Our Brands

2018

KHIND HOLDINGS BERHAD (380310-D)

Annual Report
Laporan Tahunan

KHIND
Delivering Happiness

Multi Air Fryer Oven

ARF9500

Everyone can fry...healthily!

FREE Rotisserie Basket + Recipe Book

Features:

- High Speed Air Circulation Technology for less oil & healthy cooking.
- Large Transparent Viewing Window with Internal Oven Light.
- Digital Display with Touch Sensor Control Programmable Functions which includes 6 Pre-set Program.
- One Touch Rotisserie Function
- Rust Free SUS304 Stainless Steel Mesh Frying Basket.
- Auto Shut Down Heater Switch for Additional Protection.

Specifications:

Voltage	220-240V~50-60Hz
Power	1400-1650W
Inner Chamber's Capacity	9.5L
Quantity	1 Unit
Net Weight	7 kg
Gross Weight	1 Unit - 7.6kg (1) ; 8.2kg (O)
Box Dimension	354 x 346 x 383mm (I) 369 x 360 x 410mm (O)
Colour	Black
Barcode	9557496730818 (I&O)

* Specifications are subject to change without prior notice.

1 Year WARRANTY

SCAN ME

More Time for Yourself!

KHIND

Brown Rice
30 Minutes
Normal: 1 Hour

Tendons
40 Minutes
Normal: 4 Hour

Rice
12 Minutes
Normal: 30-50 Minutes

Porridge
12 Minutes
Normal: 1 Hour

Soup
25 Minutes
Normal: 40 Minutes

CONTENT

Delivering Happiness

Delivering happiness as our mission: providing value-for-money products and delivering excellent customer experience

australian heritage 1968

Original heritage of grace and quality: expecting premium quality to give your home an appearance uplift

The heart of your home

Aims to be the heart of every home: bringing fun, innovation and excitement to kitchens

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
- Christopher & Lee Ong

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 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

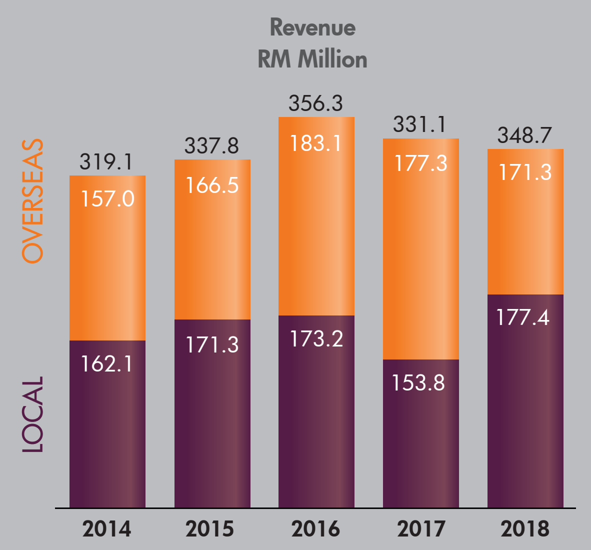
FINANCIAL HIGHLIGHTS

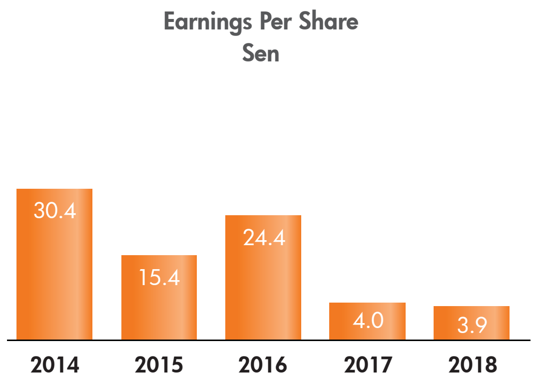
5-Year Financial Highlights

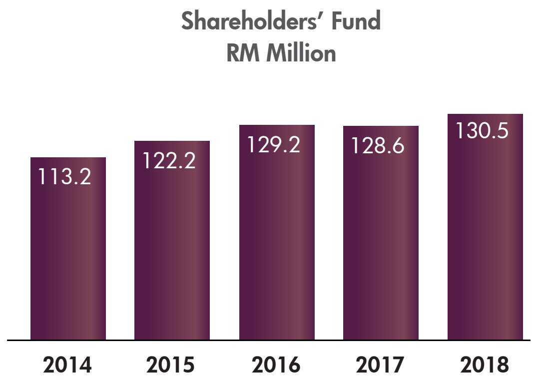
	Year ended 31 December				
Key Operating Results (RM'000)	**2014**	**2015**	**2016**	**2017**	**2018**
Revenue	319,051	337,768	356,292	331,080	348,698
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	21,982	17,501	20,712	11,965	13,616
Profit before tax	14,714	9.162	12,088	2,916	4,155
Profit attributable to owners	12,161	6,180	9,786	1,593	1,578
Other Key Data (RM'000)					
Total equity attributable to owner	113,183	122,168	129,186	128,606	130,457
Total assets	252,584	256,864	268,467	261,762	272,527
Total borrowings	80,905	79,064	78,535	79,196	85,975
Financial Ratio (%)					
Return on equity attributable to owners	10.7%	5.1%	7.6%	1.2%	1.2%
Return on total assets	4.8%	2.4%	3.6%	0.6%	0.6%
Current ratio	1.7	1.8	1.9	1.9	1.9
Debt equity ratio	0.7	0.6	0.6	0.6	0.7
Share Information					
Earnings per share (sen)	30.4	15.4	24.4	4.0	3.9
Gross Dividend per share (sen)	10.0	7.0	10.0	1.0	-
Net Dividend per share (sen)	10.0	7.0	10.0	1.0	-
Dividend Pay Out Ratio (%)	32.9	45.4	40.9	25.1	-
Dividend Yield (%)	4.8	3.2	4.5	0.5	-
Net assets per share (RM)	2.83	3.05	3.22	3.21	3.25
Share Price as at 31 December (RM)	2.10	2.21	2.20	2.02	1.69
Market Capitalisation (RM million)	84.12	88.53	88.13	80.92	67.70

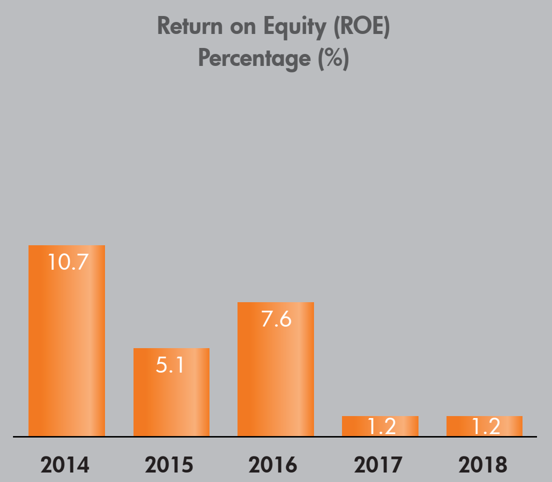
FINANCIAL HIGHLIGHTS (CONTINUED)

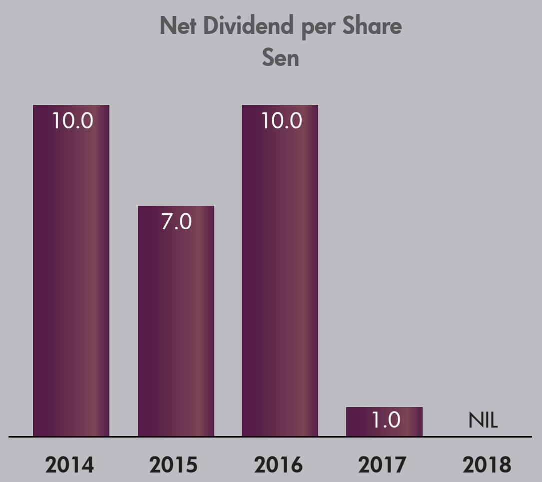
Key Highlights











EXECUTIVE CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT

Dear Shareholders,

We are pleased to present the Annual Report 2018 to you. The global economy affected by the escalation of trade conflicts, coupled with the change in the country's political landscape have presented many Malaysian companies including Khind Holdings Berhad ("Khind" or "the Company") with various challenges but also at the same time numerous opportunities. The most obvious opportunity was the tax holiday between June and August 2018 which encouraged consumers to spend and hence retail sales recorded a growth of 3.9% in 2018, according to Retail Group Malaysia. As a result, Khind benefited from the increase in revenue and profit before tax as compared to FYE2017, despite the introduction of sales and service tax (SST) in September 2018. The Group will continue to embark on cost reduction and rationalization exercise as well as improving operational efficiency.

FRESH SCENE TO RE-START

The official opening of new customer service centre located at our headquarters office in Bukit Jelutong in the second half of 2018 after relocation and renovation gives a fresh look and new energy to our visiting customer, while at the same time providing a comfortable working place for our employees. We hope that every visiting customer will be treated as VIP by our well-trained customer service officer and create a memorable experience for them upon leaving. There will also be a new space to promote and sell our products which some of them were even available at promotional price.

Our venture in Indonesia since 2017 has started to bear fruits as the Company clinched a major project to supply our MacroAir HVLS fans to be installed at several railway stations towards end of the year. This represents a significant milestone for our Indonesia subsidiary where profit turnaround was achieved merely in the second year of operation. The Group is excited and optimistic about the future of the business in Indonesia.

In line with the push towards Industry 4.0, automation and digitalization was on the agenda of the Group to reduce labour costs and improve productivity. As the minimum wages in Malaysia move higher, our Sekinchan factory constantly trying to identify specific process in the production that can benefit from automation as well as streamlining the manufacturing process. The Group have also implemented several digitalisation or improvement initiatives in our business process to increase operational efficiency.

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

From left: Deputy Director General of Higher Education (Private Sector) Dr Mohd Nor Azman bin Hassan attended Projects for Happiness 2018 Presentation Day at UCSI KL.

HAPPINESS SPREAD TO COMMUNITY

The "Projects for Happiness" entered into its 5th Anniversary in 2018, sponsoring a total of 98 community projects over the last 5 years. With "Delivering Happiness" as our vision, Khind Starfish Foundation had funded nearly RM560,000 to sponsor and encourage university student's involvement in community caring and volunteer work. We believe by planting the seeds of kindness into their heart, these younger generation will create a more harmonious community surrounded with happiness. In Oct 2018, Khind Starfish Foundation also organised the grand Bald & Beautiful 3.0 event, which is part of its corporate social responsibility bid into cancer research. The cancer awareness event made a huge success in raising more than RM2 million, shaving 1,650 heads and it would not be possible if without the support of Khind employees in collaboration of many sponsors and partners.

GOING FORWARD

Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% - 4.8% in 2019 (2018: 4.7%). The implementation of several government measures, particularly aimed at alleviating rising cost of living, is expected to further support consumption spending, especially by lower income households. Headline inflation is expected to be broadly stable, with a projected annual average of 0.7% - 1.7% in 2019. The inflation projection incorporates some cost pass-through from domestic cost factors, but the upward impact will be offset by the expected lower global oil prices and the implementation of price ceilings on domestic retail fuel prices.

Overall, the domestic growth projection is subject to several downside risks. As a small open economy, the unresolved trade tensions between the US and PR China, and a slower-than-expected global growth will affect Malaysia primarily via the trade and investment channel. The uncertain pace of the monetary policy normalisation in the US could heighten financial market volatility across emerging market economies, leading to volatile two-way capital flows and currency fluctuations.

(Source: 2018 BNM Annual Report, Bank Negara Malaysia)

In view of the challenging business environment, the Board remain cautious on the Group's outlook in 2019 amid intensifying competition between industry players. However, the Board is optimistic about the future as the Group embark on several new initiatives to transform the organisation into better shape.

NOTE OF APPRECIATION

As Khind sailed through numerous business and market challenges in 2018, the Company continued to deliver happiness to all stakeholders and show appreciation of their support throughout the year. The Board would like to acknowledge the contribution of all employees, trade partners, audit and legal consultants, shareholders, regulatory bodies, and communities over the years.

Khind looks forward to deliver better performance while delivering happiness in 2019.

CHENG KING FA
Chairman

CHENG PING KEAT
Group Chief Executive Officer (CEO)

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview of Khind Group

1.1 Corporate Profile

Khind Holdings Berhad (“KHIND” or "the Company") 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.

1.2 Our Vision

Delivering Happiness

1.3 Delivering Happiness to Stakeholders

1.3.1 Shareholders

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

1.3.2 Employees

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

1.3.3 Customers

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

1.3.4 Suppliers

- Growth, win-win partnership.

1.3.5 Community

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

1.3.6 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

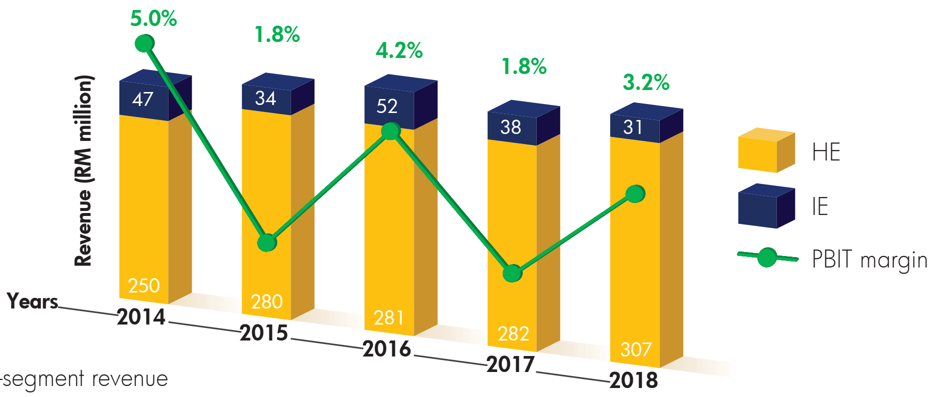
1. Overview of Khind Group (continued)

1.4 Our Core Values

2. Our Business

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

2.1 Trading Segment



* excluding inter-segment revenue

2.1.1 *Home Electrical Division (HE)*

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	159,286	51.9%
Singapore	102,356	33.3%
United Arab Emirates	45,226	14.7%
Other countries	292	0.1%
	307,160	**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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Our Business (continued)

2.1 Trading Segment (continued)

2.1.1 *Home Electrical Division (HE) (continued)*

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, Ariston 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.

2.1.2 *Industrial Electrical Division (IE)*

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	13,139	42.7%
Singapore	14,501	47.1%
Other countries	3,156	10.2%
	30,796	**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.

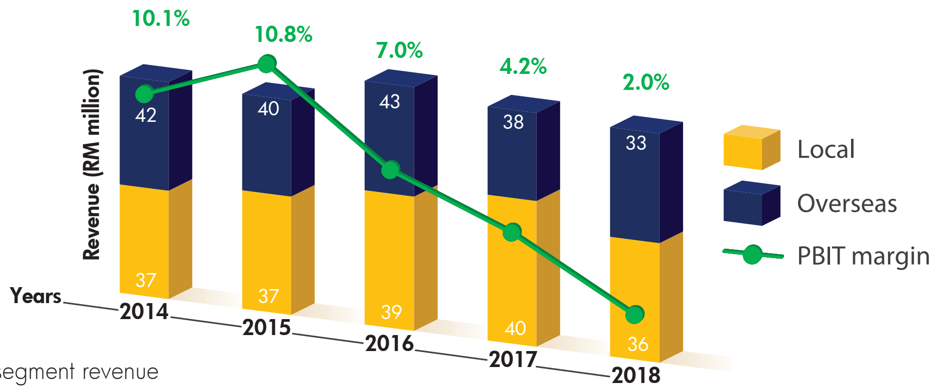
The IE Division derives its revenue largely from contract-based income from Malaysia and Singapore. The Group continues to leverage on its expertise and experience to build its strength in substation equipment (transformers and switchgear) and lightning protection solutions. The Group also operates a 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.

The Group signed distributor agreement with TGOOD Southeast Asia Sdn Bhd and its affiliates from Qingdao, China ("TGOOD") in 2017. 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 while the Group continues to explore business opportunity with potential customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Our Business (continued)

2.2 Manufacturing Segment



* including inter-segment revenue

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 2018, the factory had a total workforce of around 330 staff. The Group has very little dependence on foreign labour.

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	36,212	52.2%
Singapore	6,097	8.8%
United Arab Emirates	21,390	30.8%
Other countries	5,717	8.2%
	69,416	**100%**

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.

3. Our Strategies

3.1 Objective: Expanding geographical reach within ASEAN region

3.2 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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Financial Review

4.1 Review of Financial Performance

4.1.1 Revenue

For the financial year ended 31 December 2018 ("FYE2018"), the Group recorded revenue of RM348.7 million – representing an increase of 5.3% over the previous year's performance of RM331.1 million. The higher revenue was mainly due to substantially higher local sales in trading segment offset by lower sales in manufacturing segment. The revenues from domestic operations increased 15.4% whereas overseas operations declined 3.4% as compared to the previous year. The strong improvement in revenue was boosted by tax holiday period as well as year-end sales in the domestic market.

4.1.2 Other income

Other income dropped by 28.5% or approximately RM0.9 million to RM2.3 million from the financial year ended 31 December 2017 ("FYE2017"). The decrease was attributed to foreign exchanges losses due to strengthening of local currency in the year and unrealised loss on investment.

4.1.3 Distribution expenses

Distribution expenses of the Group increased by approximately RM6.0 million or 9.5% to RM70.4 million as compared to the last financial year, in line with the increase in revenue. Advertising and promotional spending increased in view of the intense competition within industry.

4.1.4 Administrative and other expenses

Administrative and other expenses decreased by approximately RM2.5 million or 6.8% to RM34.7 million during the year, mainly attributed to a series of cost reduction and rationalisation exercises being carried out throughout the year.

4.1.5 Finance costs

Finance costs increased slightly by RM418,000 to RM4.1 million in FYE2018 as compared to FYE2017, mainly due to the increased utilisation of trade financing facilities for working capital purposes.

4.1.6 Income tax expenses

The Group income tax expenses for the year was RM2.5 million, which amounted to effective tax rate of 21.9%, lower than the statutory rate of 24% (FYE2017: 24%). The lower rate was primarily attributed to lower tax rates in foreign countries and utilisation of unabsorbed tax losses in the subsidiaries.

4.1.7 Profit for the year

In FYE2018, the Group's profit before tax increased by approximately RM1.3 million or 42.5% to RM4.2 million as compared to RM2.9 million in the previous year. The improvement resulted from higher sales coupled with reduction in administrative and other expenses.

4.2 Statement of Financial Position

4.2.1 Assets

The Group's non-current assets increased by RM7.5 million to RM80.1 million as at 31 December 2018 (31 December 2017: RM72.6 million). Property, plant and equipment registered an increase of RM1.0 million or 1.6% increase. The increase was mainly attributable to additional capital expenditure spending of RM6.1 million during the financial year and offset by the depreciation and amortisation cost of RM5.3 million. In addition, the properties under development had been reclassified to non-current assets in accordance with the Group's accounting policy.

The reported current assets of the Group amounted to approximately RM192.5 million as at 31 December 2018 (31 December 2017: RM189.1 million). Inventories turnover days (excluding properties under development) as at 31 December 2018 increased to 152 days from 127 days as at last financial year. The high inventories turnover was due to slower than expected consumer demand at year end and the stock up of finished goods for future demand. The turnover days of trade and other receivables remained the same at 73 days for FYE2018 as compared to FYE2017.

The ongoing 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Financial Review (continued)

4.2 Statement of Financial Position (continued)

4.2.1 Assets (continued)

The ongoing 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.

4.2.2 Liabilities

Non-current liabilities increased by RM48,000 or 0.1% to RM35.3 million as at 31 December 2018. This was mainly due to the increase in deferred tax liabilities during the financial year.

The Group's current liabilities as at 31 December 2018 rose by approximately RM9.0 million or 9.2%, to RM106.8 million from RM97.8 million as at 31 December 2017. This was mainly due to the increase in trade and other payables of RM2.4 million coupled with the increase of short-term bank borrowings of approximately RM6.9 million.

During the year, total borrowings increased by about RM6.8 million to RM86.0 million as compared to RM79.2 million in 2017. The turnover days of trade and other payables slightly improved from 83 days to 82 days for FYE2018 in order to maintain good credit standing.

4.2.3 Shareholders' Equity

As at 31 December 2018, the Group had shareholders' equity of approximately RM130.3 million as compared to RM128.6 million as at 31 December 2017, resulting from an increase in retained earnings.

4.3 Cash Flow

During the financial year, the Group's cash and cash equivalents decreased by RM6.5 million to RM25.7 million from RM32.2 million in previous year. The Group's net cash used in operating activities amounted to RM4.7 million, mostly used to stock up inventories. Net cash used in investing activities amounted to RM1.7 million, mainly for the addition of new equipment in the factory and purchase of new property. Net cash used in financing activities of RM0.2 million was due to finance cost of RM4.1 million and dividend payment of RM0.4 million off-set by net drawdown of bank borrowing of RM4.3 million.

4.4 Liquidity and Capital Resources

During the year, the Group's bank borrowings of RM86.0 million as at 31 December 2018 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 0.66 times at the end of 2018 as compared with 0.62 times in the previous year.

The Board approved a capital expenditure of RM14.8 million for FYE2019 mostly for expansion in East Malaysia and investment 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.

4.5 Dividends

Due to capital constraints and competition environment within industry, the Board has decided not to declare dividend for FYE2018 (FYE2017: 1 sen per share).

5. Operations Review

KHIND had experienced another challenging year amid weak retail performance which lagged behind GDP growth rate of 4.7% in 2018. The three-month tax holiday failed to lift the sluggish retail industry and was consistent with the dampened consumer sentiment index as reported by the Malaysian Institute of Economic Research (MIER). According to Retail Group Malaysia, the retail sales growth rate was 3.9% as compared to the same period a year ago, with the supermarket and hypermarket subsector being the worst performer reporting a 5% decline for the year.

The Group recorded revenue of RM348.7 million for FYE2018, representing an increase of 5.3% over the previous year's performance of RM331.1 million. Profit before tax for the year reported an increase of 42.5% to RM4.2 million as compared with the previous year's RM2.9 million, thanks largely to improved sales demand in the local market boosted by the tax holiday.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5. Operations Review (continued)

5.1 Trading Segment

Total revenue for the trading segment increased by 5.8% to RM338.0 million while profit before interest and tax stood at RM11.3 million, improved significantly by 89.5% as compared with the previous year. This was mainly attributed to higher sales generated with improved gross profit margin coupled with lower operating cost as a result of cost reduction and rationalisation exercises.

The improved performance in trading segment was contributed by record sales in the HE division. The surge in sales was led by strong performance in the local subsidiaries mainly due to increased sales during the tax holiday period. However, the Group's IE division suffered marginal decline due to lesser project awarded during the year.

A Short-Lived Boost

Malaysia's consumer sentiment index (CSI) soared to a 21-year high of 132.9 points during the second quarter of 2018, following the 14th General Election and tax holiday which contributed to consumer optimism. Thereafter, the sentiment had suffered two consecutive drops due to shrinking household incomes and rising inflationary expectations.

Improved consumer spending during the tax holiday contributed to a significant 20% increase in KHIND's local sales. The substantial increase also resulted from shifting in our product mix for the East Malaysia market. However, this was mitigated by lacklustre performance in some of the overseas subsidiaries, further exacerbated by strengthening local currency.

During the year, the Group continued to undertake cost saving measures and successfully reduced the administrative expenses. However, tough business environment and intense competition require us to spend more on advertising and promotional expenses and hence the Group did not achieve major success on operational cost reduction. In the meantime, the Group also closely monitor the inventory level and improve cash flow by monetise slow- moving stocks.

Different "Khind" of Product

KHIND offers a wide range of consumer home electrical goods, including appliances for the kitchen, air-cooling equipment, washing machines and home improvement gadgets such as emergency lamps and electrical accessories. The Khind brand is known across the board for its 'value-for-money' products which are both high in quality and deliver good performance.

The emergence of brands from China and stiff competition among brands have prompted us to continuously strive to cost down without compromising quality and safety. KHIND focus on winning the hearts of consumers in Malaysia by offering consumer-centric, innovative products and outstanding after-sales service quality.

Over the last few years, kitchen appliances had overtaken air-moving products as the top contributor to our sales. Our launching of new products includes the Khind automatic multi cooker MC 50D which comes with touch sensor and digital display and offers 20 menus, plus our new generation of Li Ion Battery operated upright vacuum cleaner that is cordless, detachable and bagless. We also launched the latest MIDORI Series comprising the stand mixer, food chopper, electric kettle and thermal pot.

Rebranding of Mistral

Mistral, founded since 1968, is synonymous with being a key player of fan products in Asia. Backed by manufacturing facilities in Malaysia, the company has expanded its product category ranging from fan to shower heater and kitchen appliances that are reasonably priced, reliable and durable for the discerning customer.

Out of the old rises the new, CLASSIC, in a new composition. Today Mistral, a household trusted brand has evolved and setting new standards in performance, functionality and comfort.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5. Operations Review (continued)

5.1 Trading Segment (continued)

Rebranding of Mistral *(continued)*

At the same time, Mistral (Singapore) Pte Ltd created the "M by Mistral" series of products exclusively for its own distribution channel. The company intended to provide fuss free type of appliances with more affordable pricing to complement the busy lifestyle of our customers.

Cushioning the Slowdown

For the IE Division, Khind Electrical (Malaysia) Sdn Bhd reported slow yet steady growth during the year. The company managed to deliver its Ulusoy Electric brand of switchgears and transformers to three large scale solar (LSS) projects.

On the other hand, Khind Systems (Singapore) Pte Ltd suffered decline in sales largely due to slow down encountered in the construction market with less projects. Nevertheless, this was cushioned by our Indonesia subsidiary which successfully clinched a major contract nearing year end to supply our HVLS fans to the train station.

5.2 Manufacturing Segment

Total revenue for the manufacturing division declined by 11.0% to RM69.4 million as compared with the previous financial year, mainly due to the decrease in sales from inter- companies coupled with lower local original equipment manufacturer ("OEM") sales. Profit before interest and tax suffered a significant decrease of 58.4% to RM1.4 million as compared with the previous financial year's RM3.3 million, mainly attributed to lower gross margin as a result of insufficient revenue to cover fixed operating cost.

Auto wire cutting machine


Cycle monitoring system

Sail Through Tough Time

Cost pressure and price war from lower cost competitior continued to exert pressure on our factory's gross margin. During the year, the Company had to continuously cost down to meet customer expectations while the raw material cost escalated due to recovery of crude oil price.

Despite intensifying price competition, our factory was reluctant to compete in pricing but rather provide more customisation in order to fulfill customer needs. Therefore, the company continued to suffer drop in profit margin as a result of loss in revenue due to lower order from our cost-driven customers.

In addition, our factory had reduced labour workforce by 10% during the year through streamlining processes and the use of automated equipment. For instance, cycle monitoring system was used to ensure driver of each production line achieve target cycle time and prevent hiccup in production line, or auto wire cutting machine was purchased to reduce manpower.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

6. 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, Khind Middle East FZE (KME) exposed to political risk in the Middle East and North Africa (MENA) region. In FYE2018, KME contributed 13.0% of the Group's total sales, down from 14.9% in the previous year. The MENA region continues to face an increasing threat of violence and unrest from civil wars and political instability 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 that 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.

7. Prospects and Outlook

Stepping into 2019, the Management has identified several key initiatives to improve the Group's performance, such as effective cashflow management, better inventory control, sales productivity improvement, and reduction of operating expenses. We believe that the Group will be able to weather the slowdown in consumer demand and price competition with the implementation of these key initiatives.

Overall, the Group expects the improvement initiatives will lead us to positive growth in sales performance and improvement in bottom line results.

8. Dividend Policy

The Group does not have any formal dividend policy. Due to capital constraints and competitive environment within industry, the Board has decided not to declare dividend for the year despite profitable 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

Khind Holdings Berhad ("KHIND") has a vision of Delivering Happiness to its Stakeholders by offering value to our stakeholders in the way we operate as a responsible corporate citizen. We are committed to conduct business responsibly by working towards achieving our business goals, giving back to the society and taking care of the environment.

The Board of Directors ("Board") of KHIND is proud to present this Sustainability Statement ("Statement") for KHIND for FYE2018, which addresses the material economic, environmental and social ("EES") matters of the businesses of KHIND and its subsidiaries ("the Group").

This Statement is prepared in the manner prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities") in its Main Market Listing Requirements ("Listing Requirements") and taking into consideration the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits issued by Bursa Securites.

SCOPE

The scope of this Statement considers the Group's key revenue contributors of the Group, which includes the following Strategic Business Units ("SBUs") with a combined revenue contribution of 66% to the Group's revenue in FYE2018:

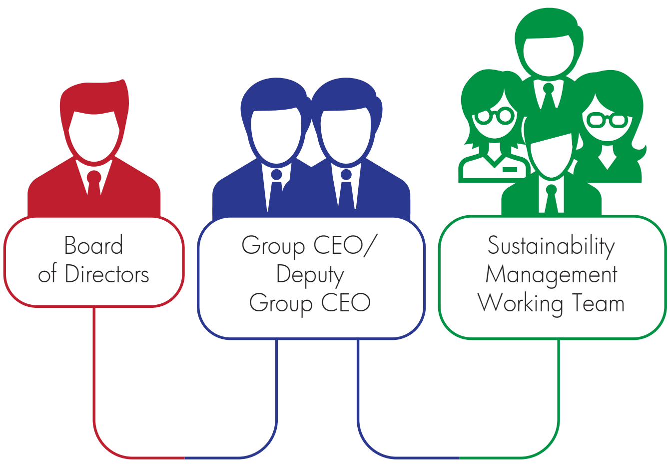
- Khind-Mistral (M) Sdn Bhd;
- Mistral (Singapore) Pte Ltd;
- Mayer Marketing Pte Ltd; and
- Khind-Mistral Industries Sdn Bhd, excluding Khind Middle East FZE.

The scope of this Statement currently focuses on operations in Peninsula Malaysia and Singapore, which includes manufacturing, trading, marketing and customer service activities. As KHIND develops maturity in its sustainability management and reporting process, it will seek to expand the coverage of the Group's sustainability reporting scope.

This Statement is to be read in conjunction with the rest of KHIND's Annual Report 2018.

GOVERNANCE IN SUSTAINABILITY PROCESSES

The Board provides stewardship to ensure the strategic plan of KHIND supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability. In achieving this objective, the Board is supported by the Group Chief Executive Officer ("Group CEO") and the Deputy Group CEO. The Group CEO and Deputy Group CEO oversee the implementation of sustainability strategies approved by the Board as well as the effective management of sustainability matters material to the Group.



KHIND has formed a Sustainability Management Working Team which is led by the Group Chief Operating Officer ("Group COO") and Group Financial Controller ("Group FC") to develop and implement necessary processes to embed sustainability consideration in the Group's business, including overseeing engagement with key stakeholders, identifying material sustainability matters and monitor the effective management of these material sustainability matters on an annual basis. Currently, the Sustainability Management Working Team comprises the Group COO, Group FC, senior representatives of the in-scope SBUs, human resources function and Khind Starfish Foundation.

SUSTAINABILITY STATEMENT (CONTINUED)

MATERIALITY ASSESSMENT

A materiality assessment was conducted with the Sustainability Management Working Team to identify and assess economic, environmental and social matters of the Group's business. The materiality assessment considers material sustainability matters as those which:

- Reflects the Group's significant economic, environmental and social matters; and
- Substantively influence the decisions and assessments of the Group's stakeholders.

The materiality assessment process entails members of the Sustainability Management Working Team identifying sustainability matters relevant to the Group's business and subsequently perform a rating-based assessment on individual sustainability matters. When performing the assessment, we consider how the sustainability matter affects the long-term value of KHIND's business, the impact of KHIND's business and how concerned stakeholders are pertaining to the sustainability matters in question.

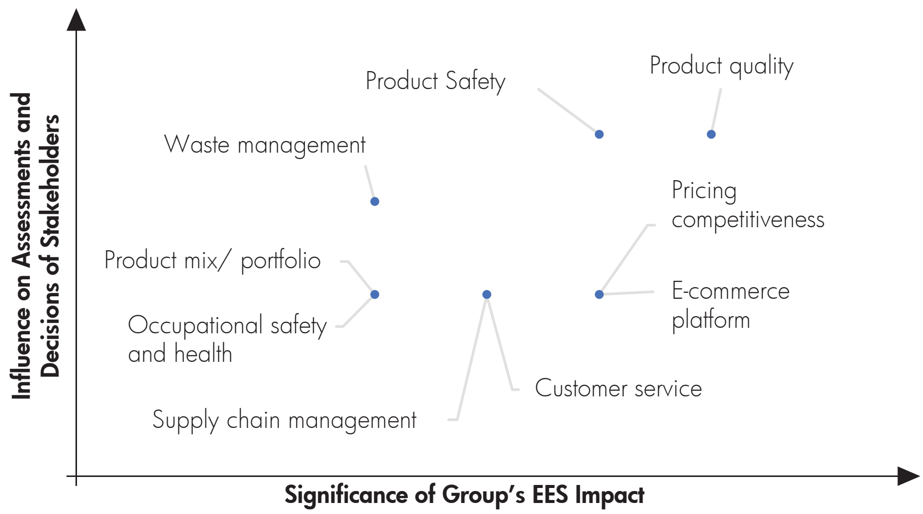
Our stakeholders include, amongst others, our customers and dealers, our employees, our suppliers, our local communities as well as the government agencies, authorities and regulators.

A summary of our key stakeholders, including how we engage with them and the key focus areas of the engagement, is summarised below.

Key Stakeholders	Engagement Method	Key Focus Areas
Customers (including dealers)	• Customer survey • Customer service	• Pricing competitiveness • Product quality • Variety of products • Product availability • Availability of customer service in rural areas
Employees	• Employee survey • Performance appraisals	• Work-life balance • Safe and healthy working environment • Professional development • Competitive remuneration package
Suppliers	• Meeting • Product exhibitions	• Continuous supply of key products • Product quality
Community	• Corporate social responsibility activities	• Contribution to community
Authorities/Regulators	• Meeting • Timely reporting	• Health and Safety • Product certification

MATERIAL SUSTAINABILITY MATTERS

The Group's material sustainability matters, arising from the results of the materiality assessment process, are as follows:



SUSTAINABILITY STATEMENT (CONTINUED)

In this Statement, the material sustainability matters will be discussed in the following sustainability categories:

Sustainability Categories	Material Sustainability Matters
Products and Markets	• Product Mix/ Portfolio • E-commerce Platform
Supply Chain Management	• Supply Chain Management • Pricing Competitiveness
Product Quality and Safety	• Product Quality • Product Safety
Customer Service	• Customer Service
Occupational Safety and Health	• Occupational Safety and Health
Waste Management	• Waste Management

Products and Markets

In our era of fast-paced business environment, it is important for KHIND to ensure it maintains relevance and strategically positions itself in the market with its products and services. This is especially vital in ensuring business sustainability, with the increasing availability of options and brands in the market, including the use of technology in the sales and marketing space.

KHIND sets itself apart from its competitors with its quality range of products, offering its customers value-for-money products and services. KHIND's brand portfolio comprises a combination of in-house brands, i.e. Khind, Mistral and Mayer, and agency brands such as KitchenAid, Honeywell and MacroAir.

KHIND selects its agency brands based on the assessment on, amongst others, product quality, brand reputation and the Group's product offering strategy. When considering inclusion of new agency brands into its portfolio, we carry out due diligence checks, stringent assessments, market surveys and factory site visits.

The Group continues to invest in expanding its e-commerce market by having dedicated resources to focus on developing KHIND's e-commerce segment. The Group forms business partnerships with e-commerce platforms such as Lazada and Shopee to expand its outreach to consumers on the internet.

The Group has also created its own online marketplace in Malaysia at khindonline.com since 2014, portfolio of which currently includes brands such as Khind, Mistral, Honeywell and KitchenAid. The Group also has an online marketing platform at www.mayer.sg which focuses on the Singapore market with the Group's brands of Mayer, Mistral, KitchenAid, etc. Moving forward, the Group will continue to rigorously develop and expand its e-commerce market in enhancing the competitiveness of its brands in the market.

Supply Chain Management

In order to maintain competitiveness in the market, the Group has to ensure orders are fulfilled within the stipulated timeframe, or earlier if possible. The quick turnaround time arises from expectations by customers and consumers who are accustomed with increasingly efficient supply chains made possible by technology advancement.

In this regard, the Group maintains a range of sourcing options for its products, with a balanced mix of sourcing externally from OEM and manufacturing in-house, while maintaining stringent control over the quality of products. By having sources from both in-house and external suppliers, the Group is able to strengthen its supply chain management with added capacity and manages profit margins better.

As suppliers are a key contributor to a successful supply chain management, the Group performs stringent assessment on its suppliers with considerations given to, but not limited to, the supplier's profile and track record, market reputation, timeliness and quality of fulfilment, pricing, and product quality. For the assessment of products procured from external suppliers, sample testing is conducted by the Group Quality Control Department.

In order to maintain competitiveness in the market, it is also important for the Group to ensure operational efficiency of its manufacturing operations. During the financial year under review, the Group has engaged an external consultant to conduct process reviews on its manufacturing operations with the objective of streamlining its processes to enhance operational efficiency.

SUSTAINABILITY STATEMENT (CONTINUED)

Product Quality and Safety

In KHIND, our objective to customers and consumers is to deliver value-for-money and safe products. Commonly, safety risks arising from home appliances include electrical hazards, mechanical hazards and fire hazards. These risks bring potential harm to consumers and may cause injury or even loss of life, apart from loss of assets. Therefore, the Group is uncompromising in its quality assurance and control processes.

The Group has dedicated functions to assess and manage the quality of the Group's products, i.e. Group Quality Assurance Division ("Group QA") and Group Quality Control Department ("Group QC"). Group QA's role is to evaluate new products of the Group and ensure their safety and reliability. This includes testing product safety for electrical hazards, mechanical hazards and fire hazards. Group QA also performs troubleshooting on new products to ensure products are working as intended and reliably.

On the other hand, Group QC is responsible for ensuring quality in the products procured from OEM suppliers. KHIND's Group QC has established a representative office in Foshan City, China, to perform testing on the Group's OEM supplies before the goods are shipped out of China. Similarly, KHIND's Group QC also has dedicated team responsible for the testing of OEM products sourced locally in Malaysia.

Most of KHIND's products are regulated by the Malaysian Energy Commission and these products have obtained the relevant certification from SIRIM before entering the market. As for non-regulated products, product quality and safety are controlled and managed through the Group's quality control process. Similarly, for the Group's products in Singapore, Certificate of Conformity must be obtained for controlled goods before they can be sold in Singapore. The Group has ensured such certifications, where relevant, have been obtained before selling its products in Malaysia and Singapore.

The Group's manufacturing operation is certified with ISO 9001 – Quality Management Systems, and is audited annually by the certification body, SIRIM QAS International.

Committed to provide our customers and consumers with quality products, we provide warranty for our products and have put in resources in warranty program that benefits our customers and consumers. During FYE2018, we have rolled out our e-warranty platform which allows consumers to register and view the details of the warranty of their product purchases online. The e-warranty program aims to expedite the warranty claim process and provide better support to our customers and consumers. The e-warranty platform is accessible at https://khindonline.com/e-warranty/.

We monitor the warranty claims of our products as a measure of our product quality, focusing specifically on our in-house brands. The Group is currently in the process of standardising its approach and processes in collecting warranty claims information across its various geographical presence and various brands.

At the same time, the Group has various communication channels in place through which customers and consumers are able to submit their enquiries, concerns or complaints. These channels include our websites and our customer service centres. Customer/consumer concerns are documented and reviewed for the Group to identify the commonly reported issues for its consideration in quality improvement.

Customer Service

The Group's customer service plays an important role in our product value chain. The Group's products are designed to provide value to our customers and consumers and our products are intended to last for the lifespan they are designed for. As such, the Group views itself responsible to provide support to its customers and consumers in maintaining the usefulness and lifespan of the Group's products where possible.

The Group has a total of ten (10) service centres in Malaysia, including Shah Alam, Malacca, Johor Bahru, Ipoh, Kuantan, Kota Bahru, Bukit Mertajam, Kuching, Miri and Kota Kinabalu, and one (1) centre in Singapore. These service centres provide customer support on matters pertaining to products enquiries, complaints and warranty claims. The Group's service centres provide quality services guided by the Group's standard operating procedures ("SOPs") and generally customers' concerns or issues are resolved within a timeframe from 1 day to 1 week.

In our effort to continuously improve customer service, all of our customer service staff, including technical and non-technical staff, are provided training on an annual basis.

SUSTAINABILITY STATEMENT (CONTINUED)

Occupational Safety and Health

Occupational safety and health is a material sustainability concern for the Group's manufacturing operation as the Group's employees work with machinery and equipment. The manufacturing process exposes employees to hazards such as sharp edges, moving parts, hot surfaces, chemical sprays etc., which may cause employees to suffer from cuts, burns, crushed fingers, or inhalation of chemicals. The impact of occupational safety and health risk may include production down-time, or worse, permanent adverse impact on the livelihood of our employee or even loss of life.

Therefore, the Group takes serious measures in managing occupational safety and health of its employees. The Group's manufacturing operation is governed by a set of established SOPs which includes safety controls. Employees are also required to wear appropriate personal protection equipment such as safety gloves, safety boots, or face masks, depending on the activities they are working on. Before commencing work, all new employees are provided with induction training on proper use of machinery, plant and equipment. The Group has also established a Safety and Health Committee, comprising supervisors of manufacturing operation, to monitor and manage workplace safety and employees' health at the manufacturing operation.

The Group maintains a process for the recording of accidents and incidents, which also serves as an indicator for how well it has managed its occupational safety and health risk. For the financial year under review, the Group recorded 2 accidents at its manufacturing operation. Both were minor accidents and did not result in any serious injury or fatality.

The Group will continuously manage, monitor and review the internal control system addressing occupational safety and health risk to provide a safe work environment to its employees.

Waste Management

The Group's manufacturing operation is a major source of the Group's scheduled wastes, such as spent hydraulic oil, contaminated containers and paint sludge. All scheduled waste generated by the Group's operations are disposed by a vendor who is licensed by the Department of Environment, Malaysia. For the financial year under review, the summary of scheduled waste generated by the Group is as follows:

Description of waste	Amount (Kg) generated	Amount (Kg) disposed by licensed contractor	Amount (Kg) disposed via other methods, including detailed description
Fluorescent tube	1,627	1,627	nil
Spent hydraulic oil	418	418	nil
Spent lubricating oil	108	108	nil
Disposed container	66	66	nil
Contaminated rags	28.2	28.2	nil
Paint sludge	32.4	32.4	nil

Apart from scheduled waste, the Group's operations generate wastes including packaging wastes and scrap metals. Packaging wastes are generated from the purchase of OEM products, which are repackaged and sold under the Group's brands, as well as from the replacement of products or product parts from service centre activities. Packaging wastes include plastics, carton papers and polyfoam. On the other hand, the Group's service centres generate scrap metals, such as scrap aluminium and steel, from maintenance and repair activities.

Packaging waste and scrap metals generated by the Group's operations are sold instead of disposed, providing opportunities for these materials to be reused or recycled. In 2017, the Group invested in a machine which processes polyfoam into polyfoam soap which is a more re-sellable form as compared to the polyfoam generated from operations. Such investment has helped the Group save on disposal cost for polyfoam which is generally more difficult to sell in its original form of different sizes and shapes.

SUSTAINABILITY STATEMENT (CONTINUED)

The following table summarises the Group's key wastes generated from its manufacturing operation and the income generated by selling the wastes:.

Types of waste	Revenue Generated (RM)	
	FYE2017	**FYE2018**
Metal	11,905	10,504
Paper/ Carton	75,515	51,540
Plastic	44,040	35,916
Polyfoam	-*	8,407
Wooden Pallet	5,349	5,411
Others (e.g. toner, etc.)	4,982	6,771
Total	141,791	118,549

Note: *Polyfoam started to contribute income to the Group in FYE2018 subsequent to successful installation of the processing machine in Jan 2018

Wastes generated from the Group's other operations included in the scope of this Statement were also sold for an income amounting to RM5,885 in FYE2017 and RM8,883 in FYE2018. During FYE2018, combined with income from its manufacturing operation, the Group has generated RM127,432 from the sales of wastes generated.

The Group will undertake an exercise to standardise the recording of revenue generated from sales of wastes generated from its various operations, in enabling a consistent reporting process.

Delivering Sustainable Performance

Pursuant to its aim of delivering sustainable performance, KHIND will on an ongoing basis review, assess and manage sustainability risk and opportunities material to the Group, with a view to create and optimise long-term value for KHIND's stakeholders.

SUSTAINABILITY STATEMENT (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Bald & Beautiful 3.0

"Bald & Beautiful 3.0" is a cancer awareness campaign initiated by Khind Starfish Foundation (KSF) where participants shave bald to raise fund. All funds raised were donated entirely to Cancer Research Malaysia (CRM), Sarawak Children's Cancer Society (SCCS), and Kuching Life Care Society (KLCS). This was the third cancer awareness campaign that KSF has organized since 2012.

The cancer awareness & fundraising event carries the slogan "Go Bald. Raise Fund. Spread Love!" As of 6th October 2018, a total of 1650 participants including Khind Group CEO, its management team, collaborators, partners, sponsors, suppliers and members of the public went bald at Eco Ardence Sales Gallery, Shah Alam. A total of RM2.1 million was raised- where RM1.2 million was donated to CRM, RM500,000 was donated KLCS, and RM400,000 was donated to SCCS.

With the tremendous support of many collaborators and partners, eight shaving events were held at various states. They were at Johor, Kuala Terengganu, Kelantan, Malacca, Kuching, Sibu, Labuan and Selangor.

The highlight was the main station and final shaving event held at Eco Ardence Sales Gallery on 6th October 2018. There were three cancer awareness talks shared by prominent speakers on topics "Arts of Living & Dying", "Story of Life", "Cancer Prevention & Cancer that affects Asian". While shaving took place on stage, there was singing performance and story sharing to bring joy to the campaign.

Group photo taken on 6th October 2018 during "Bald & Beautiful 3.0"closing ceremony at Eco Ardence

From left: Rodney Wong, Boh Boon Chiang, Dr. Teo Soo Hwang, Cheng Ping Keat, Hung Sung Huo. Mock cheques handed over to beneficiaries.

From left: Khind Group CEO Cheng Ping Keat and Khind Founder Cheng King Fa

Group photo of "Bald & Beautiful 3.0" partners and Khind colleagues.

SUSTAINABILITY STATEMENT (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES (continued)

Projects for Happiness 2018

"Projects for Happiness" is one of the significant projects initiated by KSF. KSF offers grants to undergraduates to conduct community projects.

The objective of Projects for Happiness is to inculcate the spirit of 'giving back to the community' among undergraduates. We believe that Projects for Happiness can be a catalyst for innovation and entrepreneurship among young undergraduates, where they are able to find creative ways to help the community through better education, and promoting sustainable activities among less-fortunate community within the country.

There are six areas that KSF focuses on, helping the underprivileged community, promotion of arts and culture, education, environmental protection, animal welfare and racial harmony. Each project selected will receive up to a maximum of RM10,000 from KSF to help them kick-start their projects. The amount of grant received depends on the significance of their project.

Cheng Ping Keat (2nd row, from right 3rd) took group photo with Project of the Year"Biosand Filtration for Kg. Singgaron" at UMS Sabah. 2nd row, from right: Razak Aziz, Allan Lumberio, Cheng Ping Keat, Prof. Dr. Coswald Sipaut, Associate Prof. Dr. Nurmin Bolong, and Michael Lim.

Project Hope- rain water harvesting & filtration for SMK Kemabong, Tenom, by UMS students.

During certificate giving ceremony, Cheng Ping Keat (2nd row, left 7th) took group photo with Khind Group director Kamil bin Datuk Hj. Abdul Rahman (2nd row, left 8th), KSF trustee Margaret Soo (2nd row, left 3rd), Projects for Happiness judges, partners, and student leaders.

Biosand water filtration installation for 52 households at Ranau Sabah, by UMS students.

Achievement of Projects of Happiness

From 2014 to 2018, more than 40 tertiary education institutions participated. KSF has implemented 98 social welfare projects in Peninsular Malaysia, Sabah and Sarawak. In 2018 alone, we have implemented 28 projects. Total funding of the Foundation amounted to RM558,892. The sponsorship amount does not include the cost of promotional activities, such as evaluation allowance, evaluation meeting, campus promotion and results exhibition.

PROFILE OF BOARD OF DIRECTORS

CHENG KING FA
Malaysian, Male
Founder/Chairman

Mr Cheng King Fa ("Mr Cheng KF"), aged 80, is the Founder of KHIND, which started out as a small family business 57 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 public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018 ("FYE 2018"). He has no conflict of interest with KHIND and has attended 4 out of 5 meetings of the Board held during FYE 2018. He is the father of Mr Cheng Ping Keat.

Mr Cheng KF 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 58, 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 KHIND 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 KHIND 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 KHIND. He is a Trustee of the Khind Starfish Foundation, established by the Company to carry out corporate responsibility projects and activities of Khind in Malaysia.

He has no convictions for any offence within the past five years and has not been imposed any public sanction or penalty by relevant regulatory bodies during FYE 2018. He has no conflict of interest with KHIND and has attended all five meetings of the Board held during FYE 2018. He is the son of Mr Cheng KF.

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 70, 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 public sanction or penalty by relevant regulatory bodies during FYE2018. He attended all five meetings of the Board held during FYE2018.

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 74, 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 and Remuneration Committee. On 1 March 2011, he became the Chairman of the Nomination and 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. He attended all five meetings of the Board held during FYE 2018 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 72, 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 and 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. He has attended 4 out of 5 meetings of the Board held during FYE 2018 and does not have any conflict of interest with KHIND.

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

PROFILE OF KEY SENIOR MANAGEMENT

BOH BOON CHIANG
Malaysian, Male
Deputy Group Chief Executive Officer

Mr Boh Boon Chiang ("Mr Boh"), aged 56, 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 28 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 public sanction or penalty by relevant regulatory bodies during FYE2018. 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 49, 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 24 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. She has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

PROFILE OF KEY SENIOR MANAGEMENT (CONTINUED)

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

Mr Khoo Guan Kiat ("Mr Khoo"), aged 52, 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 29 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. 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 60, 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. She has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

PROFILE OF KEY SENIOR MANAGEMENT (CONTINUED)

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

Mr Tan Wei Chi ('Mr Albert Tan"), aged 50, 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 26 years' hands 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. 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 52, 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

PROFILE OF KEY SENIOR MANAGEMENT (CONTINUED)

CHAN KENG SUN
Malaysian, Male
General Manager of Khind Alliances Sdn Bhd ('KAS') - Resigned w.e.f 31 January 2019

Mr Chan Keng Sun ("Mr Chan"), aged 53, 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 27 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. 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 59, 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

PROFILE OF KEY SENIOR MANAGEMENT (CONTINUED)

ADIL JIMMY MISTRY
Indian, Male
Group Chief Operating Officer - redesignated w.e.f 1 March 2019
Executive Director of Khind Middle East FZE ("KME") & PT Khind Environmental Solutions ("KES")

Mr Adil Jimmy Mistry ("Mr Adil"), aged 45, was appointed as the Executive Director of KME, a wholly owned subsidiary of KMI, incorporated in United Arab Emirates and KES, a 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 21 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. 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 61, 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 38 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. She has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

PROFILE OF KEY SENIOR MANAGEMENT (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 51, 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 26 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 public sanction or penalty by relevant regulatory bodies during FYE 2018. 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 CHEN MIN
Malaysia, Male
Assistant General Manager of Khind Alliances Sdn Bhd ("KAS")
(General Manager of KAS - redesignation w.e.f 1 April 2019)

Mr Tan Chen Min ("Mr CM Tan"), aged 47, was appointed as a General Manager of KAS with effect from 1 April 2019. His responsibilities include overseeing the operations, day-to-day management and charting the business direction of the company. Prior to his appointment, he was the Assistant General Manager of KAS since 1 Apr 2016 in charge of sales & marketing and distribution of home appliance in local market.

He started his career as a Retail Management Trainee in the Royal Sporting House in 1995 and subsequently he joined Reebok Malaysia in 1997 as a Sales Executive, responsible for local sales distribution. He later moved on to Pacific Gold Coast, responsible for driving sales and distribution of Quicksilver apparel nationwide.

He joined the Group in 1998 as a Sales Executive in the International Trade Division. He was the pioneer within the group to be seconded to Dubai from 2014 to 2017 to establish KME as a full-fledged distribution hub in the Middle East. He has over 21 years of experience in export sales, domestic wholesale and retail industry.

Mr CM Tan graduated with an Advanced Diploma in Business Administration from The Association of Business Executives of London in 1994. He also obtained The Advanced Certificate in International Trade from The Institute of Export in 2002.

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 public sanction or penalty by relevant regulatory bodies during FYE2018. 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 2018 ("FYE2018") and up to the date of this Annual Report.

This statement is to be read together with the Corporate Governance Report 2018 ("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 FYE2018 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 whistleblower 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 2018, 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;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (continued)

10. NRC (continued)

(ii) assessed the independence of the Independent Directors based on criteria set out in the MMLR of Bursa Securities;
(iii) reviewed and recommended the re-election of En Kamil Bin Datuk Hj. Abdul Rahman and Mr Cheng Ping Keat;
(iv) 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;
(v) reviewed the budget for Directors' training and made recommendations to the Board;
(vi) reviewed the 2017 bonus and 2018 remuneration packages for the Executive Chairman and Group CEO and made recommendations to the Board;
(vii) reviewed Directors' fees for FYE2018 and made recommendations to the Board.

On 26 February 2019, 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-Third 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 Lee Ah Lan @ Lee Keok Hooi as Director at the Twenty-Third AGM.

With regards to En Kamil Bin Datuk Hj. Abdul Rahman and Mr Wong Chin Mun who have served on the Board for more than nine (9) years, the Board proposes to retain their status as Independent Directors 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) both Directors have a strong understanding of the Group's corporate history and business operations;
(c) both are independent in character and judgment and free from any relationships or circumstances which are likely to affect or could appear to affect their judgment. They do not have any business dealings with the Group;
(d) En.Kamil Bin Datuk Hj. Abdul Rahman's area of expertise is in corporate governance, corporate finance and risk management, whereas Mr Wong Chin Mun has vast experience in mentoring entrepreneurs and coaching executives;
(e) both participate actively in Board and Committee meetings, giving their views in a constructive manner and bringing an element of objectivity to decision-making;
(f) both attended all Board, AC and NRC meetings held in 2018 and devoted sufficient time to the Company; and
(g) they have exercised due care in carrying out their 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. Mr Cheng King Fa who is due for retirement by rotation at the Twenty-Third AGM has informed that he will not be seeking re-election. Mr Cheng King Fa will retire as Director of the Company upon the conclusion of the Twenty-Third AGM.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (CONTINUED)

12. Time Commitment (continued)

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	27/02/2018	28/05/2018	28/08/2018	23/11/2018	12/12/2018	Total
Mr. Cheng King Fa	√	√	√		√	4/5
Mr. Cheng Ping Keat	√	√	√	√	√	5/5
En. Kamil Bin Datuk Hj. Abdul Rahman	√	√	√	√	√	5/5
Mr. Lee Ah Lan @ Lee Keok Hooi	√	√	√		√	4/5
Mr. Wong Chin Mun	√	√	√	√	√	5/5

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 FYE2018 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 2018 are as follows:

Name of Director	Course Title/Training Attended	Date
Cheng King Fa	• 14th Tricor Tax Seminar 2018	14 November 2018
Cheng Ping Keat	• United Nation's Sustainable Development Goals by Norani Bt Abu Bakar, UCSI University • Asian Mega Trends by Foong Wai Fong, Vistage Group • Vistage Chair Development Workshop by Lance Descourouez	15 December 2018 25 May 2018 29 & 30 November 2018
Kamil Bin Datuk Hj. Abdul Rahman	• Malaysian Code on Corporate Governance 2017 by Ch'ng Boon Huat • Annual Conference 2018 by Malaysian Institute of Chartered Secretaries and Administrators • Company Valuation Modeling by Malaysian Institute of Accountants • Key Disclosure Obligations of Listed Company by Malaysian Institute of Accountants • Mergers and Acquisitions by KL Business & Legal Institute • International Conference by Malaysian Institute of Accountants • Bursa Malaysia Technical Briefing by Bursa Malaysia	24 January 2018 10 - 11 July 2018 9 August 2018 4 September 2018 13 September 2018 9 - 10 October 2018 26 October 2018
Wong Chin Mun	• The Leader's Voice - Motivating and Influencing Audience by Mr Richard La Faber, Professional Motivational Speaker • Challenging New Heights of Horizon - Exploring Everest Base Camp, Arctic and Antarctica by En. Yusuf Hashim, Trans-Continental Explorer Photographer • Vistage CEO Summit - i. Can We Reverse Cancer? by Prof Dr Teo Soon-Hwang, CEO of Cancer Research Malaysia	23 March 2018 25 May 2018 3 August 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EEFECTIVENESS (CONTINUED)

13. Professional development of Directors (continued)

Name of Director	Course Title/Training Attended	Date
Wong Chin Mun (continued)	• Vistage CEO Summit - (continued) ii. CEO Transformation Journey by CEO from Scientex Bhd, Rhone Ma Holding Bhd, JF Technology Bhd & Elsoft Research Bhd, Rhombus Connexion Sdn Bhd, Medispec (M) Sdn Bhd	
	• Digital Free Trade Zone (DFTZ) "What's in it for you?" by Ms Caroline Fung certified trainer by E-bay, SEA and Malaysia Digital Economy Corporation & Mr Prasad Babu, Head eCommerce Ecosystem Enrichment Depart (MDEC)	17 August 2018
	• Managing Generation Y & Z in your Organisation by Dr Lee Kar Ling, PhD in Human Resource Management	12 October 2018
Lee Ah Lan @ Lee Keok Hooi	• 14th Tricor Tax Seminar 2018	14 November 2018

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 FYE2018 are as follows:-

Directors' Remuneration & Benefit-in-Kind						
Company	**Fees RM**	**Salaries and allowances RM**	**Bonus RM**	**EPF Employer RM**	**Benefit-in-Kind RM**	**Grand Total RM**
Directors						
Executive Directors						
Mr. Cheng King Fa	-	511,349	24,900	88,893	24,725	649,867
Mr. Cheng Ping Keat	-	897,403	39,600	167,124	40,225	1,144,352
Non-Executive Directors						
En. Kamil Bin Datuk Hj. Abdul Rahman	84,000	9,000	-	-	4,000	97,000
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	1,427,752	64,500	256,017	74,950	2,075,219
Group						
Directors						
Executive Directors						
Mr. Cheng King Fa	-	511,349	24,900	88,893	24,725	649,867
Mr. Cheng Ping Keat	-	897,403	39,600	167,124	40,225	1,144,352
Non-Executive Directors						
En. Kamil Bin Datuk Hj. Abdul Rahman	84,000	9,000	-	-	4,000	97,000
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	1,427,752	64,500	256,017	74,950	2,075,219

The aggregate remuneration (including salaries, bonus, allowances, benefits-in-kind or other emoluments) paid to the top 5 Senior Key Management members for FYE2018 was RM3,942,835.00. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

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 26 February 2019, 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-Third 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

4. Risk Management and Internal Control Framework (continued)

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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

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-Third 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 2019.

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-Second 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 2018 are as follows:-

	Company (RM)	Group (RM)
Audit fees	34,000	347,811
Non-Audit fees	5,000	15,469
Total	39,000	363,280

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 2018, 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 encounteredby 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 ("Group CEO"), Deputy Group Chief Executive Officer ("Deputy Group CEO") and Group Financial Controller ("Group FC") 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 CEO and Deputy Group CEO, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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.

- **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 CEO and Deputy Group CEO 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 2018. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control in Annual Report 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. AAPG 3 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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 2019.

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 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, Group 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 2018	
Members	Total number of meetings attended by AC Members
Kamil bin Datuk Hj. Abdul Rahman (Chairman) - Senior Independent Non-Executive Director	4/4
Wong Chin Mun - Independent Non-Executive Director	4/4
Lee Ah Lan @ Lee Keok Hooi - Independent Non-Executive Director	3/4

2. TERMS OF REFERENCE OF THE AC

The Terms of Reference of the AC is available on the Company's website, www.khind.com. 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;
- Reviewed the Audited Financial Statements prior to approval by the Board.

External Audit

- Reviewed the final audit findings for the year ended 31 December 2018 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 Malaysia without the presence of the Executive Directors and Management team;
- Reviewed 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 2018;
- Reviewed and discussed the areas of audit focus with Messrs RSM Malaysia.

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 2019 presented by Internal Auditors.

AUDIT COMMITTEE REPORT (CONTINUED)

3. WORK OF THE AC (continued)

Others

- Reviewed fraud risk management;
- Reviewed the Corporate Governance Overview Statement, Corporate Governance Report, AC Report, Executive Chairman and Group Chief Executive Officer's Joint Statement, Management Discussion and Analysis, Statement on Risk Management and Internal Control and Sustainability Statement 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 2018.

During the financial year ended 31 December 2018, the Internal Auditors have carried out reviews on the following business processes:-

o High Level Corporate Governance Review and Group Human Resource (Hire to Retire) for Khind Holdings Berhad;
o Inventory Management and Follow-up on Revenue and Credit Control Management for Khind-Mistral (M) Sdn Bhd;
o Operations Review for Khind Alliances Sdn Bhd;
o Revenue and Credit Control Management and Follow-up on Inventory Management and Sales Management (POS System) by Mayer Marketing Pte Ltd.

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 26 February 2019, 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 2018 amounted to RM76,000.

FINANCIAL STATEMENTS

Directors' report

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 2018.

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 11 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	1,578	994
Non-controlling interest	33	-
	1,611	994

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

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

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 OF THE COMPANY

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

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

DIRECTORS OF THE SUBSIDIARIES

The directors of the Company's subsidiaries who held office during the financial year until the date of this report, excluding those who are already listed above are:-

Adil Jimmy Mistry
Boh Boon Chiang
Chong Yen Hong
Cheng Yoke Kan
Khoo Guan Kiat
Kriswanto Sanjaya Santoso
Mok Lai Fun Aida
Wong Lai Peng

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 2018 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			
	At 1.1.2018	Acquired	(Disposed)	At 31.12.2018
THE COMPANY				
Direct interest				
Cheng King Fa	1,940,601	284,000	-	2,224,601
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.

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'000	Company RM'000
Directors and officers	36,010	36,010

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

Directors' report (CONTINUED)

SUBSIDIARY COMPANIES

The details of the Company's subsidiaries are disclosed in Note 11 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 2019

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	63,729	62,738	623	723
Prepaid lease payments	7	1,306	1,504	-	-
Investment property	8	2,719	2,781	2,719	2,781
Intangible assets	9	3,953	3,786	433	446
Inventories	10	6,336	-	-	-
Investments in subsidiaries	11	-	-	32,456	32,456
Deferred tax assets	12	2,014	1,807	-	-
Total non-current assets		80,057	72,616	36,231	36,406
Current assets					
Inventories	10	91,250	81,978	-	-
Other investments	13	1,011	2,767	616	2,254
Current tax assets		2,563	3,424	4	3
Trade and other receivables	14	69,640	66,321	40,471	36,406
Cash and cash equivalents	15	28,006	34,656	1,635	2,954
Total current assets		192,470	189,146	42,726	41,617
TOTAL ASSETS		272,527	261,762	78,957	78,023
EQUITY					
Share capital	16	40,059	40,059	40,059	40,059
Translation reserve	16	7,552	7,412	-	-
Retained earnings		82,713	81,135	29,535	28,541
		130,324	128,606	69,594	68,600
Non-controlling interest		133	100	-	-
TOTAL EQUITY		130,457	128,706	69,594	68,600
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	12	2,353	2,169	-	-
Loans and borrowings	17	32,962	33,098	7,041	7,210
Total non-current liabilities		35,315	35,267	7,041	7,210
Current liabilities					
Loans and borrowings	17	53,013	46,098	632	547
Trade and other payables	18	53,669	51,317	1,690	1,666
Current tax liabilities		73	374	-	-
Total current liabilities		106,755	97,789	2,322	2,213
Total liabilities		142,070	133,056	9,363	9,423
TOTAL EQUITY AND LIABILITIES		272,527	261,762	78,957	78,023

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 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	19	348,698	331,080	11,073	12,004
Cost of sales		(237,869)	(226,319)	-	-
Gross profit		110,829	104,761	11,073	12,004
Other income		2,270	3,173	3	218
Distribution expenses		(70,437)	(64,354)	-	-
Administrative expenses		(31,066)	(34,368)	(9,782)	(10,496)
Other expenses		(3,635)	(2,862)	-	-
Results from operating activities		7,961	6,350	1,294	1,726
Finance income	20	245	199	84	73
Finance costs	21	(4,051)	(3,633)	(384)	(370)
Profit before taxation		4,155	2,916	994	1,429
Taxation	22	(2,544)	(1,541)	-	-
Profit for the financial year	23	1,611	1,375	994	1,429
Attributable to:					
Owners of the Company		1,578	1,593	994	1,429
Non-controlling interest		33	(218)	-	-
		1,611	1,375	994	1,429
Profit for the financial year	23	1,578	1,593	994	1 ,429
Other comprehensive income/(expense), net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		140	(1,772)	-	-
Other comprehensive income/(expense) for the year, net of tax		140	(1,772)	-	-
Total comprehensive income/(expense) for the financial year		1,718	(179)	944	1,429
Total comprehensive income/(expense) Attributable to:					
Owners of the Company		1,685	39	994	1,429
Non-controlling interest		33	(218)	-	-
		1,718	(179)	994	1.429
Basic and diluted earnings per ordinary share (sen) - from continuing operations	24	3.94	3.98		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		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 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/ 1 January 2018		40,059	7,412	81,135	128,606	100	128,706
Foreign currency translation differences for foreign operations		-	140	-	140	-	140
Total other comprehensive income for the financial year		-	140	-	140	-	140
Profit for the financial year		-	-	1,578	1,578	33	1,611
Total comprehensive income for the financial year		-	140	1,578	1,718	33	1,751
Balance as at 31 December 2018		40,059	7,552	82,713	130,324	133	130,457

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		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 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 2017/1 January 2018		40,059	28,541	68,600
Profit and total comprehensive income for the financial year		-	994	994
Balance as at 31 December 2018		40,059	29,535	69,594

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		4,155	2,916	994	1,429
Adjustments for:					
Amortisation of intangible assets	9	91	68	53	39
Amortisation of prepaid lease payment	7	198	198	-	-
Bad debts recovered	23	(6)	(40)	-	-
Bad debts written off	23	25	59	-	-
Depreciation of investment property	8	62	62	62	62
Depreciation of property, plant and equipment	6	5,058	5,088	240	242
Dividends received from subsidiaries	19	-	-	(3,845)	(3,970)
Dividends received from other investments	23	(7)	(17)	-	-
Finance income	20	(245)	(199)	(84)	(73)
Finance costs	21	4,051	3,633	384	370
Impairment loss on trade and other receivables (net)		18	135	-	-
Net fair value loss/(gain) on financial assets	23	104	(196)	129	(195)
Net gain on disposal of property, plant and equipment	23	(26)	(13)	-	-
Net gain on disposal of other investment	23	-	(3)	-	-
Provision for warranties	18	170	268	-	-
Reversal of written down of inventories	10	(869)	(1,021)	-	-
Reversal of provision for warranties	18	(106)	(134)	-	-
Unrealised foreign exchange (gain)/loss	23	(5)	460	-	208
Write-down of inventories	10	284	725	-	-
Operating profit/(loss) before working capital changes		12,952	11,989	(2,067)	(1,888)
(Increase)/Decrease in inventories		(15,023)	1,865	-	-
(Increase)/Decrease in trade and other receivables		(3,351)	5,367	192	281
Increase/(Decrease) in trade and other payables		2,689	(7,562)	(153)	(146)
Cash (used in)/generated from operations		(2,733)	11,659	(2,028)	(1,753)
Tax refund		211	503	-	-
Tax paid		(2,218)	(3,219)	(1)	-
Net cash (used in)/generated from operating activities		(4,740)	8,943	(2,029)	(1,753)

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of intangible assets	9	(258)	(456)	(40)	(429)
Acquisition of property, plant and equipment	(a)	(3,449)	(4,510)	(24)	(121)
Acquisition of other investments		(24)	(1,318)	(17)	(1,306)
Additional investment in subsidiaries		-	-	-	(508)
Advances to subsidiaries		-	-	(3,679)	(1,511)
Dividends received from subsidiaries	19	-	-	3,845	3,970
Dividends received from other investments	23	7	17	-	-
Interest received		245	199	84	73
Proceeds from disposal of property, plant and equipment		61	14	-	-
Proceeds from disposal of other investments		1,676	747	1,526	500
Net cash (used in)/generated from investing activities		(1,742)	(5,307)	1,695	668
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to owners of the Company	25	(401)	-	(401)	-
Issue of shares by a subsidiary to non-controlling interest		-	318	-	-
Drawndown/(Repayment) of bank borrowings		5,182	(137)	(13)	(350)
Interest paid		(4,051)	(3,633)	(384)	(370)
Repayment of finance lease liabilities		(872)	(815)	(187)	(62)
Net cash used in financing activities		(142)	(4,267)	(985)	(782)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,624)	(631)	(1,319)	(1,867)
Effect of foreign exchange rate changes		117	(1,871)	-	(208)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		32,215	34,717	2,954	5,029
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 15)		25,708	32,215	1,635	2,954

NOTE TO THE STATEMENTS OF CASH FLOWS

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash	3,449	4,510	24	121
Term loans	1,602	2,305	-	-
	5,051	6,815	24	121
Finance lease	1,036	765	116	447
	6,087	7,580	140	568

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

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACITIVITIES

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 11 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 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 acquisition 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

(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 a 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 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

(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 2011 (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

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Group and the Company assess whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group and the Company become a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group and the Company do not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(ii) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial assets, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(iii) Regular-way purchases and sales of financial assets

The Group and the Company recognise a regular-way purchase or sale of a quoted equity or debt instrument at trade date, which is the date the purchase or sale transaction is entered into, rather than recognising the forward contract between trade date and settlement date.

(iv) Financial assets

For the purpose of subsequent measurement, the Group and the Company classify financial assets into two measurement categories, namely: (i) financial asset at amortised cost ("AC") and (ii) financial assets at fair value through profit or loss ("FVPL"). The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measure financial assets, as:

(i) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(ii) Financial asset at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

Other than financial assets measured at fair value through profit or loss, all financial assets are subject to review for impairment in accordance with Note (d)(viii).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(v) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at amortised cost using the effective interest method.

(vi) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note (u).

(vii) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

(viii) Impairment of financial assets

The Group and the Company apply the expected credit loss model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost. Except for trade receivables, a 12-month expected credit loss is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime expected credit loss is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company have availed the exception to the 12-month ECL requirement to recognise only lifetime expected credit losses.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month expected credit loss is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increase significantly if payments are more than 30 days past due if no other borrower-specific information is available without undue cost or effort.

The expected credit loss (ECL) is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

For trade receivable, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 lands	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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets (continued)

(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 a property which is 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) Land held for property development

Land held for property development is stated at cost less impairment losses, if any. Such land is classified as non-current inventory when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is reclassified as contract asset at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

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 of non-financial assets

(i) Impairment of property, plant and equipment and of intangible assets with finite useful lives

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(ii) Impairment of goodwill and of intangible assets with an indefinite useful life

Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment is not reversed in any circumstances.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Equity instruments (continued)

(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

The Group's and the Company's revenue comprises sales of goods, services rendered, management fees, rental income, and dividend received.

(i) Revenue from contracts with customers

Revenue recognition of the Group and the Company is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company apply revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The following describes the performance obligations in contracts with customers:

(i) Sales of goods

Revenue from a sale of goods is recognised at a point in time when control of the goods is passed to the customer, which is the point in time when the significant risks and rewards are transferred to the customer and the transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(i) Sales of goods (continued)

The Group measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of returns and allowances, trade discounts and volume rebates given to the customer.

(ii) Services

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

(iii) Management fees

Management fees are recognised when services are rendered.

(ii) 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.

(iii) 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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 and the Company 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 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*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (continued)

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (continued)

Material impacts of initial application of an accounting standard, an amendment or an interpretation, are disclosed below:

a) MFRS 15 *Revenue from Contracts with Customers*

The core principle of this new MFRS is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identifying the contract with a customer;
(ii) identifying the performance obligations in the contract;
(iii) determining the transaction price;
(iv) allocating the transaction price to the separate performance obligations in the contract; and
(v) recognising revenue when (or as) the entity satisfies a performance obligation.

Revenue for a performance obligation is recognised in profit or loss when, or as, the entity transfers control of asset (ie. the good or service), to the customer. MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, timing and uncertainty of revenue and cash flows from contracts with customers.

Other than the enhanced new disclosures about contracts with customers, which the Group has complied with in the current year, the adoption of this new MFRS has no effect on the Group's financial position or results.

The amendments to MFRS 15 are to clarify certain aspects of MFRS 15 to make them easier for reporting entities to apply the requirements of the new Revenue Standard. In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

b) MFRS 9 *Financial Instruments (2014)*

For the purpose of subsequent measurement, the Group and the Company classify financial assets into two measurement categories, namely:

(i) financial assets at amortised cost; and
(ii) financial assets at fair value through profit or loss.

The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measure financial assets, as follow:

(i) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(ii) Financial asset at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (continued)

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (continued)

b) MFRS 9 *Financial Instruments (2014)* (continued)

After initial recognition, the Group and the Company measure financial assets, as follow:

MFRS 9 also introduces a new impairment methodology for financial assets, lease receivables and contract assets subject to impairment requirements and a new hedged accounting model. It uses a single forward-looking expected credit loss model that requires a 12-month expected credit loss be provided on initial recognition of a financial instrument, and if, and only if, there has been a significant deterioration in the credit risk after initial recognition, a lifetime expected credit loss shall be recognised. Also, the new hedge accounting model has been aligned to an entity's business model for managing financial risk, with eligible qualifying hedged items being extended to cover hedges of non-financial items.

The date of initial application of MFRS 9 is 1 January 2018. The effects of the adoption are discussed below:

Changes in measurement categories

The original measurement categories of the Group's and the Company's financial assets and financial liabilities have been changed to conform with the new measurement categories, as follows:

	Original measurement category in MFRS 139	New measurement category in MFRS 9
Financial Assets		
Trade and other receivables	Loans & receivables	Financial assets at AC
Cash and cash equivalents	Loans & receivables	Financial assets at AC

Classification basis and reasons

The classification of loans and receivables under MFRS 139 have been changed to financial assets measured at amortised cost model because MFRS 9 no longer has the former measurement categories. The measurement basis for such instruments at amortised cost effective interest method is retained because the Group's and the Company's business model objective for such financial assets is to collect contractual cash flows of interest and principal and the instruments have these contractual cash flow characteristics.

For financial assets at FVPL and financial liabilities, the Group and the Company did not change the measurement categories because the requirements in MFRS 9 are substantially similar to those in the former MFRS 139.

Changes in carrying amount

There are no changes in the carrying amounts of the Group's and the Company's financial assets following the adoption of MFRS 9.

c) Other new and revised MFRS

The adoption of the other new and revised accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and the Company.

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

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 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 for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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:

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) Loss allowances of financial assets

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results.

(c) Determining the value in use

The Group allocates goodwill to cash-generating units for the purpose of impairment testing. In determining the value-in-use of a cash-generating unit, management uses reasonable and supportable inputs about sales, cost of sales and other expenses based upon past experience, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate. The actual outcome or event may not coincide with the inputs or assumptions and the discount rate applied in the measurement, and this may have a significant effect on the Group's financial position and results.

(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 wholly 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 10).

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Classification of financial assets

The Group and the Company use its business model objectives as a basis to classify financial assets for subsequent measurements. The objectives of the Group and the Company in managing investments in equity and debt instruments include those held for trading, managing for fair value changes and managing to collect contractual cash flows that are solely payments of principal and interest on principal. Management uses its judgement to determine the classification of each investment at the date of purchase on the basis of the Group's and the Company's business model objectives. Investment in the same debt or equity instruments need not necessarily be classified in the same category for subsequent measurement.

(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 economic 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

	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
Group										
Cost										
At 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/ 1 January 2018	2,352	13,173	42,980	7,861	14,042	16,806	7,754	10,204	345	115,517
Additions	-	2,540	-	551	1,079	666	538	694	19	6,087
Disposals	-	-	-	-	(30)	(1,519)	(145)	(161)	-	(1,855)
Effect of movements in exchange rates	-	-	22	-	-	1	(1)	(14)	-	8
At 31 December 2018	2,352	15,713	43,002	8,412	15,091	15,954	8,146	10,723	364	119,757
Accumulated depreciation										
At 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 January 2018	-	1,709	9,670	5,816	8,524	13,118	6,323	7,619	-	52,779
Depreciation for the year	-	296	880	394	1,010	1,092	635	751	-	5,058
Disposals	-	-	-	(30)	-	(1,527)	(102)	(161)	-	(1,820)
Effect of movements in exchange rates	-	-	26	-	-	21	(29)	(7)	-	11
At 31 December 2018	-	2,005	10,576	6,180	9,534	12,704	6,827	8,202	-	56,028
Carrying amounts										
At 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/ 1 January 2018	2,352	11,464	33,310	2,045	5,518	3,688	1,431	2,585	345	62,738
At 31 December 2018	2,352	13,708	32,426	2,232	5,557	3,250	1,319	2,521	364	63,729

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Company				
Cost				
At 1 January 2017	1,451	306	496	2,253
Additions	568	-	-	568
At 31 December 2017/1 January 2018	2,019	306	496	2,821
Additions	140	-	-	140
At 31 December 2018	2,159	306	496	2,961
Accumulated depreciation				
At 1 January 2017	1,171	197	488	1,856
Depreciation for the year	178	61	3	242
At 31 December 2017/1 January 2018	1,349	258	491	2,098
Depreciation for the year	198	39	3	240
At 31 December 2018	1,547	297	494	2,338
Carrying amounts				
At 1 January 2017	280	109	8	397
At 31 December 2017/1 January 2018	670	48	5	723
At 31 December 2018	612	9	2	623

(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 RM411,277 (2017: RM419,530) belonging to a subsidiary is in the process of being registered in the name of the subsidiary.

(b) Security

At 31 December 2018, freehold land, leasehold lands and office buildings of the Group with a carrying amount of RM2,352,000, RM4,440,372 and RM27,396,226 (2017: RM2,352,000, RM4,555,210 and RM25,496,560) 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 RM3,373,787 (2017: RM2,984,586).

(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

	RM'000
Group	
Leasehold land with unexpired period less than 50 years	
Cost	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	2,975
Accumulated amortisation	
At 1 January 2017	1,273
Amortisation for the year	198
At 31 December 2017/1 January 2018	1,471
Amortisation for the year	198
At 31 December 2018	1,669
Carrying amounts	
At 1 January 2017	1,702
At 31 December 2017/1 January 2018	1,504
At 31 December 2018	1,306

8. INVESTMENT PROPERTY

	RM'000
Group and Company	
Cost	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	3,090
Accumulated depreciation	
At 1 January 2017	247
Depreciation for the year	62
At 31 December 2017/1 January 2018	309
Depreciation for the year	62
At 31 December 2018	371
Carrying amounts	
At 1 January 2017	2,843
At 31 December 2017/1 January 2018	2,781
At 31 December 2018	2,719

Investment property of the Group and of the Company amounting to RM2,719,000 (2017: RM2,781,000) 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:

	2018 RM'000	2017 RM'000
Group and Company		
Rental income	60	15
Direct operating expenses:		
• income generating investment property	13	13

Fair value information

Fair value of investment property is categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company				
2018				
Land and building	-	-	3,827	3,827
2017				
Land and building	-	-	5,106	5,106

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 (RM383)	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

	Goodwill RM'000	Patents and trademarks RM'000	Total RM'000
Group			
Cost			
At 1 January 2017	3,826	1,472	5,298
Additions	-	456	456
At 31 December 2017/1 January 2018	3,826	1,928	5,754
Additions	-	258	258
At 31 December 2018	3,826	2,186	6,012
Accumulated amortisation			
At 1 January 2017	-	1,223	1,223
Amortisation for the year	-	68	68
At 31 December 2017/1 January 2018	-	1,291	1,291
Amortisation for the year	-	91	91
At 31 December 2018	-	1,382	1,382
Accumulated impairment loss			
At 31 December 2017/1 January 2018/31 December 2018	677	-	677
Carrying amounts			
At 1 January 2017	3,149	249	3,398
At 31 December 2017/1 January 2018	3,149	637	3,786
At 31 December 2018	3,149	804	3,953

(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 (2017: 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 3.7% (2017: 5.00%) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS (continued)

	Patents and trademarks RM'000
Company	
Cost	
At 1 January 2017	1,100
Additions	429
At 31 December 2017/1 January 2018	1,529
Additions	40
At 31 December 2018	1,569
Accumulated amortisation	
At 1 January 2017	1,044
Amortisation for the year	39
At 31 December 2017/1 January 2018	1,083
Amortisation for the year	53
At 31 December 2018	1,136
Carrying amounts	
At 1 January 2017	56
At 31 December 2017/1 January 2018	446
At 31 December 2018	433

10. INVENTORIES

	Note	2018 RM'000	2017 RM'000
Group			
Non-current			
Properties under development	(a)	6,336	-
Current			
Properties under development	(a)	-	6,292
Raw materials		8,215	7,522
Work-in-progress		439	537
Manufactured inventories		82,596	67,627
		91,250	81,978
Recognised in profit or loss:			
Inventories recognised as cost of sales		218,428	216,515
Write-down to net realisable value		284	725
Reversal of write-down		(869)	(1,021)

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

NOTES TO THE FINANCIAL STATEMENTS

10. INVENTORIES (continued)

(a) Properties under development

Properties under development consists of the following:

	Note	2018 RM'000	2017 RM'000
Group			
Land costs	(i)	5,489	5,489
Construction costs incurred		847	803
		6,336	6,292

(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).

In the financial year 2018, the management has decided to defer the development work on the land, and as a result, the properties under development had been reclassified to non-current assets in accordance with the Group's accounting policy (see Note 3(i)).

11. INVESTMENTS IN SUBSIDIARIES

	2018 RM'000	2017 RM'000
Company		
At cost	39,223	39,223
Unquoted shares	(6,767)	(6,767)
Accumulated impairment loss	32,456	32,456

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 2018 %	Effective ownership interest and voting interest 2017 %
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
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

11. INVESTMENTS IN SUBSIDIARIES (continued)

Details of subsidiaries are as follows: (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
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	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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment	614	545	(3,040)	(3,042)	(2,426)	(2,497)
Provisions	2,074	1,859	-	-	2,074	1,859
Tax loss carry-forwards	-	171	-	-	-	171
Unutilised capital allowance carry-forwards	81	219	-	-	81	219
Others	-	-	(68)	(114)	(68)	(114)
Tax assets/(liabilities)	2,769	2,794	(3,108)	(3,156)	(339)	(362)
Set off of tax	(755)	(987)	755	987	-	-
Net tax assets/(liabilities)	2,014	1,807	(2,353)	(2,169)	(339)	(362)

Unrecognised deferred tax assets

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

	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deductible temporary differences	(10,886)	(12,048)	(7,102)	(7,094)
Tax loss carry-forwards	(27,122)	(27,969)	(11,628)	(11,073)
Unutilised capital allowance carry-forwards	(2,183)	(2,516)	(1,820)	(2,202)
	(40,191)	(42,533)	(20,550)	(20,369)
Tax at 24% (2017: 24%)	9,646	10,208	4,932	4,889

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.

With effect from year of assessment ("YA") 2019, tax loss carry forwards of the Company and subsidiaries in Malaysia is allowed to only be carried forward from YA 2018 for utilisation up to 7 consecutive YAs until YA 2025. The Group has tax is loss carry-forwards of approximately RM27,121,000 which expires in YA 2025.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Movement in temporary differences during the year

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2018 RM'000
Group					
Property, plant and equipment	(2,436)	(61)	(2,497)	71	(2,426)
Provisions	3,089	(1,230)	1,859	215	2,074
Tax loss carry-forwards	326	(155)	171	(171)	-
Unutilised capital allowances carry-forwards	4	215	219	(138)	81
Others	(114)	-	(114)	46	(68)
	869	(1,231)	(362)	23	(339)

13. OTHER INVESTMENTS

	Shares quoted in Malaysia RM'000	Trust funds RM'000	Mutual funds RM'000	Total RM'000
Group				
2018				
Current				
Financial assets at fair value through profit or loss	221	616	174	1,011
Market value of quoted investments	221	616	174	1,011
2017				
Current				
Financial assets at fair value through profit or loss	195	944	1,628	2,767
Market value of quoted investments	195	944	1,628	2,767
Company				
2018				
Current				
Financial assets at fair value through profit or loss	-	616	-	616
Market value of quoted investments	-	616	-	616
2017				
Current				
Financial assets at fair value through profit or loss	-	944	1,310	2,254
Market value of quoted investments	-	944	1,310	2,254

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade receivables		65,004	61,469	-	-
Less: Allowance for impairment loss		(3,981)	(4,206)	-	-
		61,023	57,263	-	-
Non-trade					
Amount due from subsidiaries		-	-	49,868	45,611
Less: Allowance for impairment loss		-	-	(9,621)	(9,621)
	(a)	-	-	40,247	35,990
Other receivables	(b)	6,467	6,234	28	39
Deposits		1,100	1,470	13	13
Prepayments		1,050	1,354	183	364
		8,617	9,058	224	416
		69,640	66,321	40,471	36,406

(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 RM750,000 (2017: RM750,000) are subject to interest at 4.57% (2017:4.57%) per annum.

(b) Other receivables

Included in other receivables of the Group is an amount of RM3,858,276 (2017: RM4,512,804) being advances paid for the purchases of inventories.

15. CASH AND CASH EQUIVALENTS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash and bank balances	22,936	30,112	1,220	1,945
Deposits placed with licensed banks	5,070	4,544	415	1,009
Balance as stated in the Statements of Financial Position	28,006	34,656	1,635	2,954
Secured bank overdrafts	(299)	(299)	-	-
Unsecured bank overdrafts	(1,999)	(2,142)	-	-
Balance for Statements of Cash Flows purposes	25,708	32,215	1,635	2,954

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. SHARE CAPITAL

	Number of shares	Amount	Number of shares	Amount
	2018 '000	2018 RM'000	2017 '000	2017 RM'000
Group and Company				
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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Secured term loans	31,515	31,682	6,852	6,931
Finance lease liabilities	1,447	1,416	189	279
	32,962	33,098	7,041	7,210
Current				
Secured term loans	2,588	2,397	442	376
Finance lease liabilities	997	864	190	171
Secured bank overdrafts	299	299	-	-
Unsecured bank overdrafts	1,999	2,142	-	-
Unsecured bankers'acceptances	47,130	40,396	-	-
	53,013	46,098	632	547
	85,975	79,196	7,673	7,757

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 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000
Group						
Less than one year	1,118	121	997	966	102	864
Between one and five years	1,543	96	1,447	1,504	88	1,416
	2,661	217	2,444	2,470	190	2,280
Company						
Less than one year	198	8	190	182	11	171
Between one and five years	191	2	189	285	6	279
	389	10	379	467	17	450

Included in the Group's finance lease liabilities are leases of production equipment amounting to RM 1,001,864 (2017: RM795,584) expiring from one to five years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables		18,475	17,074	-	-
Non-trade					
Amount due to subsidiaries	(a)	-	-	712	134
Amount due to a director	(a)	2,300	-	-	-
Other payables	(b)	12,678	14,191	33	37
Accrued expenses	(c)	20,216	20,052	945	1,495
		35,194	34,243	1,690	1,666
		53,669	51,317	1,690	1,666

(a) Amount due to subsidiaries and a director

Amount due to subsidiaries and a director 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 RM1,184,117 (2017: RM2,558,263) being advances received for sale of inventories.

(c) Accrued expenses

Included in accrued expenses of the Group is an amount of RM170,000 (2017: RM268,000) being provision for warranties. The movement is shown below:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	268	393
Provision made during the year	170	268
Provision used during the year	(162)	(259)
Provision reversed during the year	(106)	(134)
At 31 December	170	268

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers:				
- Sales of goods	344,215	326,438	-	-
- Service rendered	4,483	4,642	-	-
- Management fees	-	-	7,228	8,034
	348,698	331,080	7,228	8,034
Revenue from other sources:				
- Gross dividend income from subsidiaries	-	-	3,845	3,970
	-	-	3,845	3,970
	348,698	331,080	11,073	12,004
Timing of revenue:				
- At a point in time	348,698	331,080	-	-
- Over time	-	-	7,228	8,034
	348,698	331,080	7,228	8,034

20. FINANCE INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income of financial assets that are measured at amortised cost :				
- deposits placed with licensed banks	245	199	50	32
- advances to subsidiaries	-	-	34	41
	245	199	84	73

21. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense of financial assets that are measured at amortised cost :				
- term loans	1,484	1,421	371	360
- bank overdrafts	152	254	-	-
- other borrowings	2,415	1,958	13	10
	4,051	3,633	384	370

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. TAXATION

Recognised in profit or loss

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current tax expense				
Malaysian				
- current year	1,833	347	-	-
- prior year	691	(154)	-	-
Overseas				
- current year	-	198	-	-
- prior year	43	(81)	-	-
	2,567	310	-	-
Deferred tax expense				
Origination and reversal of temporary differences	42	1,374	-	-
Over provision in prior year	(65)	(143)	-	-
	(23)	1,231	-	-
	2,544	1,541	-	-
Reconciliation of tax expense				
Profit before taxation	4,155	2,916	994	1,429
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	997	700	239	343
Non-deductible expenses	1,049	804	388	293
Tax exempt income	(210)	(121)	(923)	(953)
Effect of tax rates in foreign jurisdictions	(532)	(526)	-	-
Tax incentive	(108)	(331)	-	-
Temporary differences not recognised, net change	562	1,362	296	317
Other items	117	31	-	-
	1,875	1,919	-	-
Under/(Over) provision in prior year	669	(378)	-	-
	2,544	1,541	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. PROFIT FOR THE FINANCIAL YEAR

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year is arrived at after charging:					
Amortisation on:					
- Intangible assets	9	91	68	53	39
- Prepaid lease payments	7	198	198	-	-
Auditors' remuneration:					
Audit fees					
RSM Malaysia		181	180	34	31
Other auditors		167	142	-	-
Non-audit fees		15	16	5	5
Bad debts written off		25	59	-	-
Depreciation on property, plant and equipment	6	5,058	5,088	240	242
Depreciation on investment property	8	62	62	62	62
Foreign exchange loss					
- Realised		936	489	58	-
- Unrealised		-	495	-	208
Impairment loss:					
- Trade receivables	27	113	323	-	-
- Other receivables		-	50	-	-
Net fair value loss on financial assets:					
- Other investments		104	-	129	-
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		5,680	5,989	722	841
- Wages, salaries and others		51,159	52,679	5,557	6,358
Provision for warranties	18	170	268	-	-
Rental of premises		3,707	4,329	363	325
Write-down of inventories	10	284	725	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. PROFIT FOR THE FINANCIAL YEAR (continued)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
and after crediting:					
Bad debts recovered		6	40	-	-
Dividend income from subsidiaries (unquoted)	19	-	-	3,845	3,970
Dividend income from other investments		7	17	-	-
Foreign exchange gain:					
- Realised		402	605	-	8
- Unrealised		5	35	-	-
Gain on disposal of other investment		-	3	-	-
Gain on disposal of property, plant and equipment		26	13	-	-
Inter-company management fees	19	-	-	7,228	8,034
Net fair value gain arising on financial assets:					
- Other investments		-	196	-	195
Rental income of premises		97	88	60	15
Reversal of impairment loss on trade and other receivables	27	95	238	-	-
Reversal of provision for warranties	18	106	134	-	-
Reversal of write-down of inventories	10	869	1,021	-	-

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 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	
	2018	2017
Profit for the year attributable to owners of the Company (RM'000)	1,578	1,593
Weighted average number of ordinary shares at 31 December ('000)	40,059	40,059
Basic earnings per ordinary share (sen)	3.94	3.98

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. OPERATING SEGMENTS (continued)

	Investment holding		Trading and service		Manufacturing		Eliminations		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group										
Segment profit										
External revenue										
- Malaysia	-	-	172,424	143,696	5,024	10,076	-	-	177,448	153,772
- Outside Malaysia	-	-	165,533	175,833	5,717	1,475	-	-	171,250	177,308
Total external revenue	-	-	337,957	319,529	10,741	11,551	-	-	348,698	331,080
Inter-segment revenue	11,073	12,004	12,159	7,566	58,675	66,460	(81,907)	(86,030)	-	-
Total segment revenue	11,073	12,004	350,116	327,095	69,416	78,011	(81,907)	(86,030)	348,698	331,080
Segment profit	1,294	1,726	11,254	5,940	1,358	3,266	(5,945)	(4,582)	7,961	6,350
Finance income									245	199
Finance costs									(4,051)	(3,633)
Profit before taxation									4,155	2,916
Tax expense									(2,544)	(1,541)
Profit for the financial year									1,611	1,375
Group										
Segment assets										
Segment assets	6,250	9,574	219,683	204,205	42,017	42,752	-	-	267,950	256,531
Unallocated assets									4,577	5,231
Total assets									272,527	261,762
Liabilities										
Segment liabilities	8,651	9,289	101,138	94,296	29,855	26,928	-	-	139,644	130,513
Unallocated liabilities									2,426	2,543
Total liabilities									142,070	133,056
Capital expenditure										
Capital expenditure	140	568	1,666	2,607	4,281	4,491	-	(86)	6,087	7,580
Depreciation and amortisation	355	343	2,920	3,161	2,210	1,988	(76)	(76)	5,409	5,416

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. OPERATING SEGMENTS (continued)

Geographical segments

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.

	Revenue RM'000	Non-current assets RM'000
Geographical information		
Group		
2018		
Malaysia	177,448	51,692
Singapore	116,858	17,465
United Arab Emirates	45,226	2,442
Other countries	9,166	108
	348,698	71,707
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

27. 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

(A) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company 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.

At each reporting date, the Group or the Company assess whether any of the trade receivables are credit impaired.

27. FINANCIAL RISK MANAGEMENT (continued)

(A) Credit risk (continued)

(i) Receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amount of credit impaired trade receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to write off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

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.

Concentration of credit risk

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

	Group	
	2018 RM'000	**2017 RM'000**
Domestic	33,840	31,946
Asia	18,983	17,978
Middle-East	5,861	5,524
Others	2,339	1,815
	61,023	57,263

Recognition and measurement of impairment losses

When an account is more than 30 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 90 days past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Group classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categorises based on ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions. There is no collective lifetime ECLs being recognised as at the end of the reporting period based on the Group's past lost rate experiences.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (continued)

(A) Credit risk (continued)

(i) Receivables (continued)

Recognition and measurement of impairment losses (continued)

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:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2018			
Not past due	44,267	-	44,267
Past due 0 - 30 days	6,178	-	6,178
Past due 31 - 120 days	3,908	-	3,908
Past due more than 120 days	10,651	(3,981)	6,670
	65,004	(3,981)	61,023
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

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

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	4,206	4,159
Impairment loss recognised		
- Individual impairment losses	113	323
Impairment loss reversed	(95)	(238)
Impairment loss written off	(247)	-
Translation differences	4	(38)
At 31 December	3,981	4,206

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (continued)

(A) Credit risk (continued)

(ii) Investment and other financial assets (continued)

Exposure to credit risk, credit quality and collateral (continued)

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 RM159,479,000 (2017: RM169,482,000) 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.

Recognition and measurement of impairment losses

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan for advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary's loan or advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

As at the end of the reporting period, there was no indication further impairment are required for the loans and advances to the subsidiaries. There are no movement in the allowance for impairment in respect of subsidiaries' loans and advances in the current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (continued)

(B) 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
2018							
Group							
Non-derivative financial liabilities							
Secured term loans	34,103	2.38% - 5.38%	43,737	3,903	3,887	11,335	24,612
Finance lease liabilities	2,444	1.80% - 5.89%	2,662	1,118	872	646	26
Secured bank overdrafts	299	7.47%	299	299	-	-	-
Unsecured bank overdrafts	1,999	7.50% - 8.65%	1,999	1,999	-	-	-
Unsecured bankers' acceptances	47,130	1.70% - 5.25%	47,130	47,130	-	-	-
Trade and other payables*	52,315	-	52,315	52,315	-	-	-
	138,290		148,142	106,764	4,759	11,981	24,638
Company							
Non-derivative financial liabilities							
Secured term loans	7,294	3.57% - 4.30%	9,946	756	756	2,268	6,166
Finance lease liabilities	379	1.80%	389	198	191	-	-
Trade and other payables	1,703	-	1,703	1,703	-	-	-
Financial guarantees	-	-	159,479	159,479	-	-	-
	9,376		171,517	162,136	947	2,268	6,166

27. FINANCIAL RISK MANAGEMENT (continued)

(B) 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
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

** Excluding non-financial instrument balances.*

(C) 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 RISK MANAGEMENT (continued)

(C) 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:

	Denominated in			
	EUR RM'000	**USD RM'000**	**RM RM'000**	**Others RM'000**
Group				
2018				
Trade and other receivables	(168)	1,678	-	(2)
Cash and cash equivalents	5	912	-	184
Loans and borrowings	-	(11,392)	-	-
Trade and other payables	(4)	(8,453)	(58)	(14)
Net exposure	(167)	(17,255)	(58)	168
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

Currency risk sensitivity analysis

A 10% (2017: 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.

	Profit or loss	
	2018 RM'000	**2017 RM'000**
Group		
EUR	13	25
USD	1,311	1,019
Others	(13)	(14)

A 10% (2017: 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 RISK MANAGEMENT (continued)

(C) 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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets	5,070	4,544	415	1,009
Financial liabilities	(2,444)	(2,280)	(379)	(450)
	2,626	2,264	36	559
Floating rate instruments				
Financial liabilities	(83,531)	(76,916)	(7,294)	(7,307)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (continued)

(C) Market risk (continued)

(ii) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	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**
2018				
Floating rate instruments	(635)	635	(55)	55
2017				
Floating rate instruments	(585)	585	(55)	55

(iii) Other price risk

Equity price risk arises from the Group's and the Company 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% (2017: 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 RM77,000 (2017:RM210,000) and RM47,000 (2017:RM171,000) respectively. A 10% weakening in FBMKLCI would have had equal but opposite effect on profit or loss.

(D) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT (continued)

(D) Fair value information (continued)

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				Total	
	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	Fair value RM'000	Carrying amount RM'000
2018										
Group										
Financial assets										
Investment in mutual fund	-	174	-	174	-	-	-	-	174	174
Investment in trust fund	-	616	-	616	-	-	-	-	616	616
Investment in quoted shares	221	-	-	221	-	-	-	-	221	221
	221	790	-	1,011	-	-	-	-	1,011	1,011
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(2,444)	(2,444)	(2,444)	(2,444)
Secured term loans	-	-	-	-	-	-	(34,075)	(34,075)	(34,075)	(34,103)
	-	-	-	-	-	-	(36,519)	(36,519)	(36,519)	(36,547)
Company										
Financial assets										
Investment in mutual fund	-	-	-	-	-	-	-	-	-	-
Investment in trust fund	-	616	-	616	-	-	-	-	616	616
	-	616	-	616	-	-	-	-	616	616
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(379)	(379)	(379)	(379)
Secured term loans	-	-	-	-	-	-	(7,505)	(7,505)	(7,505)	(7,294)
	-	-	-	-	-	-	(7,884)	(7,884)	(7,884)	(7,673)
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

27. FINANCIAL RISK MANAGEMENT (continued)

(D) Fair value information (continued)

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 (2017: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2018 and at 31 December 2017 were as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Total loans and borrowings (Note 17)	85,975	79,196
Less: Cash and cash equivalents (Note 15)	(28,006)	(34,656)
Net debt	57,969	44,540
Total equity	130,457	128,706
Debt-to-equity ratio	0.44	0.35

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	
	2018 RM'000	**2017 RM'000**
Less than one year	2,442	1,987
Between one and five years	2,333	1,575
	4,775	3,562

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.

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	
	2018 RM'000	**2017 RM'000**
Less than one year	108	91

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. CAPITAL AND OTHER COMMITMENTS

	Group	
	2018 RM'000	2017 RM'000
Contracted but not provided for:		
Land and building	-	2,160

31. CONTINGENCIES

	Company	
	2018 RM'000	2017 RM'000
Guarantees - unsecured		
Guarantees and contingencies relating to borrowings of subsidiaries	159,479	169,482

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 of 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.

	Company	
	2018 RM'000	2017 RM'000
A. Subsidiaries		
- Management fee income	(7,228)	(8,034)
- Purchases	11	11
- Rental expense	330	290
- Interest income on advances	(34)	(41)
- Sharing of maintenance cost	98	86

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. RELATED PARTIES DISCLOSURES (continued)

Significant related party transactions (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
B. Key management personnel				
Directors				
- Remuneration	3,755	4,198	1,383	1,560
- Fees	252	252	252	252
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	702	692	440	486
	4,709	5,142	2,075	2,298
Other key management personnel				
- Remuneration	-	-	876	1,095
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	-	-	238	336
	-	-	1,114	1,431
	4,709	5,142	3,189	3,729

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 on10 April 2019.

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 48 to 110 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 2018 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

CHENG PING KEAT
Director

Kuala Lumpur
10 April 2019

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 48 to 110 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 2019

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 2018 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 48 to 110.

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 2018, 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 matter	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 2018, included in the carrying values of the inventories of the Group are raw materials and manufactured inventories amounting to RM8.2 million and RM82.6 million 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 slow moving stocks reports on sampling basis in order to place reliance on the report as a basis for provisions made; • We have performed Net Realisable Value ("NRV") test on items of inventories on sampling basis; 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 (CONTINUED)

TO THE MEMBERS OF KHIND HOLDINGS BERHAD

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 (CONTINUED)

TO THE MEMBERS OF KHIND HOLDINGS BERHAD

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 11 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

Lou Hoe Yin
03120/04/2020 J
Chartered Accountant

Kuala Lumpur
10 April 2019

STATISTICS ON SHAREHOLDINGS AS AT 29 MARCH 2019

ANALYSIS OF SHAREHOLDINGS AS AT 29 MARCH 2019

Issued Share Capital	:	RM40,059,000.00
Class of Shares	:	Ordinary Shares
Voting Rights per share	:	One vote per Ordinary Share
No. of Shareholders	:	1,015

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of issued capital
Less than 100	168	16.55	5,722	0.01
100 – 1,000	153	15.07	96,487	0.24
1,001 – 10,000	584	57.54	1,906,375	4.76
10,001 – 100,000	88	8.67	2,084,288	5.20
100,001 to < 5% of issued shares	17	1.68	10,362,371	25.87
5% and above of issued shares	5	0.49	25,603,757	63.92
Total	1,015	100.00	40,059,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2019
Based on Register of Substantial Shareholders

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. Cheng King Fa	2,311,401	5.77	-	-
5. Koh Guat Kuan	2,165,199	5.41	-	-
6. Great Partner Industries Limited	-	-	15,708,837*	39.21*

Note:
* Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his/their interests in Kee Hin Ventures Sdn. Bhd.

DIRECTORS' INTERESTS IN SHARES AS AT 29 MARCH 2019
Based on Register of Directors' Shareholders

Names of Directors	Direct Interest	Percentage (%)	Deemed Interest	Percentage (%)	Indirect Interest	Percentage (%)
1. Cheng King Fa	2,311,401	5.77	-	-	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 pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of his spouse and children's interests.
* Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his interest in Kee Hin Ventures Sdn. Bhd.
^ Indirect interest pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of his spouse's interest.

STATISTICS ON SHAREHOLDINGS AS AT 29 MARCH 2019 (CONTINUED)

THIRTY LARGEST SHAREHOLDERS AS AT 29 MARCH 2019

Name 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. Public Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Cheng King Fa (E-SKC)]	2,311,401	5.77
5. Koh Guat Kuan	2,165,199	5.41
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. CIMB Group Nominees (Asing) Sdn. Bhd. [Exempt An for DBS Bank Ltd (SFS)]	1,209,800	3.02
9. Airex Industries Sdn. Bhd.	1,110,667	2.77
10. Teo Kwee Hock	816,100	2.04
11. Cheng Yoke Leng	652,333	1.63
12. Cheng Yoke Kan	607,000	1.52
13. UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Teo Siew Lai]	473,300	1.18
14. Amsec Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account – Ambank (M) Berhad for Lee Ah Lan @ Lee Keok Hooi (SMART)]	460,000	1.15
15. Lim Ah Dek	404,700	1.01
16. Koh Eng Thye	379,367	0.95
17. Kee Hin Ventures Sdn. Bhd.	336,870	0.84
18. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad for Hong Leong Consumer Products Sector Fund]	268,000	0.67
19. Cheng Hup	267,869	0.67
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. Perbadanan Kemajuan Negeri Kedah	88,200	0.22
25. Hoon Choo	82,400	0.21
26. Maybank Nominees (Tempatan) Sdn Bhd [Chua Eng Ho Wa'a @ Chua Eng Wah]	81,000	0.20
27. Ng Ah Day	62,500	0.16
28. Chen Yee Kiong	59,000	0.15
29. Lai Hing Hing	56.000	0.14
30. Ng Chin Hong	50,000	0.12
	36,440,228	90.98

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2018

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2018 (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	29 years 20 - 27 years	2,540 6,064
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	25 years 23 years	455
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	14 years	633
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	10 years	411
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	18 years	1,306
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	5 years	4,440
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	19 years	367
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	19 years	3,137
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	18 years	1,923

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2018 *(CONTINUED)*

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2018 (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	6 years	11,360
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	5 years	3,820
Lot 745, Block 16 Kuching Central Land District	59,125	Leasehold, expiring on 2025	Vacant land	28.04.2010	9 years	1,306
Flat No: G11 & G12 Discovery Gardens MOGUL 226 Dubai, UAE	2,002	Freehold	Apartments for staff accomodations	12.05.2010	9 years	316
Unit 108, Autumn 1 Jumeirah Village Circle Dubai, UAE	953	Freehold	Apartments for staff accomodations	22.05.2014	5 years	707
Crescent Tower C Me'aisem First International Media Production Zone Dubai, UAE	1,327	Freehold	Apartments for staff accomodations	24.08.2016	3 years	1,058
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	9 years	2,719
PT 29362 held under HS(D) 277346, Mukim of Bukit Raja Daerah Petaling Selangor Darul Ehsan	65,340	Freehold	Vacant land	01.06.2010	9 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	4 years	618
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	4 years	341
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	4 years	590

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2018

(CONTINUED)

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2018 (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	2 years	804
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	2 years	732
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	2 years	679
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	2 years	527
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	2 years	352
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	2 years	436
PM 2557 Lot 7177 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid, Selangor	106,498	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	04.05.2018	1 year	648
PM 2553 Lot 7173 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid, Selangor	89,846	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	04.05.2018	1 year	586
PM 2550 Lot 7170 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid, Selangor	79,987	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	04.05.2018	1 year	463

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2018

(CONTINUED)

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2018 (RM'000)
PM 2549 Lot 7169 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid, Selangor	81,321	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	04.05.2018	1 year	471
PM 2558 Lot 7161 Mukim Pasir Panjang District of Sabak Bernam Sg. Mandor Wahid, Selangor	59,890	Leasehold, expiring on 2083	Agricultural land presently planted with oil palm	04.05.2018	1 year	346

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)**
  Office
  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)**
  Lot 160, Sub Lot 2180-2181
  Block 3, Piasau Industrial Estate
  98000 Miri, Sarawak
  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

- **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-Third 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 Thursday, 30 May 2019 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 2018 and the Reports of the Directors and Auditors thereon. (Please see Note 1 of Explanatory Notes on Ordinary Business)

2. To re-elect Mr Lee Ah Lan @ Lee Keok Hooi who retires by rotation pursuant to Article 100 of the Constitution of the Company. (Resolution 1)

3. To approve the Directors' fees of RM252,000 for the financial year ending 31 December 2019. (Resolution 2)

4. To approve the Directors' benefits of RM40,000 from 31 May 2019 until the next AGM of the Company. (Resolution 3)

5 To re-appoint Messrs RSM Malaysia as Auditors of the Company and authorise the Directors to fix their remuneration. (Resolution 4)

As Special Business

To consider and if thought fit, pass the following 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 Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annnual General Meeting 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 5)

7. **Ordinary Resolution**
   - **Authority for Encik Kamil bin Datuk Hj. Abdul Rahman to continue in office as an Independent Non-Executive Director**

   "THAT authority be and is hereby given to Encik 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 Annual General Meeting." (Resolution 6)

8. **Ordinary Resolution**
   - **Authority for Mr Wong Chin Mun to continue in office as an Independent Non-Executive Director**

   "THAT authority be and is hereby given to Mr Wong Chin Mun 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 Annual General Meeting." (Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

9. **Special Resolution**
   - **Proposed Alteration of the Existing Constitution by replacing with a New Constitution ("Proposed Alteration")**

   "THAT the existing Constitution of the Company be hereby altered by replacing with a new Constitution as set out in the Appendix with the effect from the date of passing this special resolution. (Special Resolution)

   AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

10. 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

29 April 2019

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 21 May 2019. 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 this Notice of 23rd Annual General Meeting 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. Mr Lee Ah Lan @ Lee Keok Hooi who is standing for re-election as Director of the Company and being eligible, has offered himself for re-election at the Twenty-Third AGM.

   The Board of Directors ("the Board") has through the Nomination and Remuneration Committee, considered the assessment of Mr Lee Ah Lan @ Lee Keok Hooi and collectively agreed that he meet the criteria as prescribed by Paragraph 2.20A of the MMLR on character, experience, integrity, competence and time to effectively discharge his role as Director.

   The Board has also through the Nomination and Remuneration Committee, conducted an assessment on the independence of Mr Lee Ah Lan @ Lee Keok Hooi and is satisfied that he has complied with the criteria prescribed by the MMLR.

   Mr Cheng King Fa, the Founder/Chairman of the Company who is due for re-election pursuant to Article 100 of the Company's Constitution, has indicated to the Company that he will not seek re-election at the Twenty-Third AGM. Therefore, Mr Cheng King Fa shall cease to be the Director and Chairman of the Company upon the conclusion of Twenty-Third AGM.
3. The Directors' fees proposed for the financial year ending 31 December 2019 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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Explanatory Notes on Ordinary Business (continued)

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-Third AGM are disclosed in the Corporate Governance Overview Statement of the Annual Report 2018.

Explanatory Notes on Special Business

Resolution 5:-

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 AGM held on 30 May 2018 and will lapse at the conclusion of the Twenty-Third AGM.

Resolution 6:-

The Board has via Nomination and Remuneration Committee conducted an annual assessment of Encik 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 2018.

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.

Resolution 7:-

The Board has via Nomination and Remuneration Committee conducted an annual assessment of Mr Wong Chin Mun, 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 2018.

Special Resolution:-

This proposed Special Resolution, if passed, will enable the Company to alter its existing Constitution by replacing with a new Constitution which is drafted in accordance with the relevant amendments of Chapter 7 and other Chapters of the MMLR, the relevant provisions of the Companies Act 2016 and other provisions of laws and regulations that are applicable to the Company.

For further information on the Proposed Alteration, please refer to the Appendix despatched together with the Notice of the Twenty-Third AGM and the Annual Report 2018.

STATEMENT ACCOMPANYING THE NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Director who is standing for re-election) at this Twenty-Third Annual General Meeting.

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 in the Annual Report 2018.

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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-Third 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 Thursday, 30 May 2019 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

ORDINARY RESOLUTION		FOR	AGAINST
1.	Re-election of Mr Lee Ah Lan @ Lee Keok Hooi as Director		
2.	Approval of Directors' fees for the financial year ending 31 December 2019		
3.	Approval of Directors' benefits from 31 May 2019 to the next Annual General Meeting		
4.	Re-appointment of Messrs RSM Malaysia as Auditors of the Company and authorise the Directors to fix their remuneration		
5.	Authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
6.	Authority for Encik Kamil bin Datuk Hj. Abdul Rahman to continue in office as an Independent Non-Executive Director		
7.	Authority for Mr Wong Chin Mun to continue in office as an Independent Non-Executive Director		
SPECIAL RESOLUTION		**FOR**	**AGAINST**
Proposed Alteration of the Existing Constitution by replacing with a New Constitution			

[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 _______________ 2019

____
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 21 May 2019. 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 this Notice of 23rd Annual General Meeting will be put to vote by way of poll.

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Affix
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

please fold here

KHIND

Delivering Happiness