew has led the successful expansion of the Pensonic brand and products in many countries in Asia. He is currently managing the export and OEM market.

Dixon Chew also serves as President of the Hong Kong-Malaysia Business Association (HKMBA), a position he has held for two terms, from 2014 to 2016 and again from 2016 through to 2018 in recognition of his leadership and contribution to strong trade relations between the countries. The HKMBA is fully supported by the Hong Kong Trade Development Council (HKTDC).

He has attended all the 5 Board meetings held during the financial year. He is a son of Dato' Seri Chew Weng Khak and the brother of Vincent Chew and Nelson Chew. He also sits on the board of subsidiaries as well as several private limited companies.

# PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

(Cont'd)

## CHEW CHUON FANG, NELSON

*Aged 41, Male, Malaysian  
Executive Director/Key Senior Management*

Nelson Chew joined the Board on 5 September 2017. He graduated from Eastern Michigan University of the United States of America with a Bachelor of Business Administration in 1999. Upon his return to Malaysia, he joined Pensonic Group and worked in various departments from marketing, production to sales to gain practical experience with increasing scope of responsibilities before embarking on his appointed role as corporate brand, public relations and marketing strategist for the Pensonic Group.

He is the son of Dato' Seri Chew Weng Khak and the brother of Dixon Chew and Vincent Chew. He also sits on the board of subsidiaries as well as several private limited companies.

## ONG HUEY MIN, LINDY

*Aged 58, Female, Malaysian  
Independent Non-Executive Director*

Lindy Ong was appointed to the Board on 3 January 2017. She is a member of Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and Chartered Tax Institute of Malaysia (CTIM).

She was with KPMG Malaysia for more than 35 years and was a Partner with KPMG and Head of Tax Division of KPMG Penang prior to her retirement on 31 December 2014. She has extensive experience in tax compliance and advisory throughout her career. She was the engagement partner for a wide range of companies which included public listed companies and multinationals in various industries, mainly in manufacturing, property development, construction and hotels. She has advised foreign investors on their initial setting up of operations in Malaysia including on the various tax incentives being promised by the Government. She is currently a partner with YNWA Advisory PLT.

She is the Chairman of Audit Committee and a member of Remuneration Committee.

As her appointment to Pensonic was on 3 January 2017, Lindy Ong had attended all 2 Board meetings held after her appointment.

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

*Aged 70, Male, Malaysian  
Independent Non-Executive Director*

Y. Bhg. Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim was appointed to the Board on 16 August 2013. He graduated from University of Malaya and obtained a BA (Hons) in Geography in 1970. After graduation, he served in various appointments with the Kedah State Administrative Service and was the State District Officer until 2001 as Director of the Kedah State Economic Planning Unit. He was the State Secretary of Kedah until July 2003. Thereafter, he has continued to serve as Board members in several government controlled corporations from time to time.

He is a member of the Audit Committee and Remuneration Committee in addition to chairing the Nomination Committee.

He has attended all 5 Board meetings held during the financial year. He sits on the board of several private limited companies.

## Y. BHG. DATO' TAHIR JALALUDDIN BIN HUSSAIN

*Aged 54, Male, Malaysian  
Independent Non-Executive Director*

Y. Bhg. Dato' Tahir Jalaluddin Bin Hussain was appointed to the Board on 16 August 2013. He has over 23 years of extensive experience in business and corporate management as well as entrepreneurial activities. He was with Konsortium Perkapalan Berhad from 1985 to 1990. He was a Councillor of the Majlis Perbandaran Pulau Pinang from January 2011 to June 2013. He is a member of the Audit Committee and Nomination Committee as well as Chairman of Remuneration Committee.

He has attended all 5 Board meetings held during the financial year. He is also a Director on the Board of several private limited companies.

### Note:

Save as disclosed, none of the Directors have:

- any family relationship with any Directors and/or major shareholders of the Company;
- any conflict of interest with the Company other than as disclosed in the notes to the financial statements;
- held any other directorship in public companies;
- any conviction for offences within the past 5 years other than traffic offences (if any); and
- any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.





# CHAIRMAN'S STATEMENT

My fellow Shareholders

Another year had rolled by and I am pleased to note that Pensonic Holdings Berhad had persevered through the trials and tribulations of a volatile macro-economy to deliver commendable results. On that note, it is my pleasure, on behalf of the Board of Directors, to present to you the audited financial results of the Company and the Group for the financial year ended 31 May 2017 ("FY2017").

In the past 12 months, we witnessed volatility in almost all major commodities including crude oil, base metals and agricultural products. The global economy was subdued with the slowing down of major economies such as China and the European Union. We saw even more uncertainty in the market when the citizens of the United Kingdom voted to leave the European Union.

On the home front, our consumer price inflation hit an eight-year high of 5.1% in March 2017, the highest since touching 5.7% in November 2008. Consumer sentiment has shrunk in Malaysia mainly because salaries have not increased in tandem with the rising prices of goods and services. If the inflation figures remained the same, this would further erode the spending power of Malaysian consumers. As such, consumer spending has been flat and will, I believed, remain flat at best going forward.

## FINANCIAL PERFORMANCE

Amidst this challenging macro environment, the Group delivered profits before tax ("PBT") of RM6.6 million on the back of revenue of RM341.1 million. Group revenue contracted 11.7% when compared to previous year's RM386.2 million as local and overseas markets were sluggish owing to competitive pressure and general slowdown in world economy.

Notwithstanding the lower revenue, the Group has been able to maintain its gross profit margin. However, PBT shrank by about 44.02% from RM11.8 million reported for FY2016 in light of more spending on advertising and promotional activities to improve sales and market share. Consequently, the Group reported a lower earnings per share of 4.97 cents as compared to 8.68 cents for FY2016. The Group's net assets per share was 0.92 sen, a 3 sen increase over the comparative period. Cost rationalisation, built around operational efficiency and optimisation of resources, has helped to improve the Group's net gearing ratio to 0.56 times from 0.60 times a year ago.

## OUR DIRECTION AND FUTURE OUTLOOK

We are determined and are confident to grow our business locally as well regionally and globally particularly in emerging markets to enhance our shareholders value for long term shareholders return and bring Pensonic to greater heights. To achieve this, we constantly assess our strengths and weaknesses to take advantage of opportunities and manage threats in our core areas to sustain the Group's foundation for growth.

In line with our strategic plan for regional expansion, we announced recently the formation of subsidiaries in the Kingdom of Cambodia and Republic of Indonesia. In the latter, we are partnering our Indonesian distributor to tap into a ready network of points of sales. Our venture regionally is underpinned by a 4.8% economic growth in the first quarter of 2017. Indonesia saw its retail sales grew by 4.7% year on year in the same quarter. Notwithstanding the still weak consumer sentiment across the region, we are confident that it would bounce back together with the economic growth and we want to be ready to capture the market. As plans are rolled out to commence business operations, we are hopeful that these new entities would be able to contribute to the Group in the near future.

On the local front, the Group was granted nationwide MYTV set-top-box (decoder) distributorship in anticipation of Malaysian television broadcasting going digital in 2018. The decoders would be a required item to receive television signals for continued access to Free-to-Air TV channels. Management is of the view that this distributorship would contribute to Group revenue in the short to-medium term.

At the corporate level, we continued our investment in research and development as well as human capital, twin engines of innovative solutions to improve our products and enhance our competitive edge. At the same time, management continues to drive operational efficiencies and optimisation of resources across the board to strengthen the Group's business activities.



## DIVIDEND

The Company has consistently paid dividends with the quantum determined after taking into account, among others, the level of available funds, capital expenditure and investment commitments, amount of retained earnings and financing servicing requirements as well as other business planning requirements.

The Board is pleased to recommend a first and final dividend of 2 sen per ordinary share in respect of FY2017 for approval at the forthcoming annual general meeting of the Company.

## APPRECIATION

During the year under review, we bade farewell to two of our Independent Non-Executive Directors, Encik Khairilnuar Bin Tun Abdul Rahman and Mr Lee Hong Lim. On behalf of the Board, I wished to record our thanks and appreciation for their service to the Company.

In January 2017, we welcomed the appointment of Ms Ong Huey Min, Lindy as our Independent Non-Executive Director and Chairman of the Audit Committee. My third son, Mr Chew Chuon Fang, Nelson joined us on 5 September 2017 as Group Executive Director leading corporate branding, public relations and marketing strategies.

I strongly believe that Lindy Ong with long and extensive experience in public practice as a leading tax practitioner and Nelson Chew with his storied experiences across a broad spectrum of activities within the Group would be able to contribute and enhance our Board deliberation and improve our corporate governance practices.

Today, the Board has accepted Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai's decision to step down as Group Executive Director with effect from 1 October 2017 to attend to other interests. On behalf of the Board, I would like to thank Tan Sri Dato' Seri Tan for his valuable contribution during his long service with the Group and wish him well in his future endeavours.

I am confident that we have a strong, multi-disciplinary Board now with the right balance of skills set, experience and backgrounds to guide and lead the management team through the challenges ahead.

As always, I wish to convey my gratitude to our shareholders, affiliates, partners and esteemed customers for their continued support and confidence in our Group. I would like to extend my heartfelt gratitude to our management team and employees for your patience, dedication, hard work and the spirit of excellence that you have all exhibited. These attributes will definitely help the Group to ride out challenges in the near future amidst anticipated difficult business environment in the year ahead.

Last but not least, my sincere thanks to my Board members for your guidance and insight. I look forward to your support and commitment to secure the future growth of the Group.

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

*Group Executive Chairman*

22 September 2017



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business and Operations

In 1994, Pensonic Holdings Berhad was incorporated as an investment holding company to consolidate the various companies under the Pensonic Group.

The core businesses of the Pensonic Group are manufacturing, importing, exporting, distributing and marketing of Electrical Home Appliances for the domestic and international markets. Today, Pensonic has a vast domestic distribution network of 10 branches and more than 900 dealers countrywide. **Pensonic** products are exported to 30 countries in ASEAN, East and West Asia, and the Middle-East, supported by a complete host of manufacturing facilities, warehouses, showrooms and customer care centres.

### Trading Segment

The Group's trading segment comprises of Pensonic Sales & Service Sdn. Bhd. ("PSS"), Amtek Marketing Services Pte. Ltd. ("AMTEK"), Cornell Sales & Service Sdn. Bhd. ("CSS"), Pensonic (H.K.) Corporation Limited ("PHK"), Pensonic Industries Sdn. Bhd. ("PSI"), Pensonic Parts & Service Sdn. Bhd. ("PPS"), Kollektion Distribution Sdn. Bhd. ("KLD") and Kollektion Haus (Austin) Sdn. Bhd. ("KHA").

Through its trading segment, the Pensonic Group has adopted a multi-brand platform to cater for different product categories and market segments.

In 1982, the brand name of "**PENSONIC**" was established. PENSONIC is the combination of word "Pen-", which is a short form of Penang and "sonic", which means sound. In other words, "The sound of Penang". PENSONIC was registered as a trademark in Malaysia in 1984. Today we have a few series of products for home appliances, Chef's Like for Kitchen Appliances, Chef Room for Build In mass domestic appliances, Amber Chia series for hair dryers & straightener products, Longevity for ceramic based cooking appliances and the elegant electrical appliance under the Classic Series.

In 2002, "**Lebensstil Kollektion**" was created as a premium brand for home consumer appliances for both Malaysia and Singapore markets. Its product line-up included various luxurious looking home appliances such as refrigerators, freezers, ovens, cooktops, ventilating hoods, washers, dryers, toasters, coffee-makers, mixers, garment steamers, hairdryers, espresso machines and more.

In the year 2006, Pensonic acquired Amtek Marketing Services Sdn. Bhd. and Amtek Marketing Services Pte. Ltd., which owns the "**CORNELL**" brand from USA. Cornell takes great pride in producing innovative, high quality yet affordably priced products that conceived to fulfil today's lifestyle needs, be it at home or at the workplace, Cornell has three distinct product categories available – Professional's Home Equipment, Elegance Series and Simplicity.

Besides these, we are also sole-distributor for a few internationally renowned household appliances. We are appointed sole-distributor in Malaysia for PRINCESS from Netherlands in 2003, sole-distributor in Malaysia for Indesit laundry range from Italy in 2013 and sole-distributor in Singapore for Morphy Richards from the United Kingdom in 2017.

**PENSONIC**  
Your Enjoyment

**CORNELL**<sup>®</sup>  
a simpler life

LEBENSSTIL  
KOLLEKTION

**PRINCESS**  
SMALL'S & HOME APPLIANCES & ACCESSORIES

**morphy richards**

**INDESIT**  
Life proof.

Our products are mainly distributed via outright sales to dealers, departmental and chain stores, supermarkets and some are also distributed via e-commerce channels due to the increasing internet savvy consumers. Malaysia remained as the primary markets where other Asia Countries will be the Group's focus for the next few years where great potential lies ahead.



## Business and Operations (Cont'd)

### Manufacturing Segment

Our manufacturing plant in Bukit Minyak Industrial Park, Penang has a total built up area of approximately 75,260 square feet located on approximately 3 acres of land. In 2017, the factory had a total workforce of around 120 staff.

Through our manufacturing arm, Pensia Industries Sdn. Bhd. ("PI"), Pensia Electronic Sdn. Bhd. ("PE"), Keat Radio Co. Sdn. Bhd. ("KRC") and Pensia Plastic Industries Sdn. Bhd. ("PPI") continues to support the production of the Group's flagship products such as fans, mixer and blender.

### Other Segment

The Group's others segment comprises of Pensonic Holdings Berhad ("PHB"), Pensonic Corporation Sdn. Bhd. ("PC") and Microtag Engineering Sdn. Bhd. ("ME") This segment consists of an investment holding company, a company which provides management services to its related companies and also 1 dormant company with no operating revenue.

## Objectives and Strategies

Long being the pioneer in the electrical home appliances market, we have set our sight on sustaining our proud reputation as one of the most successful enterprise in Malaysia. At the same time, we vow to expand the business and global branding into the largest population's country, and also to tap into South-East Asian, Middle East and African markets. We have successfully set up new subsidiary companies in Cambodia and Indonesia recently. These expand our coverage into the ASEAN region besides the existing subsidiary in Singapore and associate company in Brunei.

We see us acting as the supplier of first choice and quality products to the consumers because of our professionalism and expertise to be active in all aspects of the business whilst offering competitive pricing and reliability. As a market leader, we take pride in distinguish ourselves to be ahead of our nearest competitor. By setting precedence, we have made a standard that equals excellence.

We always strive for continuous improvement, incorporate innovations and technology in our commitment to create customer value in our wide variety of products and service. Malaysia's internet penetration rate was close to 70% in 2016. Looking at this growing number, we are setting up a special project team to invest into online platform, while balancing the current off-line distribution. We are also exploring into the Smart Appliance series which is in adopting to the Internet of things (IoT) market and services.

Meantime, to save consumers time and effort while operating at increased efficiency driven by the higher cost of hiring a domestic maid and the hectic schedules of double-income households, several range of products which is energy efficiency, water efficiency and healthy cooking appliance will be introduced.



# MANAGEMENT DISCUSSION AND ANALYSIS

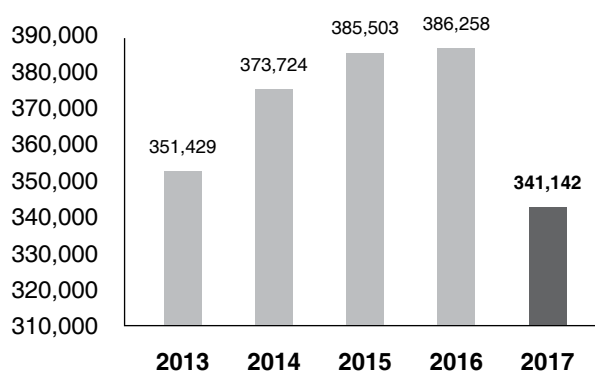
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## Review of Financial Results and Financial Highlights

Financial year ended 31 May	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>					
Revenue	351,429	373,724	385,503	386,258	341,142
Profit before tax	3,943	1,846	17,851	11,754	6,580
Profit for the year	3,562	2,707	17,430	11,230	6,388
Profit for the year attributable to owners of the Company	3,627	2,870	17,726	11,250	6,450
Net Dividend Proposed	1,702	2,593	4,538	3,890	2,593
<b>STATEMENTS OF FINANCIAL POSITION</b>					
Total Assets	240,017	254,730	265,167	266,933	253,225
Share Capital	46,310	64,834	64,834	64,834	67,671
Total equity attributable to owners of the Company	87,933	95,572	108,323	115,871	119,662
<b>FINANCIAL RATIOS</b>					
Return on shareholders' equity	4.12%	3.00%	16.36%	9.71%	5.39%
Basic earnings per share (sen)	2.80	2.21	13.67	8.68	4.97
Net assets per share (RM)	0.95	0.74	0.84	0.89	0.92
Dividend rate	3.5%	4.0%	7.0%	6.0%	3.8%

The Group recorded a decrease in revenue of 11.7% to RM341.1 million in financial year ended 31 May 2017 ("FYE 2017") from RM386.3 million in financial year ended 31 May 2016 ("FYE 2016"). Both local and overseas markets remained slow due to competitive pressure and general slowdown in macro economy.

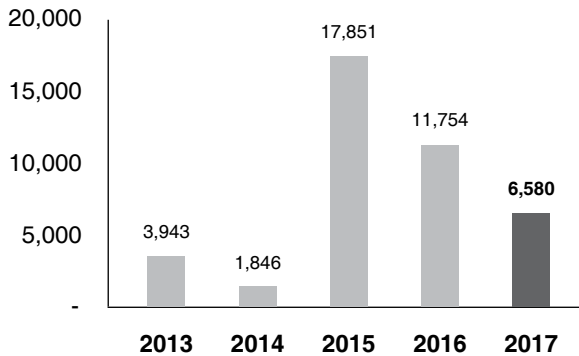
### Revenue (RM'000)



## Review of Financial Results and Financial Highlights (Cont'd)

Profit before tax for FYE2017 was 6.6 million, a decrease of 44.1% from RM11.8 million due to challenging macro economy which necessitated higher advertising and promotional expenses to improve sales and market shares.

### Profit before tax (RM'000)



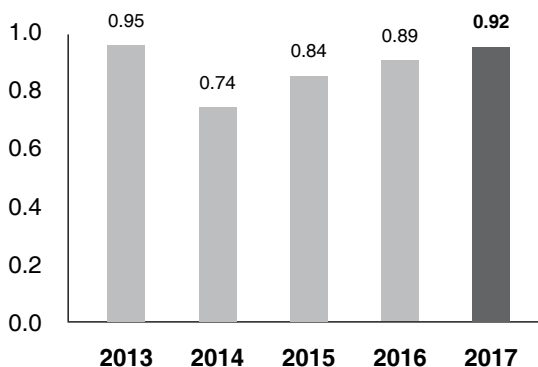
The Group's non-current assets decreased by RM5.0 million to RM92.0 million for FYE 2017 (FYE 2016 : RM97.0 million). There was an additional capital expenditure of RM2.1 million in property, plant and equipment and offset by the depreciation and amortisation cost of RM6.1 million and disposal and write off of PPE of RM250,380.

The reported current assets of the Group amounted to approximately RM161.2 million for FYE 2017 (FYE 2016: RM169.9 million). Inventories turnover days as at 31 May 2017 increased to 98 days from 78 days as at last financial year. The substantial increase in inventories was due to the optimistic expectation on consumer demand approaching to the Hari Raya festive month. The turnover days of trade and other receivables reduced from 66 days to 55 days due to improve in the collection.

The Group's total liabilities reduced to RM133.6 million from RM151.1 million was mainly due to repayment of term loans during the financial year. The lower trade and other payables was due to lower revenue during the year.

The Group's borrowings decreased by RM8.3 million. The Group's net gearing ratio improved from 0.60 times as at 31 May 2016 to 0.56 times as at 31 May 2017. Net assets per share stood at RM0.92 for FYE 2017.

### Net Assets per share (RM)





# MANAGEMENT DISCUSSION AND ANALYSIS

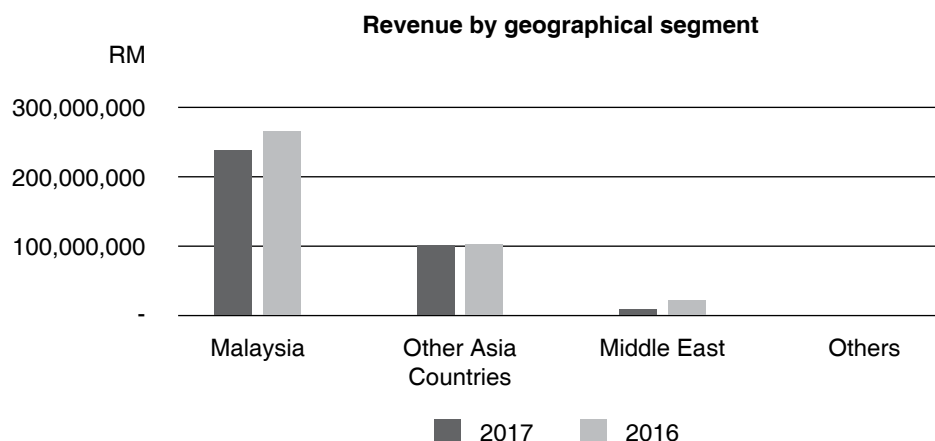
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## Review of Operations

### Trading Segment

For the year under review, the revenue of trading segment decreased by 11.5% from RM394.5 million in FYE 2016 to RM349.0 million in FYE 2017. With the lower revenue, the profit before tax dropped 47.7% from RM13.2 million in FYE 2016 to RM6.9 million in FYE 2017.

Local sales dropped 9.6% whereas the export sales dropped by 15.9%. Overseas' demand dropped tremendously in Middle East due to new import ruling implemented by the local authority which is not favourable to the exporter. International sales team are working with the end customers to grab back the export market.



On 28 November 2016, the Group successfully secured the distributorship for MYTV set-top-box (decoder) in anticipation of digitalisation of the Malaysian television broadcasting in 2018. By then, all households in Malaysia will require the decoders to receive television signals for continued access to Free-to-Air TV channels. This distributorship is anticipated to contribute to Group revenue in the short-to-medium term.

Going forward, the main focus of this segment will be establishing its own online business besides the current traditional trade business through the dealership. The management team is in the initial stage of setting up a new online business.

### Manufacturing Segment

For the year under review, the revenue for this segment dropped 12.3% from RM114.3 million to RM100.2 million. This segment recorded a loss before tax of RM678,260 compared to profit before tax of RM4.0 million in FYE 2016. The loss before tax was mainly due to the recognition of loss of investment in subsidiary company due to capital reduction exercise from an overseas subsidiary. Normally all the revenue generated from this segment are considered internal transactions and eliminated at consolidation level.

During the year, the manufacturing segment started a new business to sell directly from factory to hypermarket. As a start, the revenue generated from this new business was only RM403,000.

Going forward, this segment will strive to ensure all resources, in particular, manufacturing and human resources are efficiently utilised to increase productivity. We will continue to be conscious of the need for cost containment without jeopardising the need to maintain our high product quality.

### Other Segment

All the revenue and profit generated thereof were considered internal transactions and eliminated at consolidation level. Other than the provision of management service to our subsidiaries, this segment is not involved in any other investment activities.

## Anticipated or Known Risks

### Foreign Currency Exchange Risk

The Group is exposed to fluctuation of foreign currency exchange as the cost of raw material and imported goods are denominated in foreign currencies. As such, the foreign exchange may have material effects to the costing of our products. However, as a countermeasure, the Group will follow natural hedging policy between its sales and purchases in USD to mitigate impact from foreign currency exchange. The Finance department of the Group will also closely monitor the movement of foreign currency exchange.

### Credit Risk

The normal trade credit terms granted by the Group for the trade receivables range from 30 to 60 days. In the event of significant delay or default in payment by our major customers, it may adversely affect our financial position and our Group's results should there be any impairment made for the bad or doubtful debts. Credit terms and limits are evaluated every 6 months and ageing reports are reviewed periodically to identify slow paying customers for actions to be taken for recovery and provisions, if necessary.

### Downtime Risk

From operational perspective, our manufacturing division is exposed to downtime risk. The risk can occur in the unlikely event of a fire, flood, power outage, workers on strike or machinery breakdown, thus resulting in production and delivery delays as well as reputational damage to the Group.

### Trend and Outlook

This year will remain a challenging year for Malaysian retailers with a significant recovery in retail sales only expected during the second half of 2017, according to the Retail Group Malaysia (RGM).

As the uncertain economic outlook continued to impact consumer purchasing power, the Group's prospect for the coming year is expected to be more challenging with moderate growth in sales. Cost rationalisation, built around operational efficiency and optimisation of resources, is ongoing as the Board strives to reinforce the Group's business strengths and capabilities.

We have plans in place to invest more over the next year in information technology as we recognise the significant impact of digital marketing channels such as online purchase, social media, and mobile technologies are having on our businesses. With plans in place to expand our business to more countries in ASEAN region, we are confident that we will improve our overall business performance in the coming year.





# STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Pensonic Holdings Berhad (“Company” or “Pensonic”) presents this statement to provide an insight into its corporate governance practices. The Board fully appreciates the importance of adopting and continuously maintaining a sound standard of Corporate Governance throughout Pensonic and its subsidiaries (“the Group” or “Pensonic Group”), with the aim of enhancing business success and corporate accountability, to safeguard and enhance the interests of its shareholders and stakeholders.

The statement below sets out how the Group has applied the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (the “Code” or “MCCG 2012”) together with the provisions as contained in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. (“Listing Requirements”).

Through this statement, the Board reaffirms its commitment in ensuring that the recommended standards of corporate governance is practiced throughout the Group. This commitment is evidenced by the formulation of various policies and processes that are embedded in the operating procedures of the Group and the establishment of the relevant Board Committees.

## PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Clear Functions of the Board and Management

The Board is responsible for the oversight and overall management of the Group. In order to ensure the effective discharge of its functions and responsibilities, specific powers of the Board are delegated to the Chairman and relevant Board Committees.

Significant matters such as approval of strategic plans and policies for the Group to ensure sustainability, approval of major corporate proposals, new business ventures or joint ventures, material acquisition and disposal, approval of financial results, major capital commitments, risk appetite setting, short term and medium term business plans/policies, annual budget, fixing of remuneration and appointment of key personnel are reserved for the Board’s consideration and approval.

The Board is led by the Chairman with support from by six (6) experienced Directors with wide ranging experiences in fields such as business administration, sales, general management, public policy, accounting and finance, tax, manufacturing, product development as well as shipping and logistics.

The Chairman ensures that all Directors receive sufficient relevant information on financial and non-financial matters in a timely manner to enable them to participate actively in Board decisions. He also ensures that no member dominates discussion and that appropriate discussions take place with relevant opinions among members forthcoming. Other roles of the Chairman include leading the Board in the oversight of management, ensuring adequacy and integrity of the governance process and issues, maintain regular dialogue with the executive Board members over operational matters and seek opinion of fellow Board members over any matters that give cause for major concerns.

The Board delegates the responsibility of implementing Group strategies, business plans, policies and decisions and ordinary management of the Group’s business to the management, which is led by the executive Board members. There is a clear division of responsibilities for Chairman, Board and management to ensure a balance of authority and power.

The executive Board members are key Board executives and have significant responsibilities to run the business based on the strategic plans and ensure that the conduct of business and procedures are properly executed. The Board is also kept informed on significant operational issues and key strategic initiatives.

As part of the Board’s effort to ensure that its duties and responsibilities are effectively discharged, the Board delegates certain functions to Board Committees, namely the Audit, Nomination and Remuneration Committees.

All decisions and deliberations at Board Committee level are documented in the minutes of the respective Committee meetings. The respective Chairman of the Board Committees reports on the outcome and recommendations of the Board Committee meetings to the Board for further deliberation and approval. Such reporting is included in the minutes of Board meetings.



## PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

### 1.2 Clear Roles and Responsibilities

The Board acknowledges its role in the stewardship of the Group's direction and operations, and ultimately the enhancement of long-term shareholders value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals. The Board delegates the day-to-day operations of the Group to the executive Board members who are experienced in the businesses and operations of the Group.

The current set-up of the Board comprised of a majority of the members who have been with the Group for more than 15 years and thus, are cognisant of their respective roles and responsibilities over the years.

Presently, the Board consists of four (4) executive members and three (3) Independent Non-Executive Directors ("INEDs"), bringing the total to seven (7) Board members. The provision under the Listing Requirements for an effective Board balance of at least two or one-third of the Board, whichever is higher is represented by INEDs, is fulfilled. One (1) out of the three (3) INEDs is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Chartered Tax Institute of Malaysia and chairs the Audit Committee. The number of INEDs is sufficient to lend independent objectivity to the Board's decision making process. The INEDs also act in a manner to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board.

The INEDs do not participate in the daily management of the Group and are not engaged in any business or other relationship with the Group. Board balance is also assured by way of active and unrestricted participation of the INEDs in deliberations and decision making. The Board has full and unrestricted access to the background information on matters placed before them to make an informed decision. The INEDs take on a crucial role in corporate accountability as all matters discussed takes into account the long term interests of shareholders, employees, customers and the community at large.

In considering succession planning, the Board reviewed its size and composition based on the prevailing laws, rules, regulations and the internal policies of the Group on the tenure of directorships, not only to ensure continuity in meeting its long term goals and objectives but also to affirm that the knowledge, experience and skill sets of its members would be well suited to meet the demands of the ever changing landscape of the consumer goods industry.

The Board, at its meetings, oversees the performance of the Group's businesses, reviews succession planning and talent management for the Board, enforces compliance with legal and statutory requirements within the Group, grants approval for major capital or investment expenditure, considers significant financial matters and review of the financial and operating performance of the Group as well as reviews the adequacy and integrity of the Group's internal control systems as reported by the Audit Committee.

The principal responsibilities of the Board include the following:

- (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 to 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 the public.
- (i) Review and determine the adequacy and integrity of the Group's internal control and management information systems.

Y. Bhg. Dato' Seri Chew Weng Khak, being the Chairman of the Board is responsible for the overall strategic direction of the Group and the leadership of the Board to ensure Board effectiveness and implementation of Board policies and decisions of the Group.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

### 1.2 Clear Roles and Responsibilities (Cont'd)

The Board is of the opinion that the Chairman, as the founder of the Group and major shareholder is in the best position to spearhead the business to greater heights. The Chairman has always acted in the best interest of the Group and stakeholders at large. He constantly encourages participation of INEDs on Board matters and takes into consideration the views and recommendations of the INEDs.

The Board noted the Recommendation 3.5 of the MCGG 2012 which stated that the Board must comprise a majority of INEDs in the event the Chairman is not an independent director. The Board has assessed the situation and is satisfied with the present Board composition which is able to ensure a balance of power and authority on the Board. In addition, the Board has always been of the view that it has always discharged its duties and responsibilities in the best interest of the Group and its stakeholders. Therefore, there was no need to increase the number of INEDs on the board. 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.

### 1.3 Formalise Ethical Standards Through a Code of Ethics and Conduct

The Board has in place a Code of Ethics and Conduct for the Director and employees. The Code of Ethics and Conduct emphasised the Group's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group, which encompasses, amongst others, the interaction with customers, suppliers, shareholders, employees and business partners within the community and environment in which the Group operates.

The Code of Ethics and Conduct is published on the corporate website.

### 1.4 Strategies Promoting Sustainability

The Group recognises the importance of sustainability and its increasing impact to the business. The Group is committed to understanding and implementing sustainable practices that are also beneficial to the businesses. Essentially, the Group want to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and its economic successes.

The Board will formalise a Sustainability Policy in the next financial year, with the aim of integrating the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and senior management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Group, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

A report on sustainability activities, demonstrating the Group's commitment to the global environment, social, governance and sustainability agenda can be found under the Corporate Social Responsibility Statement in this Annual Report.

#### Whistle Blowing Policy

A Whistle Blower Policy will be established by the next financial year. However, the Board has always advocated for openness and transparency in its commitment to a high standard of integrity and accountability. The Group has established Business Integrity Guidelines ("BIG") on 18 January 2017 to guide Directors and employers in the identification of potential fraud activities and the necessary response plan to be taken for reporting of such activities to the compliance committee. The Compliance Department is an internal team dedicated to improving quality management including internal control practices, within the Group by regular audit of compliance with the prescribed standard operating procedures.

### 1.5 Access to Information and Advice

Sufficient notice has always been given for all Board and Board Committee meetings. All Board and Board Committees are provided with an agenda and relevant board papers, reports including matters arising, financial, operational and regulatory compliance matter, at least seven (7) days prior to meetings to ensure that they have sufficient time to review and evaluate the matters to be deliberated and obtain further information, if needed, prior to meeting to expedite decision-making during meetings. Actions on all matters arising from any meeting are reported at the following meeting.

## PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

### 1.5 Access to Information and Advice (Cont'd)

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. All the Directors have unrestricted access to any information within the Group to enable them to discharge their duties. The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of Board meetings.

The Board hold regular meetings of not less than four (4) times a year. Special Board meetings may be convened as and when necessary to consider urgent proposals and matters that require the Board's urgent review or consideration.

The Board meeting papers are prepared in a concise and comprehensive manner so that the Directors have an accurate depiction of the issue at hand to facilitate informed decisions.

The minutes of the Board meetings together with its notice and papers are circulated to all Directors prior to commencement of each Board meeting. The Directors may raise comments before the minutes are tabled for confirmation at the following Board meeting.

At the Board meetings, respective Chairman of the Board Committees will report, advise and recommend to the Board, salient views and conclusions from their respective meeting agendas.

Members of the senior Management team are invited to the Board meetings to table and report on matters relating to their respective areas of responsibility and to provide detailed explanation to the Board.

The Board has access to reports, papers, information on financial and operational matters. The Directors may also interact directly with Management and may seek advise or seek for further explanation on issues under their respective purview. As such, the Board has full excess to all information on the Company's affairs to enable proper discharge of duties.

In addition, the Board may seek independent advice at the Company's expense on specific issues to enable them to discharge its duties on Company matters.

### 1.6 Qualified and Competent Company Secretary

The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Board is satisfied with the performance and support rendered by the Company Secretary as the Directors are able to seek advice and service of the Company Secretary. The Company Secretary, who is qualified and experienced, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and the potential impact and implications arising there from.

The Company Secretary or her representative attends and ensure that all Board and its Committees meetings are properly convened and that the decisions made and/or resolutions passed thereof are recorded in minutes of meetings and kept in the statutory registers at the registered office of the Company.

Other roles of the Company Secretary included coordinating the preparation of Board papers with management, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated on evolving regulatory requirements.

### 1.7 Board Charter

The Board Charter provides a structured guidance through clear delineation of the roles, duties and responsibilities of the Chairman, MD, Board, Board Committees and Management. The Board Charter also includes the requirements of Directors in carrying out their leadership and supervisory role and in discharging their duties towards the Group as well as boardroom is published on the corporate website.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 2: STRENGTHEN COMPOSITION

### 2.1 Nominating Committee

The Board, through the Nomination Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience, integrity and reputation, competence and capability to fulfil the duties of a Director appropriately.

The Nomination Committee consists of the following two (2) INEDs:

Name	Position
Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Chairman
Dato' Tahir Jalaluddin Bin Hussain	Member

In the event that a member of the Nomination Committee retires, resigns or ceased to be a member, for any other reason, resulting in non-compliance of the terms prescribed, the Board shall, within three (3) months of that event, appoint such number of new members as may be necessary to fulfil the requirements.

The Nomination Committee is authorised by the Board to seek appropriate professional advice from outside the Group as and when it considers necessary in the discharge its duties. The cost incurred in obtaining services of the professional advisor will be borne by the Company.

The Nomination Committee shall meet whenever a need arises for the Committee to perform its functions, and at least once every year to carry out an annual review of the Board, Board Committees and the contribution of individual Directors. The quorum necessary for a meeting of the Nomination Committee shall be two (2) members.

The duties and responsibilities of the Committee included the following:

- (a) To make recommendations to the Board with regard to any appointment of Directors considering their skills, knowledge, education, qualities, expertise and experience, professionalism, integrity, time commitment, contribution, character, judgment, independence, gender, age, corporate experience, Boardroom diversity and other factors that will best qualify a nominee to serve on the Board; and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/functions as expected;
- (b) To consider, in making its recommendations, candidates for Directorships proposed by the MD and CEO and within the bounds of practicability, by any other senior executive or any other Director or shareholder;
- (c) To assist the Board to review regularly the Board structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board;
- (d) To ensure proper documentation of all assessments and evaluations so carried out;
- (e) To recommend to the Board, the Directors to fill the seats on any committees of the Board;
- (f) To propose to the Board the responsibilities of Non-Executive Directors, including membership and Chairmanship of Board Committees;
- (g) To recommend to the Board for continuation or discontinuation in service of Directors as an Executive Director or Non-Executive Director;
- (h) To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election;
- (i) To evaluate training needs of Directors annually;
- (j) To arrange induction programmes for newly appointed Directors to familiarise themselves with the operations of the Group through briefings by the relevant management teams;
- (k) Evaluate the performance of individual members of the Board eligible for re-election and re-appoint, and select, or recommend for the selection of the Board, the director nominees for election to the Board by the shareholders at the annual general meeting ("AGM"); and
- (l) 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 Group, and the required skills and expertise that are needed by the Board in future.

The Board is satisfied that the Nomination Committee is able to discharge its duties and responsibilities efficiently and effectively. The Terms of Reference ("TOR") of the Nomination Committee is available on the Company's website.



## PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

### 2.1 Nominating Committee (Cont'd)

On 5 September 2017, the Nomination Committee reviewed the candidacy of Nelson Chew as Executive Director. In assessing his candidacy, the Committee considered succession planning to strengthen the generation of leadership for the Group, past professional experience, skill sets and current role as corporate branding, public relations and marketing strategist.

On 22 September 2017, the Committee accepted the decision of Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai to step down as Group Executive Director effective 1 October 2017.

### 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nomination Committee is empowered by the Board and its terms of reference to recommend to the Board on the appointment of new Directors. The Nomination Committee would look into formalising a transparent procedure for the appointment of new Directors to the Board.

The Nomination Committee also ensures candidates possess the appropriate skills, core competencies, experience, integrity and time to effectively discharge his or her role as a Director. The Company Secretary will ensure that all necessary information is obtained and that all legal and regulatory obligations are met before appointments of new Directors are made.

In its efforts to promote gender diversity, the Board has taken steps to include women candidates in its search for new Directors. This had resulted in the appointment of Lindy Ong as Director of the Company during the financial year.

During the financial year, the Nomination Committee met two (2) times and carried out its duties and responsibilities in accordance with its TOR. The main activities undertaken by the Nomination Committee were as follows:

- (a) Reviewed and recommended the re-appointment/re-election of Directors who are subject to retirement at the coming AGM;
- (b) Reviewed the term of office and performance of the Audit Committee and its members pursuant to paragraph 15.20 of the Listing Requirements;
- (c) Reviewed the independence of the INEDs and their tenure;
- (d) Reviewed and adopted a new TOR;
- (e) Reviewed and adopted revised Board Assessment & Evaluation Form and Audit Committee Evaluation Form; and
- (f) Reviewed the summary report on the annual assessment of its Directors and made recommendations for improvements.

The Director(s) who are subject to re-election and re-appointment at forthcoming AGM are assessed by the Nomination Committee based on the annual assessment before recommendations are made to the Board and shareholders for re-election and/or re-appointment.

The annual assessment forms were tabled at the Nomination Committee Meeting, and thereafter sent by management to the individual Directors. The Directors were briefed by the Company Secretary at a Board Meeting on how to objectively fill up the evaluation forms.

The completed evaluation forms were then returned to management for their compilation and drawing up of a summary report. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are documented.

The Nomination Committee is to systematically keep under review the effectiveness of the Board and Board Committees as a whole and assess the contribution of each individual Director on an annual basis. Additionally, the Nomination Committee also reviews the required mix of skills, experience and other qualities, including core competencies of the members in discharging their duties. The skills and experience of each Director is analysed, inter-alia, in the areas of business operations, specialist knowledge, technical and governmental affairs and legislations.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

### 2.3 Establish Formal and Transparent Remuneration Policies and Procedures

The Remuneration Committee consists of four (4) members; three (3) INEDs and one (1) executive Board member. Its Chairman is an INED appointed by the Board:

Name	Position
Dato' Tahir Jalaluddin Bin Hussain	Chairman
Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	Member
Ong Huey Min, Lindy	Member
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	Member

The duties and responsibilities of the Remuneration Committee included:

- To determine and recommend to the Board the framework or board policy for the remuneration structure, in all forms, of the executive Board members ("GEDs") and/or any other persons as the Committee is designated to consider by the Board, drawing from outside advice as necessary;
- To review changes to the said policy, as necessary;
- To implement/maintain a reward system for GEDs based on their performance against the Group's results. Factors such as position and scope of work, business strategy and long term objectives of the Group, complexities of the Group's activities, tenure of service, experience and comparison against industry standard would be taken into consideration in determining the quantum of remuneration.
- To establish and recommend to the Board, the remuneration package for GEDs 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; and
- To determine the policy for and scope of service agreements for the GEDs, termination payment and compensation commitments.

The determination of the remuneration for the Non-Executive Directors will be a matter to be decided by the Board as a whole. The Board recommends the directors' fees payables to Non-Executive Directors on a yearly basis for approval by shareholders at the AGM.

During the financial year, the Remuneration Committee met two (2) times, attended by all the members. All deliberations of the Remuneration Committee are properly documented in the minutes of Committee meetings and recommendations are reported by the Remuneration Committee Chairman at Board meetings.

The remuneration of Non-Executive Directors is linked to their expertise, experience and level of responsibilities undertaken by them. Non-Executive Directors are paid fixed annual fees and monthly allowance as members of the Board and Board Committees. The Directors' fees payable to Directors are approved by shareholders at each AGM.

In line with Section 230 of the Companies Act 2016, the fees of Directors and any benefits payable to Directors of a listed company and its subsidiaries shall be approved by the shareholders at a general meeting. Save for the following fees and allowances payable to the Directors, the Directors did not receive any fees from the Company or its subsidiaries:

Directorate	Directors' Fees per annum per pax (RM)	Monthly Allowance per pax (RM)	
Executive Director(s)	20,000	-	-
INED & Chairman of Audit Committee	20,000	3,000	3,500 <sup>^^</sup>
INEDs	10,000	2,000	2,500 <sup>^^</sup>

Note:

<sup>^^</sup> The monthly allowance for the INEDs was revised effective 1 September 2017.

In determining the estimated total amount of remuneration for the INEDs, the Board considered various factors including the number of scheduled meetings for the Board, and Board committees as well as the time spent by the INEDs for the meetings.

The relevant resolutions in relation to the Directors' remuneration will be presented to the shareholders for approval at the coming AGM. Payment of the INEDs' remuneration will be made by the Company on a monthly basis and/or as and when incurred if the proposed resolution has been approved by shareholders at the AGM.

## PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

### 2.3 Establish Formal and Transparent Remuneration Policies and Procedures (Cont'd)

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company from the Company and the Group for the financial year ended 31 May 2017 is as follows:

From the Company	Fees (RM)	Other Emoluments <sup>1</sup> (RM)	Salaries <sup>2</sup> (RM)	Total (RM)
Executive Directors <sup>3</sup>	80,000	-	-	80,000
Non-Executive Directors <sup>3</sup>	40,800	-	-	40,800
<b>Total</b>	<b>120,800</b>	<b>-</b>	<b>-</b>	<b>120,800</b>

From the Group	Fees (RM)	Other Emoluments <sup>1</sup> (RM)	Salaries <sup>2</sup> (RM)	Total (RM)
Executive Directors <sup>3</sup>	80,000	138,841	1,759,445	1,978,286
Non-Executive Directors <sup>3</sup>	40,800	87,000	-	127,800
<b>Total</b>	<b>120,800</b>	<b>225,841</b>	<b>1,759,445</b>	<b>2,106,086</b>

Notes:

<sup>1</sup> Other emoluments include allowances, EPF, SOCSO and advisory fees.

<sup>2</sup> Salaries inclusive of bonus.

<sup>3</sup> Resignation and appointment as Directors are included herein with their fees apportioned accordingly up to or from the date of the resignation/appointment, as applicable.

The number of Directors whose total remuneration paid/payable from the Group during financial year under review that falls within the following bands of RM50,000 is summarised as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	-	5 <sup>1</sup>
RM100,000 to RM150,000	1	-
RM550,001 to RM600,000	1	-
RM600,001 to RM650,000	2	-
<b>Total</b>	<b>4</b>	<b>5</b>

Note:

<sup>1</sup> Resignations and appointment as Directors are included herein with their fees apportioned accordingly up to or from the date of the resignation/appointment, as applicable.

The Board opted not to disclose each Director's remuneration individually as it is of the opinion that detailed disclosure of individual Directors' remuneration will not add significantly to the understanding and evaluation of the Group's governance practices.

The Board and Remuneration Committee will strive to ensure a fair structure of compensation for an organisation of this size and market sector and business complexity. It is also aimed at attracting and retaining Directors who have the right calibre, skills and experience to contribute meaningfully towards the success of the business.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 3: REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independent Directors

The Nomination Committee had conducted an evaluation of level of independence of the three (3) INEDs of the Company through the Directors' self-evaluation. The Nomination Committee has indicated their satisfaction with the level of independence of each of their peer and their ability to act in the best interests of the Company and the Group in decision-making. The Board is also satisfied with the level of independence of the INEDs.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director outlined in Paragraph 1.01 and Practice Note 13 of the Listing Requirements of Bursa Securities. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the Group.

### 3.2 Tenure of Independent Directors

The Board is also mindful of the recommendation of the MCGG 2012 that tenure of an Independent Director should not exceed a cumulative term of nine years. The nine years can either be a consecutive service of nine years or a cumulative service of nine years with intervals. Upon completion of the nine years, an INED may continue to serve on the Board subject to the Director's re-designation as a non-independent Director.

However, the shareholders may, in exceptional cases where the Board is of the opinion that the Independent Director can continue beyond the nine (9)-year tenure and subject to the assessment of the Nomination Committee, decide that an Independent Director can remain as an Independent Director after serving a cumulative term of nine years.

The Nomination Committee and Board will continuously monitor and evaluate the contribution and tenure of the INEDs and in line with Recommendation 3.3 of the MCGG 2012, will seek shareholders' approval at its AGM, to retain any INEDs of the Company, as and when necessary.

### 3.3 Shareholders' Approval for Retaining Independent Non-Executive Directors

Currently, no INED has served for a cumulative term of more than nine (9) years.

### 3.4 Separation of positions of Chairman and Chief Executive Officer

The Board has always made the distinction between the position of the Chairman and other executive Board members. There is a clear and separate division of responsibility in their roles and duties.

The Board of Directors is chaired by Dato' Seri Chew Weng Khak, whose main responsibilities are to ensure Board effectiveness and implementation of Board policies and decisions. He is an executive member of the Board and is not an independent director by virtue of his substantial interest in the Company.

### 3.5 Board Must Comprise a Majority of Independent Directors If the Chairman Is Not an Independent Director

The Board comprises of the following seven (7) members; four (4) Executive Directors and three (3) INEDs:

<b>Group Executive Chairman</b>	Dato' Seri Chew Weng Khak @ Chew Weng Kiak
<b>Group Managing Director</b>	Chew Chuon Ghee, Vincent
<b>Group Executive Directors</b>	Chew Chuon Jin, Dixon Chew Chuon Fang, Nelson
<b>INEDs</b>	Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim Dato' Tahir Jalaluddin Bin Hussain Ong Huey Min, Lindy

On 17 November 2016, Encik Khairilnuar Bin Tun Abdul Rahman and Mr Lee Hong Lim tendered their resignation as INED. The Board thanked them for their contribution and support over the years.

The Board has accepted Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai's decision to step down as Group Executive Director with effect from 1 October 2017 citing personal reasons. The Board thanked him for his valuable contribution during his long service with the Group and wish him well in his future endeavours.



## PRINCIPLE 3: REINFORCE INDEPENDENCE (CONT'D)

### 3.5 Board Must Comprise a Majority of Independent Directors If the Chairman Is Not an Independent Director (Cont'd)

Brief profiles of the Board members are presented under Profile of Directors in this Annual Report.

All concerns regarding the Group can be conveyed to any one of the Directors and or will be deliberated by all Directors during Board meetings. As such, the Board had not appointed a Senior Independent Non-Executive Director to whom concerns regarding the Group may be conveyed.

The present composition of the Board is in compliance with Chapter 15.02 of the Listing Requirements of Bursa Securities, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are INEDs.

The Chairman holds an executive position in the Company. The Board believes that the Chairman is capable of acting in the best interest of the shareholders given his professionalism and long standing experience in the corporate world. Hence, the Board takes the position that there is no necessity for the appointment of an INED as Chairman at this juncture.

With representation of 3 INEDs on the Board, 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 the executive Board members are related. The Board will continuously review and evaluate this from time to time.

## PRINCIPLE 4: FOSTER COMMITMENT

### 4.1 Time Commitment

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 and Board Committees meetings as set out in the summary below.

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings.

During the financial year ended 31 May 2017, the Board held five (5) meetings to deliberate and decide on various issues including the Group's financial results, regulatory compliance and the direction of the Group. The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

Detail of attendance of each Director at the Board and Board Committees meetings of the Company during the financial year under review is as follows:

Directors	Board	Audit Committee	Nominating Committee	Remuneration Committee
Dato' Seri Chew Weng Khak	5/5	-	-	1/1
Chew Chuon Ghee, Vincent	5/5	-	-	-
Chew Chuon Jin, Dixon	5/5	-	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai <sup>2</sup>	5/5	-	-	-
Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	5/5	4/4	1/2	1/1
Dato' Tahir Jalaluddin Bin Hussain	5/5	4/4	1/1	2/2
Ong Huey Min, Lindy <sup>1</sup>	2/2	2/2	-	1/1
Khairilnuar Bin Tun Abdul Rahman <sup>3</sup>	2/2	2/2	-	-
Lee Hong Lim <sup>3</sup>	2/2	2/2	-	-

Note:

<sup>1</sup> Lindy Ong's attendance is calculated from the date of her appointment to the Board.

<sup>2</sup> Tan Sri Dato' Seri Tan's attendance is for the full financial year.

<sup>3</sup> Khairilnuar Bin Tun Abdul Rahman and Lee Hong Lim's attendance is calculated up to the date of their respective resignation from the Board.

# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

### 4.1 Time Commitment (Cont'd)

All Board members met the minimum percentage required for Board meeting attendance during the year under review as prescribed under the Listing Requirements of Bursa Securities.

In compliance with the Listing Requirements of Bursa Securities, each member of the Board does not hold more than five (5) directorships in public listed companies to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. The Board members must first notify the Board or the Chairman before accepting any new Directorship in other public listed companies so as to ensure that time commitment and responsibilities to the Company will not be affected.

### 4.2 Continuing Education Programme

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. As at the date of this statement, all the Directors, except for Nelson Chew, had attended and successfully completed the MAP (Mandatory Accreditation Programme). Nelson Chew would attend the MAP within the prescribed time frame.

The Directors are encouraged to attend relevant training courses and professional programmes deemed necessary so as to keep abreast with the changes to guidelines issued by the relevant authorities as well as developments in the business environment, which can complement their services to the Group. The Directors are regularly updated by the Company Secretary on any changes to new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

There is no formal training/induction program for new Directors presently. On joining, new Director is given background information on the Group and its activities with site visits arranged, whenever necessary. The Directors will continue to undergo other relevant training programmes from time to time to enhance their skills and knowledge where relevant.

The Board had, through the Nomination Committee, undertaken an assessment of the training needs of the Directors and concluded that the Directors are to determine their training needs as they are in a better position to assess their areas of concern.

The training, conferences or seminars attended by the Directors during the financial year are as outlined below:

Directors	Training program
Dato' Seri Chew Weng Khak @ Chew Weng Kiak	<ul style="list-style-type: none"><li>• Continuous Listing Obligation of PLC – Chapter 10 Series</li></ul>
Chew Chuon Ghee, Vincent	<ul style="list-style-type: none"><li>• Fraud Risk Management Workshop</li><li>• Sustainability Forum for Directors/CEOs: "The Velocity of Global Change &amp; Sustainability – The New Business Model"</li><li>• Continuous Listing Obligation of PLC – Chapter 10 Series</li></ul>
Chew Chuon Jin, Dixon	<ul style="list-style-type: none"><li>• Continuous Listing Obligation of PLC – Chapter 10 Series</li><li>• Corporate Governance and Listing Requirements Market Talk</li></ul>
Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim	<ul style="list-style-type: none"><li>• Continuous Listing Obligation of PLC – Chapter 10 Series</li></ul>
Dato' Tahir Jalaluddin Bin Hussain	<ul style="list-style-type: none"><li>• Continuous Listing Obligation of PLC – Chapter 10 Series</li></ul>
Ong Huey Min, Lindy	<ul style="list-style-type: none"><li>• Sustainability Reporting – What it is and how to go about reporting?</li><li>• Related Party Transaction – Their implication to the Board of Directors</li><li>• National Tax Conference</li></ul>

## PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statements, quarterly announcements of results and all other disclosure to Bursa Securities as well as the Chairman's Statement and Management Disclosure & Analysis in the Annual Report.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. The role of the Audit Committee is to support the Board of Directors in overseeing the processes for production of the financial data, reviewing and monitoring the integrity of the financial reports and the internal controls of the Group.

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia have been applied. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and that the financial statements comply with the requirements of the Companies Act, 2016.

### 5.2 Assessment of Suitability and Independence of External Auditors by the Audit Committee

Following the close of financial year on 31 May 2017, the Audit Committee had reviewed and monitored the suitability and independence of the external auditors as well as the non-audit services provided by the external auditors, if any.

The Group maintains a transparent relationship with its auditors in seeking professional advice and ensuring compliance with the relevant accounting standards.

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors.

The Board place great emphasis on the objectivity and independence of the auditors, namely Messrs. UHY, in providing relevant and transparent reports to the shareholders. To ensure full disclosure of matters, the auditors are regularly invited to attend the Audit Committee meetings and the AGM. During the year, the auditors had met twice with the Audit Committee without the presence of the executive Board members and senior management.

Going forward, the Audit Committee would establish procedures to assess the suitability and independence of the external auditors as well as policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the external auditors.



# STATEMENT OF CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

### 6.1 Sound Framework to Manage Risks

The Board is committed to maintaining a good risk management framework and sound system of internal control within the Group. The Group has an embedded risk management framework process for the identification, evaluation, reporting treatment, monitoring and review of the major strategic, business and operation risks within the Group. The Board, through the Audit Committee, would obtain periodic updates on the internal control system.

The Audit Committee oversees the risk management framework of the Group, reviews the risk management policies formulated by the Management and advises the Board on areas of high risk encountered by the Group and the adequacy of compliance and controls.

The details on risk management is set out in the Statement of Risk Management and Internal Control in this Annual Report.

### 6.2 Internal Audit Function

The internal audit function is currently outsourced to an independent professional consulting firm. The Audit Committee monitors the feedback and reports from the internal auditors for matters of non-compliance, weakness in internal control systems or the lack of it and monitors the implementation of agreed corrective action plan to address such inadequacies by the Management.

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

The Statement on Risk Management and Internal Control in this Annual Report provides an overview on the state of risk management and internal controls within the Group.

## PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policies and Procedures

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 formalise corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the Listing Requirements, but also setting out the persons authorised 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.

### 7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company disseminates information in relation to its financial performance, operations and corporate developments through the annual reports, quarterly reports, circulars and various announcements.

The Company's website at [www.pensonic.com](http://www.pensonic.com) has a tab marked as "Investor Relations" which contains vital information, including annual reports, quarterly reports and official announcements made to Bursa Securities, concerning the Group which is updated on a regular basis. The Board will peruse through and approve all announcements prior to release of the same to Bursa Securities.

The Group releases all material information publicly through Bursa Securities. Shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website.



## PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage Shareholders' Participation at General Meetings

The Board encourages shareholders' participation and as such, the AGM is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The notice of AGM is sent at least twenty-one (21) days before meeting date. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

Whilst this Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the Board readily avail themselves to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars.

The Board recognises the importance of accountability to its shareholders and investors through proper communication. The Board acknowledges that shareholders should be informed of all material business matters which influence the Group. Timely release of quarterly financial results to Bursa Securities and other information and corporate actions taken by the Group that warrant an announcement to Bursa Securities under the Listing Requirements will provide shareholders with a current overview of the Group's performance.

### 8.2 Encourage Poll voting

Pursuant to the Listing Requirements, all listed companies are required to conduct poll voting for the resolutions put up at its general meeting effective 1 July 2016. All resolutions to be voted at this AGM will be voted on by poll, instead of by show of hands.

Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the principle that every share carries one vote. This practice thus enforces greater shareholders' rights representation.

### 8.3 Effective Communication and Pro-active Engagement with Shareholders

The Board is committed under its corporate governance obligation to have an effective channel of communication with shareholders and the investing public. It affirms that the primary channel and forum for dialogue, engagement and communication with its shareholders is during the general meetings.

The general meetings, coupled with the Annual Reports, communicate comprehensive information of the financial results and activities undertaken by the Group during the year under review.

Shareholders are encouraged to attend the general meetings and are given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

In addition, the Board and Management welcome visits by investors and invested parties as the Board believes that this will give them a better appreciation and understanding of the Group's performance and for the Board to have awareness of the expectations and concerns of investors and such interested parties. Besides, the Group also maintains an official website at [www.pensonic.com](http://www.pensonic.com) that provides an easy and convenient avenue for public to gain access to more information of the Group.

However, in any circumstances, while the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Directors are cautious not to provide undisclosed material information about the Group and frequently stressed the importance of timely and equal dissemination of information to all shareholders and stakeholders.

## COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Group has complied substantially with the Principles and Recommendations of the Code, insofar as applicable and described herein, during the financial year ended 31 May 2017 and up to-date.

This statement is issued in accordance with a resolution of the Directors dated 22 September 2017.

# AUDIT COMMITTEE REPORT

## FORMATION

The primary objective of the Audit Committee, as a sub-committee of the Board is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control. The key responsibilities of the Audit Committee, include, among others, the followings:

- (a) Oversee the Group's financial reporting process and the integrity of the Group's financial statements;
- (b) Assess the Group's processes in relation to its risks, governance and control environment;
- (c) Review conflict of interest situations and related party transactions; and
- (d) Evaluate the internal and external audit processes and performance.

The Committee was established to act as a Committee of the Board, with its terms of reference published on the Company's website at [www.pensonic.com](http://www.pensonic.com).

## COMPOSITION, MEETING AND ATTENDANCE

The present Audit Committee (the "Committee") comprised solely of Independent Non-Executive Directors. Khairilnuar Bin Tun Abdul Rahman and Lee Hong Lim stepped down as Chairman and member of the Committee respectively on 17 November 2016. On 3 January 2017, the Audit Committee was reconstituted with the appointment of Lindy Ong as Chairman concurrent with her appointment to the Board of Directors on even date.

The members of the Audit Committee and their attendance at the 4 meetings held during the financial year under review are as tabulated:

Audit Committee   Position in Committee	Attendance
Ong Huey Min, Lindy <sup>1</sup>   Chairman	2/2
Dato' Lela Pahlawan Dato' Wira Ku Nahar Bin Ku Ibrahim   Member	4/4
Dato' Tahir Jalaluddin Bin Hussain   Member	4/4
Encik Khairilnuar Bin Tun Abdul Rahman <sup>2</sup>	2/2
Lee Hong Lim <sup>2</sup>	2/2

Note:

<sup>1</sup> Lindy Ong's attendance is calculated from the date of her appointment on 3 January 2017.

<sup>2</sup> Attendance calculated up to their resignation on 17 November 2016.

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretary or her representative was present at all the meetings. The executive Board members, members of management as well as representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arises.

The Committee also makes arrangements to meet and discuss with the external and internal auditors on any matters relating to the Group and its audit activities. The Committee met twice (2) with the external auditors without the presence of the executive Board members and management during the financial year under review.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The reconstituted Audit Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee during the financial year ended 31 May 2017 and up to to-date were as follows:

### 1. Financial Performance and Reporting

- (a) Reviewed quarterly interim unaudited financial results and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval and subsequent release to regulatory authorities.

The review also considered changes in or implementation of major accounting policies, significant and unusual events and compliance with the provisions of the Companies Act 2016 and applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB").

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

### 2. Internal Audit

- (a) Reviewed and approved the annual internal audit plan for financial year ended 31 May 2017.
- (b) Reviewed the internal audit reports, audit recommendations made and management's response to these recommendations and actions taken to improve the system of internal control and procedures.  
Monitored the feedback and reports from the internal auditors for matters of non-compliance, weakness in internal control systems or the lack of it as well as recommendations and management's response.  
The Audit Committee has, where appropriate, directed management to rectify and improve control procedures and workflow processes based on the internal auditors' suggestions for improvement.
- (c) Reviewed the implementation of these recommendations through follow up audit reports.
- (d) Accepted the resignation of CH International Advisory Sdn Bhd as internal audit services provider following their decision to cease provision of internal audit services for listed issuers.  
Reviewed potential service providers for the internal audit function vis a vis adequacy of its scope, competency and resources to carry out its work. Thereafter, the Audit Committee appointed JWC Consulting Sdn Bhd as the replacement internal audit services provider.

### 3. External Audit

- (a) Discussed the audit plan, scope of work/audit and reporting obligations as well as proposed audit fee for the year under review with the external auditors before commencement of audit engagement.
- (b) Reviewed and discussed with the auditors, the findings and results arising from the audit of the financial year ended 31 May 2017 and management letter (if any) together with management's response and comments.
- (c) Responded to external auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.
- (d) Reviewed the suitability and performance as well as factors relating to the independence of the external auditors with due consideration to the quality, robustness and timeliness of the audit and report furnished, audit governance, level of understanding demonstrated of the Group's business and communication about new and applicable accounting practices and auditing standards and its impact on the Group's financial statements as well as the quality of the people and service level.  
The Committee also met with management, in the absence of the auditors, to hear their views on the effectiveness of the external auditors.  
Following a review of the performance and independence of the external auditors during the year under review, the Audit Committee was of the view that the Group would be better served by an international firm of auditors with extensive experience and technical competency in addressing various issues that the Group might face.  
As such, the Audit Committee has recommended the appointment of KPMG as auditors of the Company and the Group in place of the retiring auditors.
- (e) Reviewed the non-audit services provided by the external auditors, if any.

### 4. Corporate Governance

- (a) Reviewed the relevant regulatory changes and ensure compliance by the Company and the Group.
- (b) Reviewed and approved/recommended, as applicable, the Audit Committee Report, Statement of Risk Management and Internal Control and Statement on Corporate Governance for Board's approval before inclusion in the 2017 Annual Report.
- (c) Reviewed, discussed, approved and monitored recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group as reported by the Management.
- (d) Met twice with the external auditors in the absence of the executive Board members and management staff to discuss issues of concern to the auditors arising from the annual statutory audit. None was reported.
- (e) Reviewed and adopted the revised Terms of Reference for the Committee.

### 5. Risk Management

- (a) Reviewed and endorsed the key risk profile of the Group following completion of enterprise risk management exercise carried out recently.
- (b) Reviewed the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.



# AUDIT COMMITTEE REPORT

(Cont'd)

## INTERNAL AUDIT FUNCTION

The Board acknowledges the need for an effective system of internal control covering all aspects of the Group's activities including the mapping and management of risks which the Group may be exposed to.

The Group has engaged an independent professional consulting firm to provide outsourced internal audit function to carry out internal audit of the Group. This is to assist the Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function of the Group in respect of the financial year under review is RM20,700.

The principal role of the internal audit function is to undertake independent and periodic reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Committee with independent and objective reports on the state of internal controls of the key business units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year ended 31 May 2017, the internal audit function carried out 2 cycles of internal audits to test the adequacy and effectiveness of the internal control system of the Group on sales and marketing and inventory management as well as human resource management and maintenance of machinery.

Further information on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control in this Annual Report.

This statement is issued in accordance with a resolution of the Audit Committee dated 22 September 2017.





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of public listed companies are required to include in their Annual Reports a statement on the state of risk management and internal control of the listed issuer as a group pursuant to Paragraph 15.26(b) of the Main Market Listing Requirement (“Listing Requirements”) of Bursa Malaysia Securities Berhad and in accordance with the Principles and Recommendations relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance 2012 as well as the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers (“SRMICG”).

The Board of Directors (“Board”) of Pensonic Holdings Berhad (“Pensonic”) is committed to maintaining a sound internal control and risk management system. All business/functional units have implemented their own control processes under the leadership of the executive Board members who are responsible for good business and regulatory governance. The following Statement outlines the nature and scope of the Group’s internal control and risk management systems during financial year ended 31 May 2017 (“FY2017”) and up to the date of this Statement.

## Board’s Responsibilities

The Board recognises the importance of good corporate governance. The Board is responsible for the Group’s internal control and risk management systems to safeguard shareholders’ investment and the Group’s assets as well as reviewing the adequacy and effectiveness of the said systems. This responsibility is delegated to the Audit Committee, which is empowered by its terms of reference to seek assurance on the adequacy and integrity of the internal control system through independent reviews carried out by the internal auditors and engagement with management.

Management is responsible for assisting the Board in implementing and monitoring the procedures and processes which identify, assess and monitor business risks and internal controls as well as to take responsive corrective action as and when needed.

The Board is cognisant of the fact that the system of internal control is designed to manage rather than to eliminate all risks that could impede the achievement of the Group’s business objectives. Therefore, the internal control system can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board is of the opinion that the internal control and risk management systems were adequate for FY2017 to address the risks which the Group considers relevant and material to its operations.

## Risk Management

There is an on-going process for identifying, assessing and responding to risks that could impede the objectives of the Group. The process has been in place for the period under review and up to the date of issuance of this statement.

The Board has engaged an independent professional consultant, Messrs. CH International Advisory Sdn. Bhd. (“CHI”) to establish a risk management framework for the Group. Under this framework, risks relevant to the Group have been identified, quantified and compiled into the risk profiles of the various business/functional units in the Group.

Relevant business risks and their potential impact and likelihood of crystallisation are evaluated on an ongoing basis by senior management with reporting to Audit Committee (“AC”).

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Cont'd)

## Internal Audit Function

The Board acknowledges the importance of the internal audit function and has engaged the services of CHI 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 Group's internal auditors report directly to the AC. Its role is to provide the Audit Committee with reasonable assurance on the adequacy and integrity of the Group's internal control system through its auditing and monitoring process while the AC provides direction and oversees the internal audit function. At the beginning of each financial year, CHI would present an audit plan for the AC's approval. Upon completion of each audit assignment, CHI would table their audit findings together with management's response and corrective action plans for review during AC meetings.

During the financial year, CHI carried out reviews on the following areas to assess the adequacy and effectiveness of internal controls and risk management processes:

1. Human Resource Management of the Group
2. Revenue, Procurement, Account Receivables & Payables and Inventory Management Review on Pensia Industries Sdn. Bhd.

The internal auditors noted some weaknesses in the controls, and these together with improvement recommendations have been reported to the AC. However, none of the weaknesses noted have resulted in material losses, contingencies or uncertainties to the Group.

The fees paid to CHI in respect of the internal audit function of the Group for the financial year amounted to RM20,700.

## Control Structure and Environment

The existing systems of internal control of the Group encompass overall risk management and compliance controls in finance, management information systems, and business operations. Key elements in the Group's system of internal controls and procedures are as follows:

- (a) An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority. Thus, there is a process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- (b) A Board Charter that outlines the roles and responsibilities of the Board as well as division of responsibilities and powers for Chairman and Managing Director;
- (c) Code of Ethics & Conduct which is applicable to all Directors and employees as guidance on standards of conduct and ethical values expected during their exercise of duties and responsibilities in all business practices;
- (d) There is also in place documented internal policies and procedures human resources management. These documents which focused on professionalism, accountability and integrity at work, are subject to review and improvement from time to time to reflect changing needs and resolve operational deficiencies;
- (e) Key operational processes are guided by the Standard Operating Procedures and the ISO 9001:2015 Quality Management System;
- (f) Regular independent audits are carried out by the internal auditor on planned audit areas which carry high risk impact and high probability of occurrence. During the course of audit, the internal auditor is tasked to highlight deficiencies in control and significant risks that could impact the Group. Following the audits, reports incorporating issues of non-compliance with internal control policies together with recommendations for corrective actions as agreed with management are brought to the attention of the AC and the Board (as applicable) for discussion and decision;
- (g) Regular meetings are held at Management and Operational levels to review the performance against plan. During these meetings, relevant information covering financial and operational performance and key business indicators are tabled for effective monitoring and decision making as well as determination of corrective actions to be taken to correct any deviations and minimise impact to the Group as a whole;
- (h) The Board and Audit Committee meets quarterly to review and evaluate the Group's financial performance, results, operations 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 management and operations;
- (i) Regular visits to business/functional units by executive Board members and Senior Management to formulated strategies and address the issues arising from changes in both the external business environment and internal control environment.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Cont'd)

## Review of the Statement

Pursuant to Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in the 2017 Annual Report, and have reported to the Board that nothing has come to their attention that causes them to believe that the 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.

CHI has also reviewed this Statement and reported to the AC that it has addressed certain individual lapses in internal control during the course of its internal audit assignments during the financial year with management. Nonetheless, it has not identified any circumstances which suggested any fundamental deficiencies in the Group's internal control and risk management system.

## Conclusion

The Board has received assurance from the executive Board members that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group for the financial year under review and up to the date of approval of this Statement. The assurance has been given based on the internal controls established and maintained by the Group, work performed and reports provided by the internal auditors, management letters issued by the external auditors, reviews performed by management and various Board Committees as well as reliance on confirmations by management.

As such, the Board is of the view that the system of internal control and risk management is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interests of customers, employees and other stakeholders.

This Statement is issued in accordance with a resolution of the Directors dated 22 September 2017.



# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Board of Directors of Pensonic Holdings Berhad (“Pensonic”) believes that a holistic approach to sustainable development is vital and goes hand-in-hand with the Group’s business operations. This is evidenced by the efforts to craft out corporate social responsibility (“CSR”) activities that sustain business operations thereby creating shared values that lead to better and more fruitful engagement with other stakeholders be it employees, the business ecosystem and /or the community at large.

## Community

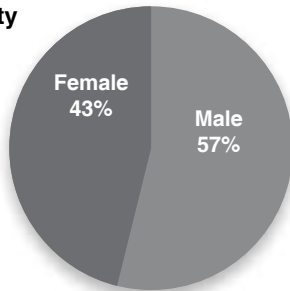
We are committed to be a good corporate citizen by engaging and reaching out to our local communities to create positive long-term impact. During the financial year, the Group contributed to the communities through donations and sponsorships to various organisations and charities.

## Workplace

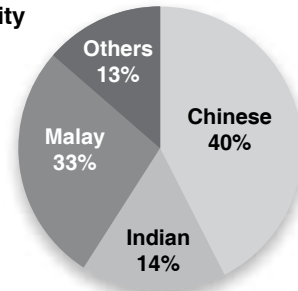
In its business operations, the Group has taken measures to manufacture and supply its products in an economically, environmentally and socially sustainable manner. The Group has always walked the talk in taking the necessary initiatives to operate responsibly and safeguard the environment in order to protect its current and future investments.

Pensonic strongly believes that its human capital is its most important asset. Efforts are taken to build a better workplace with positive and productive vibes that will make working at Pensonic a rewarding career for all employees. As part of that initiative, Pensonic continually provides education and training for its employees. These talent development plans are aimed at equipping employees with technical skills and knowledge in relation to projects and tasks so that these could be executed to meet customers’ needs and expectation as well as embedding soft skills for the creation of a new generation of leaders in the Group. Another effort is the various events organized throughout the year to bring employees together for fun and fostering strong ties amongst them. These events included birthday celebrations, Annual Dinner, Hari Raya Celebration Dinner and after-work indoor sports activities. The Group is also committed to fostering a culture of diversity in ethnicity, age and gender right from the top down to its workforce. There are 505 full-time employees in 12 offices / warehouses spread across Malaysia, Singapore, Hong Kong SAR and mainland China with ladies accounting for 43% of the total workforce.

**Gender Diversity**



**Ethnicity Diversity**



## Environment

Pensonic acknowledges responsibility for care of the environment and considers safety and environmental factors in all operational decisions and explores feasible opportunities to minimise any adverse impacts from manufacturing operations, waste disposal, product design and packaging. The head office and warehouse in Penang which came on line in 2015 feature several environmentally friendly specifications with focus on efficiency and minimal pollution emission from manufacturing activities. LED lights are used throughout the facility and temperature is kept at a level that is comfortable and energy efficient. Another feature is the rain harvest system with a special tank built into the facility to collect storm water runoff which is then filtered and used for irrigation of the garden on the grounds.

## Marketplace

The Group believes that effective CSR can deliver benefits to our business and, in turn, to our customers and vendors. To that end, the Group have put the following into practice:

- (a) Inculcating integrity and professionalism in procurement and supply chain management and to comply with standard procedures in qualification of vendors.
- (b) Continuous upgrade of the technical skills of the supplier quality team to ensure consistency in achieving quality levels beyond customers’ expectations.
- (c) Adherence to the ISO (International Organisation for Standardisation) requirements in relation to our Quality Management System.
- (d) Adherence to occupational safety and health requirements of international standards to assure the safety of the workforce and uninterrupted supply of products to our customers.
- (e) Walking the talk on good corporate governance and accountability.

## 1. Audit Fees and Non-audit Fees

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 May 2017 were as follows:

	Group (RM)	Company (RM)
Audit fees	191,012	29,000
Non-audit fees	5,000	5,000
<b>Total</b>	<b>196,012</b>	<b>34,000</b>

## 2. Material Contracts Material Contracts

There were no material contracts with the Company and its subsidiaries involving Directors' and major shareholders' interest during the financial year ended 31 May 2017.

## 3. Status of Utilisation of Proceeds Raised from Any Proposal

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 May 2017.

