Delivering Sustainability

KHIND

laporan tahunan • annual report

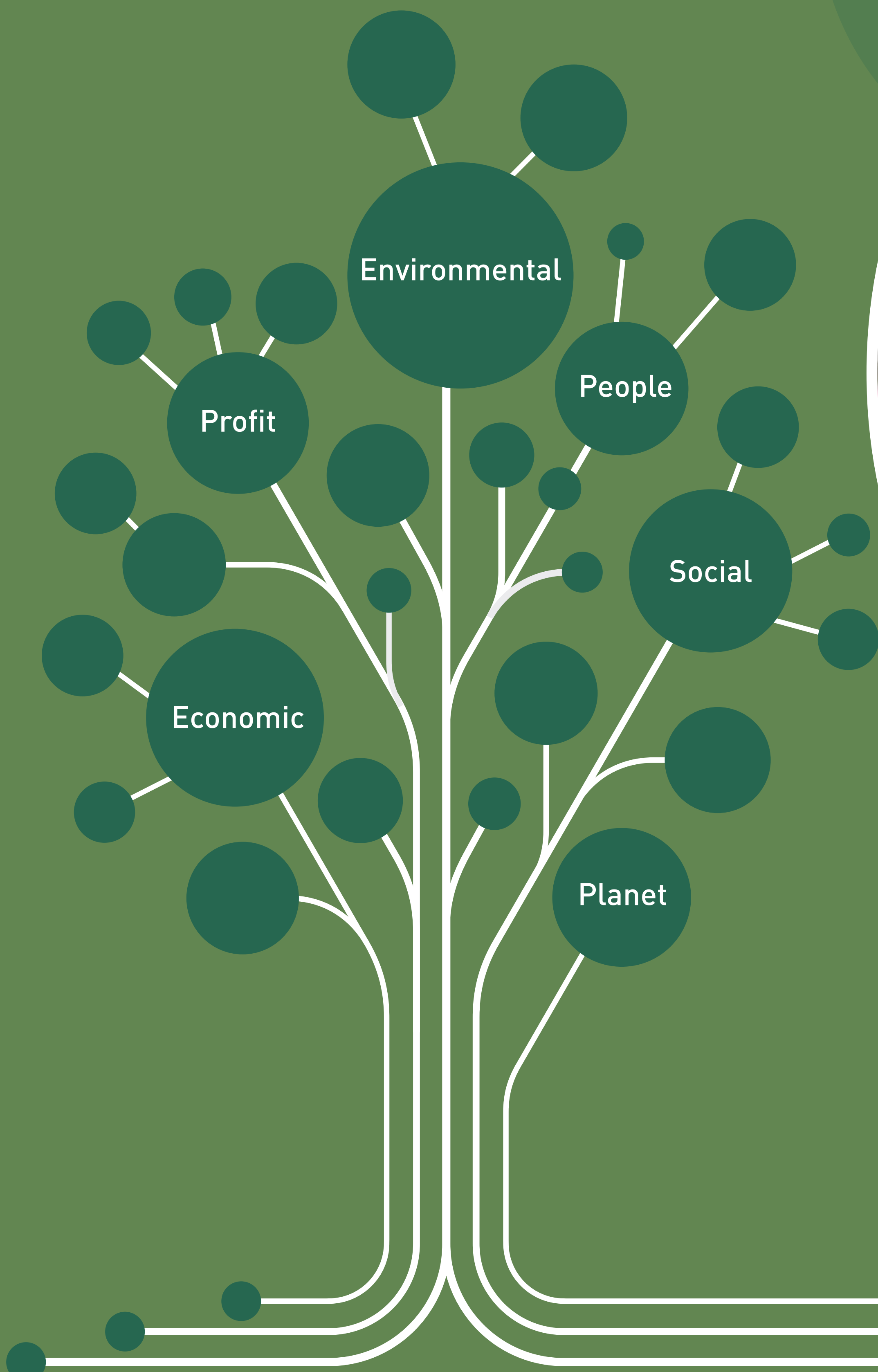
Delivering Sustainability

One of the established Malaysian manufacturers, KHIND has been delivering happiness and offering value in our services to shareholders, customers, suppliers, employees and communities. Our years of existence, however, greatly depends on three pillars of sustainability namely, Economic, Environment and Social. The majestic tree and its intertwining branches filled with leaves depict our commitment in achieving business goals as well as giving back to society in view of long term sustainability. Ultimately, we strive towards greater community engagement that will reward us and lead to better operational efficiency, increased strategic focus on the future and appreciation of future generations' needs.

2017

KHIND HOLDINGS BERHAD (380310-D)

DELIVERING
SUSTAINABILITY



Economic

Profit

Environmental

Planet

People

Social

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Cheng King Fa
Founder/Chairman

Mr. Cheng Ping Keat
Group Chief Executive Officer/Executive Director

En. Kamil Bin Datuk Hj. Abdul Rahman
Senior Independent Non-Executive Director

Mr. Wong Chin Mun
Independent Non-Executive Director

Mr. Lee Ah Lan @ Lee Keok Hooi
Independent Non-Executive Director

AUDIT COMMITTEE

En. Kamil Bin Datuk Hj. Abdul Rahman
Chairman, Senior Independent Non-Executive Director

Mr. Wong Chin Mun
Member, Independent Non-Executive Director

Mr. Lee Ah Lan @ Lee Keok Hooi
Member, Independent Non-Executive Director

NOMINATION AND REMUNERATION COMMITTEE

Mr. Wong Chin Mun
Chairman, Independent Non-Executive Director

En. Kamil Bin Datuk Hj. Abdul Rahman
Member, Senior Independent Non-Executive Director

Mr. Lee Ah Lan @ Lee Keok Hooi
Member, Independent Non-Executive Director

Registered Office:
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 603-2783 9191
Fax: 603-2783 9111

Share Registrar:
Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 603-2783 9299
Fax : 603-2783 9222

Stock Exchange Securities:
Main Market of Bursa Malaysia Securities Berhad
Stock Code: 7062

Solicitors:
- Khor, Anuar & Khong
- Shearn Delamore & Co
- Olivia Lim & Co
- Soo Thien Ming and Nashrah

Company Secretaries:
Kuan Hui Fang (MIA 16876)
Wong Wai Foong (MAICSA 7001358)
Chong Lay Kim (LS0008373)

External Auditors:
RSM Malaysia (AF:0768)

Internal Auditors:
BDO Governance Advisory Sdn. Bhd.

Principal Bankers:
- CIMB Bank Berhad
- Citibank Berhad
- DBS Bank Ltd
- Hong Leong Bank Berhad
- ICBC (Malaysia) Berhad
- Malayan Banking Berhad
- Oversea-Chinese Banking Corporation Limited
- Public Bank Berhad
- RHB Bank Berhad
- Standard Chartered Bank Malaysia Berhad
- United Overseas Bank Limited
- United Overseas Bank (M) Berhad

CORPORATE STRUCTURE

KHIND

KHIND HOLDINGS BERHAD (380310-D)

- 100% Khind-Mistral Industries Sdn Bhd (213282-V)
  Manufacture and sale of electrical home appliances and wiring accessories
  - 100% Khind Middle East FZE (01020)
    Trading in electrical home appliances
- 100% Khind-Mistral (M) Sdn Bhd (442421-A)
  Trading in electrical home appliances and wiring accessories
- 100% Khind-Mistral (Borneo) Sdn Bhd (234614-W)
  Trading in electrical home appliances and wiring accessories
- 100% Mistral (Singapore) Pte Ltd (200106472H)
  Trading in household electrical and electronic appliances
- 100% Khind Customer Service Sdn Bhd (109015-W)
  Providing general repair and rework services and renting of commercial properties
- 100% Khind Alliances Sdn Bhd (811092-W)
  Trading in electrical home appliances
- 100% Khind-Mistral (Sabah) Sdn Bhd (177741-V)
  Dormant
- 100% Khind Components Sdn Bhd (196021-P)
  Manufacture and assembly of wire harness and power supply cords
- 100% Khind Properties Sdn Bhd (429363-P)
  Property development and property investment
- 100% Mayer Marketing (M) Sdn Bhd (429595-W)
  Dormant
- 100% Khind Industries Sdn Bhd (173304-D)
  Dormant
- 100% Khind Electrical (Malaysia) Sdn Bhd (84527-A)
  Wholesale and distribution of electrical products
- 100% Khind Systems (Singapore) Pte Ltd (196400399W)
  Supply of power distribution and protection solutions, electrical goods, environmental hygiene and pest control service
  - 100% Khind Electrical & Environmental (Singapore) Pte Ltd (198000887M)
    Dormant
  - 100% Khind Electrical (Hong Kong) Limited (79949)
    Trading in electrical products and building materials
    - 100% Khind Electrical (Guangzhou) Limited (440101400049866)
      Dormant
- 100% Mayer Marketing Pte Ltd (198701251D)
  Trading in electrical home appliances and household goods
  - 99.9% Mayer Marketing Sdn Bhd (AGO-RC-4836)
    Dormant
- 60% PT Khind Environmental Solutions (09.01.1.46.55433)
  Trading and distribution of consumer electrical goods and industrial electrical items

FINANCIAL HIGHLIGHTS

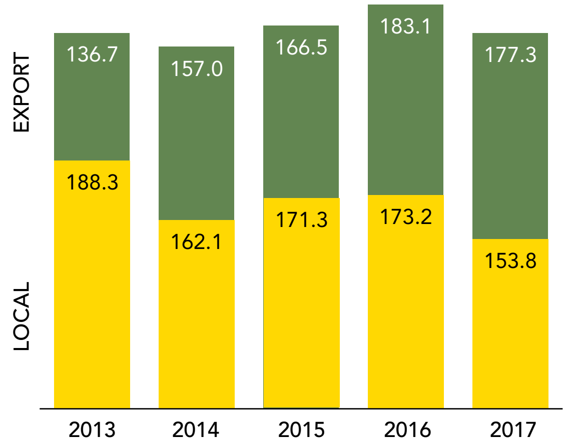
5-Year Financial Highlights

	Year ended 31 December				
Key Operating Results (RM'000)	2013	2014	2015	2016	2017
Revenue	325,035	319,051	337,768	356,292	331,080
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	26,630	21,982	17,501	20,712	11,965
Profit before tax	20,096	14,714	9,162	12,088	2,916
Profit attributable to owners	16,235	12,161	6,180	9,786	1,593
Other Key Data (RM'000)					
Total equity attributable to owner	103,998	113,183	122,168	129,186	128,606
Total assets	232,343	252,584	256,864	268,467	261,762
Total borrowings	70,858	80,905	79,064	78,535	79,196
Financial Ratio (%)					
Return on equity attributable to owners	15.6%	10.7%	5.1%	7.6%	1.2%
Return on total assets	7.0%	4.8%	2.4%	3.6%	0.6%
Current ratio	1.6	1.7	1.8	1.9	1.9
Debt equity ratio	0.7	0.7	0.6	0.6	0.6
Share Information					
Earnings per share (sen)	40.5	30.4	15.4	24.4	4.0
Gross Dividend per share (sen)	10.0	10.0	7.0	10.0	1.0
Net Dividend per share (sen)	10.0	10.0	7.0	10.0	1.0
Dividend Pay Out Ratio (%)	24.7	32.9	45.4	40.9	25.1
Dividend Yield (%)	4.0	4.8	3.2	4.5	0.5
Net assets per share (RM)	2.60	2.83	3.05	3.22	3.21
Share Price as at 31 December (RM)	2.48	2.10	2.21	2.20	2.02
Market Capitalisation (RM million)	99.35	84.12	88.53	88.13	80.92

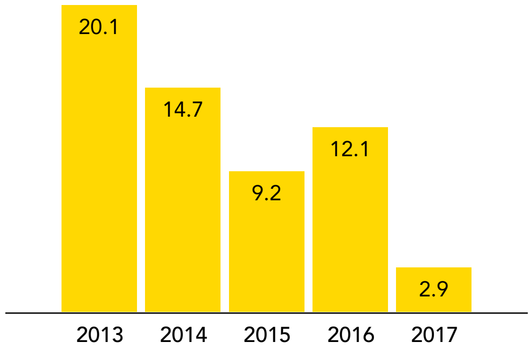
FINANCIAL HIGHLIGHTS

Key Highlights

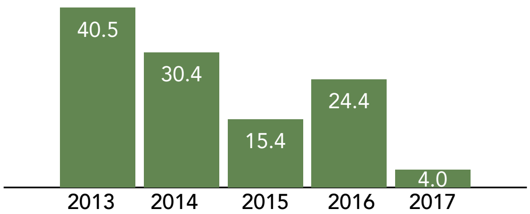
Revenue
RM Million



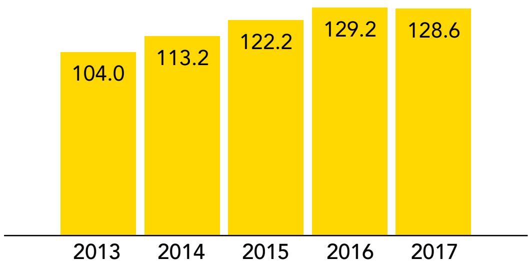
Profit Before Tax (PBT)
RM Million



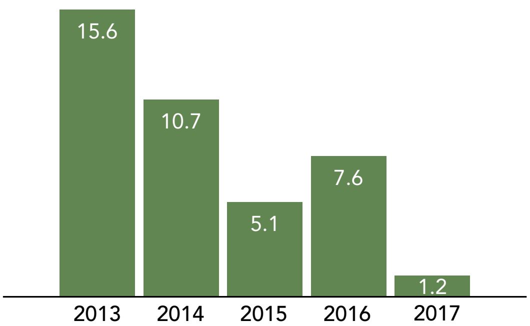
Earning Per Share
Sen



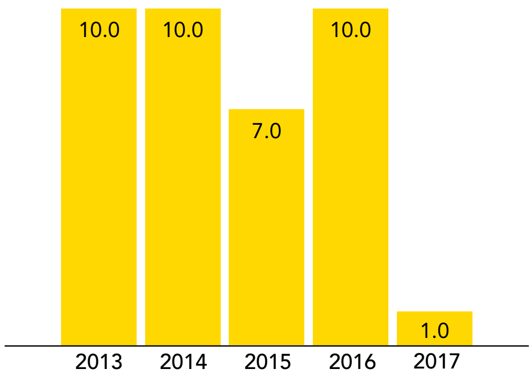
Shareholders' Fund
RM Million



Return on Equity (ROE)
Percentage (%)



Net Divided by Share
Sen



CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT

Dear Shareholders,

We are pleased to present this year's Annual Report to you. Year 2017 has seen the Company suffered from declining revenue and the profit before tax had recorded a significant drop for the first time in the last 10 years. Despite Malaysia's economic growth of 5.9%, retail sales performance lagged at a moderate growth of 2.0%, according to a report compiled by Retail Group Malaysia. The low propensity to spend was attributed to the weak Consumer Sentiment Index. The rising cost of living, mainly due to higher transport inflation, continued to weaken the purchasing power of Malaysian consumers. The effect has been felt deeply by the Company whereby local revenue fell to a level below the average revenue for the last 5 years. This has led to a paradigm shift in the Management team and employees within the Group.

The Malaysia Economy in 2017

In 2017, the Malaysian economy recorded a robust growth of 5.9% (2016: 4.2%), supported by faster expansion in both private and public sector spending. A key highlight for the year was the rebound in gross exports growth as global demand strengthened. This was due mainly to higher demand from major trading partners following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices. Altogether, the global technology upturn translated into robust demand for electronics and electrical (E&E) products while the stronger regional demand and the revival in investment activity in the advanced economies lifted exports of non-E&E products. Commodity exports also turned around in 2017, supported largely by the recovery in major commodity prices.

While real GDP growth was boosted by the external sector, domestic demand continued to anchor growth. In particular, private consumption growth strengthened to 7.0% in 2017 (2016: 6.0%), supported mainly by continued wage and employment growth, with additional impetus from Government measures.

(Source: 2017 BNM Annual Report, Bank Negara Malaysia)

New Agency, New Opportunity

In view of the sluggish sales in the year, the Company continued to search for new business opportunities by securing new agency with growth potential. During the year, our Singapore subsidiary launched a newly secured agency – Candy, distributing a range of home appliances including washing machine and dryer, vacuum cleaner, built-in oven, hob and hood. Our very first Candy Concept Store was launched in Gain City Megastore at Sungei Kadut on the 19th of August 2017. Candy is an Italian brand which dominates the European market with a complete and connected range of home appliances. Consumer demand and market trend has prompted us to begin offering Internet of Things products.

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT (CONTINUED)

The year has also seen us adding a masterpiece brand into our portfolio in Malaysia – KitchenAid, whose iconic stand mixer is world renowned among professional chefs and home cooks alike. The KitchenAid mixer was developed in 1919 and has stood the test of time to become an American icon. The brand is also the pioneer in bringing vibrant colors across its high-performance appliances collection, including mixer, blender and other essential kitchen gear.

In addition, the Company also distributes Honeywell products in Malaysia – another renowned brand from the United States of America. In October 2017, Khind started to offer the Honeywell indoor air purifier and car air purifier through Harvey Norman, Best Denki and other major electrical retailers as well as e-commerce channel. The award-winning air purifier aims to produce cleaner and fresher air quality with the patented Honeywell HiSiv technology and at the same time removes pollutants without emitting any harmful gases as byproducts. The unique anti-fall base design and low noise operation also makes it a child friendly product.

E-commerce marketplace in Malaysia has seen enormous growth since recent years. Despite the significant role played by brick and mortar stores in our traditional distribution channel, the Company realised and understood the growing importance of e-commerce channel. Khind continuously seeks to strengthen its presence in the online space by leveraging on social media tools to promote and market our home and kitchen appliances products.

Focus on Overseas Operations

Increased globalisation in trade had impacted the domestic market with more competition ahead. Intense competition and saturation in the local market has led Khind to focus more on international markets. The Company will have to tap into a bigger customer base by gaining access to new markets. Contribution from overseas companies to the Group had grown significantly over the years. Since 2016, overseas sales contribution had successfully surpassed the contribution of local sales to the Group. The gap had even widened in FY2017 as local sales deteriorated.

In view of the importance to expand overseas market, the International Sales & Marketing division was set up to consolidate international sales for all strategic business units. We believe the consolidation would align our strategy and streamline the entry into new markets. Moreover, the Company would be in better position to market with the diversity of products.

Fill Up with Happiness

In May 2017, Khind was honoured to have the Sultan of Selangor and the Tengku Permaisuri of Selangor visiting our factory during their half day official visit to Sekinchan. All employees in the factory welcomed the Royal Highnesses with joy and happiness. The memorable occasion marked another significant event for the Group since the visit made by the late Sultan Selangor back in 1995. It also served as motivation and recognition to the Company for its contribution to the Sekinchan town.

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT (CONTINUED)

Healthy lifestyle is strongly encouraged in the culture of Khind. During the year, the Company sponsored a total of 28 staff members to participate in the Penang Bridge International Marathon. The annual event witnessed the completion of full marathon by 8 staff members including our Group CEO and Deputy Group CEO. Among those staff who participated, some of them joined a marathon for the first time and successfully completed the race.

Stepping into the fourth year of "Projects for Happiness", Khind Starfish Foundation continued to sponsor various community projects from public and private universities. A total of 19 projects was funded in 2017 for community programmes with different objective which included supporting the less fortunate communities, educating the young generation as well as promoting cultural activities.Khind believes the Company would be able to spread happiness to more people through cultivating it to younger generations.

Going Forward

Amid the stronger global economic conditions, the Malaysian economy is projected to grow by 5.5% - 6.0% in 2018. Domestic demand will continue to be the anchor of growth, underpinned by private sector activity. Private consumption growth is expected to remain sustained, supported by continued growth in employment and income, lower inflation and improving sentiments.

Headline inflation is projected to moderate in 2018, averaging between 2.0% - 3.0%. The lower inflation compared to 2017 is due mainly to an expected smaller contribution from global energy and commodity prices. A stronger ringgit exchange rate compared to 2017 would also mitigate import costs. Inflationary pressure from domestic demand factors will be contained by improving labour productivity and ongoing investments for capacity expansion. The inflation outlook, however, depends on the trajectory of global oil prices, which remains highly uncertain.

(Source: 2017 BNM Annual Report, Bank Negara Malaysia)
The Board remain cautious on the outlook of 2018 due to the slowdown in consumer demand and intense competition among industry players. The Company has identified some key initiatives to improve performance as well as enhance its competitive advantage to stay relevant in the market. The key to success in current fast-changing pace lies in the willingness to respond on customer needs. This has prompted the Company to develop more innovative and environmental products to ensure its competitiveness in the market.

Recognition and Appreciation

Along the path to growth, the Company continues its journey with the contribution of many long-serving members of staff. Your Board wishes to acknowledge the contributions of Mr Robert Ooi (General Manager, Group Human Resources) for his loyal service of more than fifteen years to the Company. We wish him happy retirement filled with fun and happiness on his next chapter in life.

Your Board also appreciates the contribution of its international employees in driving Khind to a multinational company. We wish to also extend our recognition to all our domestic employees, trade partners, audit and legal consultants, shareholders, regulatory bodies, and communities – for their continued support of Khind over the years.

Khind hopes to regain lost ground in 2018. May the Force be with Khind.

CHENG KING FA
Chairman

CHENG PING KEAT
Group Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Khind Group

Corporate Profile

Khind Holdings Berhad ("KHIND" or the "Group") is an investment holding company, whilst its subsidiaries engage in the manufacture and sale of electrical home appliances and distribution of industrial electrical products. KHIND is one of the leading manufacturers of electrical appliances and a major provider of all types of general fans and home consumer fan products in Malaysia. Established in 1961, KHIND has grown from a humble electrical appliance repair shop to the largest manufacturing plant in Sekinchan, Selangor.

Being one of the more successful home grown electrical home appliances manufacturers in Malaysia and abroad, we offer products that include a variety of general fans and small kitchen appliances under 'Khind' and 'Mayer' brand, besides our premium range of products under the 'Mistral' brand which is mainly in the air-moving category of home consumer appliances. Other than that, the Group is the distributor of several international consumer appliance brands such as Honeywell, KitchenAid, Candy, Naturai, etc. Another product distributed is the 'MacroAir' brand of high volume, low speed (HVLS) industrial fans which saw a positive uptake as well among large retail and commercial developments, especially energy-conscious industrial and commercial users who seek better solutions to their ventilation needs. HVLS fans have an immediate impact on the environment – making a more comfortable and healthier environment and saving money on air conditioning costs.

On the Industrial Electrical front, KHIND acts as a one-stop provider for electrical and environmental solutions that include integrated solutions to homes, schools, hotels, factories, shopping centres and many more. Its core expertise and competencies in electrical products as well as environmental products and services allow it to distribute highly specialised industrial electrical and environmental solutions to large commercial customers in the manufacturing and services sector. Striving continuously to be the leading one-stop provider of the best home appliances both in Malaysia and elsewhere in the world, KHIND continues to improve both in product innovation and customer services.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our Vision

Delivering Happiness to Stakeholders

Shareholders
Good returns from investment, share price appreciation, good dividends, good growth – sales and profitability.

Employees
Remuneration package, welfare, work-life balance, growth potential, learning, meaningful work, pride, conducive work environment, job security.

Customers
Profit from Khind products. Value for money, good quality products and services. Green products, energy efficient.

Suppliers
Growth, win-win partnership.

Community
Care for community, animal and planet. Financial support and active participation in community work.

Company
Growth in sales, profitability and market share, healthy cash flow, competitiveness, branding, excellent HR performance and practices, excellent quality products and services, strong customer base, respectable organisation and market relationship.

Our Core Values

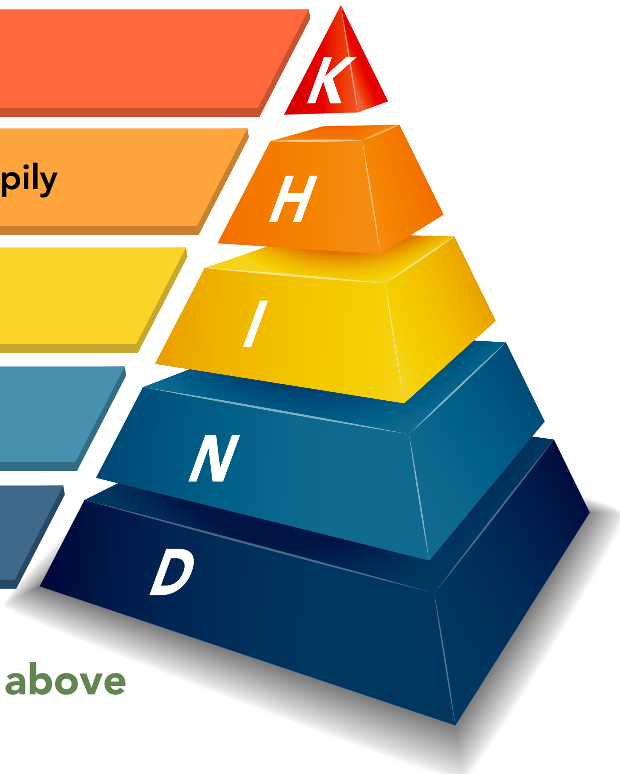
Kindness - We do good

Harmony - We work together happily

I nteresting - Wow!!!

Novelty - We do different things differently

Development - We better ourselves

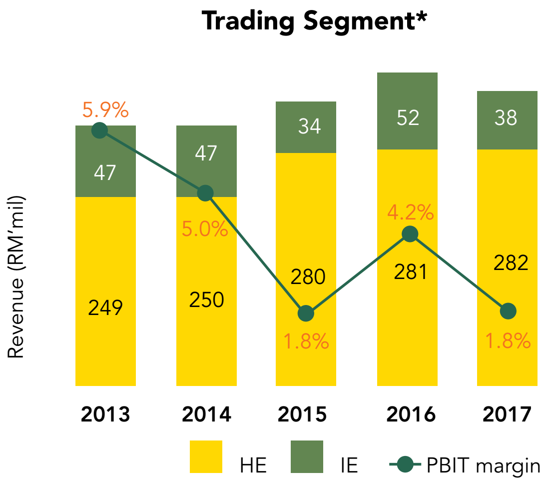


Quality is the foundation of all the above

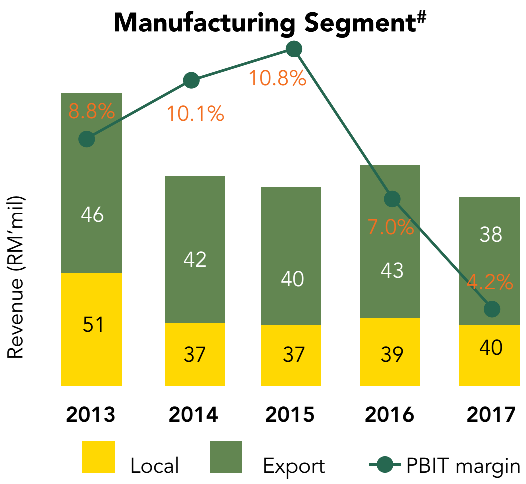
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our Business

The Group's key business segments are Trading and Manufacturing.



* excluding inter-segment revenue



\# including inter-segment revenue

Trading Segment

Home Electrical Division (HE)

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	134,747	47.8%
Singapore	97,390	34.5%
United Arab Emirates	49,434	17.5%
Other countries	399	0.2%
	281,970	100%

Within the Association of South-East Asian Nations (ASEAN) region, the Group markets and sells its house brand products under the name of 'Khind', 'Mayer' and 'Mistral'. It is also the distributor of several consumer appliance brands such as 'Honeywell', 'KitchenAid', 'Candy' and 'Naturai'.

In 2001, the Group acquired the 'Mistral' brand for most markets in the Asia-Pacific region. Since then, KHIND has nurtured 'Mistral' as a premium brand for home consumer appliances for both Malaysia and Singapore markets. Its product line-up includes various luxurious looking home living fans. It has also expanded its range to include other home appliances such as air cooler, water heater, kettle, rice cooker, electric oven, gas cooker, etc.

The Group acquired Mayer Marketing Pte Ltd (MMPL) in 2012. MMPL is a leading distributor of imported quality home appliances in Singapore and has a retail presence of five (5) stores in Singapore. Known for its complete range of quality and high-performance kitchen appliances, it has successfully retained itself as the sole distributor for top quality brands such as Honeywell, KitchenAid, Candy, Aqua Optima and Naturai.

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 and Singapore have remained as the primary markets where the Group operates while businesses in Middle East countries continued to grow, thus contributing to the Group's profit over the years. The ASEAN market will be the Group's focus for the next few years where great potential lies ahead.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Industrial Electrical Division (IE)

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	8,949	23.8%
Singapore	25,918	69.0%
Other countries	2,692	7.2%
	37,559	100%

The Group through the subsidiaries acquired in 2011, was able to branch out into the industrial electrical and energy sector, and also large project-based contracts. With expertise in the areas of industrial and commercial transformers; earthing & lightning protection systems; and specialised industrial energy and cleaning applications, the Group diversified its client base to include commercial customers through these subsidiaries.

The Industrial Electrical Division derives its revenue largely from contract-based income from Malaysia and Singapore. The Group continues to leverage on its expertise and experience to build its strength in substation equipment (transformers and switchgear) and lightning protection solutions. The Group also operates a hygiene business branded as KSS Hygiene, providing sanitisation services and washroom products. Besides that, the Group has successfully ventured into the Indonesian market via the incorporation of PT Khind Environmental Solutions in 2017. Being the sole agent for MacroAir HVLS fans in Indonesia, the Group offers environmental solutions to the commercial and industrial clients.

In September 2017, the Group signed distributor agreement with TGOOD Southeast Asia Sdn Bhd and its affiliates from Qingdao, China ("TGOOD"). This global leader in pre-fabricated substations is the creator of the first electrical vehicle (EV) intelligent charging system of the world. The new segment has yet to generate sales and the Group continues to explore business opportunity with potential customers.

Manufacturing Segment

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	39,844	51.1%
Singapore	7,010	9.0%
United Arab Emirates	29,682	38.0%
Other countries	1,475	1.9%
	78,011	100.0%

Our manufacturing plant in Sekinchan has a total built-up area of approximately 200,000 square feet located on approximately 5.6 acres of land. In 2017, the factory had a total workforce of around 380 staff. The Group has very little dependence on foreign labour.

Through our manufacturing arm, Khind-Mistral Industries Sdn. Bhd. continues to support the production of the Group's flagship products such as fans, rechargeable emergency lamps and small kitchen appliances. This has deepened our presence in the Middle East region which continues to be an important and growing market for the Group.

Product range manufactured by our factory include:

- Fans
  – auto fan, stand fan, table fan, floor fan, living fan, wall fan, ceiling fan, exhaust fan, ventilation fan
- Lighting
  – rechargeable portable light, emergency light
- Home Appliances
  – mixer, blender, air fryer
- Others
  – insect killer, money detector, etc.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our Strategies

Objective: Expanding geographical reach within ASEAN region

Strategic direction

New markets

- Venture into new markets within the ASEAN region
- Strategic plan
  - ✓ Enhance value creation via strategic partnerships – joint-venture or Merger and Acquisition
  - ✓ Strengthen brand position in overseas markets – increase participation in international trade exhibition

New products

- Local market depth penetration – focus on home appliances and kitchen appliances
- Strategic plan
  - ✓ Offering new products/brands (including Internet of Things products) to grow customer base
  - ✓ Attract the younger generation to grow interest in our product by capitalising on the e-commerce platform
  - ✓ Enhance customer service experience – expand and improve quality of our Service Centre

Financial Review

Review of Financial Performance

Revenue

For the financial year ended 31 December 2017 ("FYE2017"), the Group recorded revenue of RM331.1 million – representing a decrease of 7.1% over the previous year's performance of RM356.3 million. The lower revenue was mainly due to substantially lower external sales in manufacturing segment and moderating decline in trading segment. The revenues from domestic and overseas operations declined 11.2% and 3.1% respectively as compared to the previous year. The decline in revenue was attributed to the weak demand in domestic and overseas market.

Other income

Other income dropped by 46.2% or approximately RM2.7 million to RM3.2 million from the financial year ended 31 December 2016 ("FYE2016"). The decrease was attributed to foreign exchange losses due to strengthening of local currency in the year as well as higher income received in previous year.

Distribution expenses

Distribution expenses of the Group increased by approximately RM3.4 million or 5.5% to RM64.4 million as compared to the last financial year, despite the decrease in revenue. Extra advertising and promotional efforts was necessary to boost sales in view of the weak consumer demand.

Administrative and other expenses

Administrative and other expenses decreased by approximately RM5.7 million or 13.2% to RM37.2 million during the year, mainly attributed to a series of cost reduction and rationalisation exercises being carried out throughout the year.

Finance costs

Finance costs slightly increased by RM202,000 to RM3.6 million in FYE2017 as compared to FYE2016, due to the increased utilisation of loan and borrowing facilities for capital investment purposes during the year.

Income tax expenses

The Group income tax expenses for the year was RM1.5 million, which amounted to effective tax rate of 22.9%, lower than the statutory rate of 24% (FYE2016: 24%). The lower rate was primarily attributed to lower tax rates in foreign countries and utilisation of unabsorbed tax losses in the subsidiaries.

Profit for the year

In FYE2017, the Group's profit before tax decreased by approximately RM9.2 million or 75.9% to RM2.9 million as compared to RM12.1 million in the previous year. The significant decline resulted from lower sales coupled with higher distribution cost despite reduction in administrative and other expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Review (continued)

Statement of Financial Position

Assets

The Group's non-current assets increased by RM1.1 million to RM72.6 million as at 31 December 2017 (31 December 2016: RM71.5 million). Property, plant and equipment registered an increase of RM1.9 million or 3.1% increase. The increase was mainly attributable to additional capital expenditure spending of RM7.6 million during the financial year and offset by the depreciation and amortisation cost of RM5.4 million.

The reported current assets of the Group amounted to approximately RM189.1 million as at 31 December 2017 (31 December 2016: RM196.9 million). Inventories turnover days as at 31 December 2017 increased to 138 days from 137 days as at last financial year. The high inventories turnover was due to slow consumer demand and the stock up of raw material in view of the rising prices. The turnover days of trade and other receivables improved from 74 days to 73 days for FYE2017 due to the improvement on collection efficiency.

The legal case between Khind Electrical (Malaysia) Sdn. Bhd. against Maha Tenaga Jaya Technology Sdn. Bhd. is not expected to have a material effect on the Group's operations, performance and financial conditions as impairment had been recognised in respect of the receivables in 2015.

Liabilities

Non-current liabilities decreased by RM1.5 million or 4.2% from RM36.8 million as at 31 December 2016 to RM35.3 million as at 31 December 2017 was mainly due to the reduction in term loan balances during the financial year.

The Group's current liabilities as at 31 December 2017 fell by approximately RM4.7 million or 4.6%, to RM97.8 million from RM102.5 million as at 31 December 2016. This was mainly due to the decrease in trade and other payables of RM7.0 million partly offset by the increase of short-term bank borrowings of approximately RM2.5 million.

During the year, total borrowings increased marginally by about RM0.7 million to RM79.2 million as compared to RM78.5 million in 2016. The turnover days of trade and other payables declined from 88 days to 83 days for FYE2017 in order to maintain good credit standing.

Shareholders' Equity

As at 31 December 2017, the Group had shareholders' equity of approximately RM128.6 million as compared to RM129.2 million as at 31 December 2016, resulting from a decrease in translation reserve.

Cash Flow

During the financial year, the Group's cash and cash equivalents decreased by RM2.5 million to RM32.2 million from RM34.7 million in previous year. The Group's working capital was mainly generated from operating activities of RM9.0 million. Net cash used in investing activities amounted to RM5.3 million, mainly for the addition of new equipment in the factory and purchase of new property. Net cash used in financing activities of RM4.3 million was due to finance cost of RM3.6 million and net repayment of bank borrowing of RM1.0 million off-set by RM0.3 million received from issuance of shares by our Indonesian subsidiary to non-controlling interest.

Liquidity and Capital Resources

During the year, the Group's bank borrowings of RM79.2 million as at 31 December 2017 were mainly comprised of short term borrowings used in trade financing for local and overseas purchases. The Group's gearing ratio remained at a healthy level at about 0.62 times at the end of 2017 as compared with 0.61 times in the previous year.

The Board approved a capital expenditure of RM7.9 million for financial year ending 31 December 2018 mostly to invest in automated equipment for our manufacturing plant in Sekinchan. The capital expenditure spending will be funded by a combination of both internally generated funds and bank borrowings.

Dividends

Despite the unfavorable performance of the Group, the Board declared a total dividend of 1 sen per share for the FYE2017 (FYE2016: 10 sen per share).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operations Review

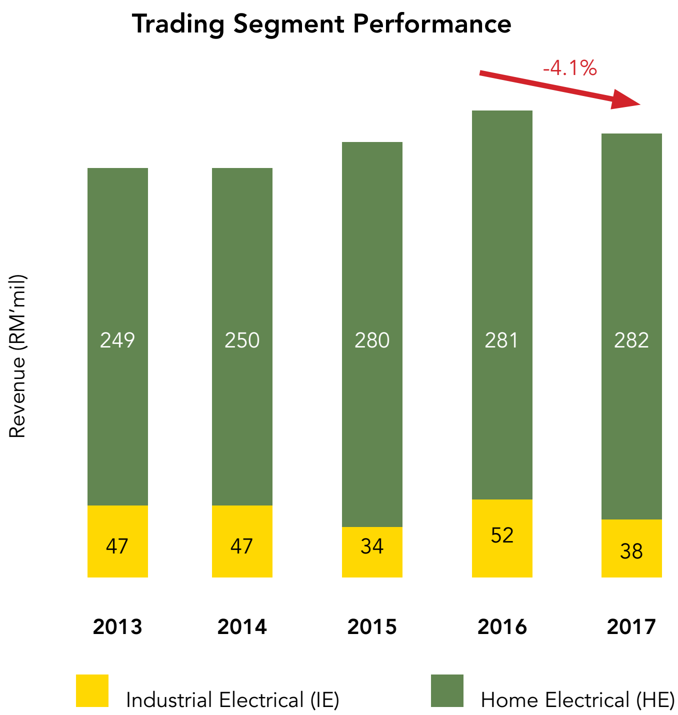
2017 had been a tough year for KHIND as sales were generally affected from the depressed retail offtake. Local consumers were spending cautiously due to rising cost of living which eroded their purchasing power. According to the independent retail research firm Retail Group Malaysia, the supermarket and hypermarket subsector was the worst performer for the retail market as sales shrunk 3.2% for the whole of 2017. This was consistent with the drop in our sales performance to supermarket and hypermarket.

The Group recorded revenue of RM331.1 million for the year ended December 31, 2017, representing a decrease of 7.1% over the previous year's performance of RM356.3 million. Profit before tax for the year experienced a significant decline of 75.9% to RM2.9 million as compared with the previous year's RM12.1 million, in tandem with falling sales demand in both local and overseas regions.

Trading Segment

The total revenue for the trading segment decreased by 4.1% to RM319.5 million while profit before interest and tax stood at RM5.9 million, decline substantially by 58.1% as compared with the previous year. This was mainly attributed to lower gross profit margin coupled with higher operating cost in a competitive environment.

On the home electrical division, the effect of poor performance in the local subsidiaries had been mitigated by strong performance in the overseas subsidiaries. However, the Group's performance in the trading segment had been dragged down by the subdued performance of industrial electrical division in both local and overseas region.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

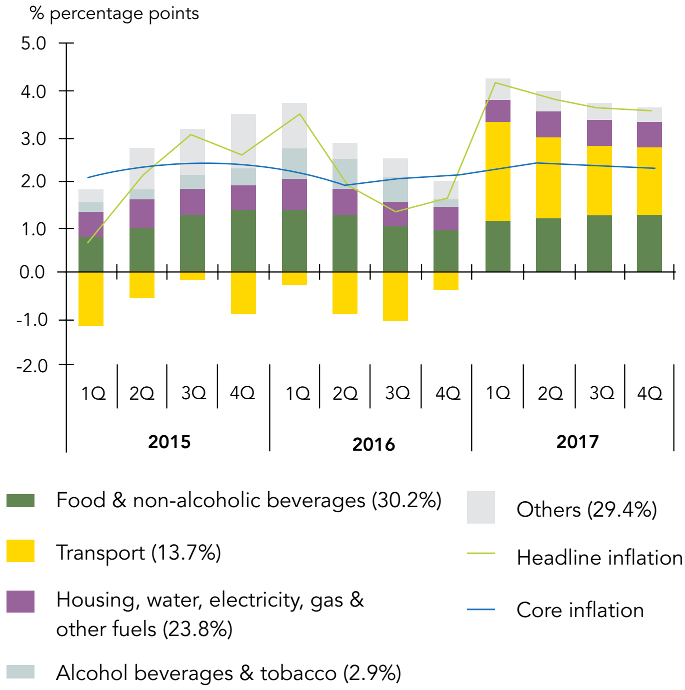
Operations Review (continued)

Inflation Surge

Beginning January of the year, the headline inflation had been staying above 3.0% throughout the year. Malaysia's consumer price index (CPI) hit 5.1% in March, the highest in eight years since touching 5.7% in November 2008. This was driven by low-base effect and higher retail fuel prices compared to a year earlier. The recovery in global oil prices was partly attributed by the oil production cuts by OPEC countries which in turn leads to higher domestic fuel costs. Apart from higher global oil prices, rising commodities prices are also contributing factor to cost push inflation in the country.

Lower disposable income due to rising cost of living had affected local consumption demand on home electrical products. However, our overseas subsidiaries had better performance partly due to positive translation effect as the average foreign exchange rate was higher compared to the previous year.

Headline and Core Inflation



Note: Core inflation excludes the estimated direct impact of GST
Source: Department of Statistic, Malaysia and Bank Negara Malaysia

In light of the tougher business conditions, the Group had implemented a series of cost cutting measures in order to reduce operational cost and improve bottom line performance. Unnecessary spending and non-critical expenses were deferred or suspended. In addition, all strategic business units were required to take immediate measures to address their slow-moving stocks. As a result, the Group had successfully reduced the inventory level by RM1.6 million in the year.

An opportunity or a threat?

The launch of the world's first Digital Free Trade Zone (DFTZ) in March 2017 established Malaysia as a regional e-commerce hub. DFTZ was shaping up to be a boon to local SMEs and entrepreneurs, serving as gateway to the ASEAN market and allowing local products to tap a wider market. With plenty of opportunities emerging from the e-commerce segment, the Group shall also be mindful of the potential threats that could be brought about by the digital economy. The opening of DFTZ will significantly boost cross-border trades by Chinese merchant selling to our local market and create price war to the already highly competitive Malaysian market.

KHIND will continue to leverage on its existing own e-commerce platform and other major e-commerce players to market electrical home products. The Group will also constantly review its pricing strategy to retain its competitive advantage against other players.

Customer satisfaction is always our first priority in doing business. To capitalise on technology and industry trends, KHIND will be rolling out its e-warranty project to allow end consumers to register their product purchases and view their warranty details online. This will not only expedite the warranty claim process by customers, but also ease the manual workload of our customer service personnel. The e-warranty platform is expected to be ready by first half of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operations Review (continued)

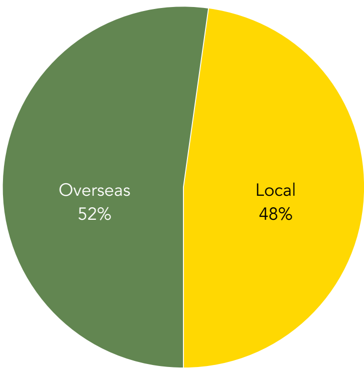
Expansion in Overseas Market

Khind Middle East FZE (KME) continued to operate amid political instability in the Middle East and North Africa (MENA) region. The slight reduction in profit margin was seen as necessary in order to sustain its market position, however this was mitigated by the favorable foreign exchange translation effect. The MENA region continued to be politically unstable with ongoing conflicts and change of leadership in a few Middle East countries. The introduction of Value Added Tax in Saudi Arabia and the United Arab Emirates starting from January 2018 will have negligible impact on KME as the Company's operation falls under free-trade zones.

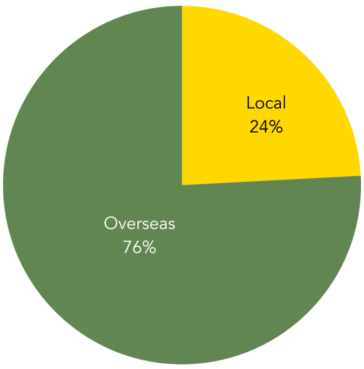
During the year, our subsidiary Mayer Marketing Pte Ltd opened a new outlet at Singapore Post Centre, creating strong social movement by bringing fun, innovation and excitement back to kitchens. In conjuction with Mistral's 50th Anniversary, the Company also launched a new range - 'Back to Basics' fan which is high in quality and function thanks to the modern technology. In the meantime, the Company brought Candy, the world's first smart home appliances manufacturer into Singapore with revolutionary products such as the Smart Watch & Touch Oven and Smart Touch Washing Machine.

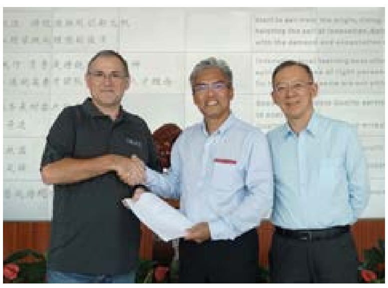
Due to the slowdown in local demand, overseas sales now accounted for 52% of sales in the home electrical division. Our newly established subsidiary in Indonesia is still in early stage of market penetration. The strategy of offering free trials of our products to prospective customers had been gradually receiving encouraging response with conversion into sales. The Group will continue to create awareness in the market by way of referrals and promotional activities.

2017 HE Sales



2017 IE Sales





Light of Hope

On the local market front, Electric Vehicle (EV) charging system has been identified as a new market focus for Khind Electrical (Malaysia) Sdn Bhd. Khind had entered into distributor agreement with TGOOD, the market leader and pioneer in EV charging in September 2017. The Company also secured other suppliers for more competitive range of transformers and switchgear.

Khind Systems (Singapore) Pte Ltd reported negative growth in the sales of lightning protection system, isolators and HVLS fans. This was mainly due to intense competition from new entrants with aggressive pricing. The Company continued to look for more reliable partners for installation work and suppliers of lightning protection system in order to provide a one-stop total solution to customer.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operations Review (continued)

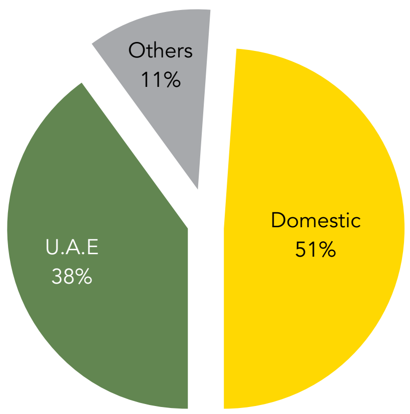
Manufacturing Segment

The total revenue for the manufacturing division declined by 5.3% to RM78.0 million as compared with the previous financial year, mainly due to slowdown in local demand as well as loss of overseas sales being transferred to the International Sales & Marketing division. Profit before interest and tax suffered a significant decrease of 43.1% to RM3.3 million as compared with the previous financial year's RM5.7 million, mainly attributed to lower gross margin as a result of increased raw material and production cost during the year.

A Year in Pain

The escalated cost of material and labour cost had substantially affected the gross margin of our manufacturing operations. The improving global economic growth caused an uptick in commodities prices which in turn led to a rise in raw material costs. In addition, the implementation of minimum wages since second half of 2016 also contributed to the increase in our cost of production. Our gross margin in 2017 was impacted by approximately 2 - 3% of sales.

2017 Manufacturing Sales



Furthermore, the plan to stock up more inventories in anticipation of hot weather was ruined by the above average rainfall in Malaysia during the year. High inventory level also translated into higher storage cost for the Company. Meanwhile, the forming of La Niña weather phenomenon towards the end of 2017 was also expected to hit Malaysia with slightly heavier rainfall in the early part of 2018. Therefore, the Group will continuously monitor and reduce the excess in inventory holding.

In order to remain competitive, the factory continued to focus on productivity improvement and cost efficiency. Adjustments to the warehouse storage system and production layout were among the few initiatives emphasised on improving productivity. Apart from that, the factory also invested in various equipment to automate some of the processes such as wrapping and sealing of the product packaging. The improvement has helped to promote cost efficiency and also reduce high dependency on the labour force.

Our factory launched several new models in 2017 produced specifically based on customers' needs. The divergence in consumer demand from different regions prompted us to produce customised orders on request. Khind is mindful of the competitive business environment and will continue to improve on customer service and product quality.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Risks and Plan to Mitigate the Risks within the Group

Foreign currency exchange risk
The Group is directly exposed to foreign exchange fluctuations as the cost of raw materials and imported goods are denominated in foreign currencies. As such, foreign exchange may have an impact on the costing of our products. In mitigating such fluctuations, a higher volume of raw materials is kept in our warehouse to mitigate such risks. For imported goods, foreign currency exchange risk is partially managed through a natural hedge between revenue and purchases in the same currencies. Management will consider hedging the remaining unhedged portion to mitigate currency risk on cash flow earnings.

Management will manage the timing of foreign currency revenue receipts vis-à-vis payment to raw material suppliers and the conversion of export proceeds into Malaysian Ringgit in compliance with Bank Negara Malaysia's foreign exchange policy for Malaysian exporters.

Credit risk
Our financial performance is dependent on the creditworthiness of our customers to whom we normally grant credit periods ranging from 30 to 90 days. A significant delay or default in payment by our major customers may have an adverse effect on the Group's financial position and results when provisions have to be made for bad or doubtful debts. In mitigating such risks, we will assess our previous dealings with and/or the credit standing of the existing and prospective customers prior to accepting their orders. In addition, our credit control team review the trade receivable ageing quarterly and follows up closely on the subsequent collection of debts including sending out reminder letters, making follow-up calls as well as taking legal action on a case by case basis to recover outstanding debts.

Downtime risk
From an operational perspective, our manufacturing division is exposed to downtime risk. The risk could 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. The manufacturing operation is adequately insured for fire and fire consequential loss in order to mitigate financial risk to the Group.

Political risk
Our subsidiary, KME exposed to political risk in the Middle East and North Africa (MENA) region. In FYE2017, KME contributed 14.9% of the Group's total sales, up from 13.5% in the previous year. The MENA region continues to face an increasing threat of violence and unrest from civil wars and change of leadership in a few Middle East countries. However, the rewards of doing business in the MENA region cannot be ignored. Hence, Management has continued to support our clients in the region and mitigated the risk by establishing long term trust and relationship with the clients coupled with close monitoring of the political situation in the region to avoid taking undue risk.

Prospects and Outlook

The Board expects the outlook for 2018 to remain challenging in view of the slowdown in consumer demand and price competition. The Group will continue to embark on cost reduction and rationalisation exercises as well as improve operational efficiency. In addition, the Group will put more effort into growing and expanding its international business due to the weakening of domestic market.

Overall, we expect positive growth to our sales performance and it is hoped that the Group's results will be better off with the successful implementation of some key improvement initiatives.

Dividend Policy

The Group does not have any formal dividend policy. However, the Board has sought to deliver dividend every year from distributable earnings despite unfavorable performance. Our practice of dividend payout is consistent with our capital management strategies, and we remain committed to our shareholders in this regard despite the presence of more stringent capital requirements.

SUSTAINABILITY STATEMENT

Sustainability is a matter that have always been emphasised and have never been taken lightly by the Company. With KHIND's vision of delivering happiness, the Company seeks to create value for shareholders, customers, suppliers, employees and communities sustainably whilst taking into consideration the importance of economic, environmental and social risk consequences of the KHIND Group's operations.

Over the years, the Group grew its business in a sustainable manner and looked at various ways to give back to society. In 2012, Khind Starfish Foundation was set up to undertake corporate social responsibility activities for the KHIND Group. Since its inception, Khind Starfish Foundation has been involved with community-based programmes that seek to improve the lives of Malaysians.

Our Group CEO, Mr Cheng Ping Keat, who is actively involved in corporate social responsibility ("CSR") activities believes that "IT IS MORE BLESSED TO GIVE THAN TO RECEIVE". CSR not only creates a positive impact within the community, it also creates better brand recognition, business reputation and spurs organisational growth. On this premise, the Group has developed policies which focus on the three broad pillars of sustainability i.e. Economic, Environment and Social, that address sustainability issues within the Company.

ENVIRONMENTAL SUSTAINABILITY

As a responsible organisation, KHIND understands that protection of the environment is closely related to our long-term sustainability goals. In fulfilling our responsibility to protect the earth, our factory continues to adopt various green business practices to ensure sustainable development in the future.

Waste Management

Scheduled Waste

Scheduled waste is defined as any waste that possesses hazardous characteristics and has the potential to adversely affect public health and environment. Impacts to human health and the environment in the event of illegal dumping of scheduled wastes include:

i. Pollution of watercourses, ground water, atmosphere and land;
ii. Toxicity to human, plants and other organisms;
iii. Health impacts such as cancer;
iv. Damage to skin and body tissues; and
v. Fire outbreaks at dumping sites.

There are 77 types of scheduled wastes listed under First Schedule of Environmental Quality (Scheduled Wastes) Regulations 2005. Scheduled wastes shall be treated at prescribed premises or at on-site treatment facilities only. KHIND has appointed a vendor who is licensed by the Department of Environment, Malaysia to take charge of scheduled waste disposal.

Below is the scheduled waste disposal summary for 2017:

No	Description	Kilogram
1	SW109 - FLUORESCENT TUBE	129.0
2	SW306 - SPENT HYDRAULIC OIL	1,254.0
3	SW409 - DISPOSED CONTAINER	218.5
4	SW410 - CONTAMINATED RAGS	12.9
5	SW416 - PAINTS SLUDGE	57.7

SUSTAINABILITY STATEMENT (CONTINUED)

Waste Management (continued)

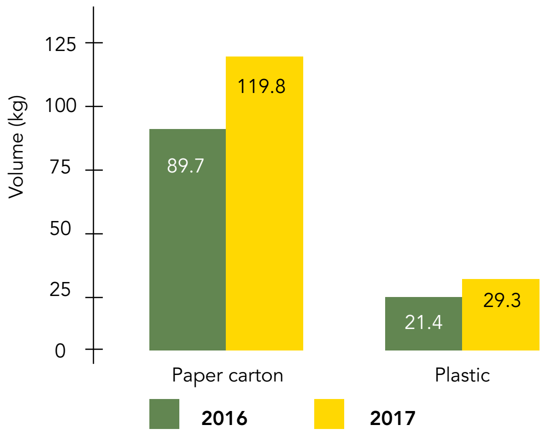
Packaging Wastes

In the past, trucks used to dispose polyfoam had been costly and slow. The frequent trips made by the trucks to dispose of the waste have increased the amount of carbon emissions and KHIND's carbon footprint.

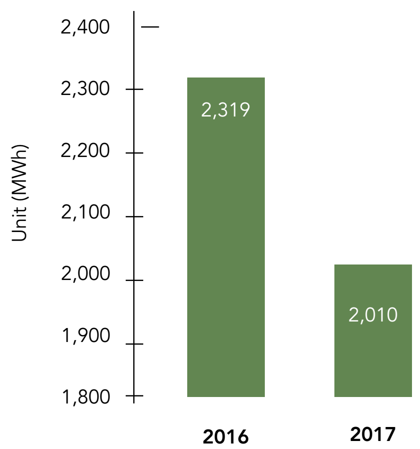
In 2017, the Company acquired a new machine which efficiently melts polyfoam into polyfoam soap making it re-sellable and at the same time, generating income for the Company. The market rate for the sale of polyfoam currently stands at RM1.20 per kilogram. The Company is estimated to dispose approximately 1.5 tonnes of polyfoam every month.

The current packaging material of our goods consists of paper carton and plastic. The Company collects packaging material from product components and sells them to recycling centres. This generates an income of approximately RM120,000 per year (summary of the volume of recycled materials is shown in the diagram below).

Recycle Packaging Material



Electricity Consumption



Energy Conservation

Electricity

KHIND's factory operates 21 high tonnage moulding machines which require high amounts of electricity to run. To utilise energy effectively, the Company minimises the changeover time and maintains an efficient production planning schedule for manufacturing. In addition, the Company has replaced all traditional fluorescent lamps with light emitting diodes ("LED") type lamps for electricity savings.

We recognise that energy efficiency is as much a habit as it is about knowledge. Hence, by cultivating this behaviour amongst staffs, we hope they will practise responsible energy consumption when they are at the workplace. When it comes to energy efficiency, KHIND recognises every bit of energy savings can add up to make a substantial difference to the environment. For example, switching off the lights in vacant rooms or turning off the air conditioner during lunch hours.

In 2017, the consumption of electricity in the factory decreased to 2,010 megawatts from 2,319 megawatts in 2016. The reduction in energy usage was mostly due to the above measures (the higher electricity consumption in 2016 was partly due to the increase in production hours). The graph above shows the factory's energy consumption in 2016 and 2017.

WORKPLACE SUSTAINABILITY

Employees are regarded as one of the most valuable assets in KHIND and play an important role in achieving business goals. Therefore, KHIND is committed to retain the existing workforce and attracting new talents by providing a conducive working environment which promotes happiness at the workplace.

SUSTAINABILITY STATEMENT (CONTINUED)

Safety & Health

KHIND is concerned for the overall safety of employees in the factory. The Company provides 50% subsidies to the employees for the purchase of safety boots.

Fire drills are conducted annually to create fire safety awareness among employees. Fire drills not only help employees have a better understanding of the effectiveness of fire evacuation plans but also train employees to behave calmly and rationally in an emergency. In addition, a water sprinkler system was installed in 2017 to minimise damage in the event of a fire thereby ensuring staff's safety and protecting the Company's properties. KHIND imposes regular checks on fire prevention systems and maintenance of firefighting equipment. The Company constructed a battery charger cabin which is isolated from the main building to mitigate the risk of fire and electrocution.

Learn, Work, Play

Learn

Khind has always been committed to provide quality training to its employees. Employees are given the opportunity to enhance their skills and knowledge to contribute towards the performance of the Group. To ensure all employees are equipped with the skills to carry out their job efficiently and effectively, employees are given the following yearly average training hours per employee as shown below:

a. Clerical / Operatives : 4 hours
b. Executives : 8 hours
c. Managerial : 16 hours

The Company believes education can enhance the capabilities of an individual. In this respect, KHIND is ready to support employees who have the intention to further their studies by providing them with education assistance. The Company sponsors 50% of the course fees up to a limit of RM15,000. KHIND also provides internship for university students.

Throughout the years, KHIND has been putting lots of effort into succession planning. The main focus of succession planning is to identify, select and train a group of capable employees to take over the leadership and lead KHIND into the future. The Company has a series of leadership development programs for all employees.

Work

At KHIND, we encourage employees to have a work-life balance. Staffs are allowed to practice flexi-working within the official work hours.

KHIND values employees as one of the greatest assets in the Company. It is part of our yearly agenda to present the long service award to every employee who have shown their loyalty, dedication and contribution over the years. We delivered gifts to long-serving employees as a token of appreciation to recognise their hard work.

Long Service Award in 2017

Terms of Service	Number of Staff
35 years	1
30 years	1
25 years	15
20 years	24
15 years	19
10 years	16
5 years	35
Total	111

SUSTAINABILITY STATEMENT (CONTINUED)

WORKPLACE SUSTAINABILITY (continued)

Learn, Work, Play (continued)

Play

Khind Sports Club organises events and activities to foster greater teamwork and co-operation amongst employees. Khind Wellness Centre is equipped with gym equipment, a table tennis room, a karaoke room and a pool table and is taken care of by the sports club committee. The objective of the centre is to provide employees with a safe place to exercise and to lead a healthier lifestyle.

In 2017, KHIND organised a major sport event namely Khind Sport and Fun Day at Sekinchan which was attended by over 400 employees. The main objective of this event was to encourage creativity, passion, team spirit and to create a fun working atmosphere. We successfully achieved all objectives set prior to the event.

COMMUNITY SUSTAINABILITY

KHIND has always been investing in community development that brings substantial economic impact to society. Our business lies in people where the importance of giving back to the community cannot be ignored by the Company. KHIND believes that

"The more we give, the more we receive. It's important to give back, because the seeds you plant today, you will harvest tomorrow."
By Farrah Gray

Projects for Happiness 2017

In 2014, Khind Starfish Foundation started "Projects for Happiness", an initiative for undergraduates in Malaysia, which promotes happiness and addresses the root cause of poverty and poor education. A total of 19 projects from various universities was approved in 2017 and the Foundation has sponsored approximately RM93,000 towards these projects.

SUSTAINABILITY STATEMENT (CONTINUED)

COMMUNITY SUSTAINABILITY (continued)

Projects for Happiness 2017 (continued)

Below is the list of projects supported by Khind Starfish Foundation:

Project Name	University
Safety Ride	Universiti Teknologi MARA Pasir Gudang
Traditional Malaysian Dance Workshop: Kuda Kepang	Universiti Teknologi Mara Johor (UiTM)
Learning Through Stories: Children's Theater	Universiti Teknologi Mara Johor (UiTM)
Clean River for Recreation	Universiti Teknologi MARA Pasir Gudang
SPEAK UP!	Universiti Kebangsaan Malaysia (UKM)
Jaring Outreach	International Islamic University Malaysia (IIUM)
SoyAi Malaysia-Soymilk Self-Sustainability Project	University of Nottingham Malaysia Campus
SEED to a Better Future	UiTM Bandaraya Melaka
Sexual Abuse Defense (SAD) Kit	Universiti Teknologi Mara Johor (UiTM)
MISI Banteras Masalah Literasi	International Islamic University Malaysia (IIUM)
Projek Cendawan Tiram untuk Pusat Pemulihan Dalam Komuniti (PDK)	Universiti Teknologi Mara Johor (UiTM)
Trigona Honey Project for Hope	Mara University of Technology Terengganu
MAYANG: Propelling a Sustained Happiness	International Islamic University Malaysia (IIUM)
Autism is a Gift	Universiti Teknologi Mara Johor (UiTM)
Parents for a Day – Kidolympic	Sunway University
Chinese Cultural Camp	Universiti Pendidikan Sultan Idris
Giving Refugee Children A Chance	Sunway University
Chinese Language Education and Chinese Literature	Universiti Pendidikan Sultan Idris
Rainbow Recruitment Project 5.0 Tour Camp	New Era College

Cancer Research

Cancer is a disease that increasingly touches our lives. One in four Malaysians may develop cancer by the age of 70. Cancer Research Malaysia conducts patient-oriented research and education and is working towards a world that is free from cancer. They focus on cancers common in our part of the world, focusing on Asian genetics and how it impacts cancer screening and treatment.

To support cancer research, KHIND via Khind Starfish Foundation has contributed funds for cancer research. A total of RM80,000 has been donated to Cancer Research Malaysia in 2017 to support their cancer research works.

Citizen Science Activities 2017 – 2019

Khind Starfish Foundation also sponsored RM13,095 per annum (two-year project) towards Forest Research Institute Malaysia (FRIM)'s citizen science activities. The objective of this project is to study firefly distribution and identify hotspots of habitat disturbances along the Selangor river. KHIND has 20 staff involved in this project. Staff are given the privilege to learn how to use drones to map firefly distribution and perform data analysis. Outputs of these activities include publication of research on firefly conservation activities in Kuala Selangor.

To this end, KHIND firmly believes by incorporating sustainability initiatives into the Group's overall strategies and adopting best practices today, it will allow the Group to reap the benefits of sustainability in the long run.

PROFILE OF BOARD OF DIRECTORS

CHENG KING FA

Malaysian, Male
Founder/Chairman

Mr Cheng King Fa ("Mr Cheng KF"), aged 79, is the Founder of the KHIND Group, which started out as a small family business 56 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturers. With his decades-long experience in the electrical industry, he provides invaluable advice to the Group on production, marketing, new product research and development.

Mr Cheng KF was appointed Executive Chairman of the Group on 20 April 1998, prior to the Company's listing on the Second Board of Bursa Malaysia Securities Berhad on 12 August 1998. On 1 March 2005, he was re-designated as the Founder/Chairman of the Company.

He has no convictions for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year ended 31 December 2017 ("FYE 2017"). He has no conflict of interest with KHIND and has attended all five meetings of the Board held during FYE 2017. He is the father of Mr Cheng Ping Keat.

Mr Cheng King Fa does not hold any directorships in other public companies and listed issuers.

CHENG PING KEAT

Malaysian, Male
Executive Director/Group Chief Executive Officer

Mr Cheng Ping Keat ("Mr Cheng PK"), aged 57, was appointed as an Executive Director of KHIND on 20 April 1998. He graduated with a Bachelor of Commerce degree from the University of Melbourne, Australia in 1984. Post-graduation, he had a short stint in audit, accountancy and receivership, both locally and abroad. He joined the KHIND Group in September 1987. In 1996, he obtained his Master of Business Administration from Bath University, U.K.

He was appointed and designated as the Group Chief Executive Officer of the KHIND Group on 18 November 2003. He is now responsible for the overall strategic planning and operations relating to manufacturing, marketing, financial, export management and brand building for the KHIND Group. He is a Trustee of the Khind Starfish Foundation, established by the Company to carry out corporate responsibility projects and activities of the Khind Group in Malaysia.

He has no convictions for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and has attended all five meetings of the Board held during FYE 2017. He is the son of Mr Cheng King Fa.

Mr Cheng PK does not hold any directorships in other public companies and listed issuers.

KAMIL BIN DATUK HJ. ABDUL RAHMAN

Malaysian, Male
Senior Independent Non-Executive Director,
Chairman of Audit Committee, Member of Nomination and Remuneration Committee

En Kamil Bin Datuk Hj. Abdul Rahman ("En Kamil"), aged 69, was appointed as an Independent Non- Executive Director of KHIND on 30 July 2001. At the same time, he became an independent member of the KHIND Audit Committee. His area of specialisation is corporate governance, corporate finance and risk management.

He was appointed as the Chairman of the Audit Committee on 5 August 2008 and as the Senior Independent Director on 31 March 2009. He is also a member of the Nomination and Remuneration Committee.

He graduated with a Bachelor of Commerce degree from the University of Otago, New Zealand and subsequently qualified as a Chartered Accountant of the Institute of Chartered Accountants of New Zealand. He is also a Fellow Chartered Secretary of the Institute of Chartered Secretaries and Administrators, United Kingdom, and a Chartered Accountant of the Malaysian Institute of Accountants. He attended a Building Contractor Certificate Programme conducted by Universiti Putra Malaysia and Director Accreditation Programme by Research Institute of Investment Analysts.

His previous senior positions were Senior Vice President of the Bank of Commerce (M) Berhad and Executive Director of Commerce International Merchant Bankers Berhad. Currently, En Kamil is a Board member of Jiankun International Berhad, Brahim's Holdings Berhad, Ire-Tex Corporation Berhad and WDM Holdings Berhad.

He has no family relationship with any Director and/or major shareholder of the Company and no conflict of interest with KHIND. He has no convictions for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE2017. He attended all five meetings of the Board held during FYE2017.

PROFILE OF BOARD OF DIRECTORS (CONTINUED)

WONG CHIN MUN
Malaysian, Male
Independent Non-Executive Director,
Chairman of the Nomination and Remuneration Committee,
Member of the Audit Committee

Mr Wong Chin Mun, aged 73, was appointed as an Independent Non-Executive Director of KHIND on 19 July 2010. He holds a Bachelor of Business (Accounting) Degree and Bachelor of Business (Secretarial Administration) Degree from Curtin University, Western Australia and has a Teacher's Certificate from the Ministry of Education, Malaysia. He is a Fellow of the Certified Practising Accountants of Australia (FCPA) & Associate of Malaysian Institute of Accountants.

On 19 July 2010, Mr. Wong was also appointed as an Independent Member of the Audit Committee and Nomination & Remuneration Committee. On 1 March 2011, he became the Chairman of the Nomination & Remuneration Committee.

He is currently the Chairman of Vistage Malaysia Sdn. Bhd., which has the rights for the Vistage System from Vistage International Inc., USA, for assisting chief executive officers and entrepreneurs to proactively manage change and grow their businesses.

Mr Wong joined Nylex Malaysia Berhad ("Nylex") as Financial Controller/Company Secretary in January 1976 and became the first local General Manager/Director of Nylex in 1980. He was promoted to the position of Managing Director in 1985 and when he left at the end of June 1994 to found Vistage Malaysia, he was appointed and served as Non-Executive Deputy Chairman of the Nylex Malaysia Group of Companies up to October 1999.

He is currently the Senior Independent Non-Executive Director of Sunway Berhad and Chairman of its Audit Committee as well as a member of the Remuneration and Nomination Committees. He also sits on the Board of Scientex Berhad as an Independent Non-Executive Director and has been serving on the Board of Trustees of Scientex Foundation since 2008. He is also a member of the Advisory Board of STOP HUNGER NOW (Malaysia).

Mr Wong has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He attended all five meetings of the Board held during FYE 2017 and does not have any conflict of interest with KHIND.

LEE AH LAN @ LEE KEOK HOOI
Malaysian, Male
Independent Non-Executive Director,
Member of the Audit Committee,
Member of the Nomination and Remuneration Committee

Mr Lee Ah Lan @ Lee Keok Hooi, aged 71, was appointed as a Non-Independent Non-Executive Director of KHIND on 26 March 1999. He was re-designated as an Independent Director on 17 April 2013. He is a member of the Nomination & Remuneration Committee and Audit Committee of KHIND.

He holds a Bachelor of Commerce Degree in Accounting from the University of Western Australia and is a Chartered Accountant (Malaysia) and a CPA (Australia).

He has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has attended all five meetings of the Board held during FYE 2017 and does not have any conflict of interest with KHIND.

Mr Lee Ah Lan @ Lee Keok Hooi does not hold any directorships in other public companies and listed issuers.

KEY SENIOR MANAGEMENT PROFILE

BOH BOON CHIANG
Malaysian, Male
Deputy Group Chief Executive Officer

Mr Boh Boon Chiang ("Mr Boh"), aged 55, joined KHIND as Group Chief Operating Officer on 1 March 2011. He is responsible for the Group's overall day-to-day management and operation. He has been instrumental in assisting the Group Chief Executive Officer in managing and executing the Group's business in Malaysia, Singapore, Hong Kong, China, Middle East and North Africa. He was promoted to Deputy Group Chief Executive Officer on 1 April 2017.

Mr Boh is professionally qualified as an accountant and is a member of the Malaysian Institute of Accountants ("MIA"). He obtained his Master of Business Administration ("MBA") from Bath University, U.K and has more than 27 years of commercial experience in various sectors including construction, manufacturing and education and extensive exposure in financial management including corporate affairs, business development, taxation and finance.

Mr Boh was the Financial Controller of INTI Universal Holdings Berhad from 1996 to 2002. He subsequently joined Education Ventures Sdn Bhd, a company involved in early childhood education, as a Deputy Group General Manager before he was promoted to Chief Executive Officer in 2003.

He returned to INTI Group as a Chief Financial Officer in 2006 and was promoted to the position of Chief Operating Officer in 2007 and Managing Director of INTI University College in 2009.

Mr Boh does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

WONG LAI PENG
Malaysian, Female
Group Financial Controller

Ms Wong Lai Peng ("Ms Wong"), aged 48, joined KHIND as a Group Finance Manager in November 2007. She was promoted to her present position as Group Financial Controller on 1 April 2017. She is responsible in overseeing and managing all financial affairs of the Group which include corporate finance, treasury, accounting and taxation.

Ms Wong graduated with a Bachelor of Accounting (Hons) from Universiti Utara Malaysia in 1994 and is a member of the MIA. She has about 23 years of experience in area of auditing, taxation, management accounting and reporting, corporate finance and treasury affair.

She started her career in 1994 with Price Waterhouse (now known as PricewaterhouseCoopers PLT). Between 1996 and 2004, she joined Hong Leong Credit Berhad as an Investment Planning Officer for a brief period before moving on to join Muda Holdings Berhad as a Financial Analyst. Prior to joining KHIND, she has held a senior financial position in a private company. Throughout her career, she has served in various listed companies and industries including finance services, manufacturing and retail.

Ms Wong does not hold any directorships in other public companies and listed issuers.

She has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. She has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

KEY SENIOR MANAGEMENT PROFILE (CONTINUED)

KHOO GUAN KIAT
Malaysian, Male
Executive Director of Khind-Mistral Industries Sdn Bhd ('KMI')

Mr Khoo Guan Kiat ("Mr Khoo"), aged 51, was appointed as an Executive Director of KMI to oversee the operations of the company with effect from 1 April 2017. Prior to his appointment, he was the Group Chief Financial Officer of KHIND who was responsible for all financial-related activities of the Group which included accounting and finance, strategic planning, legal, property management, deal analysis and investor relationship.

He joined KHIND as an Accountant in May 1995. He was promoted to Group Financial Controller in 2002 and Group Chief Financial Officer in 2012. Prior to joining KHIND, Mr Khoo was with SCK Berhad where he handled the accounting and finance functions.

He has over 28 years of experience in various sectors including manufacturing, trading, interior renovation which covers areas of corporate affairs, business development, taxation and finance.

He is an associate member of the Chartered Institute of Management Accountants (CIMA), a licensed GST tax agent and a member of the MIA. He obtained his MBA from Sydney Business School, University of Wollongong in 2015.

Mr Khoo does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

TAN CHA BOO
Malaysian, Female
Executive Director of Khind-Mistral (M) Sdn Bhd ('KM')

Ms Tan Cha Boo ("Ms Tan"), aged 59, was appointed as an Executive Director of KM with effect from 1 April 2017. Prior to her appointment, she was the General Merchandise Manager responsible for overseeing the Group's merchandising operations since 2010.

She started her career with KHIND in 1976 and was one of the pioneers who played an instrumental role in the formation years of KHIND.

She has over 40 years of experience in the Electrical & Electronic ("E&E") industry, covering administration management, manufacturing, purchasing, sales and distribution. Throughout her tenure with the Group, she has held various senior positions.

Ms Tan does not hold any directorships in other public companies and listed issuers.

She has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. She has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

KEY SENIOR MANAGEMENT PROFILE (CONTINUED)

TAN WEI CHI
Malaysian, Male
General Manager of Khind-Mistral (M) Sdn Bhd ('KM')

Mr Tan Wei Chi ('Mr Albert Tan"), aged 49, has been the General Manager – Marketing of KM since 5 August 2013. He is responsible for overseeing key departments, developing business strategy and all aspects of product marketing of KM. He has over 25 years' hand-on experience in product marketing.

He started his career in Lam Soon (M) Bhd ("Lam Soon") as a marketing trainee in 1992 and held several positions including Product Executive and Senior Product Executive, responsible for distribution and marketing. He was subsequently promoted to Product Manager in charge of household cleansing products.

He left Lam Soon in 1997 and joined the Marketing Division of Boots Healthcare Pte Ltd as Product Manager responsible for Strepsils and OTC oral care products for Malaysia and Singapore. He was then promoted to Group Products Manager in 2003, covering Malaysia, Singapore and Indonesia.

Prior to joining the Group, he worked with Hasbro Toys (M) Sdn Bhd, a subsidiary of Hasbro Ltd of United States of America ("USA") as a Marketing Manager from 2005 to 2013. He was responsible for leading a team to grow the toys and games market in Malaysia.

He graduated with a Bachelor of Science Degree in Biochemistry and Applied Organics from Campbell University of North Carolina, USA in 1992.

Mr Albert Tan does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

MICHAEL LIM OON KOOI
Malaysian, Male
General Manager of Khind-Mistral (Borneo) Sdn Bhd ("KMB")

Mr Michael Lim Oon Kooi ("Mr Michael Lim"), aged 51, was appointed as a General Manager of KMB, a company located on East Malaysia with effect from 1 April 2017. He is responsible for all aspects of operations and day-to-day management of KMB.

He joined the Group in 1996 as an Account Executive of Khind Marketing (Sabah) Sdn Bhd. In the following year, he was transferred to Khind Marketing (Sarawak) Sdn Bhd (now known as KMB) and was promoted to Finance Manager. Subsequently he was appointed as the Regional Financial Controller to head the Accounts and Finance Department of both subsidiaries in East Malaysia.

During the past 20 years, while he has extensive exposure in core area of finance and accounting, he has also had intense hand-on involvement in a broad range of operational activities including management, purchasing, distributing and marketing.

He graduated with Bachelors of Business Administration (Hons) from University of Tasmania (Australia) in 1993 and obtained his MBA from Universiti Malaysia Sabah in 2009.

Mr Michael Lim does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

KEY SENIOR MANAGEMENT PROFILE (CONTINUED)

CHAN KENG SUN
Malaysian, Male
General Manager of Khind Alliances Sdn Bhd ('KAS')

Mr Chan Keng Sun ("Mr Chan"), aged 52, has been the General Manager of KAS since 1 March 2008. He is responsible for all aspects of operations and day-to-day management of KAS. He joined the Group in 1999 as a Senior Manager of Khind Sales & Service Sdn Bhd (now known as KM) where he was tasked to develop domestic appliances. He also developed and managed the export business from 2003 to 2007.

He has over 26 year of experience in E&E industries. He started his career with a leading Japanese multinational company in 1991 and later became the Marketing Department Head in the home appliances division. He joined MEC Product Distributors FZE ("MEC") in 1997 as a Marketing Manager and was subsequently posted to Dubai, United Arab Emirates as a Director to start up the MEC regional office for Middle East.

He graduated with a Bachelors of Business Administration (Hons) from Universiti Utara Malaysia in 1991 and obtained his MBA from Sydney Business School, University of Wollongong, Australia in 2016. He also holds an Advance Certificate in International Trade from the Institute of Export, United Kingdom.

Mr Chan does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

CHONG YEN HONG
Malaysian, Male
General Manager of Khind Electrical (Malaysia) Sdn Bhd ('KEM')

Mr Chong Yen Hong ("Mr Chong"), aged 58, was appointed as a General Manager of KEM on 5 May 1997 and has since been the head of KEM.

He started his career as an Electrical Project Engineer with ASEA Sdn Bhd in 1985 and was the Department Manager of Sales with ABB Industry & Offshore Sdn Bhd. He subsequently joined Tamco Electrical & Electronics (M) Sdn Bhd as the Manager of the Drives Division in 1993.

He graduated in 1984 from Loughborough University of Technology, United Kingdom with a Bachelor of Science Honours Degree in Electronic, Computer and System Engineering, and a Master of Science in Flexible Manufacturing Systems and Robotics.

Mr Chong does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

KEY SENIOR MANAGEMENT PROFILE (CONTINUED)

ADIL JIMMY MISTRY
Indian, Male
Executive Director of Khind Middle East FZE ("KME") &
PT Khind Environmental Solutions ("KES")

Mr Adil Jimmy Mistry ("Mr Adil"), aged 44, was appointed as the Executive Director of KME, a wholly owned subsidiary of KMI, incorporated in United Arab Emirates and KES, a wholly owned subsidiary incorporated in Indonesia on 1 April 2017 and 8 February 2017 respectively. Prior to this, he was the General Manager of KME and was responsible for the overall operations since 2008.

He joined the Group in 2000 as an Export Sales Executive and was later posted to Dubai in 2001 to develop the new market in the Middle East and Africa regions. He was the pioneer in KME. Subsequently in 2016, he was given additional portfolio to set up International Sales and Marketing (ISM) Division of the Group, focusing on export business and linking up various business units to develop exports. He was also given mandate to set up KES to focus on environmentally friendly solutions for cooling and energy saving in Indonesia.

Prior to joining KME, he worked in MEC in Dubai as a Service Manager and subsequently joined CAC Inc. Dubai as a Technical Writer. He has over 20 years of experience in electrical engineering and E&E industry.

He holds an Engineering Higher Diploma in Electronics and Communications from University of Liverpool, United Kingdom and obtained his MBA from Manchester Business School, Dubai campus in 2012.

Mr Adil does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

AIDA MOK LAI FUN
Singaporean, Female
General Manager of Khind System (Singapore) Pte Ltd ("KSS")

Ms Aida Mok Lai Fun ("Ms Aida"), aged 60, has been the General Manager of KSS since 27 July 2007. She is responsible for all aspects of operations and day-to-day management of KSS. Prior to assuming her current position, she was the Division General Manager in charge of regional sales & marketing of a specialty division primarily involved in air flow and hygiene business.

She joined KSS in 1980, working through various roles from administration to sales. Subsequently she was promoted to Sales Manager taking charge of the lighting and domestic division. She has over 37 years of experience in electrical engineering and E&E industry. She graduated with a Bachelor of Business Degree from RMIT University, Australia in 1992.

Ms Aida does not hold any directorships in other public companies and listed issuers.

She has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. She has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

KEY SENIOR MANAGEMENT PROFILE (CONTINUED)

TAN BENG KWEE
Singaporean, Male
Executive Director of Mayer Marketing Pte Ltd ("MMPL")
General Manager of Mistral (Singapore) Pte Ltd ("MSPL")

Mr Tan Beng Kwee ("Mr BK Tan"), aged 50, was appointed as an Executive Director of MMPL upon the completion of takeover exercise of the company by KHIND on 5 January 2012. He is also the General Manager of MSPL since 1 March 2007. His responsibilities include overseeing the operations and day-to-day management of both companies.

Mr BK Tan graduated with a Diploma in Marketing from Marketing Institute of Singapore in 2004. He started his career as a Production Supervisor in Foster Electric Pte Ltd in 1990 and subsequently he joined Cheong Hock Guan Water Heater Center Pte Ltd in 1993 as a Sales Manager, responsible for local sales distribution.

He later moved on to Yeo Teck Seng (S) Pte Ltd , responsible for driving sales and distribution of kitchen and home appliances before being headhunted to join Brandt Group Asia as an Assistant Sales Manager.

Mr BK Tan joined the Group in 2001 as a Country Manager for MSPL. He was the pioneer of MSPL and started as the first and only employee that based in Singapore to develop Mistral brand which was acquired from principal owner in New Zealand in 2001. He managed to grow the business from RM3.0 million annual sales to more than RM90.0 million with current headcount of 90. Mr BK Tan has over 25 years of experience in the wholesale and retail industry.

He does not hold any directorships in other public companies and listed issuers.

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during FYE 2017. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Khind Holdings Berhad ("the Company") recognises the importance of good corporate governance throughout the Company and its subsidiaries ("the Group") as a fundamental process of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

As required under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), this Corporate Governance Overview Statement reports on how the Company has applied the Principles and Practice to the extent of compliance with the recommendations of good corporate governance as set out in the Malaysian Code on Corporate Governance ("MCCG") throughout the financial year ended 31 December 2017 ("FYE2017") and up to the date of this Annual Report.

This statement is to be read together with the Corporate Governance Report 2017 ("CG Report") of the Company which is available on the Company's website at www.khind.com. The detailed explanation on the application of the corporate governance practices are reported under the CG Report.

The Board considers that the Company has complied with all Practices of MCCG for the FYE2017 except for the following Practices:-

- Practice 4.5 (Board to disclose the Company's policies on gender diversity, its targets and measures to meet those targets);
- Practice 6.1 (Board has in place policies and procedures to determine the remuneration of Senior Management); and
- Practice 7.2 (Board to disclose on a named basis the top five (5) senior management's remuneration component in bands of RM50,000).

The explanation for departure is further disclosed in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS

1. Board's Roles and Responsibilities

The Board's principal role is overseeing the overall strategic direction, development and control of the Group in an effective and responsible manner. The Board is responsible for the overall corporate governance, leading and directing the Group towards its strategic goals and monitoring the adequacy and integrity of the Group's internal control system. In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of all stakeholders.

The Board assumes the following principal responsibilities:-

(a) review, adopt and monitor the implementation of strategic plans for the Group;

(b) together with Senior Management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;

(c) ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;

(d) supervise and assess Management's performance to determine whether the business is being properly managed;

(e) oversee the conduct of the Group's businesses to evaluate whether they are properly managed;

(f) identify principal risks, set the risk appetite and ensure there is an appropriate risk management framework and sound framework for internal controls and risk management;

(g) ensure Senior Management has the necessary skills and experience and there are measures for orderly succession of the Board and Senior Management;

(h) oversee the development and implementation of a shareholders' communication policy for the Company to ensure effective communication with its shareholders and other stakeholders; and

(i) ensure the integrity of the Company's financial and non-financial reporting.

To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by various Board Committees namely:-

(a) Audit Committee ("AC"); and

(b) Nomination and Remuneration Committee ("NRC").

All Board Committees have been established with terms of reference setting out their duties and responsibilities. The Chairman of the respective Committees report regularly to the Board on the key findings of their review and make recommendations to the Board.

The positions of Chairman and Group Chief Executive Officer ("Group CEO") are held by two different individuals. The Chairman is responsible for leading the Board in setting its values, ethical standards and good corporate governance practices in the Company whilst the Group CEO is given the authority and power of executive management for the day-to-day running of the Group's business, implementation of the Board's policies and making operational decisions. The distinct and separate role of the Chairman and Group CEO, with a clear division of responsibilities, ensures a balance of power and authority, such that no one individual has unfettered powers of decision-making.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (CONTINUED)

1. Board's Roles and Responsibilities (continued)

The roles of the Group CEO are as below:-

(a) ensure balance of management power and authority;

(b) responsible for the overall business performance of the Group;

(c) develop performance targets, strategic direction, long term goals and to ensure the smooth operation for the Group;

(d) implementation of Board policies, strategies and decisions;

(e) provide strong leadership to employees of the Group;

(f) assess the principal risks of the Group and to ensure that these risks are being monitored and managed;

(g) ensure effective internal controls and management information systems are in place;

(h) act as liaison between Management and the Board;

(i) communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public;

(j) ensure that the Board is properly informed and that sufficient information is provided to enable the Board to form appropriate judgement;

(k) assess business opportunities which are of potential benefit to the Group; and

(l) keep the Board fully informed of all important aspects of the Group's operations and bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

The Board monitors the decisions and actions of the Group CEO and the performance of the Group to gain assurance that progress is being made towards the corporate objectives, within the limits it has imposed.

2. Board Charter

The Board Charter, which was adopted by the Board on 17 April 2013, ensures that all Board members are fully aware of their roles and responsibilities as Board members and the various regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter shall be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities.

The Board Charter last reviewed on 12 March 2018 and is made available at www.khind.com.

3. Formalised Ethical Standards through Code of Conduct and Ethics

The Board observes and adheres to the Directors' Code of Ethics issued by the Company Commission of Malaysia ("CCM"). The Company has put in place the KHIND's Code of Conduct and Ethics and Management implements its policies and procedures, covering code of business practices for all employees of the Group.

The Board has also established a Whistle-blowing Policy which allows the whistle-blower to raise concerns for behaviour conflicting with the principles set out in the KHIND's Code of Conduct and Ethics such as non-compliance to laws and regulations, financial malpractices and etc. Whistle-blowing reports are addressed to the Senior Independent Non-Executive Director or the Chairman of the AC following the form and specific conditions as prescribed under the policy. The Policy also affirms that the identity of the whistle-blower will be kept confidential and protection will be accorded to the whistle-blower against any form of reprisal or retribution.

The KHIND's Code of Conduct and Ethics and Whistle-blowing Policy can be accessed on the Company's website at www.khind.com.

4. Access to Information and Advice

All Directors have full and unrestricted access to information pertaining to the Company. The agenda, the relevant reports, information and documents are furnished to Directors and Board Committee members in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. The Board and Board Committees papers include, amongst others, quarterly financial reports, year-end financial statements of the Group, annual budget and other major operational financial and legal issues.

Corporate plans and annual budgets, acquisitions and disposals of undertakings and properties with a substantial value, major investments and financial decisions, including key policies and procedures and delegated authority limits are subject to Board approval. All deliberations in relation to matters discussed and the conclusions are recorded. The Directors are provided with non-financial indicators like customer service performance, safety & health compliance and market information when dealing with such matters on the agenda.

The Directors, whether collectively or individually, have full and unrestricted access to any information pertaining to the Company and to the advice and services of the Company Secretaries. The Directors may also seek independent professional advice in the furtherance of their duties and responsibilities at the expense of the Company in accordance with the steps set out in the Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (CONTINUED)

5. Qualified and Competent Company Secretaries

The Company Secretaries are qualified to act as secretaries under Section 235(2) of Companies Act 2016 ("CA 2016"). The Company Secretaries play an advisory role to the Board in relation to the Constitution of the Company, compliance with the CA 2016 and MMLR. Their roles and responsibilities can be found in the CG Report.

6. Board Composition

The Board has five (5) members comprising three (3) Independent Non-Executive Directors and two (2) Executive Directors (including the Chairman). The current composition meets the requirement of Paragraph 15.02 of the MMLR and the recommendation of Practice 4.1 of the MCCG.

7. Appointments to the Board

The Board shall consist of qualified individuals with diverse professional backgrounds and the skills, extensive experience and knowledge necessary to govern the Group. The appointment of a new director is a matter for consideration and decision by the Board, upon recommendation from the NRC. In making the recommendation, the NRC will consider the candidate's character, integrity, professionalism, competence and time to effectively discharge his/her role as a Director of the Company, the core competencies the candidate can bring to the Board and the required mix of skills needed by the Board, boardroom diversity with due regard for diversity in skills, experience, age, cultural background and gender, amongst others.

There was no new appointment to the Board during the financial year.

8. Re-election of Directors

In accordance with the Constitution of the Company, all Directors who are appointed by the Board may only hold office until the following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. The Constitution also provides that one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one-third, are subject to retirement by rotation at every AGM but are eligible for re-election provided always that all Directors including the Managing Directors and Executive Directors shall retire from office at least once in every three (3) years.

9. Independent Directors

The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointments. The Board assesses the independence of the Independent Directors annually, taking into account the Independent Director's ability to exercise independent judgment at all times and contribute to the effective functioning of the Board.

The Independent Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Company's business and the reporting of monthly business performance.

In accordance with the Board Charter, an Independent Director whose tenure exceeds a cumulative term of nine (9) years may continue to serve on the Board subject to that Director's re-designation as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, the Board shall justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) year, the Board shall seek annual shareholders' approval through a two-tier voting process in accordance with the MCCG.

10. NRC

The NRC, which was established on 15 November 2001, has three (3) members who are all Independent Directors. The NRC is chaired by Mr Wong Chin Mun and not En Kamil Bin Datuk Hj. Abdul Rahman who is the Senior Independent Non-Executive Director and the Chairman of the AC. The Board believes that having different chairman in the NRC and AC allows each Independent Director to carry out equitable roles and responsibilities in discharging the duties and responsibilities delegated by the Board effectively. The Terms of Reference of the NRC can be found on the Company's website at www.khind.com.

During financial year 2017, the following activities were undertaken by NRC:

(i) assessed the effectiveness and required mix of skills and experience and other qualities, including core competencies of the Board as a whole, the committees of the Board and the contribution of each existing Director and thereafter, recommend the findings to the Board;

(ii) reviewed and made recommendations to the Board on the re-election and re-appointment of Directors based on the assessment conducted;

(iii) assessed the independence of the Independent Directors based on criteria set out in the MMLR of Bursa Securities;

(iv) reviewed and recommended the re-election of En Kamil Bin Datuk Hj. Abdul Rahman;

(v) reviewed and recommended the re-appointment of Mr Cheng King Fa, Mr Wong Chin Mun and Mr Lee Ah Lan @ Lee Keok Hooi;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (CONTINUED)

10. NRC (continued)

(vi) reviewed and recommended the retention of En Kamil Bin Datuk Hj. Abdul Rahman, the Independent Director who had served on the Board for more than nine (9) years, to continue in office as Independent Non-Executive Director;

(vii) reviewed the budget for Directors' training and made recommendations to the Board;

(viii) reviewed the 2016 bonus and 2017 remuneration packages for the Executive Chairman and Group CEO and made recommendations to the Board;

(ix) reviewed Directors' fees for FYE2017 and made recommendations to the Board.

On 27 February 2018, the NRC conducted the annual evaluation on the Board and Board Committees in accordance with its Terms of Reference, reported its findings and made recommendations to the Board. This annual exercise involved Directors completing questionnaires covering the assessment of the Board and Board Committee's performance, assessment of individual Directors (self and peer evaluation) and assessment on independence amongst others. The Directors' responses were collated by the Company Secretaries and a summary of the findings was presented to the NRC for deliberation.

The NRC was satisfied with the current compositions of the Board and Board Committee and their discharge of their duties. The NRC also assessed independence of Independent Directors and was satisfied with the results of the assessment. The NRC assessed the individual Directors, including the Directors who will be retiring by rotation at the forthcoming Twenty-Second AGM, and has expressed its satisfaction with the Directors' contribution, character, experience, integrity, competence and time spent by them in discharging their duties.

The Board is satisfied with the results of the annual assessment and is of the view that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills, comprising individuals of high calibre, credibility and having the necessary skills and qualifications, to enable the Board to discharge its duties and responsibilities effectively. In view thereof, the Board will be seeking shareholders' approval to re-elect Mr Cheng Ping Keat and En Kamil Bin Datuk Hj. Abdul Rahman as Directors at the Twenty-Second AGM.

With regards to En Kamil Bin Datuk Hj. Abdul Rahman who has served on the Board for more than nine (9) years, the Board proposes to retain his status as an Independent Director after having given consideration to the following:

(a) a director's independence cannot be determined arbitrarily with reference to a set period of time. The Group benefits from long serving Directors;

(b) En Kamil Bin Datuk Hj. Abdul Rahman has a strong understanding of the Group's corporate history and business operations;

(c) En Kamil Bin Datuk Hj. Abdul Rahman is independent in character and judgment and free from any relationships or circumstances which are likely to affect or could appear to affect his judgment and he does not have any business dealings with the Group;

(d) his area of specialisation in corporate governance, corporate finance and risk management provides the Board with an independent judgement to better manage and run the Group;

(e) he participates actively in Board and Committee meetings, giving his views in a constructive manner and bringing an element of objectivity to decision-making;

(f) he attended all Board, AC and NRC meetings held in 2017 and has devoted sufficient time to the Company ; and

(g) he has exercised due care and carried out his duties in the best interest of the Company and shareholders.

The resolution on the retention of En Kamil Bin Datuk Hj. Abdul Rahman as an Independent Director shall be carried out through a two-tier voting process in accordance with the MCCG.

11. Boardroom and Gender Diversity

The Board presently does not have a written policy on boardroom diversity as it believes in providing equal opportunities to candidates who have the skills, experience, core competencies and other qualities regardless of gender, age or ethnicity. However, the Board acknowledges that diversity is essential to bringing different perspectives to the boardroom and in keeping pace with the evolving business environment. Therefore, as an area of future focus, the Board will take steps towards formalising such policy to reflect the Company's commitment towards diversity.

12. 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. During the year, four (4) ordinary Board Meetings and one (1) special Board Meeting were held and the details of attendance of the Board members are as follows:

	Meeting Dates					
Directors	**22/02/2017**	**24/05/2017**	**23/08/2017**	**23/11/2017**	**14/12/2017**	**Total**
Mr. Cheng King Fa	√	√	√	√	√	5/5
Mr. Cheng Ping Keat	√	√	√	√	√	5/5
En. Kamil Bin Datuk Hj. Abdul Rahman	√	√	√	√	√	5/5
Mr. Lee Ah Lan @ Lee Keok Hooi	√	√	√	√	√	5/5
Mr. Wong Chin Mun	√	√	√	√	√	5/5

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (CONTINUED)

12. Time Commitment (continued)

The Board meetings for each financial year are scheduled before the end of the preceding financial year so that the Directors may plan ahead and fit the year's meetings into their own schedules. The Director shall notify the Chairman when accepting any new directorships notwithstanding that the MMLR allows a Director to sit on the Board of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

The Board was satisfied with the level of time commitment given by the Directors in FYE2017 towards fulfilling the roles and responsibilities, which is evidenced by the satisfactory attendance record of the Directors at Board meetings.

13. Professional development of Directors

The Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their skills and knowledge to enable them to carry out their roles effectively as directors in discharging their responsibilities towards corporate governance, operational and regulatory issues. The Directors will continue to attend relevant training programmes either on their own arrangement or organised by the Company on a continuous basis in compliance with Paragraph 15.08(2) of the MMLR. The Directors are briefed by the Company Secretaries on the letters and circulars issued by Bursa Securities at Board meetings. All Directors have completed the Mandatory Accreditation Programme required by Bursa Securities.

The training programmes, seminars and workshops attended by the Directors during the financial year were, inter alia, on areas relating to corporate leadership and governance, economic trends, strategic planning and implementation of new regulations by the Government.

Among the trainings/courses attended by the Directors during financial year 2017 are as follows:

Name of Director	Course Title/Training Attended	Date
Cheng King Fa	• 13th Tricor Tax & Corporate Seminar	8 November 2017
Cheng Ping Keat	• Internet Marketing and Publicity by Joseph Ting Sii Tiing	16 February 2017
	• Understanding & Using PAEI Code for Hiring and Structuring by Richard Wong	13 March 2017
	• My Vistage Sharing by Kareena Tan Lee Hwa	15 June 2017
	• Tax Risk, tax audit & tax investigations by Lai Chooi Ling	20 July 2017
	• Understanding "One Belt, One Road" by Dato Joseph Lim	17 August 2017
Kamil Bin Datuk Hj. Abdul Rahman	• London Capital Market Seminar by Centillion	3 March 2017
	• ASEAN @ 50 Conference by ASEAN Secretariat	4 August 2017
	• Annual Conference 2017 by Malaysian Institute of Chartered Secretaries and Administrators	12 – 13 September 2017
	• Enhancing Financial Literacy Seminar by Bursa Malaysia	26 October 2017
	• MIA International Conference 2017 by Malaysian Institute of Accountants	7 – 8 November 2017
	• Conversation with Securities Commission	14 November 2017
	• Seminar on Practical Issues under the Companies Act 2016 by Malaysian Institute of Accountants	12 December 2017
	• Seminar on Companies Act 2016 – Practical Insights on Compliance by Malaysian Institute of Accountants	18 December 2017
Wong Chin Mun	• Boost Sales in Slowing Economy - by Hanzo Ng, Sales Ninja	17 January 2017
	• Amendments to the Companies Act 2015 w.e.f 1 Jan 2017 - by Chew Phye Keat	24 January 2017
	• 2017 Vistage Chair World Conference @ Gaylord Palm Resort, Orlando, USA	4 to 7 February 2017
	(a) Leadership is the Art of Execution by Sam Reese CEO, Vistage Worldwide, USA	6 February 2017
	(b) Leverage Vistage Networks Worldwide (17 Partners Countries) to Grow by Michele Barry & Scott Seagren, Vistage Worldwide	7 February 2017
	• Leadership Summit 2017	8 March 2017
	• Vistage CEO Tea Talk	26 April 2017
	• Fraud Risk Management - by PWC directors	13 July 2017
	• Focus Group Session on the Proposed Revision of the Corporate - Governance Guide by Bursa Malaysia Berhad	11 October 2017
	• Towards DATA Driven Organization Workshop by Dr Farouk	30 – 31 October 2017
	• Chair Academy International Workshop (Covering Foundational Chairing Skills, Giving Feedback, Powerful 121s conversations, Accountability & Issue Processing - by Lance Descourouez, Master Chair & Don Cope Award Winner - Vistage International Faculty	6 – 9 December 2017
Lee Ah Lan @ Lee Keok Hooi	• 13th Tricor Tax & Corporate Seminar	8 November 2017

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (CONTINUED)

14. Remuneration Policy

The NRC examines and recommends to the Board the remuneration package of the Executive Directors, taking into consideration all relevant factors including skills, experience and responsibilities involved as well as linking rewards to the Group and individual performance. The performance of Executive Directors is measured by their contribution to both the Board and the Company. The remuneration of Executive Directors includes salary and emoluments, bonus and benefits-in-kind.

For Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by them. Non-Executive Directors are paid annual fees and meeting allowance for each meeting they have attended and they are also entitled to medical insurance coverage. The determination of the fees of the Non-Executive Directors is undertaken by the Board as a whole.

All Directors shall abstain from deliberations and voting on their own remuneration. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

Details of remuneration of Directors of the Company for the FYE2017 are as follows:-

	Directors' Remuneration & Benefit-in-Kind					
Company	Fees RM	Salaries and allowances RM	Bonus RM	EPF-Employer Contribution @ 17% RM	Benefit-in-Kind RM	Grand Total RM
Directors						
Executive Directors						
Mr Cheng King Fa	–	510,349	82,000	98,430	22,362	713,141
Mr Cheng Ping Keat	–	903,113	166,400	190,456	46,712	1,306,681
Non-Executive Directors						
En Kamil Bin Datuk Hj. Abdul Rahman	84,000	9,000	–	–	2,000	95,000
Mr Lee Ah Lan @ Lee Keok Hooi	84,000	5,000	–	–	3,000	92,000
Mr Wong Chin Mun	84,000	5,000			3,000	92,000
Total	252,000	1,432,462	248,400	288,886	77,074	2,298,822
Group						
Directors						
Executive Directors						
Mr Cheng King Fa	–	510,349	82,000	98,430	22,362	713,141
Mr Cheng Ping Keat	–	903,113	166,400	190,456	46,712	1,306,681
Non-Executive Directors						
En Kamil Bin Datuk Hj. Abdul Rahman	84,000	9,000	–	–	2,000	95,000
Mr Lee Ah Lan @ Lee	84,000	5,000	–	–	3,000	92,000
Mr Wong Chin Mun	84,000	5,000			3,000	92,000
Total	252,000	1,432,462	248,400	288,886	77,074	2,298,822

The aggregate remuneration (including salaries, bonus, allowances, benefits-in-kind or other emoluments) paid to the top 5 Senior Key Management members for FYE2017 was RM4,199,687. The Board is of the view that disclosure in accordance with the recommendation of Practice 7.2 of the MCCG is not in the best interest of the Group due to confidentiality and privacy issues.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC

The AC has three (3) members who are Independent Non-Executive Directors and is chaired by En Kamil bin Datuk Hj. Abdul Rahman. The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The AC also undertakes to provide oversight on the risk management framework of the Group.

2. Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with Messrs RSM Malaysia, the External Auditors through the AC. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

2. Independence of External Auditors (continued)

The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the AC Meetings to facilitate the exchange of views on issues requiring the AC's attention.

The AC assesses the performance of the External Auditors, considers the re-appointment of the External Auditors and their remuneration and makes recommendations to the Board on an annual basis. The re-appointment of External Auditors is tabled for the shareholders approval at each AGM.

The AC had on 27 February 2018, conducted an assessment on the suitability and independence of the External Auditors and took into consideration the following:-

- quality and scope of the planning of the audit in assessing risks and how the External Auditors maintain or update the audit plan to respond to changing risks and circumstances;
- quality of reports provided to the AC;
- level of non-audit fee;
- competency;
- level of understanding demonstrated of the Group's business; and
- communication to the AC about new and applicable accounting practices and auditing standards and the impact on the Company's financial statements.

Based on the assessment conducted, the AC was satisfied that Messrs RSM Malaysia continued to possess the competency, independence, experience and resources required to fulfil their duties effectively. The Board, based on the recommendation of the AC, would be tabling their re-appointment at the Twenty-Second AGM for shareholders' approval.

Messrs RSM Malaysia has reported to the AC that, in their professional judgement, they are independent within the meaning of regulatory and professional requirements, and the objectivity of the audit engagement partner and audit staff is not impaired.

3. Internal Audit Function

The Board acknowledges the importance of the internal audit function and has outsourced the function to BDO Governance Advisory Sdn Bhd as part of its efforts in ensuring that the Group's systems of internal control are adequate and effective. The internal audit activities of the Group are carried out according to an annual internal audit plan approved by the AC.

The internal audit function was performed by an external consultant during the year to identify and assess the principal risks and to review the adequacy and effectiveness of the internal controls of the Group. Areas for improvement were highlighted and the implementation of recommendations was monitored. The results of the internal audit assessment are reported periodically to the AC.

4. Risk Management and Internal Control Framework

The Board acknowledges that it is responsible for maintaining a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets as required by the Code. The Group adheres to Bursa Securities' Statement on Internal Control: Guideline for Directors of Listed Issuer, as guidance for compliance with these requirements.

The Group has set up a Risk Management Framework where the risk management policy and procedures were benchmarked against the Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organisation of the Treadway Commission ("COSO"). The framework provides a step-by-step process to manage risks in a structured and systematic way for the achievement of business strategies and objectives.

Identifying risk - The Committee has implemented a quarterly risk template for identifying and evaluating all major risks of the respective Strategic Business Units ("SBU") under the Group.

Assessing risk - The risk template is acknowledged by the respective Heads of SBU (or "Risk Owners") through assessing the probability of a risk occurring and the impact that the risk will have on the business process if it arises.

Risk treatment - The quarterly risk assessments from all SBU are consolidated and updated into the Group Risk Register, highlighting all major risks, action plans and the progress of risk monitoring plans. These are then plotted into the Group Risk Matrix based on urgency and priority to determine the type of actions required to treat risks and the level of management and board attention in managing and monitoring these risks.

Monitoring and reviewing risk - The quarterly submission of the Group Risk Register supports the Board in monitoring and assessing management's performance in achieving business strategies and objectives.

The Board has set a weightage of 25% to 30% for risk management initiatives when assessing the performance of SBUs for bonus payment.

The Group's Statement on Risk Management and Internal Control is set out on pages 43 and 44 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

The Board ensures that shareholders are presented with a clear, balanced and meaningful assessment of the Company's financial performance and prospects through the audited financial statements, annual report and quarterly announcement of results.

The Board is assisted by the AC in overseeing the Group's financial reporting process to ensure accuracy, adequacy of all relevant information of disclosure and quality of the financial reporting.

The quarterly results and year-end financial statements are reviewed by the AC and approved by the Board before release to Bursa Securities. The AC also assists the Board in reviewing the changes in accounting policies and standards applied by the Group.

The Directors are responsible for ensuring that the financial statements are prepared in accordance with the provision of the CA 2016 and approved accounting standards, subject to any explanations and material departures disclosed in the notes to the financial statements.

2. Corporate Disclosure Policies

The Company recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decisions.

The Company is guided by the Corporate Disclosure Guide issued by Bursa Securities with the consultation of the Company Secretaries, advisers and/or other service providers. However, the Board will review the necessity for formalising internal corporate disclosure policies and procedures, if required.

3. Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relations section enhances the Investor Relations function by including all announcements made by the Company. The announcements of the quarterly financial results are also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

4. Effective Communication and Proactive Engagement

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely, and continuing disclosures of information to its shareholders as well as to the general investing public.

5. Conduct of General Meetings

The Board recognises that the AGM is an important platform for its engagement with the shareholders of the Company. The Notice of the Twenty-Second AGM ("the Notice") and the Annual Report are sent to shareholders at least twenty eight (28) days before the meeting.

The Notice contains information such as the date, time and venue of the AGM, the shareholders' right to appoint a proxy and details of the resolutions that will be tabled at the AGM, amongst others. The resolutions set out in Notice will be voted by poll and an independent scrutineer will be appointed to validate the votes.

The Annual Report provides shareholders with comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the MMLR.

This CG Overview Statement was approved by the Board of the Company on 10 April 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the MMLR of Bursa Securities:

1. **Utilisation of Proceeds**
   The Company did not raise funds through any corporate proposals during the financial year.
2. **Material Contract**
   There were no material contracts entered into by the Company or its subsidiaries involving Directors or major shareholders' interests during the financial year.
3. **Employee Share Scheme**
   The Company does not have an Employee Share Scheme.
4. **Recurrent Related Party Transactions ("RRPTs")**
   The Company did not seek any shareholders' mandate in respect of RRPTs of a revenue of trading nature at the Twenty-First AGM.
5. **Audit and Non-Audit Fees**
   The amount of audit and non-audit fees paid or payable by the Company and the Group to the External Auditors for the financial year ended 31 December 2017 are as follows:-

	Company (RM)	Group (RM)
Audit fees	31,000	322,337
Non-Audit fees	5,000	15,901
Total	36,000	338,238

STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and the Group for that period. The financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 ("the Act"). In preparing the financial statements for the year ended 31 December 2017, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at all times the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Act. The Directors are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps in the prevention and detection of fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") is pleased to provide the following statement that was prepared in accordance with the guideline, namely the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers", which outlines the nature and scope of risk management and internal control activities of the Group during the year under review.

The system of risk management and internal control covers risk management, controls over financial, operational and compliance activities, and all other policies and procedures, both local and foreign, to achieve the following objectives:

- Safeguard assets of the Group and shareholders' interests;
- On-going process for identifying, evaluating and managing significant risks encountered or potentially to be encountered by the Group;
- Compliance with applicable laws, regulatory requirements, rules and guidelines; and
- Close monitoring of operational results, and prompt explanation of substantial variances.

BOARD RESPONSIBILITY

The Board is responsible for maintaining a sound and effective risk management and internal control system for the Group, and for reviewing the adequacy and integrity of these systems to safeguard shareholders' investment and the Group's assets. However, there are limitations inherent in any system of risk management and internal control, in that such systems are designed to manage, rather than eliminate, the risk of failure to achieve the policies and business objectives of the Group. Accordingly, these systems can only provide reasonable, and not absolute, assurance against material misstatement, losses, fraud or breaches of laws or regulations. It should be further noted that the cost of the system should not outweigh the benefits.

MANAGEMENT'S ACCOUNTABILITY

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control as prescribed above. The Group Chief Executive Officer, Deputy Group Chief Executive Officer and Group Financial Controller provide the Board with assurance that the internal control system of the Group is operating adequately and effectively in all material aspects to ensure achievement of corporate objectives.

RISK MANAGEMENT

The Board is committed to ensure that the Group has an effective risk management framework which will allow it to identify, evaluate and manage the risks which could possibly affect and impede its goals arising from adverse impacts to its functions, operations, assets, employees, consumers or shareholders.

The risk management policy and procedures form part of the various management systems and are reviewed regularly and updated when necessary. They are endorsed by the Group Chief Executive Officer and Deputy Group Chief Executive Officer, and have been in effect since 1 September 2014.

The objectives of the written policy are to ensure that:

- Appropriate systems are in place to identify the material risks faced by the Group.
- The potential financial impact of identified risks is ascertained.
- Appropriate controls and strategies are adopted to manage exposure to those risks.
- Appropriate responsibilities are delegated to control the identified risks effectively.
- Any material changes to the Group's risk profile are disclosed in accordance with the Group's continuous disclosure policy.

To provide assurance to the Board on adequacy and effectiveness of the Group's risk management process, a Risk Management Committee (RMC) has been established to promote the coordination and oversight of the risk management process. The Committee has implemented a quarterly risk template for identifying and evaluating all major risks of the respective Strategic Business Units (SBU) under the Group. The risk template is acknowledged by the respective Heads of SBU (or "Risk Owners") through assessment of the probability of a risk occurring and the impact that the risk will have on the business process if it arises.

The quarterly risk assessments from all SBU are consolidated and updated into the Group Risk Register, highlighting all major risks, action plans and the progress of risk monitoring plans. These are then plotted into the Group Risk Matrix based on urgency and priority, to determine the type of actions required to treat risks and the level of management and board attention in managing and monitoring these risks.

The quarterly submission of the Group Risk Register supports the Board in monitoring and assessing management's performance in achieving business strategies and objectives.

MATERIAL JOINT VENTURES AND ASSOCIATES

The disclosures in this statement do not include the risk management and internal control practices of the Company's material Joint Ventures and Associates.

KEY INTERNAL CONTROL PROCESSES

The Group's system of internal controls comprises the following key elements:

- **Terms of Reference**
  Clear definition of the terms of reference, i.e. functions, authorities and responsibilities of the various committees of the Board of Directors has been established.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

KEY INTERNAL CONTROL PROCESSES (CONTINUED)

- **Control Procedures**
  Operating Procedures Manuals that set out the policies, procedures and practices that are adopted by all the companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.

- **Organisational Structure and Accountability Levels**
  The Group has a defined organisational structure with clear lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

  The Board relies on the Group Chief Executive Officer and Deputy Group Chief Executive Officer with relevant industry experience to run and manage the operations and business of the Group.

- **Budgeting, Reporting and Review**
  The Group prepares comprehensive budgets that roll up into an annual budget that is approved by the Board prior to the commencement of the financial year. The management team performs monthly monitoring and review of financial results and forecasts for all businesses within the Group. Actual results are then compared with budgeted results and any significant matter is brought forward for the Board's consideration and decision at least on a quarterly basis.

- **Independence of the Audit Committee**
  The Audit Committee comprises non-executive members of the Board who are independent directors. The Committee holds regular meetings to deliberate on findings and recommendations and reports back to the Board.

- **Internal Audit & ISO Audit**
  To maintain a sound system of internal control, the Group relies on its two (2) assurance mechanisms, namely:
  (i) Internal Audit; and
  (ii) ISO Audit.

  The internal audit function has been outsourced to provide independence from the activities and operations of the Group, thereby providing the Audit Committee and the Board assurance with regards to the adequacy, effectiveness and integrity of the system of internal control. The internal audit reviews are executed based on an internal audit plan approved by the Audit Committee. The findings of the internal audit reviews together with management's comments and action plans to address the audit findings are presented and reviewed by the Audit Committee. Follow-up reviews have also been conducted to report to the Audit Committee on the status of implementation of management action plans.

  As per requirement of the ISO 9001 certification for Quality Management System, a scheduled audit is conducted annually by the certification body, SIRIM QAS International. The findings of these audits are forwarded to the Management Representative for compliance review.

- **Management Visits**
  Senior management of the Group conducts regular visits to the operating bases to review and gain better understanding of the operations.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securites Berhad, the External Auditors have conducted an assurance engagement on this Statement for inclusion in the Annual Report for the financial year ended 31 December 2017. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015): Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants.

The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respect, in accordance with disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers as set out, nor it is factually inaccurate. RPG 5 (Revised 2015) does not require the External Auditors to consider whether the Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

CONCLUSION

The Board is of the view that the risk management and internal controls system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the Group's assets and the interests of customers, regulators and employees.

During the year, a number of improvements to risk and internal controls processes were identified and addressed. There have been no significant weaknesses noted which have resulted in any material losses, contingencies or uncertainties for the financial year under review. The Group will continue to take the necessary measures to strengthen its risk management and internal control systems.

This statement is made in accordance with a resolution of the Board of Directors dated 10 April 2018.

AUDIT COMMITTEE REPORT

1. MEMBERSHIP AND MEETINGS

The Audit Committee ("AC") has three (3) members who are Independent Non-Executive Directors.

Every member of the AC viz. the Chairman, Mr Lee Ah Lan @ Lee Keok Hooi and Mr Wong Chin Mun, has accounting and financial qualifications.

The AC meets on scheduled basis, at least once every quarter. The Group Chief Executive Officer, Deputy Group Chief Executive Officer, Chief Financial Controller, Senior Management, External Auditors and Internal Auditors also attend the meetings by invitation to brief the AC on specific issues.

The Chairman of the AC briefs the Board on matters discussed at every AC meeting. The Chairman is also responsible for updating the Board about the AC's activities and recommendations. This is to ensure that the Board is aware of matters that may significantly impact the financial condition or affairs of the Group.

The AC met four (4) times during the financial year and the attendance is detailed below:-

AC MEETING IN YEAR 2017	
Members	**Total number of meetings attended by AC Members**
Kamil bin Datuk Hj. Abdul Rahman (Chairman)	4/4
Wong Chin Mun	4/4
Lee Ah Lan @ Lee Keok Hooi	4/4

2. TERMS OF REFERENCE OF THE AC

The Terms of Reference of the AC is available on the Company's website, www.khind.my. The Terms of Reference was last reviewed on 12 March 2018.

3. WORK OF THE AC

Some of the work carried out by the AC in discharging its duties and responsibilities during the financial year are as below:-

Financial Results

- Reviewed the unaudited quarterly results, prior to approval by the Board and release of the results to Bursa Malaysia Securities Berhad and Securities Commission;
- Reviewed the Audited Financial Statements prior to approval by the Board.

External Audit

- Reviewed the final audit findings with Messrs RSM Malaysia;
- Evaluated Messrs RSM Malaysia's performance, suitability and independence before recommending the Board to table their re-appointment to the shareholders for approval at the Annual General Meeting. The AC was satisfied with that there were no issues on independence;
- Held private discussions with Messrs RSM without the presence of the Executive Directors and Management team;
- Reviewed with the Audit Planning Memorandum presented by Messrs RSM Malaysia, covering the audit scope of work, applicable financial reporting framework and auditing standards, areas of work amongst others, in respect of the audit of the financial statements for the year ended 31 December 2017;
- Reviewed and discussed the areas of audit focus with Messrs RSM Malaysia.

AUDIT COMMITTEE REPORT (CONTINUED)

3. WORK OF THE AC (CONTINUED)

Internal Audit
- Reviewed and deliberated on the internal audit reports presented by the Internal Auditors, assessed the findings highlighted by the Internal Auditors;
- Noted the recommendations made by the Internal Auditors, reviewed and appraised the adequacy and effectiveness of Management's response in resolving the issues reported;
- Reviewed and deliberated on the follow-up reports issued by the Internal Auditors and assessed the status of corrective actions taken by Management in implementing the agreed action plan within the agreed timeline;
- Evaluated the Internal Auditors' performance and independence;
- Held private discussions with the Internal Auditors without the presence of the Executive Directors and Management team;
- Reviewed and approved the internal audit plans for 2018 presented by Internal Auditors.

Others
- Reviewed fraud risk management;
- Reviewed the Statement on Risk Management and Internal Control and AC Report prior to their inclusion in the Annual Report to ensure the contents therein are accurate and in compliance with the Main Market Listing Requirements;
- Reviewed and approved the minutes of the AC meetings;
- Reviewed the recurrent related party transactions of the Group and any potential conflict of interest that may arise within the Group;
- Reviewed the Group's bank accounts and reconciliations.

4. INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to BDO Governance Advisory Sdn. Bhd. The Internal Auditors have developed an annual audit plan to support and execute internal control reviews.

The scope of internal audit includes the conduct of follow-up reviews on the status of implementation of recommendations agreed by Management in the earlier audits and the conduct of four (4) internal control reviews for 2017.

During the financial year ended 31 December 2017, the Internal Auditors have carried out reviews on the following business processes:-

i. Revenue to Credit Control Management and Inventory Management for Khind Middle East FZE;
ii. Procure to Pay and Inventory Management for Khind-Mistral (Borneo) Sdn Bhd;
iii. Sales to Receipt Review for Khind-Mistral (Borneo) Sdn Bhd; and
iv. Production and Inventory Management for Khind-Mistral Industries Sdn Bhd.

The Internal Auditors would present an internal audit report to the AC on a quarterly basis or when required. In their internal audit reports, the Internal Auditors would highlight their findings, weaknesses identified, recommendations for corrective actions to be taken and Management's response. The Internal Auditors would conduct subsequent follow-up reviews to ensure that corrective actions are implemented by Management and report the status of implementation and/or closure of the audit findings to the AC.

The AC carries out an evaluation on the Internal Auditors on an annual basis. On 27 February 2018, the AC had carried out an evaluation and expressed their satisfaction with the adequacy of the scope, methodology, competency, experience, resources and authority of the Internal Auditors.

The total cost incurred for outsourcing of the internal audit function of the Group during the financial year ended 31 December 2017 amounted to RM76,000.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities
The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 10 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	1,593	1,429
Non-controlling interest	(218)	-
	1,375	1,429

In the opinion of the directors, the financial results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividend
Since the end of the previous financial year, the Company paid an interim single-tier tax exempt dividend of 1 sen per ordinary share totalling RM400,590 in respect of the financial year ended 31 December 2017 on 30 January 2018.

The directors do not recommend any final dividend to be paid for the financial year ended 31 December 2017.

Reserves and provisions
There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

Issue of shares and debentures
The Company did not issue any new shares or debentures during the financial year.

Options granted over unissued shares
No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors
The directors who held office during the financial year until the date of this report:-

The Company
- Cheng King Fa
- Cheng Ping Keat
- Kamil Bin Datuk Haji Abdul Rahman
- Lee Ah Lan @ Lee Keok Hooi
- Wong Chin Mun

Subsidiary Companies
- Adil Jimmy Mistry
- Boh Boon Chiang
- Cheng King Fa
- Cheng Ping Keat
- Chong Yen Hong
- Cheng Yoke Kan
- Khoo Guan Kiat
- Mok Lai Fun Aida
- Pg Hj Mohd Sofree Bin Pg Hj Daud
- Kriswanto Sanjaya Santoso
  (Appointed on 8.2.2017)
- Wong Lai Peng
  (Appointed on 8.2.2017)

DIRECTORS' REPORT (CONTINUED)

Directors' interests in shares

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

	Number of shares			
The Company	**At 1.1.2017**	**Acquired**	**(Disposed)**	**At 31.12.2017**
Direct interest				
Cheng King Fa	1,903,601	37,000	–	1,940,601
Cheng Ping Keat	2,725,720	–	–	2,725,720
Lee Ah Lan @ Lee Keok Hooi	460,000	–	–	460,000
Indirect interest				
Cheng King Fa*	1,304,124	–	–	1,304,124
Cheng Ping Keat**	2,165,199	–	–	2,165,199
Deemed interest in the Company				
Cheng Ping Keat	15,708,837	–	–	15,708,837

* Cheng Yoke Leng, Cheng Yoke Kan and Lew Kuan Hwa are the daughters and spouse of Cheng King Fa. In accordance with Section 59(11)(c) of the Companies Act 2016, the interests of Cheng Yoke Leng, Cheng Yoke Kan and Lew Kuan Hwa in the ordinary shares of the Company shall be treated as the interests of Cheng King Fa.

** Koh Guat Kuan is the spouse of Cheng Ping Keat. In accordance with Section 59(11)(c) of the Companies Act 2016, the interests of Koh Guat Kuan in the ordinary shares of the Company shall be treated as the interests of Cheng Ping Keat.

By virtue of their interests in the shares of the Company, the directors are also deemed to be interested in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the notes to the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' remuneration

The directors' remuneration is disclosed in Note 32 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

Indemnifying Directors, Officers And Auditors

The total amount of insurance premium paid for the directors and officers of the Group and the Company is as follows:

	Group RM	Company RM
Directors and officers	34,200	34,200

No indemnities have been given or insurance premiums paid for the auditors of the Group and the Company.

Subsidiary companies

The details of the Company's subsidiaries are disclosed in Note 10 to the financial statements.

Auditors' remuneration

The auditors' remuneration is disclosed in Note 23 to the financial statements.

Other statutory information

a. Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
   i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   ii. to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

b. At the date of this report, the directors are not aware of any circumstances:
   i. which would render the amount written off for bad debts and the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

   ii. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

   iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

   iv. not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.

c. At the date of this report, there does not exist:
   i. any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   ii. any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

d. In the opinion of the directors:
   i. no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

   ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

DIRECTORS' REPORT (CONTINUED)

Auditors
The auditors, Messrs RSM Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

CHENG KING FA

CHENG PING KEAT

Kuala Lumpur
10 April 2018

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	6	62,738	60,871	723	397
Prepaid lease payments	7	1,504	1,702	-	-
Investment property	8	2,781	2,843	2,781	2,843
Intangible assets	9	3,786	3,398	446	56
Investments in subsidiaries	10	-	-	32,456	31,948
Deferred tax assets	11	1,807	2,717	-	-
Total non-current assets		72,616	71,531	36,406	35,244
Current assets					
Inventories	12	81,978	83,547	-	-
Other investments	13	2,767	1,997	2,254	1,253
Current tax assets		3,424	1,190	3	3
Trade and other receivables	14	66,321	71,835	36,406	35,250
Cash and cash equivalents	15	34,656	38,367	2,954	5,029
Total current assets		189,146	196,936	41,617	41,535
Total assets		261,762	268,467	78,023	76,779
Equity					
Share capital	16	40,059	40,059	40,059	40,059
Translation reserve	16	7,412	9,184	-	-
Retained earnings		81,135	79,943	28,541	27,513
Total equity attributable to owners of the Company		128,606	129,186	68,600	67,572
Non-controlling interest		100	-	-	-
Total equity		128,706	129,186	68,600	67,572
Liabilities					
Non-current liabilities					
Deferred tax liabilities	11	2,169	1,848	-	-
Loans and borrowings	17	33,098	34,969	7,210	7,322
Total non-current liabilities		35,267	36,817	7,210	7,322
Current liabilities					
Loans and borrowings	17	46,098	43,566	547	400
Trade and other payables	18	51,317	58,352	1,666	1,485
Current tax liabilities		374	546	-	-
Total current liabilities		97,789	102,464	2,213	1,885
Total liabilities		133,056	139,281	9,423	9,207
Total equity and liabilities		261,762	268,467	78,023	76,779

The annexed notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	19	331,080	356,292	12,004	16,822
Cost of sales		(226,319)	(243,105)	-	-
Gross profit		104,761	113,187	12,004	16,822
Other income		3,173	5,896	218	247
Distribution expenses		(64,354)	(61,000)	-	-
Administrative expenses		(34,368)	(39,131)	(10,496)	(16,598)
Other expenses		(2,862)	(3,765)	-	-
Results from operating activities		6,350	15,187	1,726	471
Finance income	20	199	332	73	38
Finance costs	21	(3,633)	(3,431)	(370)	(396)
Profit before taxation		2,916	12,088	1,429	113
Taxation	22	(1,541)	(2,302)	-	-
Profit for the financial year	23	1,375	9,786	1,429	113
Attributable to:					
Owners of the Company		1,593	9,786	1,429	113
Non-controlling interest		(218)	-	-	-
		1,375	9,786	1,429	113
Profit for the financial year	23	1,593	9,786	1,429	113
Other comprehensive (expenses)/income, net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1,772)	1,238	-	-
Other comprehensive (expense)/income for the year, net of tax		(1,772)	1,238	-	-
Total comprehensive (expense)/income for the financial year		(179)	11,024	1,429	113
Total comprehensive (expense)/income Attributable to:					
Owners of the Company		39	11,024	1,429	113
Non-controlling interest		(218)	-	-	-
		(179)	11,024	1,429	113
Basic and diluted earnings per ordinary share (sen) - from continuing operations	24	3.98	24.43		

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company					
		Non-distributable		*Distributable*			
	Note	**Share capital RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
Group							
Balance as at 1 January 2016		40,059	7,946	74,163	122,168	-	122,168
Foreign currency translation differences for foreign operations		-	1,238	-	1,238	-	1,238
Total other comprehensive income for the financial year		-	1,238	-	1,238	-	1,238
Profit for the financial year		-	-	9,786	9,786	-	9,786
Total comprehensive income for the financial year		-	1,238	9,786	11,024	-	11,024
Dividend to owners of the Company	25	-	-	(4,006)	(4,006)	-	(4,006)
Total transactions with owners of the Company		-	-	(4,006)	(4,006)	-	(4,006)
Balance as at 31 December 2016/ 1 January 2017		40,059	9,184	79,943	129,186	-	129,186
Foreign currency translation differences for foreign operations		-	(1,772)	-	(1,772)	-	(1,772)
Total other comprehensive expense for the financial year		-	(1,772)	-	(1,772)	-	(1,772)
Profit for the financial year		-	-	1,593	1,593	(218)	1,375
Total comprehensive expense for the financial year		-	(1,772)	1,593	(179)	(218)	(397)
Issue of shares by a subsidiary		-	-	-	-	318	318
Dividend to owners of the Company	25	-	-	(401)	(401)	-	(401)
Total transactions with owners of the Company		-	-	(401)	(401)	318	(83)
Balance as at 31 December 2017		40,059	7,412	81,135	128,606	100	128,706

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Attributable to owners of the Company		
		Non-distributable	*Distributable*	
	Note	**Share capital RM'000**	**Retained earnings RM'000**	**Total RM'000**
Company				
Balance as at 1 January 2016		40,059	31,406	71,465
Profit and total comprehensive income for the financial year		-	113	113
Dividend to owners of the Company	25	-	(4,006)	(4,006)
Balance as at 31 December 2016/ 1 January 2017		40,059	27,513	67,572
Profit and total comprehensive income for the financial year		-	1,429	1,429
Dividend to owners of the Company	25	-	(401)	(401)
Balance as at 31 December 2017		40,059	28,541	68,600

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
Profit before taxation		2,916	12,088	1,429	113
Adjustments for:					
Amortisation of intangible assets	9	68	35	39	10
Amortisation of prepaid lease payment	7	198	199	-	-
Bad debts recovered	23	(40)	-	-	-
Bad debts written off	23	59	6	-	-
Depreciation of investment property	8	62	62	62	62
Depreciation of property, plant and equipment	6	5,088	4,898	242	246
Dividends received from subsidiaries	19	-	-	(3,970)	(9,178)
Dividends received from other investments	23	(17)	-	-	-
Finance income	20	(199)	(332)	(73)	(38)
Finance costs	21	3,633	3,431	370	396
Impairment loss on intangible assets	23	-	677	-	-
Impairment loss on trade and other receivables (net)		135	265	-	5,374
Net fair value gain on financial assets	23	(196)	(20)	(195)	(5)
Net gain on disposal of property, plant and equipment	23	(13)	(18)	-	-
Net gain on disposal of other investment	23	(3)	-	-	-
Provision for warranties	18	268	393	-	-
Reversal of written down of inventories	12	(1,021)	(249)	-	-
Reversal of provision for warranties	18	(134)	(180)	-	-
Unrealised foreign exchange loss/(gain)	23	460	(412)	208	(122)
Write-down of inventories	12	725	883	-	-
Operating profit/(loss) before working capital changes		11,989	21,726	(1,888)	(3,142)
Decrease/(Increase) in inventories		1,865	(8,502)	-	-
Decrease/(Increase) in trade and other receivables		5,367	(1,843)	281	(156)
(Decrease)/Increase in trade and other payables		(7,562)	5,590	(146)	(41)
Cash generated from/(used in) operations		11,659	16,971	(1,753)	(3,339)
Tax refund		503	1,912	-	49
Tax paid		(3,219)	(3,433)	-	(1)
Net cash generated from/(used in) operating activities		8,943	15,450	(1,753)	(3,291)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Acquisition of intangible assets	9	(456)	(112)	(429)	(8)
Acquisition of property, plant and equipment	*(a)*	(4,510)	(6,699)	(121)	(97)
Acquisition of other investments		(1,318)	(500)	(1,306)	-
Additional investment in subsidiaries		-	-	(508)	-
Advances to subsidiaries		-	-	(1,511)	(682)
Dividends received from subsidiaries	19	-	-	3,970	9,178
Dividend received from other investments	23	17	-	-	-
Interest received		199	332	73	38
Proceeds from disposal of property, plant and equipment		14	93	-	-
Proceeds from disposal of other investments		747	-	500	-
Net cash (used in)/generated from investing activities		(5,307)	(6,886)	668	8,429
Cash flows from financing activities					
Dividend paid to owners of the Company	25	-	(4,006)	-	(4,006)
Issue of shares by a subsidiary to non-controlling interests		318	-	-	-
Repayment of bank borrowings		(137)	(2,085)	(350)	(320)
Interest paid		(3,633)	(3,431)	(370)	(396)
Repayment of finance lease liabilities		(815)	(891)	(62)	(39)
Net cash used in financing activities		(4,267)	(10,413)	(782)	(4,761)
Net (decrease)/increase in cash and cash equivalents		(631)	(1,849)	(1,867)	377
Effect of foreign exchange rate changes		(1,871)	1,507	(208)	122
Cash and cash equivalents brought forward		34,717	35,059	5,029	4,530
Cash and cash equivalents carried forward (Note 15)		32,215	34,717	2,954	5,029

Note to the Statements of Cash Flows

a. Acquisition of property, plant and equipment during the financial year are financed by:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash	4,510	6,699	121	97
Term loans	2,305	-	-	-
	6,815	6,699	121	97
Finance lease	765	932	447	-
	7,580	7,631	568	97

The annexed notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

1. Principal Activities

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 10 to the financial statements.

2. Basis of Preparation of Financial Statements

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

a. Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

b. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

ii. Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

b. Basis of consolidation (continued)

iii. Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv. Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v. Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Group and of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Group and of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Group and of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

c. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

c. Foreign currency (continued)

ii. Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Group and of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

d. Financial instruments

i. Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

ii. Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

- ***Financial assets***

a. Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b. Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(k)(i)).

- ***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

d. Financial instruments (continued)

iii. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv. Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

e. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

ii. Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

e. Property, plant and equipment (continued)

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative period are as follows:

• leasehold land	15 - 99 years
• office and factory buildings	40 - 50 years
• plant and machinery	5 - 10 years
• tools and moulds	5 - 10 years
• furniture, fittings and office equipment	3 - 10 years
• motor vehicles	5 years
• renovations	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

f. Leased assets

i. Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

ii. Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

g. Intangible assets

i. Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

ii. Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group and the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iv. Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of patents and trademarks is ten (10) years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

h. Investment property

Investment property carried at cost

Investment property is property which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

i. Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

i. Goods

The cost of inventories is calculated using the first-in-first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

ii. Property development

Inventories comprise costs associated with the acquisition of land and all costs directly attributable to property development activities or that can be allocated on a reasonable basis to these activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

j. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

k. Impairment

i. Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of loans and receivables is reversed to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii. Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

l. Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i. Ordinary shares

Ordinary shares are classified as equity.

ii. Dividend distribution

Dividends are recognised as liabilities when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

iii. Distributions of assets to owners of the Group and of the Company

The Group and the Company measure a liability to distribute assets as a dividend to the owners of the Group and of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group and the Company recognise the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

m. Employee benefits

i. Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

n. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

o. Revenue and other income

i. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

o. Revenue and other income (continued)

ii. Services

Revenue from rendering of services is recognised when the services are rendered and upon customers' acceptance.

iii. Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

iv. Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

v. Management fees

Management fees are recognised in profit or loss on an accrual basis.

vi. Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

p. Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

q. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant Accounting Policies (continued)

r. Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and of the Company by the weighted average number of ordinary shares outstanding during the period, and adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

s. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

t. Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

u. Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Adoption of MFRSs, Amendments To MFRSs And Interpretations

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2017:

- Amendments to MFRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)*

The adoption of the above mentioned accounting standards, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group and the Company.

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

MFRSs, Amendments to MFRSs and Interpretations effective for annual period beginning on or after 1 January 2018

- MFRS 9 *Financial Instruments (2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 15 – *Clarifications to MFRS 15*
- Amendments to MFRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 140 *Investment Property – Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 11 *Joint Arrangements- Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

MFRSs, Amendments to MFRSs and Interpretations effective date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the above mentioned accounting standards, interpretations and amendments will be adopted by the Group and the Company when they become effective.

Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* and MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

The Group and the Company have assessed, where practicable, the potential impact of all these accounting standards, amendments and interpretations that will be effective in future period, as below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Adoption of MFRSs, Amendments To MFRSs And Interpretations (continued)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

- MFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of MFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, MFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, MFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The recognition and derecognition provisions are carried over almost unchanged from MFRS 139.

The directors anticipate that MFRS 9 will be adopted in the Group's and the Company's financial statements when it becomes mandatory. The directors have performed a preliminary assessment of the impact of MFRS 9 on the financial statements based on an analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 (Notes 27) on the basis of the facts and circumstances that exist at that date.

- The Group's and the Company's financial assets and financial liabilities should continue to be measured on the same bases as currently under MFRS 139.
- Concerning impairment, the directors expect to apply the simplified approach to recognise lifetime ECL for the Group's and the Company's trade receivables. Although the directors are currently assessing the extent of this impact, they anticipate that the application of the ECL model of MFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new ECL model proves to be challenging and might involve significant modifications to the Group's and the Company's credit management systems.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts, MFRS 118 Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 Revenue – *Barter Transactions Involving Advertising Services*.

It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The directors anticipate that MFRS 15 will be adopted in the Group's and the Company's financial statements when it becomes mandatory, and they intend to use the modified retrospective method of transition to the new Standard.

Based on the current accounting treatment of the Group's and the Company's major sources of revenue (Note 19), the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group and the Company, apart from providing more extensive disclosures on the Group's and the Company's revenue transactions. However, as the directors are still in the process of assessing the full impact of the application of MFRS 15 on the Group's and the Company's financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review.

MFRS 16 Leases

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Company are required to account for major part of their operating leases in the statement of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group and the Company.

The financial effects arising from the adoption of this standard are still being assessed by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Significant Accounting Estimates And Judgements

In preparing its financial statements, the Group and the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Functional currency

The financial statements are prepared in the functional currency of the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Company operates. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Company has determined that Ringgit Malaysia to be its functional currency.

b. Allowance for impairment losses of trade receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible that impairment and uncollectibility are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date (as reflected in Note 14).

c. Asset impairment tests

A financial asset or a group of financial assets, other than those categorised at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Group and the Company ascertain that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment and moreover to determine when a loss event has occurred might involve the exercise of significant judgement.

The amount of impairment loss recognised for financial assets carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

With regard to equity investments categorised as available-for-sale, the Group and the Company consider those assets to be impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is "significant" or "prolonged" requires significant judgement.

The impairment analysis of goodwill and tangible and other intangible assets requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on discounted cash flow models which require the Group and the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

d. Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholl or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 12).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Significant Accounting Estimates And Judgements (continued)

e. Fair value measurement

Some of the Group's and the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group and the Company use market-observable data to the extent it is available. Where Level 1 inputs are not available (e.g. for unquoted investments), the Group and the Company work closely with external qualified valuers who perform the valuation, based on agreed appropriate valuation techniques and inputs to the model (e.g. use of the market comparable approach that reflects recent transaction prices for similar instruments, discounted cash flow analysis, option pricing models refined to reflect the issuer's specific circumstances). Prices determined then by the valuers are used by the Group and the Company without adjustment.

f. Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group and the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

g. Provisions for liabilities

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provision recorded by the Group arise from obligations in relation to warranties.

The recognition and measurement of provisions require the Group and the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Group's and the Company's accounting policy require recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

h. Contingencies

Contingent liabilities of the Group and the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying econom ic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Group and the Company requires significant judgement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Property, Plant And Equipment

Group	Freehold land RM'000	Long term leasehold lands RM'000	Office and factory buildings RM'000	Plant and machinery RM'000	Tools and moulds RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Construction -in-progress RM'000	Total RM'000
Cost										
At 1 January 2016	2,352	10,363	41,075	7,605	18,353	13,806	7,121	8,473	211	109,359
Additions	-	-	1,300	728	1,273	1,868	930	1,157	375	7,631
Apportionment to inventories	-	-	-	-	-	-	-	-	(262)	(262)
Written off	-	-	-	(553)	(7,132)	-	-	-	-	(7,685)
Disposals	-	-	-	-	-	(146)	(435)	-	-	(581)
Effect of movements in exchange rates	-	-	481	-	-	124	57	123	-	785
At 31 December 2016/ 1 January 2017	2,352	10,363	42,856	7,780	12,494	15,652	7,673	9,753	324	109,247
Additions	-	2,810	836	81	1,548	1,545	168	571	21	7,580
Disposals	-	-	-	-	-	(208)	(10)	-	-	(218)
Effect of movements in exchange rates	-	-	(712)	-	-	(183)	(77)	(120)	-	(1,092)
At 31 December 2017	2,352	13,173	42,980	7,861	14,042	16,806	7,754	10,204	345	115,517
Accumulated depreciation										
At 1 January 2016	-	1,211	7,815	5,704	14,006	11,325	5,273	5,991	-	51,325
Depreciation for the year	-	228	1,016	303	809	1,045	703	794	-	4,898
Written off	-	-	-	(553)	(7,132)	-	-	-	-	(7,685)
Disposals	-	-	-	-	-	(140)	(366)	-	-	(506)
Effect of movements in exchange rates	-	-	104	-	-	102	30	108	-	344
At 31 December 2016/ 1 January 2017	-	1,439	8,935	5,454	7,683	12,332	5,640	6,893	-	48,376
Depreciation for the year	-	270	898	362	841	1,145	736	836	-	5,088
Disposals	-	-	-	-	-	(207)	(10)	-	-	(217)
Effect of movements in exchange rates	-	-	(163)	-	-	(152)	(43)	(110)	-	(468)
At 31 December 2017	-	1,709	9,670	5,816	8,524	13,118	6,323	7,619	-	52,779
Carrying amounts										
At 1 January 2016	2,352	9,152	33,260	1,901	4,347	2,481	1,848	2,482	211	58,034
At 31 December 2016/ 1 January 2017	2,352	8,924	33,921	2,326	4,811	3,320	2,033	2,860	324	60,871
At 31 December 2017	2,352	11,464	33,310	2,045	5,518	3,688	1,431	2,585	345	62,738

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Property, Plant And Equipment (continued)

Company	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost				
At 1 January 2016	1,354	306	496	2,156
Additions	97	-	-	97
At 31 December 2016/ 1 January 2017	1,451	306	496	2,253
Additions	568	-	-	568
At 31 December 2017	2,019	306	496	2,821
Accumulated depreciation				
At 1 January 2016	1,014	136	460	1,610
Depreciation for the year	157	61	28	246
At 31 December 2016/ 1 January 2017	1,171	197	488	1,856
Depreciation for the year	178	61	3	242
At 31 December 2017	1,349	258	491	2,098
Carrying amounts				
At 1 January 2016	340	170	36	546
At 31 December 2016/ 1 January 2017	280	109	8	397
At 31 December 2017	670	48	5	723

a. Title deed
Title deed to the leasehold land with unexpired lease period of more than 50 years of the Group with a carrying amount of RM419,530 (2016: RM427,783) belonging to a subsidiary is in the process of being registered in the name of the subsidiary.

b. Security
At 31 December 2017, freehold land, leasehold lands and office buildings of the Group with a carrying amount of RM2,352,000, RM4,555,210 and RM25,496,560 (2016: RM2,352,000, RM4,670,047 and RM23,207,737) respectively have been pledged as securities for the bank facilities granted to the Group (see Note 17).

c. Assets under finance lease
Included in property, plant and equipment of the Group are motor vehicles, tools and moulds acquired under finance lease arrangements with a carrying amount of RM2,984,586 (2016: RM4,035,484).

d. Apportionment of property, plant and equipment to inventories
The common cost incurred for the property development activities was apportioned to property, plant and equipment and inventories based on the proportion of floor space to be occupied by the Group and to be sold as residential properties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Prepaid Lease Payments

Group	RM'000
Leasehold land with unexpired period less than 50 years	
Cost	
At 1 January 2016/ 31 December 2016/ 1 January 2017/ 31 December 2017	2,975
Accumulated amortisation	
At 1 January 2016	1,074
Amortisation for the year	199
At 31 December 2016/ 1 January 2017	1,273
Amortisation for the year	198
At 31 December 2017	1,471
Carrying amounts	
At 1 January 2016	1,901
At 31 December 2016/ 1 January 2017	1,702
At 31 December 2017	1,504

8. Investment Property

Group and Company	RM'000
Cost	
At 1 January 2016/ 31 December 2016/ 1 January 2017/ 31 December 2017	3,090
Accumulated depreciation	
At 1 January 2016	185
Depreciation for the year	62
At 31 December 2016/ 1 January 2017	247
Depreciation for the year	62
At 31 December 2017	309
Carrying amounts	
At 1 January 2016	2,905
At 31 December 2016/ 1 January 2017	2,843
At 31 December 2017	2,781

Investment property of the Group and of the Company amounting to RM2,781,000 (2016: RM2,843,000) has been charged to secure banking facilities granted to the Group and the Company (see Note 17).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Investment Property (continued)

The following are recognised in profit or loss in respect of investment property:

Group and Company	2017 RM'000	2016 RM'000
Rental income	15	60
Direct operating expenses: - income generating investment property	13	13

Fair value information

Fair value of investment property is categorised as follows:

Group and Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Land and building	-	-	5,106	5,106
2016				
Land and building	-	-	4,820	4,820

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method: The valuation method considers the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size of the lot, legal and legislation constraints, supply and demand. The most significant input into this valuation approach is price per square foot.	Price per square foot (RM511)	The estimated fair value would increase/ (decrease) if the price per square foot is higher/(lower).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Intangible Assets

Group	Goodwill RM'000	Patents and trademarks RM'000	Total RM'000
Cost			
At 1 January 2016	3,826	1,360	5,186
Additions	-	112	112
At 31 December 2016/ 1 January 2017	3,826	1,472	5,298
Additions	-	456	456
At 31 December 2017	3,826	1,928	5,754
Accumulated amortisation			
At 1 January 2016	-	1,188	1,188
Amortisation for the year	-	35	35
At 31 December 2016/ 1 January 2017	-	1,223	1,223
Amortisation for the year	-	68	68
At 31 December 2017	-	1,291	1,291
Accumulated impairment loss			
At 1 January 2016	-	-	-
Impairment for the year	677	-	677
At 31 December 2016/ 1 January 2017/ 31 December 2017	677	-	677
Carrying amounts			
At 1 January 2016	3,826	172	3,998
At 31 December 2016/ 1 January 2017	3,149	249	3,398
At 31 December 2017	3,149	637	3,786

a. Impairment testing for cash-generating units containing goodwill

The cash-generating units ("CGUs") containing goodwill relate to subsidiaries which are principally engaged in manufacturing and trading of electrical home appliances.

The recoverable amount of each CGU was based on its value-in-use.

Value-in-use was determined using cash flow projections based on financial budgets approved by the Board of Directors, covering a period of one year. Cash flow projections for the period beyond the period of one year are extrapolated using 0% growth rate (2016: 0%). The key assumptions used for value-in-use calculations are:

- The subsidiaries will continue their operations indefinitely.
- The size of operations will remain at least at the same level as current results.
- The discount rate of 5.00% (2016: 5.20%) applied has incorporated elements of time value of money and business risk.

The key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

The impairment loss recognised was arising from a subsidiary included in the trading and service operating segment which had become dormant in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Intangible Assets (continued)

Company	Patents and trademarks RM'000
Cost	
At 1 January 2016	1,092
Additions	8
At 31 December 2016/ 1 January 2017	1,100
Additions	429
At 31 December 2017	1,529
Accumulated amortisation	
At 1 January 2016	1,034
Amortisation for the year	10
At 31 December 2016/ 1 January 2017	1,044
Amortisation for the year	39
At 31 December 2017	1,083
Carrying amounts	
At 1 January 2016	58
At 31 December 2016/ 1 January 2017	56
At 31 December 2017	446

10. Investments In Subsidiaries

	Company	
At cost	2017 RM'000	2016 RM'000
Unquoted shares	39,223	38,715
Accumulated impairment loss	(6,767)	(6,767)
	32,456	31,948

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %
Khind Industries Sdn. Bhd.	Malaysia	Dormant	100	100
Khind Customer Service Sdn. Bhd.	Malaysia	Providing general repair and rework services and renting of commercial properties	100	100
Khind-Mistral (Sabah) Sdn. Bhd. *	Malaysia	Dormant	100	100
Khind-Mistral (Borneo) Sdn. Bhd.	Malaysia	Trading in electrical home appliances and wiring accessories	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Investments In Subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
Khind Components Sdn. Bhd.	Malaysia	Manufacture and assembly of wire harness and power supply cords	100	100
Khind-Mistral Industries Sdn. Bhd.	Malaysia	Manufacture and sale of electrical home appliances and wiring accessories	100	100
Khind-Mistral (M) Sdn. Bhd.	Malaysia	Trading in electrical home appliances and wiring accessories	100	100
Khind Alliances Sdn. Bhd.	Malaysia	Trading in electrical home appliances	100	100
Khind Electrical (Malaysia) Sdn. Bhd.	Malaysia	Wholesale and distribution of electrical products	100	100
Khind Properties Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Mayer Marketing (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Mistral (Singapore) Pte. Ltd. *	Singapore	Trading in household electrical and electronic appliances	100	100
Khind Middle East FZE * #	United Arab Emirates	Trading in electrical home appliances	100	100
Khind Systems (Singapore) Pte. Ltd. *	Singapore	Supply of power distribution and protection solutions, electrical goods, environmental hygiene and pest control service	100	100
Khind Electrical & Environmental (Singapore) Pte. Ltd. * ##	Singapore	Dormant	100	100
Khind Electrical (Hong Kong) Limited * ##	Hong Kong	Trading in electrical products and building materials	100	100
Khind Electrical (Guangzhou) Limited * ###	China	Dormant	100	100
Mayer Marketing Pte. Ltd. *	Singapore	Trading in electrical home appliances and household goods	100	100
Mayer Marketing Sdn. Bhd. * ####	Brunei	Dormant	99.9	99.9
PT Khind Environmental Solutions *	Indonesia	Trading and distribution of consumer electrical goods and industrial electrical items	60	-

* Not audited by RSM Malaysia.

The entire equity interest is held by the Company's subsidiary, Khind-Mistral Industries Sdn. Bhd.

The entire equity interest is held by the Company's subsidiary, Khind Systems (Singapore) Pte. Ltd.

The entire equity interest is held by the Company's subsidiary, Khind Electrical (Hong Kong) Limited. Application had been made to strike off the Company from the Registrar of Companies.

The 99.9% equity interest is held by the Company's subsidiary, Mayer Marketing Pte. Ltd. Application had been made to strike off the Company from the Registrar of Companies Division in Brunei.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Investments In Subsidiaries (continued)

On 2 February 2017, the Company completed the incorporation of a 60%-owned subsidiary in Indonesia known as PT Khind Environmental Solutions. PT Khind Environmental Solutions has a total issued and fully paid capital of Rp2,500,000,000 comprising 2,500 shares.

Summarised financial information for subsidiaries with non-controlling interests have not been disclosed as the carrying amount of the non-controlling interests in the consolidated statement of financial position is immaterial to the Group.

11. Deferred Tax Assets/(Liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	545	534	(3,042)	(2,970)	(2,497)	(2,436)
Provisions	1,859	3,089	-	-	1,859	3,089
Tax loss carry-forwards	171	326	-	-	171	326
Unutilised capital allowance carry-forwards	219	4	-	-	219	4
Others	-	-	(114)	(114)	(114)	(114)
Tax assets/(liabilities)	2,794	3,953	(3,156)	(3,084)	(362)	869
Set off of tax	(987)	(1,236)	987	1,236	-	-
Net tax assets/(liabilities)	1,807	2,717	(2,169)	(1,848)	(362)	869

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deductible temporary differences	(12,048)	(9,613)	(7,094)	(7,652)
Tax loss carry-forwards	(27,969)	(25,441)	(11,073)	(9,803)
Unutilised capital allowance carry-forwards	(2,516)	(1,804)	(2,202)	(1,593)
	(42,533)	(36,858)	(20,369)	(19,048)
Tax at 24% (2016: 24%)	10,208	8,846	4,889	4,572

The deductible temporary differences, tax loss carry-forwards and unutilised capital allowance carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the respective subsidiaries can utilise the benefits there from.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Deferred Tax Assets/(Liabilities) (continued)

Movement in temporary differences during the year

Group	At 1.1.2016 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2017 RM'000
Property, plant and equipment	(2,110)	(326)	(2,436)	(61)	(2,497)
Provisions	2,895	194	3,089	(1,230)	1,859
Tax loss carry-forwards	871	(545)	326	(155)	171
Unutilised capital allowances carry-forwards	32	(28)	4	215	219
Others	(224)	110	(114)	-	(114)
	1,464	(595)	869	(1,231)	(362)

12. Inventories

	Note	Group 2017 RM'000	Group 2016 RM'000
Properties under development	(a)	6,292	6,242
Raw materials		7,522	7,271
Work-in-progress		537	857
Manufactured inventories		67,627	69,177
		81,978	83,547
Recognised in profit or loss:			
Inventories recognised as cost of sales		216,515	222,324
Write-down to net realisable value		725	883
Reversal of write-down		(1,021)	(249)

The write-down and reversal are included in cost of sales.

a. Properties under development

Properties under development consists of the following:

	Note	Group 2017 RM'000	Group 2016 RM'000
Land costs	(i)	5,489	5,489
Construction costs incurred		803	753
		6,292	6,242

i. Land costs

The freehold land held by a subsidiary has been pledged as security for the term loan granted to the Company (see Note 17).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Other Investments

	Shares quoted in Malaysia RM'000	Trust funds RM'000	Mutual funds RM'000	Total RM'000
Group				
2017				
Current				
Financial assets at fair value through profit or loss:				
- Held for trading	195	944	1,628	2,767
Market value of quoted investments	195	944	1,628	2,767
2016				
Current				
Financial assets at fair value through profit or loss:				
- Held for trading	238	1,253	506	1,997
Market value of quoted investments	238	1,253	506	1,997
Company				
2017				
Current				
Financial assets at fair value through profit or loss:				
- Held for trading	-	944	1,310	2,254
Market value of quoted investments	-	944	1,310	2,254
2016				
Current				
Financial assets at fair value through profit or loss:				
- Held for trading	-	1,253	-	1,253
Market value of quoted investments	-	1,253	-	1,253

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Trade And Other Receivables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current					
Trade					
Trade receivables		61,469	64,968	-	-
Less: Allowance for impairment loss		(4,206)	(4,159)	-	-
		57,263	60,809	-	-
Non-trade					
Amount due from subsidiaries		-	-	45,611	44,174
Less: Allowance for impairment loss		-	-	(9,621)	(9,621)
	(a)	-	-	35,990	34,553
Other receivables	(b)	6,234	8,248	39	46
Deposits		1,470	1,301	13	16
Prepayments		1,354	1,477	364	635
		9,058	11,026	416	697
		66,321	71,835	36,406	35,250

a. Amount due from subsidiaries

Amount due from subsidiaries are in respect of advances and payments made on behalf, which are unsecured and repayable on demand. Advances of RM 750,000 (2016:NIL) are subject to interest at 4.57% (2016:4.00%) per annum.

b. Other receivables

Included in other receivables of the Group is an amount of RM4,512,804 (2016:RM6,515,763) being advances paid for the purchases of inventories.

15. Cash And Cash Equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	30,112	31,926	1,945	5,029
Deposits placed with licensed banks	4,544	6,441	1,009	-
Balance as stated in the Statements of Financial Position	34,656	38,367	2,954	5,029
Secured bank overdrafts	(299)	(198)	-	-
Unsecured bank overdrafts	(2,142)	(3,452)	-	-
Balance for Statements of Cash Flows purposes	32,215	34,717	2,954	5,029

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Share Capital

Group and Company	Number of shares 2017 '000	Amount 2017 RM'000	Number of shares 2016 '000	Amount 2016 RM'000
Issued and fully paid: At 1 January/ 31 December	40,059	40,059	40,059	40,059

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

17. Loans And Borrowings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Secured term loans	31,682	33,406	6,931	7,298
Finance lease liabilities	1,416	1,563	279	24
	33,098	34,969	7,210	7,322
Current				
Secured term loans	2,397	2,007	376	359
Finance lease liabilities	864	773	171	41
Secured bank overdrafts	299	198	-	-
Unsecured bank overdrafts	2,142	3,452	-	-
Unsecured bankers' acceptances	40,396	37,136	-	-
	46,098	43,566	547	400
	79,196	78,535	7,757	7,722

Security

The secured term loans of the subsidiaries are:
i. secured by way of fixed charges over the Group's leasehold lands and office buildings (see Note 6); and
ii. supported by corporate guarantees from the Company.

The secured term loans of the Group and of the Company are:
i. secured by way of fixed charges over the Company's investment property (see Note 8); and
ii. freehold land held by a subsidiary.

Secured bank overdrafts are secured by way of fixed charges over the Group's office building (see Note 6) and are guaranteed by the Company.

Unsecured bank overdrafts and bankers' acceptances are supported by negative pledge executed by subsidiaries and are guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Loans And Borrowings (continued)

Significant covenants for the term loans

The following is the significant covenant for the term loans applicable to the Group:

i. not to allow any change in the majority shareholders or shareholdings of the majority shareholders without the prior consent of the lenders.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000
Group						
Less than one year	966	102	864	894	121	773
Between one and five years	1,504	88	1,416	1,699	136	1,563
	2,470	190	2,280	2,593	257	2,336
Company						
Less than one year	182	11	171	43	2	41
Between one and five years	285	6	279	24	-	24
	467	17	450	67	2	65

Included in the Group's finance lease liabilities are leases of production equipment amounting to RM795,584 (2016: RM1,195,406) expiring from one to five years.

18. Trade And Other Payables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade payables		17,074	17,592	-	-
Non-trade					
Amount due to subsidiaries	(a)	-	-	134	208
Other payables	(b)	14,191	14,845	37	30
Accrued expenses	(c)	20,052	25,915	1,495	1,247
		34,243	40,760	1,666	1,485
		51,317	58,352	1,666	1,485

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Trade And Other Payables (continued)

a. Amount due to subsidiaries

Amount due to subsidiaries are mainly in respect of advances, which are unsecured, interest free and repayable on demand.

b. Other payables

Included in other payables of the Group is an amount of RM2,558,263 (2016: RM1,965,562) being advances received for sale of inventories.

c. Accrued expenses

Included in accrued expenses of the Group is an amount of RM268,000 (2016: RM393,000) being provision for warranties. The movement is shown below:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	393	947
Provision made during the year	268	393
Provision used during the year	(259)	(767)
Provision reversed during the year	(134)	(180)
At 31 December	268	393

Warranties

The provision for warranties mainly relate to the sale of electrical home appliances. The provision is based on estimates made from historical warranty data associated with similar products and services.

19. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of goods	331,080	356,292	-	-
Management fees	-	-	8,034	7,644
Dividends	-	-	3,970	9,178
	331,080	356,292	12,004	16,822

20. Finance Income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
- deposits placed with licensed banks	199	332	32	33
- advances to subsidiaries	-	-	41	5
	199	332	73	38

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Finance Costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- term loans	1,421	1,231	360	385
- bank overdrafts	254	143	-	-
- other borrowings	1,958	2,057	10	11
	3,633	3,431	370	396

22. Taxation

Recognised in profit or loss

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
Malaysian				
- current year	347	2,754	-	-
- prior year	(154)	(1,188)	-	-
Overseas				
- current year	198	261	-	-
- prior year	(81)	(120)	-	-
	310	1,707	-	-
Deferred tax expense				
Origination and reversal of temporary differences	1,374	651	-	-
Over provision in prior year	(143)	(56)	-	-
	1,231	595	-	-
	1,541	2,302	-	-

Reconciliation of tax expense

Profit before taxation	2,916	12,088	1,429	113
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	700	2,901	343	27
Non-deductible expenses	804	782	293	1,515
Tax exempt income	(121)	(235)	(953)	(2,203)
Effect of tax rates in foreign jurisdictions	(526)	(1,195)	-	-
Tax incentive	(331)	-	-	-
Temporary differences not recognised, net change	1,362	1,240	317	661
Other items	31	173	-	-
	1,919	3,666	-	-
Over provision in prior year	(378)	(1,364)	-	-
	1,541	2,302	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Profit For The Financial Year

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit for the financial year is arrived at after charging:					
Amortisation on:					
- Intangible assets	9	68	35	39	10
- Prepaid lease payments	7	198	199	-	-
Auditors' remuneration:					
- Audit fees					
• RSM Malaysia		180	173	31	31
• Other auditors		142	135	-	-
- Non-audit fees		16	31	5	20
Bad debts written off		59	6	-	-
Depreciation on property, plant and equipment	6	5,088	4,898	242	246
Depreciation on investment property	8	62	62	62	62
Foreign exchange loss					
- Realised		489	667	-	-
- Unrealised		495	-	208	-
Impairment loss:					
- Trade receivables	27	323	301	-	-
- Other receivables		50	-	-	5,374
Impairment loss on intangible assets	9	-	677	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		5,989	5,955	841	813
- Wages, salaries and others		52,679	53,559	6,358	6,547
Provision for warranties	18	268	393	-	-
Rental of premises		4,329	4,141	325	330
Write-down of inventories	12	725	883	-	-
and after crediting:					
Bad debts recovered		40	-	-	-
Dividend income from subsidiaries (unquoted)	19	-	-	3,970	9,178
Dividend income from other investments		17	-	-	-
Foreign exchange gain:					
- Realised		605	1,222	8	57
- Unrealised		35	412	-	122
Gain on disposal of other investment		3	-	-	-
Gain on disposal of property, plant and equipment		13	18	-	-
Inter-company management fees	19	-	-	8,034	7,644

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Profit For The Financial Year (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
and after crediting: (continued)					
Net fair value gain arising on financial assets: - Other investments		196	20	195	5
Rental income of premises		88	107	15	60
Reversal of impairment loss on trade and other receivables	27	238	36	-	-
Reversal of provision for warranties	18	134	180	-	-
Reversal of write-down of inventories	12	1,021	249	-	-

24. Earnings Per Ordinary Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shares and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders

	Group 2017 RM'000	Group 2016 RM'000
Profit for the year attributable to owners of the Company (RM'000)	1,593	9,786
Weighted average number of ordinary shares at 31 December ('000)	40,059	40,059
Basic earnings per ordinary share (sen)	3.98	24.43

Diluted earnings per ordinary share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares as at the end of the reporting period.

25. Dividend

Dividend recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2017			
Interim 2017 ordinary	1.00	401	30 January 2018
2016			
Interim 2016 ordinary	10.00	4,006	7 October 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Operating Segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Executive Officer) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Investment holding : Includes the holding of investment in subsidiaries
- Trading and services : Includes trading of electrical products and providing general repair and rework services
- Manufacturing : Includes manufacturing and distribution of electrical products

Performance is measured based on segment revenue and profit before taxation, finance income, finance costs and tax expense, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the CODM.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, prepaid lease payment, investment property and intangible assets other than goodwill.

	Investment holding		Trading and service		Manufacturing		Eliminations		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group										
Segment profit										
External revenue										
- Malaysia	-	-	143,696	160,121	10,076	13,104	-	-	153,772	173,225
- Outside Malaysia	-	-	175,833	173,095	1,475	9,972	-	-	177,308	183,067
Total external revenue	-	-	319,529	333,216	11,551	23,076	-	-	331,080	356,292
Inter-segment revenue	12,004	16,822	7,566	5,942	66,460	59,269	(86,030)	(82,033)	-	-
Total segment revenue	12,004	16,822	327,095	339,158	78,011	82,345	(86,030)	(82,033)	331,080	356,292
Segment profit	1,726	471	5,940	14,170	3,266	5,737	(4,582)	(5,191)	6,350	15,187
Finance income									199	332
Finance costs									(3,633)	(3,431)
Profit before taxation									2,916	12,088
Tax expense									(1,541)	(2,302)
Profit for the financial year									1,375	9,786

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Operating Segments (continued)

Group	Investment holding 2017 RM'000	Investment holding 2016 RM'000	Trading and service 2017 RM'000	Trading and service 2016 RM'000	Manufacturing 2017 RM'000	Manufacturing 2016 RM'000	Eliminations 2017 RM'000	Eliminations 2016 RM'000	Total 2017 RM'000	Total 2016 RM'000
Segment assets										
Segment assets	9,574	10,275	204,205	209,620	42,752	44,665	-	-	256,531	264,560
Unallocated assets									5,231	3,907
Total assets									261,762	268,467
Liabilities										
Segment liabilities	9,289	8,999	94,296	101,523	26,928	26,365	-	-	130,513	136,887
Unallocated liabilities									2,543	2,394
Total liabilities									133,056	139,281
Capital expenditure										
Capital expenditure	568	97	2,607	4,334	4,491	3,200	(86)	-	7,580	7,631
Depreciation and amortisation	343	318	3,161	3,212	1,988	1,740	(76)	(76)	5,416	5,194

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information

Group	Revenue RM'000	Non-current assets RM'000
2017		
Malaysia	153,772	49,814
Singapore	123,308	18,280
United Arab Emirates	49,434	2,575
Other countries	4,566	140
	331,080	70,809
2016		
Malaysia	173,225	46,430
Singapore	119,868	19,350
United Arab Emirates	48,201	3,024
Other countries	14,998	10
	356,292	68,814

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments

A. Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

a. Loans and receivables ("L&R");
b. Fair value through profit or loss ("FVTPL"):
   - Held for trading ("HFT"); and
c. Financial liabilities measured at amortised cost ("FL").

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL-HFT RM'000
2017				
Financial assets				
Group				
Other investments	13	2,767	-	2,767
Trade and other receivables *		60,454	60,454	-
Cash and cash equivalents	15	34,656	34,656	-
		97,877	95,110	2,767
Company				
Other investments	13	2,254	-	2,254
Trade and other receivables *		36,042	36,042	-
Cash and cash equivalents	15	2,954	2,954	-
		41,250	38,996	2,254
Financial liabilities				
Group				
Loans and borrowings	17	(79,196)	(79,196)	-
Trade and other payables *		(48,491)	(48,491)	-
		(127,687)	(127,687)	-
Company				
Loans and borrowings	17	(7,757)	(7,757)	-
Trade and other payables	18	(1,666)	(1,666)	-
		(9,423)	(9,423)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

A. Categories of financial instruments (continued)

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL- HFT RM'000
2016				
Financial assets				
Group				
Other investments	13	1,997	-	1,997
Trade and other receivables *		63,842	63,842	-
Cash and cash equivalents	15	38,367	38,367	-
		104,206	102,209	1,997
Company				
Other investments	13	1,253	-	1,253
Trade and other receivables *		34,615	34,615	-
Cash and cash equivalents	15	5,029	5,029	-
		40,897	39,644	1,253
Financial liabilities				
Group				
Loans and borrowings	17	(78,535)	(78,535)	-
Trade and other payables *		(55,993)	(55,993)	-
		(134,528)	(134,528)	-
Company				
Loans and borrowings	17	(7,722)	(7,722)	-
Trade and other payables	18	(1,485)	(1,485)	-
		(9,207)	(9,207)	-

** Excluding non-financial instrument balances.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

B. Net gains and losses arising from financial instruments:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on: Fair value through profit or loss: - Held for trading	216	18	195	5
Loans and receivables	(423)	834	(135)	(5,157)
Financial liabilities measured at amortised cost	(3,509)	(3,131)	(370)	(396)
	(3,716)	(2,279)	(310)	(5,548)

C. Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

D. Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

i. Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all new customers receiving credit over a certain amount to mitigate the exposure to credit risk. Credit exposure of overseas customers is minimal as most of the overseas customers transact via letter of credit, which are guaranteed by banks before the shipment of goods.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
Group	2017 RM'000	2016 RM'000
Domestic	31,946	34,997
Asia	17,978	19,173
Middle-East	5,524	6,470
Others	1,815	169
	57,263	60,809

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

D. Credit risk (continued)

i. Receivables (continued)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	45,751	-	45,751
Past due 0 - 30 days	5,094	(7)	5,087
Past due 31 - 120 days	2,539	(10)	2,529
Past due more than 120 days	8,085	(4,189)	3,896
	61,469	(4,206)	57,263
2016			
Not past due	48,141	-	48,141
Past due 0 - 30 days	4,095	-	4,095
Past due 31 - 120 days	4,665	-	4,665
Past due more than 120 days	8,067	(4,159)	3,908
	64,968	(4,159)	60,809

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	4,159	4,333
Impairment loss recognised	323	301
Impairment loss reversed	(238)	(36)
Impairment loss written off	-	(457)
Translation differences	(38)	18
At 31 December	4,206	4,159

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

ii. Investment and other financial assets

Risk management objectives, policies and processes for managing the risk

It is the policy of the Group and the Company to maximise the value of its liquid assets through external investments in different asset classes to complement its current businesses. Allowed investment set by the management is RM10 million and any single external investment to the same financial intermediary should not exceed 20% of the allocated fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

D. Credit risk (continued)

ii. Investment and other financial assets (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

iii. Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM169,482,000 (2016: RM170,458,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

iv. Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company does not have a formal policy for managing credit risk arising from advances to subsidiaries as exposure is not considered significant.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

E. Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
Group							
Non-derivative financial liabilities							
Secured term loans	34,079	2.33% - 5.12%	45,217	3,779	3,690	11,022	26,726
Finance lease liabilities	2,280	1.8% - 5.89%	2,470	966	763	741	-
Secured bank overdrafts	299	5.47%	299	299	-	-	-
Unsecured bank overdrafts	2,142	7.50% - 8.65%	2,142	2,142	-	-	-
Unsecured bankers' acceptances	40,396	1.25% - 4.90%	40,396	40,396	-	-	-
Trade and other payables *	48,491	-	48,491	48,491	-	-	-
	127,687		139,015	96,073	4,453	11,763	26,726
Company							
Non-derivative financial liabilities							
Secured term loans	7,307	4.72% - 5.02%	10,247	711	711	2,132	6,693
Finance lease liabilities	450	1.80% - 2.38%	467	182	157	128	-
Trade and other payables	1,666	-	1,666	1,666	-	-	-
Financial guarantees	-	-	169,482	169,482	-	-	-
	9,423		181,862	172,041	868	2,260	6,693

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

E. Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2016							
Group							
Non-derivative financial liabilities							
Secured term loans	35,413	3.79% - 5.15%	48,635	3,557	3,883	10,078	31,117
Finance lease liabilities	2,336	2.38% - 4.46%	2,593	894	1,012	687	-
Secured bank overdrafts	198	7.22%	198	198	-	-	-
Unsecured bank overdrafts	3,452	4.99% - 7.81%	3,452	3,452	-	-	-
Unsecured bankers' acceptances	37,136	3.93% - 7.95%	37,136	37,136	-	-	-
Trade and other payables *	55,993	-	55,993	55,993	-	-	-
	134,528		148,007	101,230	4,895	10,765	31,117
Company							
Non-derivative financial liabilities							
Secured term loans	7,657	4.85% - 5.15%	11,114	711	711	2,133	7,559
Finance lease liabilities	65	2.38%	67	43	24	-	-
Trade and other payables	1,485	-	1,485	1,485	-	-	-
Financial guarantees	-	-	170,458	170,458	-	-	-
	9,207		183,124	172,697	735	2,133	7,559

* *Excluding non-financial instrument balances.*

F. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

i. Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the Euro ("EUR"), U.S. Dollar ("USD") and Ringgit Malaysia ("RM").

Risk management objectives, policies and processes for managing the risk

The Group does not hedge its exposure to foreign currency risk. The Group ascertains that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

The Board and the management will keep this policy under review and will take necessary action to minimise the exposure of the risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

F. Market risk (continued)

i. Currency risk (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	Denominated in EUR RM'000	USD RM'000	RM RM'000	Others RM'000
2017				
Trade and other receivables	(160)	923	-	25
Cash and cash equivalents	36	2,231	-	160
Loans and borrowings	-	(10,053)	-	-
Trade and other payables	(209)	(6,520)	(223)	(1)
Net exposure	(333)	(13,419)	(223)	184
2016				
Trade and other receivables	-	810	-	53
Cash and cash equivalents	-	7,237	-	300
Loans and borrowings	(396)	(7,927)	-	-
Trade and other payables	(58)	(10,485)	(52)	(29)
Net exposure	(454)	(10,365)	(52)	324

Currency risk sensitivity analysis

A 10% (2016: 10%) strengthening of Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	Profit or loss 2017 RM'000	2016 RM'000
EUR	25	35
USD	1,019	788
Others	(14)	(25)

A 10% (2016: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

F. Market risk (continued)

ii. Interest rate risk

The Group's and the Company's fixed rate deposits and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company utilise short term borrowings for working capital purposes and borrows term loans to finance capital expenditure. In view of the low interest rate scenario, exposure to fluctuation of interest rate risk is not considered to be significant.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	4,554	6,441	1,009	-
Financial liabilities	(2,280)	(2,336)	(450)	(65)
	2,274	4,105	(559)	(65)
Floating rate instruments				
Financial liabilities	(76,916)	(76,199)	(7,307)	(7,657)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2017				
Floating rate instruments	(585)	585	(55)	55
2016				
Floating rate instruments	(579)	579	(58)	58

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

F. Market risk (continued)

iii. Other price risk

Equity price risk arises from the Group's and the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group and the Company monitor the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the management.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's and the Company's equity investments moved in correlation with FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2016: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit or loss of the Group and of the Company by RM210,000 (2016: RM152,000) and RM171,000 (2016: RM95,000) respectively. A 10% weakening in FBMKLCI would have had equal but opposite effect on profit or loss.

G. Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2017										
Group										
Financial assets										
Investment in mutual fund	-	1,628	-	1,628	-	-	-	-	1,628	1,628
Investment in trust fund	-	944	-	944	-	-	-	-	944	944
Investment in quoted shares	195	-	-	195	-	-	-	-	195	195
	195	2,572	-	2,767	-	-	-	-	2,767	2,767
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(2,280)	(2,280)	(2,280)	(2,280)
Secured term loans	-	-	-	-	-	-	(33,710)	(33,710)	(33,710)	(34,079)
	-	-	-	-	-	-	(35,990)	(35,990)	(35,990)	(36,359)
Company										
Financial assets										
Investment in mutual fund	-	1,310	-	1,310	-	-	-	-	1,310	1,310
Investment in trust fund	-	944	-	944	-	-	-	-	944	944
	-	2,254	-	2,254	-	-	-	-	2,254	2,254
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(450)	(450)	(450)	(450)
Secured term loans	-	-	-	-	-	-	(7,198)	(7,198)	(7,198)	(7,307)
	-	-	-	-	-	-	(7,648)	(7,648)	(7,648)	(7,757)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

G. Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2016										
Group										
Financial assets										
Investment in mutual fund	-	506	-	506	-	-	-	-	506	506
Investment in trust fund	-	1,253	-	1,253	-	-	-	-	1,253	1,253
Investment in quoted shares	238	-	-	238	-	-	-	-	238	238
	238	1,759	-	1,997	-	-	-	-	1,997	1,997
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(2,336)	(2,336)	(2,336)	(2,336)
Secured term loans	-	-	-	-	-	-	(35,036)	(35,036)	(35,036)	(35,413)
	-	-	-	-	-	-	(37,372)	(37,372)	(37,372)	(37,749)
Company										
Financial assets										
Investment in trust fund	-	1,253	-	1,253	-	-	-	-	1,253	1,253
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(66)	(66)	(66)	(65)
Secured term loans	-	-	-	-	-	-	(7,546)	(7,546)	(7,546)	(7,657)
	-	-	-	-	-	-	(7,612)	(7,612)	(7,612)	(7,722)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (continued)

G. Fair value information (continued)

Level 3 fair value (continued)

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease liabilities and secured term loans	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

Valuation processes applied by the Group for Level 3 fair value

The Group uses discounted cash flows in respect of the measurement of fair values of financial instruments. The management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

28. Capital Management

The Group's objectives when managing capital is to maintain a capital base adequate to safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2017 and at 31 December 2016 were as follows:

	Group	
	2017 RM'000	2016 RM'000
Total loans and borrowings (Note 17)	79,196	78,535
Less: Cash and cash equivalents (Note 15)	(34,656)	(38,367)
Net debt	44,540	40,168
Total equity	128,706	129,186
Debt-to-equity ratio	0.35	0.31

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

29. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017 RM'000	2016 RM'000
Less than one year	1,987	2,972
Between one and five years	1,575	1,157
	3,562	4,129

The Group leases a number of office premises under operating leases. The leases typically run for a period between 1 to 3 years. None of the leases include contingent rent.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Operating Leases (continued)

Leases as lessor

The Group and the Company leases out its investment property (see Note 8). The future minimum lease receivables under non-cancellable leases are as follows:

	Group and company	
	2017 RM'000	2016 RM'000
Less than one year	91	-

30. Capital And Other Commitments

	Group	
	2017 RM'000	2016 RM'000
Contracted but not provided for:		
Land and building	2,160	2,508
Acquisition of property, plant and equipment	-	315
	2,160	2,823

31. Contingencies

	Company	
	2017 RM'000	2016 RM'000
Guarantees - unsecured		
Guarantees and contingencies relating to borrowings of subsidiaries	169,482	170,458

32. Related Parties Disclosures

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel includes all the directors of the Group and the Company, and certain members of senior management of the Group and the Company.

The Group and the Company have related party relationships with its subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the transactions below are shown in Notes 14 and 18.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Related Parties Disclosures (continued)

Significant related party transactions (continued)

	Company	
	2017 RM'000	2016 RM'000
A. Subsidiaries		
- Management fee income	(8,034)	(7,644)
- Purchases	11	29
- Rental expense	290	290
- Interest income on advances	(41)	(5)
- Sharing of maintenance cost	86	-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
B. Key management personnel				
Directors				
- Remuneration	4,198	4,245	1,560	1,501
- Fees	252	216	252	216
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	692	1,199	486	554
	5,142	5,660	2,298	2,271
Other key management personnel				
- Remuneration	-	-	1,095	1,291
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	-	-	336	298
	-	-	1,431	1,589
	5,142	5,660	3,729	3,860

33. Other Information

a. The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

b. The registered office of the Company is located at:

   Unit 30-01, Level 30, Tower A
   Vertical Business Suite
   Avenue 3, Bangsar South
   No. 8, Jalan Kerinchi
   59200 Kuala Lumpur

c. The principal place of business of the Company is located at:

   No. 2, Jalan Astaka U8/82
   Seksyen U8, Bukit Jelutong
   40150 Shah Alam
   Selangor Darul Ehsan

d. The financial statements are expressed in Ringgit Malaysia. All financial information has been rounded to the nearest thousand, unless otherwise stated.

34. Approval Of Financial Statements

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 10 April 2018.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the directors of **KHIND HOLDINGS BERHAD (380310-D)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 52 to 104 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2017 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

CHENG KING FA
Director
Kuala Lumpur,
10 April 2018

CHENG PING KEAT
Director

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **BOH BOON CHIANG**, being the officer primarily responsible for the financial management of **KHIND HOLDINGS BERHAD (380310-D)** do solemnly and sincerely declare that the financial statements set out on pages 52 to 104 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

BOH BOON CHIANG (MIA 6783)
Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 10 April 2018

Before me

S. ARULSAMY
W-490
Commissioner of Oaths
Kuala Lumpur, Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHIND HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Khind Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Inventory write-down *Refer to Note 3(i) – Significant Accounting Policies, Note 5(d) – Significant Accounting Estimates and Judgements and Note 12 - Inventories* As at 31 December 2017, included in the carrying values of the inventories of the Group are raw materials and manufactured inventories amounting to RM7.5million and RM67.6million respectively. We focused on the amount of write-down of inventories recognised as an expense in the current financial year as it involves significant management judgement in determining the estimated net realisable value of inventories. The Group's evaluation process in assessing the adequacy of inventory write-downs as described in Note 5(d) to the financial statements include ageing analysis, technical assessment and subsequent events. Accordingly, there is a level of judgement in assessing the inventory provision.	**The details of our work performed are as follows:** • We have reviewed the Group's inventory provisioning policy and ascertained that it remained appropriate for the Group's circumstances; • We have tested the inventory ageing reports on sampling basis in order to place reliance on the Group's ageing report as a basis for provisions made; • We have selected items of inventories on sampling basis and test checked against the transacted price after year end; and • We attended physical inventory counts at all locations within scope. Based on our procedures performed above, we did not find any material exceptions in the inventory provisioning policy and management assessment on the net realisable value of inventories.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHIND HOLDINGS BERHAD (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises Management Discussion and Analysis, Statement on Risk Management and Internal Control and Directors' Report, which we obtained prior to the date of this auditors' report, and other sections included in the annual report, which are expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHIND HOLDINGS BERHAD (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

RSM MALAYSIA
AF: 0768
Chartered Accountants
Kuala Lumpur,
10 April 2018

LOU HOE YIN
3120/04/18(J)
Chartered Accountant

STATISTICS ON SHAREHOLDINGS AS AT 30 MARCH 2018

SUBSTANTIAL SHAREHOLDERS – Based on the Register of Substantial Shareholders as at 30 March 2018

Names of Substantial Shareholders	Direct Interest	Percentage (%)	Deemed Interest	Percentage (%)
1. Kee Hin Ventures Sdn. Bhd.	15,708,837	39.21	–	–
2. Cheng Ping Keat	2,725,720	6.80	15,708,837*	39.21
3. Federlite Holdings Sdn. Bhd.	2,692,600	6.72	–	–
4. Koh Guat Kuan	2,165,199	5.41	–	–
5. Great Partner Industries Limited	–	–	15,708,837@	39.21

Note:
* Deemed interest by virtue of his shareholdings in Kee Hin Ventures Sdn. Bhd.
@ Deemed interest by virtue of their shareholdings in Kee Hin Ventures Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2018

Issued Share Capital	:	RM40,059,000.00
Class of Shares	:	Ordinary Shares
Voting Rights per share	:	One vote per Ordinary Share
No. of Shareholders	:	1,050

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of Issued capital
Less than 100	167	15.91	5,632	0.01
100 – 1,000	152	14.48	98,733	0.25
1,001 – 10,000	617	58.76	2,022,086	5.05
10,001 – 100,000	92	8.76	2,362,421	5.90
100,001 to < 5% of issued shares	18	1.71	12,277,772	30.65
5% and above of issued shares	4	0.38	23,292,356	58.14
Total	**1,050**	**100.00**	**40,059,000**	**100.00**

STATISTICS ON SHAREHOLDINGS AS AT 30 MARCH 2018 (CONTINUED)

THIRTY LARGEST SHAREHOLDERS – per Register of Depositors as at 30 March 2018

	Names of Shareholders	No. of Shares held	% of Issued capital
1.	Kee Hin Ventures Sdn. Bhd.	15,371,967	38.37
2.	Cheng Ping Keat	2,725,720	6.80
3.	Federlite Holdings Sdn. Bhd.	2,692,600	6.72
4.	Koh Guat Kuan	2,165,199	5.41
5.	Cheng King Fa	1,940,601	4.84
6.	Imartech Industries Sdn. Bhd.	1,568,000	3.91
7.	BI Nominees (Tempatan) Sdn. Bhd. (Md. Azmi bin Lop Yusof)	1,469,935	3.67
8.	Airex Industries Sdn. Bhd.	1,110,667	2.77
9.	CIMB Group Nominees (Asing) Sdn. Bhd. [Exempt An for DBS Bank Ltd (SFS)]	838,300	2.09
10.	Teo Kwee Hock	790,200	1.97
11.	Cheng Yoke Leng	652,333	1.63
12.	Cheng Yoke Kan	607,000	1.52
13.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad for Hong Leong Consumer Products Sector Fund]	531,600	1.33
14.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account For Teo Siew Lai]	462,900	1.16
15.	Amsec Nominees (Tempatan) Sdn. Bhd. [Pledged securities account – Ambank (M) Berhad for Lee Ah Lan @ Lee Keok Hooi (SMART)]	460,000	1.15
16.	Lim Ah Dek	414,800	1.04
17.	Koh Eng Thye	379,367	0.95
18.	Cheng Hup	376,769	0.94
19.	Kee Hin Ventures Sdn. Bhd.	336,870	0.84
20.	Yayasan Kelantan Darul Naim	245,000	0.61
21.	Soh Chak Boo	155,500	0.39
22.	Cheing Boon Ngoun @ Chean Puan In	150,367	0.38
23.	Cheng Kin Yet	119,433	0.30
24.	Heng Sin Tok	88,333	0.22
25.	Perbadanan Kemajuan Negeri Kedah	88,200	0.22
26.	Hoon Choo	82,400	0.21
27.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ooi Kin Chong @ Oui Kin Chong (E-SPI/ASR)]	79,000	0.20
28.	Adviable Ventures Sdn. Bhd.	70,000	0.17
29.	Ng Ah Day	63,000	0.16
30.	Lai Hing Hing	56,000	0.14
		36,092,061	90.11

STATISTICS ON SHAREHOLDINGS AS AT 30 MARCH 2018 (CONTINUED)

DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2018

Pursuant to Section 59(11)(c) of the Companies Act 2016, the Directors' shareholdings/interest and their deemed interest via their spouses and children are as follows:-

Names of Directors	Direct Share-holdings	Percentage (%)	Deemed Interest	Percentage (%)	Indirect Share-holdings	Percentage (%)
1. Cheng King Fa	1,940,601	4.84	–	–	1,304,124#	3.26
2. Cheng Ping Keat	2,725,720	6.80	15,708,837*	39.21	2,165,199^	5.41
3. Lee Ah Lan @ Lee Keok Hooi	460,000	1.15	–	–	–	–
4. Kamil Bin Datuk Hj. Abdul Rahman	–	–	–	–	–	–
5. Wong Chin Mun	–	–	–	–	–	–

Note:
Indirect interest by virtue of his spouse and children's direct shareholdings.
* Deemed interest by virtue of his shareholdings in Kee Hin Ventures Sdn Bhd.
^ Indirect interest by virtue of his spouse's direct shareholdings.

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2017

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2017 (RM'000)
PT124 No. 2 Jalan Perusahaan 2 Off Jalan Bernam 45400 Sekinchan Selangor Darul Ehsan	192,853	Leasehold 99 years, expiring on 2102	Factory, warehouse and office for Khind-Mistral Industries Sdn Bhd	(Land) 24.01.1989 (Building) 15.01.1991 - 01.07.1998	28 years 19 - 26 years	2,571 6,285
Lot 8243-8245, No. 15-17 Lee Chong Lin Industrial Estate, Jalan Pending 93450 Kuching, Sarawak	7,084	Leasehold 60 years, expiring on 2045	Industrial building renting out to generate income	(Lot 8243) 31.03.1993 (Lot 8245) 19.08.1995	24 years 22 years	471
Lot 160, Sublot 2180-2181 Block 3, Piasau Industrial Estate, 98000 Miri, Sarawak	8,241	Expiring on 2053	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.09.2004	13 years	651
Lot Pt 2531 held under HS(D) 1854 Pekan Bagan Nakhoda Omar District of Sabak Bernam Selangor	832,911	Leasehold 60 years, expiring on 2064	industrial land presently planted with oil palm	18.11.2008	9 years	420
Lot 3, 4, 5, 6 Mogoputi Industrial Park Kota Kinabalu, Sabah	11,040	Leasehold 99 years, expiring on 2097	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.08.2000	17 years	1,346
Lot 1214, Section 66 Jalan Perbadanan Off Bintawa Industrial Estate 93450 Kuching Sarawak	45,951	Leasehold, expiring on 2056	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	09.09.2014	4 years	4,555
Plot 120, Bandar Perda held under HS(D) 121 No. PT123, Mukim 7 Daerah Seberang Prai Tengah, Penang	3,670	Freehold	Branch office and service centre for Khind-Mistral (M) Sdn Bhd	05.05.1999	18 years	378
PT No. 17671 held under HS(D) 142726 No. 2 Jalan Astaka U8/82 Seksyen U8, Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	25,112	Freehold	Office, service centre and showroom for Khind-Mistral (M) Sdn Bhd, Khind Alliances Sdn Bhd	12.03.1999	18 years	3,172
Lot 64240, No.4 Jalan Astaka U8/82 Seksyen U8, Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	18,621	Freehold	Office for Khind Holdings Berhad	20.08.2000	17 years	1,948

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2017 (CONTINUED)

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2017 (RM'000)
71 Ubi Crescent #06-01, #06-02, #06-03 #06-04, Exacalibur Centre Singapore 408571	9,784	Leasehold 60 years, expiring on 2057	Office, service centre and showroom for Mistral (Singapore) Pte Ltd and Mayer Marketing Pte Ltd	30.01.2013	5 years	11,721
71 Ubi Crescent #06-09, Exacalibur Centre Singapore 408571	2,799	Leasehold 60 years, expiring on 2057	Office, service centre and showroom for Mistral (Singapore) Pte Ltd and Mayer Marketing Pte Ltd	26.08.2014	4 years	3,936
Lot 745, Block 16 Kuching Central Land District	59,125	Leasehold, expiring on 2025	Vacant land	28.04.2010	8 years	1,504
Flat No: G11 & G12 Discovery Gardens MOGUL 226 Dubai, UAE	2,002	Freehold	Apartments for staff accomodations	12.05.2010	8 years	348
Unit 108, Autumn 1 Jumeirah Village Circle Dubai, UAE	953	Freehold	Apartments for staff accomodations	22.05.2014	4 years	728
Crescent Tower C Me'aisem First International Media Production Zone Dubai, UAE	1,327	Freehold	Apartments for staff accomodations	24.08.2016	2 years	1,077
No.2A, Jalan Astaka U8/84A, Seksyen U8 Bukit Jelutong 40150 Shah Alam	5,339	Freehold	Semi detached factory building renting out to generate income	15.01.2010	8 years	2,781
PT 29362 held under HS(D) 277346, Mukim of Bukit Raja Daerah Petaling Selangor Darul Ehsan	65,340	Freehold	Vacant land	01.06.2010	8 years	7,841
No.45 & 45A, Bercham Bistari 5, Medan Bercham Bistari, 31400 Ipoh, Perak	3,080	Leasehold 99 years, expiring on 2112	Branch Office, service centre for Khind-Mistral (M) Sdn Bhd	03.03.2015	3 years	624
No.377M & M1 Jalan Melor 1/1 Taman Peringgit Jaya 75400 Melaka	3,120	Leasehold 99 years, expiring on 2076	Branch Office, service centre for Khind-Mistral (M) Sdn Bhd	08.08.2014	3 years	347
No.89, Jalan Teratai 10 Taman Johor Jaya 81100 Johor Bahru, Johor	2,926	Freehold	Branch Office, service centre for Khind-Mistral (M) Sdn Bhd	11.02.2015	3 years	603

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2017 (CONTINUED)

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2017 (RM'000)
No. B-128 Jalan Dato Wong Ah Jang 25100 Kuantan, Pahang	1,496	Freehold	Branch Office, service centre for Khind-Mistral (M) Sdn Bhd	25.01.2017	1 year	820
PM 2543, Lot 7163 (H.S.(M) 8742, PT 5289) Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid Selangor	129,490	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	03.01.2017	1 year	744
PM 2544, Lot 7165 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid Selangor	92,365	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	03.01.2017	1 year	690
PM 2545, Lot 7164 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid Selangor	120,018	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	03.01.2017	1 year	535
PM 2552, Lot 7172 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid Selangor	62,215	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	03.01.2017	1 year	358
PM 2498, Lot 7134 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid Selangor	84,927	Leasehold, expiring on 2083	Vacant agricultural land	23.02.2017	1 year	442

KHIND GROUP OFFICES AND ADDRESSES

PENINSULAR MALAYSIA

CORPORATE HEADQUARTER

- **Khind Holdings Berhad (380310-D)**
  No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong,
  40150 Shah Alam, Selangor Darul Ehsan, Malaysia
  Tel: 603-7839 2000
  Fax: 603-7847 5301
  Email: enquiry@khind.com

BUSINESS OFFICE, SALES & MARKETING OPERATIONS

- **Khind-Mistral (M) Sdn Bhd (442421-A)**
  No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong,
  40150 Shah Alam, Selangor Darul Ehsan, Malaysia
  Tel: 603-7839 2000
  Fax: 603-7845 6300 / 603-7847 5300
  Email: km.enquiry@khind.com

  BRANCH OFFICES

  Perak
  No. 45 & 45A Bercham Bistari 5,
  Medan Bercham Bistari, 31400 Ipoh, Perak
  Tel: 605-541 7520 / 605-541 5298
  Fax: 605-549 2016
  Email: kmm.ipo@khind.com

  Penang
  No. 2, Jalan Perda Timur, Bandar Perda,
  14000 Bukit Mertajam, Pulau Pinang
  Tel: 604-537 2803 / 604-537 2804 / 604-537 2703
  Fax: 604-537 0807 / 604-537 2702
  Email: kmm.bmo@khind.com

  Melaka
  No. 377M & M1, Jalan Melor 1/1,
  Taman Peringgit Jaya, 75400 Melaka
  Tel: 606-281 5717 / 606-281 5723
  Fax: 606-281 5849
  Email: kmm.mko@khind.com

  Pahang
  No. B-128, Jalan Dato' Wong Ah Jang,
  25100 Kuantan, Pahang
  Tel: 609-515 9711
  Fax: 609-515 9712
  Email: kmm.kto@khind.com

  Johor
  No. 89, Jln Teratai 10, Taman Johor Jaya,
  81100 Johor Bahru, Johor
  Tel: 607-355 8991
  Fax: 607-353 8992
  Email: kmm.jbo@khind.com

  Kelantan
  Lot 2637, Jalan Sultan Yahya Petra,
  Kampung Lundang, 15150 Kota Bahru, Kelantan
  Tel: 609-744 8900
  Fax: 609-744 5900
  Email: kmm.kbo@khind.com

- **Khind-Mistral Industries Sdn Bhd (213282-V)**

  Factory
  No. 2, Jalan Perusahaan 2, Off Jalan Bernam,
  45400 Sekinchan, Selangor Darul Ehsan, Malaysia
  Tel: 603-3241 1991
  Fax: 603-3241 1500
  Email: kmi.enquiry@khind.com

- **Khind Alliances Sdn Bhd (811092-W)**
  No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong,
  40150 Shah Alam, Selangor Darul Ehsan, Malaysia
  Tel: 603-7839 2000
  Fax: 603-7845 6300 / 603-7847 5300
  Email: kas.inquiry@khind.com

- **Khind Electrical (Malaysia) Sdn Bhd (84527-A)**
  No. 1-2 & 1-3, Jalan 1/3,
  Pusat Komersial LGSB, Off Jalan Hospital,
  47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia
  Tel: 603-6150 3988
  Fax: 603-6144 5566
  Email: kemy.enquiry@khind.com

  Warehouse
  Lot 830-N, Kawasan Perindustrial, Kg Jaya, Jalan Kusta,
  47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia
  Tel: 603-6157 9888

KHIND GROUP OFFICES AND ADDRESSES (CONTINUED)

EAST MALAYSIA

- **Khind-Mistral (Borneo) Sdn Bhd (234614-W)**
  Lot 1214, Section 66, Jalan Perbadanan, Off Bintawa Industrial Estate, 93450 Kuching, Sarawak
  Tel: 6082-338 511
  Fax: 6082-339 039
  Email: kmb.enquiry@khind.com

BRANCH OFFICES

Miri
Lot 160, Sub Lot 2180-2181, Block 3,
Piasau Industrial Estate, 98000 Miri, Sarawak
Tel: 6085-662 533
Fax: 6085-654 933
Email: kmb.enquiry@khind.com

Kota Kinabalu
Lot 3-6, Mogoputi Industrial Park,
Jalan Penampang KM 8, 89500 Kota Kinabalu, Sabah
Tel: 6088-718 117
Fax: 6088-716 637
Email: kmb.enquiry@khind.com

Tawau
TB 4315, Block 31, Lot 2, 3rd Floor Fajar Complex,
Jalan Merdeka 2, 91000 Tawau, Sabah
Tel: 6089-763 100
Fax: 6089-763 100
Email: kmb.enquiry@khind.com

OVERSEAS

- **Khind Middle East FZE (01020)**
  FZS 1AA05, Jebel Ali Free Zone, P.O. Box 261569, Dubai, United Arab Emirates
  Tel: 00-9714-886 0492
  Fax: 00-9714-886 0493
  Email: kme.enquiry@khind.com

- **Mistral (Singapore) Pte Ltd (200106472-H)**
  71 Ubi Crescent, #06-01, Excalibur Centre, Singapore 408571
  Tel: 65-6346 5233 / 65-6346 5122
  Fax: 65-6346 5560
  Email: mspl.enquiry@khind.com

- **Mayer Marketing Pte Ltd (198701251D)**
  71 Ubi Crescent, #06-04, Excalibur Centre, Singapore 408571
  Tel: 65-6542 8383 / 65-6542 6868
  Fax: 65-6543 5152
  Email: mayer.enquiry@khind.com

- **Khind Systems (Singapore) Pte Ltd (196400399W)**
  5, Penjuru Close, #03-00, Singapore 608600
  Tel: 65-6862 3777
  Fax: 65-6862 8628
  Email: kesg.sales@khind.com

- **Khind Electrical (Hong Kong) Limited (79949)**
  Unit D, 5/F, World Tech Centre, No. 95, How Ming Street, Kwun Tong, Kowloon, Hong Kong
  Tel: 00-852-2833 6966
  Fax: 00-852-2838 0724
  Email: kehk.sales@khind.com

- **PT Khind Environmental Solutions**
  Blok B1-6, Ruko Kirana Boutique Office
  Jalan Boulevard Raya Kelapa Gading
  Jakarta Utara 14240
  Indonesia
  Tel: +6221-2937 5528
  Tel: +6221-2937 5529

QUALITY ASSURANCE UNIT

Representative Office in P.R.C.
Room 303, No. 13 Building, Changcheng, Foshan City,
Guangdong, P.R. China 528000
Tel: +86 757-8333 4980
Fax: +86 757-8399 1493
Email: fskhind@163.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting ("AGM") of **KHIND HOLDINGS BERHAD** will be convened at Conference Room, Second Floor, No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 30 May 2018 at 10.00 a.m. to transact the following matters:-

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. (Please see Note 1 of Explanatory Notes on Ordinary Business)
2. To re-elect the following Directors who retire by rotation pursuant to Article 100 of the Constitution of the Company:-

   i. Cheng Ping Keat (Resolution 1)
   ii. Kamil Bin Datuk Hj. Abdul Rahman (Resolution 2)
3. To approve the Directors' fees of RM252,000 for the financial year ending 31 December 2018. (Resolution 3)
4. To approve the Directors' benefits of RM40,000 from 31 May 2018 until the next AGM of the Company. (Resolution 4)
5. To re-appoint Messrs RSM Malaysia as Auditors of the Company and authorise the Directors to fix their remuneration. (Resolution 5)

As Special Business

To consider and if thought fit, pass the following Ordinary Resolutions with or without modifications:-

6. **Ordinary Resolution**

   - Authority for Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting." (Resolution 6)

7. **Ordinary Resolution**

   - Continuing in office as an Independent Non-Executive Director

   "THAT subject to the passing of Resolution 2, authority be and is hereby given to Kamil bin Datuk Hj. Abdul Rahman who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next AGM." (Resolution 7)
8. To transact any other business for which due notice is given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)
KUAN HUI FANG (MIA 16876)
CHONG LAY KIM (LS 0008373)

Kuala Lumpur
27 April 2018

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Notes:

1. A member entitled to attend, speak and vote at the AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, vote and speak in his/her place. A proxy may but need not be a member of the Company and a member may appoint not more than two (2) proxies.

2. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3,Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the Meeting or any adjournment thereof.

6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 23 May 2018. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his/her behalf.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), all resolutions set out in this Notice will be put to vote by way of poll.

Explanatory Notes on Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting.**

2. Cheng Ping Keat and Kamil Bin Datuk Hj. Abdul Rahman are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Twenty-Second Annual General Meeting.

   The Board of Directors ("the Board") has through the Nomination and Remuneration Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the MMLR on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

   The Board has also through the Nomination and Remuneration Committee, conducted an assessment on Kamil bin Datuk Hj. Abdul Rahman's independence and is satisfied that he has complied with the criteria prescribed by the MMLR.

3. The Directors' fees proposed for the financial year ending 31 December 2018 are calculated based on the current Board size. The benefits are calculated based on the current board size and number of scheduled Board and Committee meetings for the period stated in the proposed resolution. In the event the proposed amounts are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for the shortfall.

4. The Board has through the Audit Committee, considered the re-appointment of Messrs RSM Malaysia as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the Twenty-Second Annual General Meeting are disclosed in the Corporate Governance Overview Statement of the Annual Report 2017.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Explanatory Notes on Special Business

Resolution 6:-

This proposed Resolution is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company, from the date of the above AGM, authority to allot shares in the Company up to and not exceeding in total ten per cent (10%) of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

This proposed Resolution is a renewal of the previous year's mandate. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 30 May 2017 and will lapse at the conclusion of the Twenty-Second AGM.

Resolution 7:-

The Board has via Nomination and Remuneration Committee conducted an annual assessment of Kamil bin Datuk Hj. Abdul Rahman, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the justifications set out in the Corporate Governance Overview Statement of the Annual Report 2017.

Pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, the Company will adopt the two-tier voting process in seeking shareholders' approval for this resolution.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

STATEMENT ACCOMPANYING THE NOTICE OF THE TWENTY-SECOND (22nd) ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Authority for Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

The details of the proposed renewal of the authority for Directors to issue and allot shares by the Company are disclosed in the Explanatory Notes of the Notice of Annual General Meeting as set out on page 119 of this Annual Report.

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KHIND HOLDINGS BERHAD (380310-D)
(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	CDS Account No.

*I/We ______________________________ Tel: ______________
[Full name in block, NRIC/Passport/Company No.]

of ____

____

being member(s) of Khind Holdings Berhad, hereby appoint:-

Full Name (in Block as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at Conference Room, Second Floor, No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 30 May 2018 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

	ORDINARY RESOLUTION	FOR	AGAINST
1.	Re-election of Cheng Ping Keat as Director		
2.	Re-election of Kamil bin Datuk Hj. Abdul Rahman as Director		
3.	Approval of Directors' fees for the financial year ending 31 December 2018		
4.	Approval of Directors' benefits from 31 May 2018 to the next Annual General Meeting		
5.	Re-appointment of Messrs RSM Malaysia as Auditors of the Company and authorise the Directors to fix their remuneration		
6.	Authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
7.	Authority for Kamil bin Datuk Hj. Abdul Rahman to continue in office as an Independent Non-Executive Director		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions.
In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Dated this __________ day of _______________ 2018

____
Signature of Shareholder/Common Seal

NOTES:

1. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, vote and speak in his/her place. A proxy may but need not be a member of the Company and a member may appoint not more than two (2) proxies.
2. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3,Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the Meeting or any adjournment thereof.
6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 23 May 2018. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his/her behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 22nd Annual General Meeting will be put to vote by way of poll.

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Stamp

The Share Registrar
Khind Holdings Berhad
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur

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