



laporan tahunan  
annual report

# 2014

laporan tahunan  
annual report

**KHIND HOLDINGS BERHAD** (380310-D)

**KHIND**



**KHIND**  
Delivering Happiness

2014



## RATIONALE

This year's Annual Report cover is dedicated to Khind's growing aspiration of becoming a truly regional and global company. The design depicting a world map superimposed on jigsaw puzzles represent the Company's desire to be present in as many markets around the globe as possible. It also denotes the Company's key strategies in the form of the jigsaw pieces falling into place reflecting its desire to strengthen its presence in countries already served, while seeking out new country opportunities.



**KHIND**

## The Khind Regional and International Journey

Khind Holdings Berhad's (Khind) international journey began in humble fashion in 1988, when it received its first overseas order of USD4,000 from a trade customer Al Annabi of Dubai. That opened the door for what was to become a thriving and growing business for the Company 26 years on.

Today, Khind's International Business contributes almost 50 per cent (50%) of total revenue with a market presence in over 58 countries around the globe and a multinational workforce of over 140 employees located in Singapore, Brunei, Hong Kong, China, Dubai, Saudi Arabia and Algeria.

Within the Association of South-East Asian Nations (ASEAN) region, the Company markets and sells its products under the 'Khind' and 'Mistral' brands and is also the distributor of international consumer appliances brands such as 'Ariston', 'Honeywell', 'KitchenAid', 'Mayer', 'Delizia', and 'Naturai'. The Company through its subsidiary Mayer Marketing Singapore Pte. Ltd. also has a retail presence of five (5) stores in Singapore and one (1) store in Brunei.



There is also a growing Industrial Electrical business that caters to upstream commercial customers in Singapore, Hong Kong and China through its subsidiaries: Khind Systems (Singapore) Pte. Ltd. and Khind Electrical (Hong Kong) Limited.

Similarly, the Middle East region represents an important market from a historical perspective. Since becoming the first export market for Khind - the city of Dubai in the United Arab Emirates (UAE) is today an important regional hub for the Company's operations in the Middle East and the North and West African market.



## The Khind Regional and International Journey

### Khind Middle East FZE

Today, Khind Middle East FZE contributes approximately thirty per cent (30%) to international revenue. It distributes, sells and provides after sales care for the 'Khind' and 'Mistral' brands and major products such as fans, rechargeable emergency lamps, extension and trailing sockets.

Established in 2005, Khind Middle East FZE remains an important member of the Khind Group as it serves as an on-the-ground local marketing and after sales company that understands the needs of customers in the region. Headed by an in-country General Manager and a team of thirteen (13) employees, Khind Middle East FZE is the spearhead that allows Khind to deepen its market penetration of countries in the Middle East region and North and West African countries.



### Mistral (Singapore) Pte Ltd

Since its acquisition by Khind in 2001, Mistral is a provider of premium quality air-moving products and home consumer appliances for the Singapore market. Its product line-up includes: various luxurious looking desk, pedestal as well as home living fans. It has also expanded its range to include other home appliances such as: washer, freezer, mini bars, air conditioners, microwave ovens, hobs and hoods.

### Mayer Marketing Pte Ltd

Established since 1987, Mayer Marketing is a leading distributor of imported quality home appliances in Singapore. Khind acquired this company in 2012 to complement its growing export business in the region.

Known for its complete range of quality and high performance kitchen appliances, Mayer Marketing has been catering to consumers' needs for years. It is the sole distributor for leading international brands such Kitchen Aid, Ariston, Delizia and Naturai and its own in-house brand 'Mayer'.

Mayer Marketing also provides customers and property developers with the entire portfolio of kitchen appliances ranging from sophisticated built-ins and free standing appliances, to small kitchen appliances and air treatment products. It has also built a very strong reputation in Singapore and Brunei as a kitchen specialist that provides premium quality international appliances.

As Singapore's leading kitchen specialist, Mayer Marketing adheres closely to its motto of "Mayer – The Heart of Your Home" with its brands present at leading departmental stores in Singapore and its five (5) island wide showrooms.



## The Khind Regional and International Journey

### Khind Systems (Singapore) Pte Ltd

Khind Systems (Singapore) Pte Ltd is 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.



### Khind Electrical (Hong Kong) Limited

Acquired in 2011, Khind Electrical (Hong Kong) Limited (formerly known as Ancom Electrical (Hong Kong) Limited) is a one-stop provider for industrial electrical and environmental solutions. With a proud heritage of taking part in a wide range of construction projects in Asia for more than 40 years, Khind Electrical Hong Kong markets, distributes and installs a range of electrical products which are used in diverse applications: ranging from electrical control; earthing and lightning protection; power distribution; lighting systems; and cable management. Some of the company's products are used by public transportation companies in Singapore and Hong Kong.



### Khind's International Experiences

Forging new markets in uncharted territory has made Khind a more resilient and competitive company. Through its experiences, Khind has been able to acquire valuable knowledge and skills on how to do business internationally. Similarly, through early mis-steps and some failure, Khind was able to learn the pitfalls and nuances of serving a wide variety of customers from different demographic and cultural backgrounds – from dealing with succinct Singaporeans to relationship-driven partnerships in the Middle East – all these helped Khind develop expertise that is gradually shaping its evolution into a truly global company.



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## Chairman and Group Chief Executive Officer's Joint Statement

Dear Shareholders,

We are pleased to present this year's Annual Report to shareholders. Looking back at the past year's performance, your Board is pleased to report that the Company's International Business turned in a commendable performance that helped mitigate lower than expected domestic market performance. As such, this year's Annual Report is dedicated in large to your Company's growing presence as a regional and global player.

### Malaysia's Positive export performance despite domestic uncertainty

The Malaysian economy recorded a stronger growth of 6.0% in 2014 (2013: 4.7%). The better than expected growth was mainly attributable to an improved external trade performance. This was particularly evident by the country's net exports that turned around to impact positively in 2014 after seven consecutive years of negative contribution. Malaysia's exports benefited from the recovery in the advanced economies and continued demand from the region, thus resulting in a broader-based expansion in demand across markets and products, including the electrical and electronics (E&E) sector. As the growth of real exports for goods and services outpaced the growth of imports, net exports recorded a strong growth of 19.7% in 2014 (2013: -12.6%). A weakening Ringgit also worked in favour of Malaysian exporters such as Khind.

While Malaysia's international trade performance did better, domestically 2014 represented a year of uncertainty as many people were trying to better understand the impact of the Goods and Services Tax (GST) that was introduced on April 1, 2015. This dampened consumer sentiment in the last quarter of 2014.

Notwithstanding a less than positive domestic business environment, your Company and its subsidiaries took advantage of the improved international trade conditions.

### A Moderate Year's Performance

Your Company achieved revenue of RM319.1 million for the year ended December 31, 2014 – representing a marginal decline of 1.8 per cent (1.8%) over the

previous year's performance of RM325.0 million. Profit before tax stood at RM14.71 million for the current period under review. This represented a decrease of 26.8% over the profit before tax of RM20.1 million in 2013.

The lower performance was mainly due to the one-off recognition of gain on disposal of properties in the previous corresponding year 2013, and a less than positive domestic sales environment that affected the Company's overall performance in 2014. Additionally, our local trade business partners adopted a cautious approach to ordering more products from the Company as many wanted to see the impact of GST on their businesses. Similarly, lower commodity prices affected overall purchasing power of domestic consumers.

Given the macro-economic changes during the year, overall Khind and its subsidiaries still managed to return a fair performance and declare a total dividend of 10 per cent for the year ended December 31, 2014.

### Regional and Global Aspirations bearing results

While the confluence of negative sentiment on the domestic business front pervaded in 2014, your Company's International Business Units managed to turn in a commendable showing that helped to balance out this past year's performance. In fact, the entire International Business Division contributed about 49 per cent (49%) to overall revenue performance hitting RM157.0 million.

In this regard, the Company is pleased to report that its subsidiaries in Singapore and the Middle East turned in positive results.



## Chairman and Group Chief Executive Officer's Joint Statement *(continued)*

Mistral (Singapore) Pte. Ltd. and Mayer Marketing Pte. Ltd. performed admirably due to project sales that bore fruition as more condominium developments were completed on the Island Republic. Retail sentiment was also much better as the brands distributed such as *Ariston, KitchenAid, Honeywell, Delixia, Naturai and Mayer* – continued to enjoy positive uptake by consumers in Singapore. Combined, the Company's Singapore subsidiaries' sales increased by 25 per cent (25%) to about RM94 million, which represented almost 60 per cent (60%) of total international sales.

On the Industrial Electrical front, Khind Systems (Singapore) Pte. Ltd. also added to better international sales as it managed to win contracts for its lightning protection systems for large infrastructure developments in the public transportation sector. Previously, this subsidiary acted as a trading house but since becoming an integrated player offering design, consultation and installation capabilities, Khind Systems Singapore has moved up the value chain. Similarly, sales for the '*MacroAir*' brand of high volume low energy industrial fans saw a positive uptake as well among large retail and commercial developments on the Island Republic. With more energy-conscious commercial users seeking better solutions to their air-moving needs, this product line shows good promise not only in Singapore but also across the region.

The Middle East region continued to be an important and growing market for the Company. Through its subsidiary Khind Middle East FZE, sales of '*Khind*' and '*Mistral*' brand of products continued to grow quite robustly, especially fans, rechargeable emergency light and lamps, and electrical trailing sockets. The Middle East market contributed approximately 29 per cent (29%) to international sales in 2014. Your Company is optimistic that this percentage will continue to rise as additional resources are allocated into key markets such as Saudi Arabia and Algeria to increase depth penetration levels. Additionally, new markets in West Africa such as Gambia, Ivory Coast, and Cameroon are targets for the Company to explore in 2015.

Overall, the Company's International Business was positively impacted by certain key factors, namely: a weaker Malaysian currency against the United States Dollar; lower oil prices that resulted in increased consumer spend in regional and global markets; and better export performance.

### **Bringing Operational Competitiveness to meet growing global demand**

Supporting the growing importance of the Company's international business, its manufacturing arm Khind-Mistral Industries Sdn Bhd invested in resources such as additional manufacturing lines, and increased automation capabilities. With employee strength of 400 people, the plant remains a key contributor to the Group's overall capability.

The plant also continued to be the focal point for the Company's flagship products – fans and rechargeable emergency lamps. Through Khind-Mistral Industries, your Company continues to be largest provider of all types of general fans and home consumer fan products in Malaysia with an estimated market share of 25 per cent (25%). Moreover, Khind-Mistral Industries is also recognised as a reliable Original Equipment Manufacturer (OEM) for certain leading Japanese consumer brands for fans. The Company will also continue to capitalise on the weaker Ringgit environment currently prevailing to produce more cost-competitively for international exports.

Notwithstanding the importance of supporting a growing international business, your Company remained cognizant that it needed to ensure adequate resources and support was not neglected on the domestic market front. In fact, your Company invested substantial funds to acquire premises in Ipoh, Malacca and Johor Baru for the purpose of catering to growing local sales in those towns. It also acquired an additional shop office facility in Singapore.

### **Being ready to compete on a global level**

Previously mentioned in 2013's Annual Report, your Company continues to view its human resource as one of the most important contributors to the health and longevity of the business. In 2014, approximately RM700,000 was invested in various training and development programmes to help the second echelon leaders within the Company to become more proficient at their jobs.

Project WOW – an on-going leadership series continued. Your Company also remains committed to helping its employees pursue Continuing Education (CE) programmes such as MBA's that directly prepares its senior managers for a future within the Company.

## Chairman and Group Chief Executive Officer's Joint Statement *(continued)*

Similarly, to help alleviate uncertainty with the implementation of GST among its trade partners - Khind embarked on an educational campaign on transitional issues and claw-back relief concerns related to this new tax regime. The educational talks proved helpful in answering questions and addressing concerns among trade partners.

### Remaining a Caring Employer

Despite the less than rosy domestic economic outlook in 2014, your Company remained committed to helping its employees. It continued its "Back-to-School" initiative where vouchers worth RM100 were handed out to school going children of employees. This helped alleviate the financial burden for many employees.

Similarly in the catastrophic floods that befell the state of Kelantan in the fourth quarter of 2014, your Company handed out much needed flood assistance to its employees who were affected, especially those who worked in Kota Bahru.

### Building Global Brands

Aspirations of becoming a more global business also saw your Company increasing its market presence in the international markets that it operates. Through Khind Middle East FZE, your Company was able to participate in various trade marketing activities that helped raise awareness of its 'Khind' and 'Mistral' brands in the Middle East. Some of these included trade exhibitions such as: the Batimatec Exhibition at Salon International Batimatec, Algeria in May 2014; the Saudi Building & Interiors Exhibition at Jeddah Forums and Events Centre Jeddah, Saudi Arabia also in the same month; and the Big 5 Exhibition at the Dubai World Trade Centre, United Arab Emirates in November 2014.

Through these important trade shows, your Company continued to deepen its presence in key markets of Saudi Arabia, the United Arab Emirates (UAE), while aggressively increasing its presence in new markets such as Algeria. Overall, Khind Middle East FZE invested substantial funds in marketing-related programmes to ensure that the Company's brands continued to remain top-of-mind among its trade customers and consumers.

Within the Association of South-East Asian Nations (ASEAN), your Company also stepped up efforts

to promote its brands. Additional resources were allocated to support the Company's business in markets such as Myanmar.

Domestically, your Company through its marketing arm Khind-Mistral (M) Sdn Bhd utilised approximately 6 per cent (6%) of its revenue to strengthen its 'Khind' and 'Mistral' brands in the domestic market despite a softer business climate. The Company will continue to position the 'Khind' brand as an affordably-priced quality provider of consumer appliances, while ensuring that the 'Mistral' brand is seen as the best provider of home consumer fans in the local market.

### Bringing Happiness to the Community

In 2014, your Company through its newly-established foundation Khind Starfish Foundation continued to embody the spirit of giving back to the community. Activities such as: visits to orphanages and old folks homes remained a key feature on the calendar; employees volunteering at The Kechara Soup Kitchen, a non-profit organisation that helps hand out meals to the urban poor of Kuala Lumpur continued to be supported; while sponsorship of arts and cultural performances such as Hands Percussion and Dua Space were handed out. Khind Starfish Foundation was also proud to be one of the sponsors for the Sasaran International Art Festival 2014 that was organized by Sasaran Art Association to promote Malaysia local arts to other countries and communities.

Employees also volunteered to help with flood relief clean-up efforts for communities located in Kelantan.

All this was spearheaded by the official launch of the Foundation on March 26, 2014, whereby the Foundation also rolled out "Projects for Happiness" - a corporate responsibility (CR) project that provides funding to local undergraduate students from public and private institutions of higher learning to undertake various volunteer oriented community programmes that seek to help the less fortunate and socially challenged members of society.

It is Khind Starfish Foundation's hope that "Projects for Happiness" can be a catalyst to help young people recognise that they are all capable of bringing happiness to less fortunate communities in the country. Each successful project selected received a maximum of RM10,000 from Khind Starfish Foundation to help them kick-start their individual projects.



## Chairman and Group Chief Executive Officer's Joint Statement *(continued)*

In 2014, the Foundation selected a total of 14 projects from several public and private institutions of higher learning. "Projects for Happiness" will continue on an annual basis with a view of getting more and more young people to be involved in giving back to the community.

### 2015 Outlook

Looking ahead, your Company is committed to becoming a truly multinational company serving many markets around the globe. The humble journey that began in 1988 with a small order of USD4,000 has led the Company to being present in over 58 countries around the world employing some 160 people representing over 12 different nationalities and revenue of RM157.0 million in 2014. Your Company is motivated to growing its global foot print.

In this regard, plans are underway to establish a presence in the West African region. Your Company will be entering countries such as Gambia, Ivory Coast, and Cameroon as these markets represent green field opportunities that can be grown over time. Similarly, your Company will also be re-visiting its business strategy for the South Asian region with an active view of returning to this huge market. Increased attention will also be given to ASEAN countries such as Myanmar where a growing business has already been established.

On the domestic front, we believe that the implementation of GST on April 1, 2015 will only have a temporary effect on retail spend. Over time, consumers will return to desired purchasing habits as our products are essential items in any household. Your Board is optimistic that domestic sales will improve in 2015. Moreover, following previous years' of cost consolidation, your Company is now ready to take on a more aggressive marketing approach in 2015 to grow and capture market share of the home consumer appliances sector. In this regard, your Company plans to roll-out 40 to 50 new products in 2015. These will include more energy-saving and green-compliant items that will appeal to a younger and more socially-conscious consumer. The Company will also be growing its online presence to allow more tech-savvy consumers to purchase products.

### Recognition and Appreciation

Throughout its years of growth, the Company was ably supported by many long-serving members of staff. Your Company wishes to acknowledge the contributions of Chang Kok Sooi (Director of Khind - Mistral Industries Sdn. Bhd.) and Jeffrey Khor Hang Cheng (Director of Khind-Mistral (M) Sdn. Bhd.) – for their many years of loyal service to the Company. We bid these two gentlemen a fond adieu as they embark on the next phase of their lives.

Similarly, your Company also acknowledges the great effort of its international employees in helping Khind grow to become a more global company. We are thankful for their dedication.

We wish to also extend our kind appreciation to all our domestic employees; trade partners; audit and legal consultants; shareholders; regulatory bodies; and communities – for their continued support of Khind over the past year.

Khind looks forward to a productive 2015.

**CHENG KING FA**  
*Chairman*

**CHENG PING KEAT**  
*Group Chief Executive Officer (CEO)*

## Corporate Structure

# KHIND

KHIND HOLDINGS BERHAD (380310-D)





## Corporate Information

### Registered Office :

Level 18, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: 603-2264 8888  
Fax: 603-2282 2733

### Website Address :

[www.khind.com](http://www.khind.com) / [www.khind.com.my](http://www.khind.com.my) / [www.khind.ae](http://www.khind.ae)  
[www.mistral.com.my](http://www.mistral.com.my) / [www.mistral.com.sg](http://www.mistral.com.sg)  
[www.khindalliances.com](http://www.khindalliances.com)  
[www.khind-systems.com](http://www.khind-systems.com) / [www.relitespecialty.com](http://www.relitespecialty.com) / [www.swisher.sg](http://www.swisher.sg)  
[www.khindelectrical.com.hk](http://www.khindelectrical.com.hk) / [www.khindenergy.com.hk](http://www.khindenergy.com.hk)  
[www.mayer.com.sg](http://www.mayer.com.sg) / [www.mayer.com.bn](http://www.mayer.com.bn)

### Share Registrar :

Tricor Investor Services Sdn Bhd  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: 603-2264 3883  
Fax: 603-2282 1886

### Company Secretaries :

Kuan Hui Fang (MIA 16876)  
Wong Wai Foong (MAICSA 7001358)

### Stock Exchange Securities :

Main Market of Bursa Malaysia Securities Berhad  
Stock Code : 7062

### External Auditors :

KPMG Chartered Accountants (AF 0758)

### Internal Auditors :

BDO Governance Advisory Sdn Bhd

### Principal Bankers:

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

### Solicitors :

Ong & Partnership  
Shearn Delamore & Co  
Khor, Anuar & Khong  
Halim Hong & Quek

## Profile of Board of Directors

### **MR. CHENG KING FA**

- Malaysian
- Founder/Chairman

Mr. Cheng King Fa, aged 76, is the Founder of the KHIND Group, which commenced as a small family business 53 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturer. With 53 years experience in the electrical industry, he provides invaluable advice to the Group on production, marketing, new product research and development.

He 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 Founder/Chairman.

He has no convictions for any offence within the past ten years and has no conflict of interest with KHIND. In 2014, he attended all five meetings of the Board. He is the father of Mr. Cheng Ping Keat.

### **MR. CHENG PING KEAT**

- Malaysian
- Group Chief Executive Officer

Mr. Cheng Ping Keat, aged 54, was appointed as the Executive Director of KHIND on 20 April 1998. He graduated with a Bachelor of Commerce degree from the University of Melbourne, Australia in 1984. Post graduation, he had a short stint in audit, accountancy and receivership, both locally and abroad. He joined the KHIND Group in September 1987. In 1996, he obtained his Master of Business Administration from Bath University, U.K.

He was appointed and designated as the Group Chief Executive Officer of the KHIND Group on 18 November 2003. He is now responsible for the overall strategic planning and operations relating to manufacturing, marketing, financial, export management and brand building for the KHIND Group.

He has no convictions for any offence within the past ten years and has no conflict of interest with KHIND. In 2014, he attended all five meetings of the Board. He is the son of Mr Cheng King Fa.

### **EN. KAMIL BIN DATUK HJ. ABDUL RAHMAN**

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

En. Kamil bin Datuk Hj. Abdul Rahman, aged 66, 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 specialization is in 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.

His previous senior positions were as Senior Vice President of the Bank of Commerce (M) Berhad and as Executive Director of Commerce International Merchant Bankers Berhad. Currently, he holds directorship in other public listed company namely, Jiankun International Berhad. He is also a Director of \*WDM Holdings Berhad (\*not listed on Bursa Malaysia), and the Malaysia South Africa Business Council (company limited by guarantee).

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all five meetings of the Board in 2014.



## Profile of Board of Directors *(continued)*

### MR. WONG CHIN MUN

- Malaysian
- Independent
- Non-Executive Director
- Chairman of the Nomination and Remuneration Committee
- Member of the Audit Committee

Mr. Wong Chin Mun, aged 70, was appointed as an Independent Non-Executive Director of KHIND on 19 July 2010. He holds degrees in Bachelor of Business (Secretarial Administration) and (Accounting) from Curtin University of Western Australia and has a Teacher's Certificate from the Ministry of Education, Malaysia. He is a Fellow of the Australian Society of Certified Practising Accountants (FCPA) & Associate of Malaysian Institute of Accountants.

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

He is currently the Chairman of Vistage Malaysia Sdn. Bhd., which has the rights for the Vistage System from Vistage International Inc., USA, for assisting chief executive officers and entrepreneurs to proactively manage change and grow their businesses. He 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 serves on the Board of Trustees of Scientex Foundation since 2008. He is a member of the Advisory Board of STOP HUNGER NOW (Malaysia).

He has no family relationship with any Director and/or major shareholder of KHIND and has no

convictions for any offence within the past ten years. He attended all five meetings of the Board in 2014.

He does not have any conflict of interest with KHIND.

### MR. LEE AH LAN @ LEE KEOK HOOI

- Malaysian
- Independent
- Non-Executive Director
- Member of the Audit Committee
- Member of the Nomination and Remuneration Committee

Mr. Lee Keok Hooi, aged 68, was appointed as a Non-independent Non-Executive Director of KHIND on 26 March 1999. He was redesignated as an Independent Director on 17 April 2013. He is a member of the Nomination & Remuneration Committee and Audit Committee of KHIND.

Mr. Lee 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 ten years. He attended all five meetings of the Board in 2014.

He does not have any conflict of interest with KHIND.

## Statement on Corporate Governance

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

The Board is committed to maintaining high standards of corporate governance by adopting and implementing the prescription of the principles and best practices set out in Malaysian Code on Corporate Governance 2012 ("the Code").

The Board believes that the Company has substantially followed the Principles as set out in the Code.

### **A. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

#### **Clear Functions of the Board and Management**

The Board's principal role is overseeing the overall strategic direction, development and control of the Group in an effective and responsible manner. The role of Management is to run the general business operations and activities and manage the Group's financial matters in accordance with established delegated authority from the Board. In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of all stakeholders.

#### **Clear Roles and Responsibilities**

The Board assumes the following 6 principal responsibilities:-

- (a) reviewing, adopting and monitoring the implementation of a strategic plan for the Company and its subsidiaries ("Group");
- (b) overseeing the conduct of the Group's business to evaluate whether it is properly managed;
- (c) identifying principal risks and ensuring the implementation of appropriate controls and systems to monitor and manage these risks;
- (d) succession planning including appointing, training, fixing the remuneration and where appropriate, replacing senior management;
- (e) overseeing the development and implementation of a shareholders' communication policy for the Company to ensure effective communication with its shareholders and other stakeholders; and
- (f) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines.

Other than those statutorily and regulatory required and powers accorded under Articles of Association, the following are matters reserved for Board deliberation and decision which are non-exhaustive and may be varied from time to time:-

- (a) delegation of powers to Board Committees;
- (b) receiving and approving reports and recommendations from Board Committees;
- (c) approving strategic business plans, mergers and acquisitions of a substantial value;
- (d) major investment or divestment of current businesses;
- (e) changes to the group structure;
- (f) provision of indemnities or corporate guarantees;
- (g) appointment of a senior independent director from among the members.

#### **Formalized Ethical Standards through Code of Ethics**

The Board shall observe and adhere to the Directors' Code of Ethics as set out in the Board Charter. The Company had put in place 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 such as non-compliance to laws and regulations, financial malpractices, etc. Whistleblowing reports are addressed to the Senior Independent Director or the Chairman of the Audit Committee following the form and specific conditions as prescribed under the policy. The policy also affirms that the identity of the whistle-blower will be kept confidential and protection will be accorded to the whistle-blower against any form of reprisal or retribution. The whistle-blowing policy can be accessed on the Company's website at [www.khind.com](http://www.khind.com).



## Statement on Corporate Governance *(continued)*

### Strategies Promoting Sustainability

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. A detailed report on sustainability activities, demonstrating the Company's commitment to the global environment, social, governance and sustainability agenda, appears in the Statement on Corporate Responsibility of this Annual Report and corporate website.

### Access to Information and Advice

All Directors have full and unrestricted access to information pertaining to the Company. The agenda for every Board Meeting, together with a comprehensive set of board papers are furnished to all Directors for their perusal in advance of the Board Meeting date. This is to ensure sufficient time is given to enable the Directors to review and consider the agenda items to be deliberated at the Board Meetings. The Board papers include, amongst others, quarterly financial reports, year-end financial statements of the Group, annual budget, 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, market information when dealing with such matters on the agenda.

The Directors have unrestricted access to advice and services of the company secretary, senior management and independent professional advisers including the external auditors, at the Company's expense.

### Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary also ensures that deliberations at the Board meetings are recorded in the minutes.

### Board Charter

This Board Charter was adopted by the Board on 17 April 2013. 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 is made available for reference in the Company's website at [www.khind.com](http://www.khind.com).

## B. STRENGTHEN COMPOSITION

### Nomination and Remuneration Committee ("NRC")

The NRC which was established on 15 November 2001 comprises three (3) members who are Independent Directors.

The members of the NRC who served during the financial year are:

Wong Chin Mun - Chairman  
Kamil bin Datuk Haji Abdul Rahman - Member  
Lee Ah Lan @ Lee Keok Hooi - Member

The NRC is chaired by Mr. Wong Chin Mun and not Encik Kamil bin Datuk Haji Abdul Rahman, the Senior Independent Director and the Chairman of the Audit Committee. The Board believes that having different chairmen in the NRC and Audit Committee allows each Independent Director to carry out equitable roles and responsibilities in discharging the duties and responsibilities delegated by the Board effectively. As such, the Board has decided to maintain the current composition for these two Board Committees.

### Appointments to the Board

The NRC makes independent recommendations for appointments to the Board. In making these recommendations, the NRC assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

## Statement on Corporate Governance *(continued)*

### B. STRENGTHEN COMPOSITION *(continued)*

#### Re-election of Directors and re-appointment of Directors who are over the age of 70

In accordance with the Company's Articles, all Directors who are appointed by the Board may only hold office until the next 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 Articles also provide 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 Director and Executive Directors shall retire from office at least once in every three years.

Pursuant to Section 129 of the Companies Act, 1965, the office of a director of or over the age of 70 years becomes vacant at every AGM unless he is reappointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

The Board has considered the assessment of Encik Kamil bin Datuk Hj. Abdul Rahman, the Director standing for re-election and Mr. Wong Chin Mun and Mr. Cheng King Fa, the Directors standing for re-appointment and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the Main Market Listing Requirements.

#### Boardroom and Gender Diversity

The Board presently does not have a policy on boardroom diversity as it believes in providing equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender, age or ethnicity.

For the same reason, the Group also has no immediate plans to implement a diversity policy or target as part of its employment process. The Group is however, committed to having an equal employment opportunity, without barriers to employment or job development by reason of one's gender, ethnicity, religion and age.

#### Summary of activities undertaken by the NRC

During the financial year 2014, 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 its findings to the Board;
- (ii) Reviewed and made recommendations to the Board on the re-election and re-appointment of Directors based on the assessment conducted.
- (iii) Assessed the independence of the Independent Directors.

#### Remuneration Policies

The NRC also examines and recommends to the Board the remuneration package of the Executive Directors. The level of remuneration reflects the experience and responsibilities undertaken by the Executive Directors. The determination of the fees of the Non-Executive Directors is decided by the Board as a whole.

The details of the aggregate amount of remuneration of Directors of the Company during the year were as follows:

| Directors               | Directors' Remuneration & Benefit-in-Kind |                         |                |                                 |                 |                  |
|-------------------------|-------------------------------------------|-------------------------|----------------|---------------------------------|-----------------|------------------|
|                         | Fees                                      | Salaries and allowances | Bonus          | EPF-Employer Contribution @ 17% | Benefit-in-Kind | Grand Total      |
|                         | RM                                        | RM                      | RM             | RM                              | RM              | RM               |
| Executive Directors     | -                                         | 1,245,240               | 574,349        | 305,458                         | 148,202         | 2,273,249        |
| Non-Executive Directors | 216,000                                   | 17,000                  | -              | -                               | 9,000           | 242,000          |
| <b>TOTAL</b>            | <b>216,000</b>                            | <b>1,262,240</b>        | <b>574,349</b> | <b>305,458</b>                  | <b>157,202</b>  | <b>2,515,249</b> |



## Statement on Corporate Governance *(continued)*

### B. STRENGTHEN COMPOSITION *(continued)*

#### Remuneration Policies *(continued)*

The Board is of the view that the Directors' Remuneration disclosures by band fulfill the transparency and accountability aspects of corporate governance.

The number of Executive and Non-executive Directors whose total remuneration falls into the following bands are tabulated as follow:

| Remuneration Bands         | Number of Directors |               | Total    |
|----------------------------|---------------------|---------------|----------|
|                            | Executive           | Non-Executive |          |
| Up to RM50,000             | -                   | -             | -        |
| RM50,001 - RM100,000       | -                   | 3             | 3        |
| RM800,001 - RM850,000      | 1                   | -             | 1        |
| RM1,250,001 to RM1,500,000 | 1                   | -             | 1        |
| <b>Total</b>               | <b>2</b>            | <b>3</b>      | <b>5</b> |

### C. REINFORCE INDEPENDENCE

#### Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointment. The Board assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to 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, scrutinize the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

The Board has assessed the independence of the Independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

#### Tenure of Independent Directors and shareholders' approval for the re-appointment of Independent Directors who have served more than 9 years

The Code recommends that the tenure of an Independent Director should not exceed nine (9) years cumulatively. Upon completion of the nine (9) years, an Independent Director may continue to serve on the board subject to his re-designation as a Non-Independent Director. Notwithstanding that Encik Kamil bin Datuk Haji Abdul Rahman has served on the Board for more than nine (9) years, the Board proposes to retain his status as an Independent Director. The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The Group benefits from long serving Directors, such as Encik Kamil bin Datuk Haji Abdul Rahman, who has a strong understanding of the Group's corporate history and business, has devoted sufficient time and commitment to discharge his responsibilities as an Independent Director.

The Board has assessed Encik Kamil bin Datuk Haji Abdul Rahman to be independent in character and judgment, independent of management and free from any relationships or circumstances which are likely to affect or could appear to affect his judgment. The Board will table a proposal to retain Encik Kamil bin Datuk Haji Abdul Rahman as an Independent Director for shareholders' approval at the AGM of the Company.

## Statement on Corporate Governance *(continued)*

### C. REINFORCE INDEPENDENCE *(continued)*

#### Separation of Positions of the Chairman and Group Executive Officer (“Group CEO”)

The positions of Chairman and Group CEO are held by two different individuals. The Chairman is responsible for the leadership of the Board and ensures effectiveness of the Board while the Group CEO manages the business and operations and implements the Board decision. The distinct and separate role of the Chairman and Group CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

#### Composition of the Board

The Code recommends that if the Chairman of the Board is not an independent Director, the Board must comprise a majority of Independent Directors.

The Board comprises three (3) Independent Directors and 2 Executive Directors (including the Chairman). The Chairman is the founder of the Khind Group. Under his vision and strong leadership, the Group has grown from a humble start up into one of Malaysia’s leading local electrical products manufacturer with subsidiaries abroad. The Group benefits from the Chairman who possesses in-depth knowledge of the Group’s businesses and has proven commitment, experience and competence to effectively discharge his responsibilities. The presence of a majority of Independent Directors provides the necessary check and balance on the conduct of the Chairman and the Group CEO.

Encik Kamil bin Datuk Haji Abdul Rahman is the Senior Independent Director to whom all concerns or queries pertaining to the Company may be conveyed by shareholders and stakeholders.

### D. FOSTER COMMITMENT

#### 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 attendance record of the Board members is reflected as follows:

| DIRECTORS’ BOARD MEETINGS IN YEAR 2014  |                                                |
|-----------------------------------------|------------------------------------------------|
| Directors                               | Total Number of Meetings Attended by Directors |
| 1. Mr. Cheng King Fa                    | 5/5                                            |
| 2. Mr. Cheng Ping Keat                  | 5/5                                            |
| 3. En. Kamil bin Datuk Hj. Abdul Rahman | 5/5                                            |
| 4. Mr. Lee Ah Lan @ Lee Keok Hooi       | 5/5                                            |
| 5. Mr. Wong Chin Mun                    | 5/5                                            |

To facilitate the Directors’ time planning, an annual meeting calendar is prepared and circulated to update to them before the meeting of every year. It provides the scheduled dates for meetings of the Board and Board Committees as well as the AGM.



## Statement on Corporate Governance *(continued)*

### D. FOSTER COMMITMENT *(continued)*

#### Training *(continued)*

The Board encourages its Directors to attend talks, seminars, workshops and conference 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 other relevant training programs either on their own arrangement or organized by the Company on continuous basis in compliance with Paragraph 15.08(2) of the Listing Requirements. The Directors are briefed by the Company Secretary on the letters and circulars issued by Bursa Securities at Board Meeting. All Directors have completed the Mandatory Accreditation Programme required by Bursa Securities.

Some of the trainings/courses attended by the Directors during the financial year ended 31 December 2014 are as follows:

| No  | Course Title                                                                                                                                                            | Date                  |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 1.  | GST Awareness and Implication                                                                                                                                           | 21 February 2014      |
| 2.  | ICT II (Information Communication Technologies)                                                                                                                         | 28 - 29 February 2014 |
| 3.  | Setting your Groups on Fire Workshop                                                                                                                                    | 21 & 22 March 2014    |
| 4.  | High Leverage Leadership for Today's World                                                                                                                              | 21 & 22 March 2014    |
| 5.  | EU-Malaysia Trade & Investment Forum 2014<br>- Enhancing Cooperation in Facilitating SMEs' Access to Finance for<br>Sustainable consumption & Production (SCP) Projects | 17 April 2014         |
| 6.  | Learning to Fly Workshop - From Pitch to IPO, Doing the Deal, Planning<br>for Exit & Investing for Returns                                                              | 18 April 2014         |
| 7.  | Major Trends and Economic Updates (Major Economics and Malaysia)                                                                                                        | 13 June 2014          |
| 8.  | Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers                                                                                               | 2 July 2014           |
| 9.  | TEC Australia Chair Conference                                                                                                                                          | 24 - 26 July 2014     |
| 10. | Superior Decision - Making & Execution                                                                                                                                  | 7 August 2014         |
| 11. | Malaysia-Taiwan Ecommerce & Cloud Summit (MaTECS)                                                                                                                       | 18 October 2014       |
| 12. | How Frisa has Transformed its Business                                                                                                                                  | 7 November 2014       |
| 13. | Great Leaders, Great Teams, Great Results - 8th Habit                                                                                                                   | 8 - 10 December 2014  |
| 14. | The New Wave of Scalable Entrepreneurship in S.E.A                                                                                                                      | 7 November 2014       |

### E. UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### Compliance and Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The Directors are responsible for ensuring that the financial statements are prepared in accordance with the provision of the Companies Act, 1965 and approved accounting standards, subject to any explanations and material departures disclosed in the notes to the financial statements.

The Board is assisted by the Audit Committee 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 financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board before releasing to Bursa Securities. The Board has taken due care and reasonable steps to ensure that the requirement of accounting standards and relevant regulation were fully complied.

## Statement on Corporate Governance *(continued)*

### **E. UPHOLD INTEGRITY IN FINANCIAL REPORTING (continued)**

#### **Assessment of Suitability and Independence of External Auditors**

The Board has maintained an appropriate and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee 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 Audit Committee Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee report enumerating its role in relation to the Auditors is set out on pages 27 to 29 of this Annual Report.

For the financial year ended 31 December 2014, the amount of non-audit fees paid/payable by the Company to the External Auditors amounted to RM12,600.

The Audit Committee, having assessed the independence of Messrs KPMG as well as reviewed the level of non-audit services rendered by them for the financial year ended 31 December 2014, was satisfied with their competency and independence. The Audit Committee has recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

### **F. RECOGNISE AND MANAGE RISKS**

#### **Sound Framework to Manage Risk**

The Board acknowledges that it is responsible for maintaining a sound system of 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 requirement.

The Group's Statement on Risk Management and Internal Control is set out on pages 25 and 26 of this Annual Report.

#### **Internal Audit Function**

The Board acknowledges the importance of the internal audit function and has outsourced to consultant, 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 audit plan approved by the Audit Committee.

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 Audit Committee.

### **G. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

#### **Corporate Disclosure Policies**

The Company recognises the value of transparent, consistent and coherent communications with 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 decision.

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

#### **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 announcement of the quarterly financial results is 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.



## Statement on Corporate Governance *(continued)*

### H. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### Encourage Shareholder Participation at General Meetings

The Company provides information to the shareholders with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint a proxy and also the qualifications of a proxy.

To further promote participation of members through proxy(ies), which is in line with the insertion of Paragraph 7.21 of the Main Market Listing Requirements, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow and restriction on proxy's qualification.

#### Encourage Poll Voting

At the commencement of the AGM, the Chairman shall inform the shareholders the substantive resolutions put forth for shareholders' approval and encourage the voting of all substantive resolutions by polling pursuant to the Code. To assist the shareholders in exercising their rights, the Chairman shall read out the provisions of the Articles of Association on the shareholders' right to demand a poll vote.

#### 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. The practice of disclosure of information is not just established to comply with the requirements of the Main Market Listing Requirements pertaining to continuing disclosures; it also adopts the best practices as recommended in the Code with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis.

The Annual Report is the main channel of communication between the Company and its shareholders. The Annual Report communicates 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 Main Market Listing Requirements.

Another key avenue of communication with its shareholders is the Company's AGM, which provides a useful forum for shareholders to engage directly with the Directors. The Company sends the Notice of AGM and the Annual Report to shareholders at least twenty-one (21) days before the meeting.

### ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Main Market Listing Requirements of Bursa Securities:

1. Utilisation of proceeds  
There were no corporate proposals announced at the date of this annual report.
2. Share Buybacks  
During the financial year, there were no share buybacks by the Company.
3. Option, Warrants or Convertible Securities  
There were no options, warrants or convertible securities issued by the Company during the financial year.
4. Depository Receipt Programme  
During the financial year, the Company did not sponsor any Depository Receipt Programmes.
5. Sanctions / Penalties  
There were no sanctions and/or penalties (that were made public) imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.
6. Profits estimates, forecast or projection  
There was no material variance between the results of the financial year and the unaudited results previously released by the Company. The Company did not release any profit estimate, forecast or projection during the financial year.

## Statement on Corporate Governance *(continued)*

### ADDITIONAL COMPLIANCE INFORMATION *(continued)*

7. Profit guarantee  
No profit guarantee was given by the Company during the financial year.
8. 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.
9. Employee Share Scheme  
The Company does not have an Employee Share Scheme in existence.
10. Recurrent Related Party Transaction (RRPT)  
The Company did not seek any shareholders' mandate in respect of RRPT of a revenue of trading nature at the previous AGM.

## Statement on Corporate Responsibility

**Corporate Responsibility (CR)** has been defined by Bursa Malaysia CSR Framework as open and transparent business practices, based on the ethical values and respect for employees, communities and the environment. Khind launched its new vision "KHIND 3.0 – We Deliver Happiness". In year 2014, Khind CR activities focused on delivering happiness to the community, environment and its employees. The following CR activities were carried out:

### Delivering Happiness to Community

#### Launch of Khind Starfish Foundation

On 26 March 2014, Khind officially launched Khind Starfish Foundation. This newly-established tax-exempt foundation is responsible for managing the entire CR programmes undertaken by the Khind Group within Malaysia. The objectives of Khind Starfish Foundation are: to carry out projects to help improve living conditions; to provide relief to and maintain the wellbeing of poor, needy and distressed, disadvantaged or deprived communities; as well as supporting Malaysian heritage, arts and cultural performances.



#### Launch of Projects for Happiness 2014

As part of Khind Starfish Foundation's first major initiative, Khind Starfish Foundation also launched "Projects for Happiness" a CR project that provides funding to local undergraduate students from public and private institutions of higher learning to undertake various volunteer oriented community programmes that seeks to help the less fortunate and socially-challenged members of society. It is Khind Starfish Foundation's hope that this project can be a catalyst to help young people to recognize that they are all capable of bringing happiness to less fortunate communities in the country. Each successful project selected receives a maximum of RM10,000 from Khind Starfish Foundation to help them kick-start their individual projects. In year 2014, the Foundation selected total of 14 projects from several of universities.

- Mini Library in Cameron (KBU International College)
- Little Caliphs Project (International Islamic University)
- Beat and Dance in Nature (Universiti Tunku Abdul Rahman)
- Voice of Hope - I'm P+ Theatre (International Islamic University)
- Traditional Chinese Medicine(TCM) Charity Care and Health Cultivation (INTI International University)
- Dream it make it (Saito Collage)
- The Kalsom Movement 20 (Universiti Teknologi MARA)
- Wayang Kulit Kelantan (Universiti Teknologi MARA)
- We [ Care + Love + Teach ] = WCLT (Nottingham University)
- Integration Project of Ayam Kampung (Institut Pendidikan Guru Kampus Kota Bharu)
- Happy Beat (Nottingham University)
- Grey Mushroom Project (Universiti Teknologi MARA (Terengganu))
- Understanding Culture through Mask Making (Universiti Tunku Abdul Rahman)
- Happy Home (Taylor's University )



## Statement on Corporate Responsibility *(continued)*

### Launch of Projects for Happiness 2014 *(continued)*

On 13 December 2014, Khind Starfish Foundation organized an inaugural mini exhibition to celebrate the successful results of all these projects.

### Local community service *(under privileged care)*

In line with our Group vision statement “We Deliver Happiness”, Khind always encourages all subsidiaries to care for their communities wherever they operate.

In Malaysia, Khind staff joined the monthly community services organized by Tzu Chi Foundation to deliver happiness for handicapped and mentally-challenged children in Klang. In addition, Khind also organized bi-monthly visits to orphanages and old folk’s home within the Klang Valley. Khind assisted with the installation, repair and replacement of faulty electrical items; housekeeping; and helping to promote electrical safety with the needy. Besides that, staff in Sekinchan visited local children’s homes and donated daily necessities and new clothes during festivals. Khind Starfish Foundation donated a van to support Kechara mobile kitchen to extend their food service to the urban poor community within the Klang Valley by bringing volunteers and groceries to their doorsteps, transporting the homeless to clinics or hospital for medical treatment.

Regionally, our staff in Singapore donated fans to the low income families at York hill and organized a toy buffet campaign where toys were collected from staff and donated to the children’s home. In Dubai, Khind staff joined in the “Beat Diabetes” Walk and provided Ramadan Iftar to the UAE labour camp during the Muslim fasting month.

### Promote art and cultural

Khind Starfish Foundation was a sponsor for Hands Percussion and Dua Space, two cultural dance and performance troupes. Khind Starfish Foundation was also proud to be one of the sponsors for Sasaran International Art Festival 2014 which was organized by Sasaran Art Association to promote Malaysia local arts to other countries and local communities.

### Delivering Happiness to Environment

#### Tree planting at Sekinchan town

As part of the movement to help protect the environmental, on 30 December 2014, Khind initiated and supported the local council to plant 100 trees in Sekinchan town. The Company hopes that this event can act as a small catalyst for other entrepreneurs in Sekinchan to promote a sustainable environment in Sekinchan.





## Statement on Corporate Responsibility *(continued)*

### School landscaping

As part of the spirit of “Delivering happiness to Alma Mater”, Khind initiated a total of two landscaping activities at one primary school and one secondary school in Sekinchan. Khind strongly believes that these activities are able to provide a good study environment to the students in these two schools.



### Village site cleaning.

During the year, Khind carried out a total of seven site cleaning activities in several of locations at Sekinchan – Paddy field at Site B and Site C, Taman Ria, Taman Aman and Taman Aman Jaya.



## Delivering Happiness to employees

Khind strongly believes that its employees are a valuable asset to propel the Company into the new century. The following activities were held for staff:

### Training and education assistance program

Khind allocated 2.5% of its annual basic payroll into an annual training budget to enhance skills and knowledge among employees. In addition, Khind also offered education assistance schemes to encourage staff to further their academic studies. Khind also initiated WOW 1 and WOW 2 training programmes to develop future young leaders of the Company.

### Staff's children opening school benefits

During the year for school commencement, Khind handed out school uniform, shoes, stationary and school bags for its employee's children who are studying at primary school and secondary schools. This program helps alleviate parents' yearly burden.

## Statement on Corporate Responsibility *(continued)*

### Safety and health program

During the year, Khind Safety and Health Committee conducted various events including: two blood donation campaigns (April and September) at its Shah Alam office; fire evacuation drill (factory and Shah Alam office); correct use of fire extinguishers (collaborate with Pasukan Bomba Dan Penyelamat); and other health and safety practices - to ensure appropriate occupation safety measures are practiced.



### Tabung Amal at Sekinchan

Khind initiated this program since 2011 as a general fund to provide financial aid to less fortunate employees working at its manufacturing plant in Sekinchan.

### Encouragement for Employee Volunteerism

As a responsible corporate citizen, Khind encourages employees to volunteer for any kind of CR activity. As such, Khind provides all employees three (3) work days per year to carry out volunteer work on external CR activities which are approved by the Company.

### Sports and Social Club

Khind Wellness Center at its Shah Alam office provides gym equipment, table tennis and a pool table to encourage staff to lead healthier lifestyles. Yoga class, body combat class and Sh'bam class are also held in this center weekly to provide a variety of exercise styles for employees. In addition, the committee also organized various outdoor sports game such as bowling, badminton and futsal - for employees to participate. During the festive season, the Khind Sport Club committee organized various festive lunch celebrations and get-together to foster better inter-departmental working relationships.





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

- Safeguard assets of the Group and shareholders’ interests;
- On-going process for identifying, evaluating and managing significant risks encountered or potentially to be encountered by the Group;
- Compliance with applicable laws, regulatory requirements, rules and guideline; 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 Chief Operating Officer and Group Chief Financial Officer 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 ensuring 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 on the adverse impacts to its functions, operations, assets, employees, consumers or shareholders.

The risk management policy and procedure form part of the various management systems and are reviewed regularly and updated when necessary. They are endorsed by Group Chief Executive Officer and Group Chief Operating Officer, and have been which takes 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 facing 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 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, 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 assessing 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.

## 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 are adopted by all the companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.
- **Organisational structure and accountability levels**  
The Group has a defined organisational structure with clear lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

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

- **Budgeting, Reporting and Review**  
The Group prepares comprehensive budgets that roll up into an annual budget that is approved by the Board prior to the commencement of the financial year. The management team performs monthly monitoring and review of financial results and forecasts for all businesses within the Group. Actual results are then compared with budgeted results and any significant matter is brought forward for the Board's consideration and decision at least on a quarterly basis.
- **Independence of the Audit Committee**  
The Audit Committee comprises non-executive members of the Board who are majority independent directors. The Committee holds regular meetings to deliberate on findings and recommendations and reports back to the Board.
- **Internal Audit**  
The Board has outsourced the internal audit functions to BDO GA, with the primary objective of assisting the Board in reviewing the adequacy and integrity of the Group's system of internal controls to manage the risks areas faced by the Group. The audit findings, recommendations for improvement and status of actions taken by the management to address the issues were reported to the Audit Committee. The annual fee incurred for the internal audit function is RM70,000.

The scope of work undertaken by BDO GA during the financial year 2014 was as below:-

- Developed an Internal Audit Plan for 2014 using a risk-based approach to support and execute internal control reviews;
- Conducted four (4) Internal Control Reviews for the year covering:
  - (i) Project management for Khind Electrical (Malaysia) Sdn Bhd;
  - (ii) Group level Hire to Retire and Information Systems for Khind Holdings Berhad;
  - (iii) Procure to pay for Khind Systems (S) Pte Ltd; and
  - (iv) Procure to pay for Mayer Marketing Pte Ltd.
- Presented audit findings to the Audit Committee of KHIND during its quarterly meetings.
- **Management Visits**  
Senior management of the Group conducts regular visit to the operating bases to review and gain better understanding of the operation.

### CONCLUSION

The Board is of the view that 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 17 April 2015.



## Audit Committee Report

### 1. MEMBERSHIP AND MEETINGS

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

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

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

| AUDIT COMMITTEE MEETINGS IN YEAR 2014       |                                                |
|---------------------------------------------|------------------------------------------------|
| Members                                     | Total Number of Meetings Attended by Directors |
| <b>Independent Non-Executive Directors</b>  |                                                |
| Kamil bin Datuk Hj. Abdul Rahman (Chairman) | 4/4                                            |
| Wong Chin Mun                               | 4/4                                            |
| Lee Ah Lan @ Lee Keok Hooi                  | 4/4                                            |

### 2. SUMMARY OF THE TERMS OF REFERENCE

#### A. Composition of the AC

- (1) The AC shall be appointed by the Board of Directors ("BOD") from amongst their members and shall consist of at least three (3) members.
- (2) All AC members must be Non-Executive Directors with a majority of them being Independent Directors.
- (3) At least one (1) of the AC:-
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
    - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountant Act 1976; or
  - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- (4) No alternate Director(s) shall be appointed as member(s) of the AC.
- (5) The members of the AC shall elect a Chairman from amongst its members who shall be an Independent Director.
- (6) The Board shall review the term of office and performance of the AC and each of its members at least once in every 3 years to determine whether the AC and members have carried out their duties in accordance with the Terms of Reference.

## Audit Committee Report *(continued)*

### 2. SUMMARY OF THE TERMS OF REFERENCE *(continued)*

#### B. Power and Authority of the AC

The AC shall in accordance with the procedure determined by the Board and at the cost of the Company:-

- (a) have authority to investigate any matter within the terms of reference;
- (b) have the resources which the AC requires to perform its duties;
- (c) have full and unrestricted access to any information which the AC requires in the course of performing its duties;
- (d) have direct communication channels with the external auditors and person carrying out the internal audit function;
- (e) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- (f) be able to convene meetings with the external auditors, internal auditors or both without the attendance of other directors and employees of the Company, whenever deemed necessary.

The full Terms of Reference of the Audit Committee can be obtained from [www.khind.com](http://www.khind.com).

### 3. INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to BDO Governance Advisory Sdn. Bhd. Our Internal Auditors have developed an annual audit plan to support and execute internal control reviews. The internal audit function 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 2014. The Internal Auditors would present an internal audit report to the AC on a quarterly basis or when required. The Internal Auditors would also provide feedback to the Board of Directors, AC and Senior Management in respect of corporate governance issues in the course of their internal audit reviews.

During the financial year ended 31 December 2014, the Internal Auditors have carried out reviews on the following business processes:-

- Project management i.e. progress billings, subcontractor claims and project cost, project monitoring;
- Group level hire to retire and information systems; and
- Procure to pay for trading division in Singapore.

The total cost incurred for outsourcing of the internal audit function of the Group during the financial year ended 31 December 2014 amounted to RM70,000.

### 4. ACTIVITIES OF THE COMMITTEE

The Chairman of the AC reports regularly to the Board on the activities carried out by the AC in the discharge of its duties and responsibilities, as set out in its Terms of Reference which is available on Khind's website. The main activities undertaken by the Committee during the year are as follows:-

- (a) Discussed with the external auditors, the nature, scope and quality of external audit plan/arrangements;
- (b) Reviewed quarterly results and year-end financial statements of the Company, prior to approval by the Board;
- (c) Reviewed management letter sent by the external auditors to the Company and Management's response to such letter;



## Audit Committee Report *(continued)*

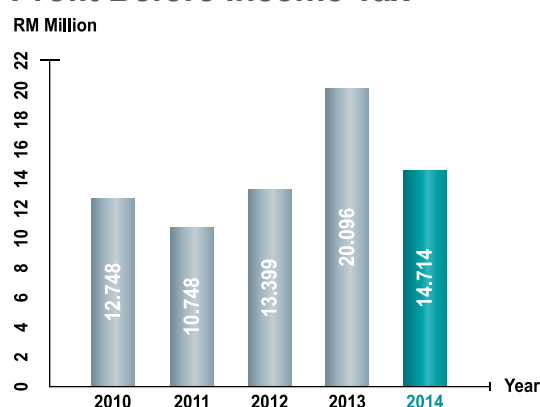
### 4. ACTIVITIES OF THE COMMITTEE *(continued)*

- (d) Reviewed the findings from the interim and final audits;
- (e) Reviewed the internal audit programme and results of the internal audit process or investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function;
- (f) Reviewed the follow up actions by Management on the weakness of internal accounting procedures and controls;
- (g) Reviewed any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (h) Reviewed the Company's compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards and other relevant legal and regulatory requirements; and
- (i) Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services.

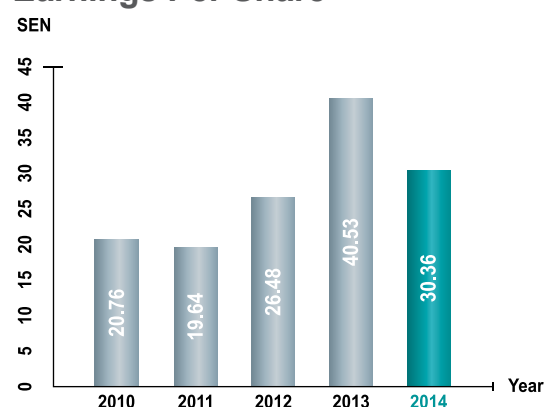
## Five-year Financial Highlights

| In RM'000                               | Year ended 31 December |         |         |         |         |
|-----------------------------------------|------------------------|---------|---------|---------|---------|
|                                         | 2010                   | 2011    | 2012    | 2013    | 2014    |
| Revenue                                 | 196,025                | 241,850 | 288,591 | 325,035 | 319,051 |
| Profit before tax                       | 12,748                 | 10,748  | 13,399  | 20,096  | 14,714  |
| Profit for the year                     | 8,318                  | 7,867   | 10,607  | 16,236  | 12,161  |
| Profit attributable to owners           | 8,318                  | 7,867   | 10,607  | 16,236  | 12,161  |
| Total equity attributable to owners     | 76,496                 | 82,002  | 90,794  | 103,998 | 113,183 |
| Total assets                            | 150,950                | 179,627 | 210,975 | 232,836 | 252,584 |
| Total borrowings                        | 40,017                 | 50,275  | 66,705  | 70,858  | 80,905  |
| Basic earnings per share (sen)          | 20.76                  | 19.64   | 26.48   | 40.53   | 30.36   |
| Net assets per share (RM)               | 1.91                   | 2.05    | 2.27    | 2.60    | 2.83    |
| Return on equity attributable to owners | 10.9%                  | 9.6%    | 11.7%   | 15.6%   | 10.7%   |
| Return on total assets                  | 5.5%                   | 4.4%    | 5.0%    | 7.0%    | 4.8%    |
| Debt equity ratio                       | 0.5                    | 0.6     | 0.7     | 0.7     | 0.7     |

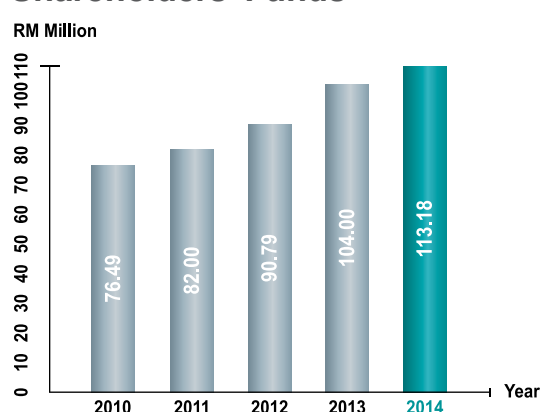
### Profit Before Income Tax



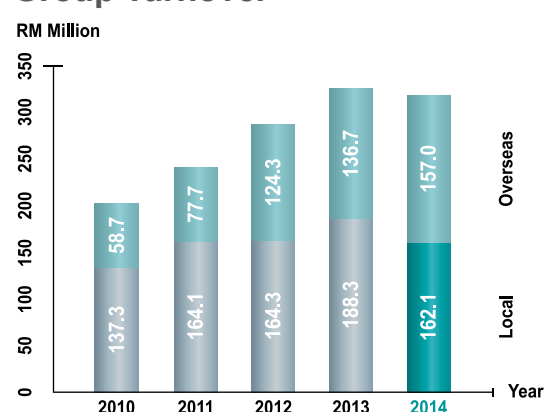
### Earnings Per Share



### Shareholders' Funds



### Group Turnover





# Financial Statements

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## Directors' report for the year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

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

### Results

|                                      | Group<br>RM'000 | Company<br>RM'000 |
|--------------------------------------|-----------------|-------------------|
| Profit for the year attributable to: |                 |                   |
| Owners of the Company                | 12,161          | 15,055            |

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

### Dividend

Since the end of the previous financial year, the Company paid an interim tax exempt dividend of 10 sen per ordinary share totalling RM4,005,900 in respect of the year ended 31 December 2014 on 29 October 2014.

The Directors do not recommend any final dividend to be paid for the financial year under review.

### Directors of the Company

Directors who served since the date of the last report are:

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



## Directors' report for the year ended 31 December 2014 (continued)

### Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

|                                 | Number of ordinary shares of RM1 each |        |      | At<br>31 December 2014 |
|---------------------------------|---------------------------------------|--------|------|------------------------|
|                                 | At<br>1 January 2014                  | Bought | Sold |                        |
| Cheng King Fa:                  |                                       |        |      |                        |
| Interest in the Company:        |                                       |        |      |                        |
| – own                           | 1,889,601                             | 9,000  | -    | 1,898,601              |
| – others*                       | 1,304,124                             | -      | -    | 1,304,124              |
| Cheng Ping Keat:                |                                       |        |      |                        |
| Interest in the Company:        |                                       |        |      |                        |
| – own                           | 2,725,720                             | -      | -    | 2,725,720              |
| – others**                      | 2,165,199                             | -      | -    | 2,165,199              |
| Deemed interest in the Company: |                                       |        |      |                        |
| – own                           | 15,708,837                            | -      | -    | 15,708,837             |
| Lee Ah Lan @ Lee Keok Hooi      |                                       |        |      |                        |
| Interest in the Company:        |                                       |        |      |                        |
| – own                           | 460,000                               | -      | -    | 460,000                |

\* Cheng Yoke Leng, Cheng Yoke Kan and Lew Kuan Hwa are the daughters and spouse of Cheng King Fa. In accordance with Section 134(12)(c) of the Companies Act, 1965, the deemed 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 134(12)(c) of the Companies Act, 1965, the deemed 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 ordinary shares of the Company, Cheng King Fa and Cheng Ping Keat are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Khind Holdings Berhad has an interest.

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **Directors' report** for the year ended 31 December 2014 (continued)

### **Issue of shares and debentures**

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There was no issue of 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.

### **Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the 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 the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### **Subsequent event**

Subsequent event are disclosed in Note 29 to the financial statements.



## **Directors' report** for the year ended 31 December 2014 (continued)

### **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

**CHENG KING FA**

**CHENG PING KEAT**

Kuala Lumpur, Malaysia

Date: 8 April 2015

## Statements of Financial Position as at 31 December 2014

|                                                           |      | Group          |                | Company        |                |
|-----------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                           | Note | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Assets</b>                                             |      |                |                |                |                |
| Property, plant and equipment                             | 3    | 58,622         | 49,634         | 8,534          | 8,745          |
| Prepaid lease payments                                    | 4    | 2,099          | 2,298          | -              | -              |
| Investment property                                       | 5    | 2,966          | 3,090          | 2,966          | 3,090          |
| Intangible assets                                         | 6    | 3,989          | 3,970          | 59             | 56             |
| Investments in subsidiaries                               | 7    | -              | -              | 31,948         | 31,948         |
| Deferred tax assets                                       | 8    | 3,636          | 4,262          | -              | -              |
| <b>Total non-current assets</b>                           |      | <b>71,312</b>  | <b>63,254</b>  | <b>43,507</b>  | <b>43,839</b>  |
| Inventories                                               | 9    | 63,677         | 61,715         | -              | -              |
| Other investments                                         | 10   | 1,804          | 1,300          | 1,096          | 1,067          |
| Current tax assets                                        |      | 1,978          | 73             | 49             | 602            |
| Trade and other receivables                               | 11   | 74,139         | 69,044         | 15,668         | 13,357         |
| Cash and bank balances                                    | 12   | 39,674         | 37,450         | 12,920         | 4,586          |
| <b>Total current assets</b>                               |      | <b>181,272</b> | <b>169,582</b> | <b>29,733</b>  | <b>19,612</b>  |
| <b>Total assets</b>                                       |      | <b>252,584</b> | <b>232,836</b> | <b>73,240</b>  | <b>63,451</b>  |
| <b>Equity</b>                                             |      |                |                |                |                |
| Share capital                                             | 13   | 40,059         | 40,059         | 40,059         | 40,059         |
| Translation reserve                                       |      | 2,337          | 1,307          | -              | -              |
| Retained earnings                                         |      | 70,787         | 62,632         | 23,110         | 12,061         |
| <b>Total equity attributable to owners of the Company</b> |      | <b>113,183</b> | <b>103,998</b> | <b>63,169</b>  | <b>52,120</b>  |
| <b>Liabilities</b>                                        |      |                |                |                |                |
| Deferred tax liabilities                                  | 8    | 1,911          | 2,202          | -              | -              |
| Loans and borrowings                                      | 14   | 28,953         | 23,377         | 8,057          | 8,411          |
| <b>Total non-current liabilities</b>                      |      | <b>30,864</b>  | <b>25,579</b>  | <b>8,057</b>   | <b>8,411</b>   |
| Loans and borrowings                                      | 14   | 51,952         | 47,481         | 366            | 350            |
| Trade and other payables                                  | 15   | 55,748         | 53,598         | 1,648          | 2,570          |
| Current tax liabilities                                   |      | 837            | 2,180          | -              | -              |
| <b>Total current liabilities</b>                          |      | <b>108,537</b> | <b>103,259</b> | <b>2,014</b>   | <b>2,920</b>   |
| <b>Total liabilities</b>                                  |      | <b>139,401</b> | <b>128,838</b> | <b>10,071</b>  | <b>11,331</b>  |
| <b>Total equity and liabilities</b>                       |      | <b>252,584</b> | <b>232,836</b> | <b>73,240</b>  | <b>63,451</b>  |

The notes on pages 41 to 83 are an integral part of these financial statements.



## Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

|                                                                 | Note | Group          |                | Company        |                |
|-----------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                 |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Continuing operations</b>                                    |      |                |                |                |                |
| Revenue                                                         | 16   | 319,051        | 325,035        | 25,555         | 16,983         |
| Cost of sales                                                   |      | (218,514)      | (222,229)      | -              | -              |
| <b>Gross profit</b>                                             |      | 100,537        | 102,806        | 25,555         | 16,983         |
| Other income                                                    |      | 2,720          | 5,892          | 117            | 1,690          |
| Distribution expenses                                           |      | (50,479)       | (50,289)       | -              | -              |
| Administrative expenses                                         |      | (34,151)       | (34,545)       | (9,736)        | (9,164)        |
| Other expenses                                                  |      | (1,247)        | (822)          | (70)           | -              |
| <b>Results from operating activities</b>                        |      | 17,380         | 23,042         | 15,866         | 9,509          |
| Finance income                                                  | 17   | 322            | 295            | 134            | 166            |
| Finance costs                                                   | 18   | (2,988)        | (3,241)        | (391)          | (674)          |
| <b>Profit before tax</b>                                        |      | 14,714         | 20,096         | 15,609         | 9,001          |
| Tax expense                                                     | 19   | (2,553)        | (3,860)        | (554)          | (1,072)        |
| <b>Profit for the year</b>                                      | 20   | 12,161         | 16,236         | 15,055         | 7,929          |
| <b>Attributable to:</b>                                         |      |                |                |                |                |
| Owners of the Company                                           |      | 12,161         | 16,236         | 15,055         | 7,929          |
| <b>Profit for the year</b>                                      |      | 12,161         | 16,236         | 15,055         | 7,929          |
| <b>Other comprehensive income, net of tax</b>                   |      |                |                |                |                |
| Foreign currency translation differences for foreign operations |      | 1,030          | 974            | -              | -              |
| <b>Other comprehensive income for the year, net of tax</b>      |      | 1,030          | 974            | -              | -              |
| <b>Total comprehensive income for the year</b>                  |      | 13,191         | 17,210         | 15,055         | 7,929          |
| <b>Total profit attributable to:</b>                            |      |                |                |                |                |
| Owners of the Company                                           |      | 13,191         | 17,210         | 15,055         | 7,929          |
| <b>Basic earnings per ordinary share (sen)</b>                  |      |                |                |                |                |
| from continuing operations                                      | 21   | 30.36          | 40.53          |                |                |

The notes on pages 41 to 83 are an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

| ----- Attributable to owners of the Company -----               |                         |                               |                             |                 |
|-----------------------------------------------------------------|-------------------------|-------------------------------|-----------------------------|-----------------|
| ----- Non-distributable ----- Distributable                     |                         |                               |                             |                 |
| Note                                                            | Share capital<br>RM'000 | Translation reserve<br>RM'000 | Retained earnings<br>RM'000 | Total<br>RM'000 |
| <b>Group</b>                                                    |                         |                               |                             |                 |
| <b>At 1 January 2013</b>                                        | 40,059                  | 333                           | 50,402                      | 90,794          |
| Foreign currency translation differences for foreign operations | -                       | 974                           | -                           | 974             |
| Total other comprehensive income for the year                   | -                       | 974                           | -                           | 974             |
| Profit for the year                                             | -                       | -                             | 16,236                      | 16,236          |
| Total comprehensive income for the year                         | -                       | 974                           | 16,236                      | 17,210          |
| Dividend to owners of the Company                               | 22                      | -                             | (4,006)                     | (4,006)         |
| <b>Total transactions with owners of the Company</b>            | -                       | -                             | (4,006)                     | (4,006)         |
| <b>At 31 December 2013 / 1 January 2014</b>                     | 40,059                  | 1,307                         | 62,632                      | 103,998         |
| Foreign currency translation differences for foreign operations | -                       | 1,030                         | -                           | 1,030           |
| Total other comprehensive income for the year                   | -                       | 1,030                         | -                           | 1,030           |
| Profit for the year                                             | -                       | -                             | 12,161                      | 12,161          |
| Total comprehensive income for the year                         | -                       | 1,030                         | 12,161                      | 13,191          |
| Dividend to owners of the Company                               | 22                      | -                             | (4,006)                     | (4,006)         |
| <b>Total transactions with owners of the Company</b>            | -                       | -                             | (4,006)                     | (4,006)         |
| <b>At 31 December 2014</b>                                      | 40,059                  | 2,337                         | 70,787                      | 113,183         |

Note 13

| ----- Attributable to owners of the Company -----  |                         |                             |                 |
|----------------------------------------------------|-------------------------|-----------------------------|-----------------|
| --- Non-distributable --- Distributable            |                         |                             |                 |
| Note                                               | Share capital<br>RM'000 | Retained earnings<br>RM'000 | Total<br>RM'000 |
| <b>Company</b>                                     |                         |                             |                 |
| <b>At 1 January 2013</b>                           | 40,059                  | 8,138                       | 48,197          |
| Profit and total comprehensive income for the year | -                       | 7,929                       | 7,929           |
| Dividends to owners of the Company                 | 22                      | (4,006)                     | (4,006)         |
| <b>At 31 December 2013 / 1 January 2014</b>        | 40,059                  | 12,061                      | 52,120          |
| Profit and total comprehensive income for the year | -                       | 15,055                      | 15,055          |
| Dividend to owners of the Company                  | 22                      | (4,006)                     | (4,006)         |
| <b>At 31 December 2014</b>                         | 40,059                  | 23,110                      | 63,169          |

Note 13

The notes on pages 41 to 83 are an integral part of these financial statements.



## Statements of Cash Flows for the year ended 31 December 2014

|                                                                                                                  | Note | Group          |                | Company        |                |
|------------------------------------------------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                                                                  |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Cash flows from operating activities</b>                                                                      |      |                |                |                |                |
| Profit before tax                                                                                                |      | 14,714         | 20,096         | 15,609         | 9,001          |
| <i>Adjustments for:</i>                                                                                          |      |                |                |                |                |
| Amortisation of intangible assets                                                                                | 6    | 20             | 16             | 8              | 6              |
| Amortisation of prepaid lease payment                                                                            | 4    | 199            | 198            | -              | -              |
| Depreciation of property, plant and equipment                                                                    | 3    | 3,937          | 3,079          | 312            | 260            |
| Depreciation of investment property                                                                              | 5    | 124            | -              | 124            | -              |
| Dividend received from subsidiaries                                                                              |      | -              | -              | (18,801)       | (11,467)       |
| Finance income                                                                                                   | 17   | (322)          | (295)          | (134)          | (166)          |
| Finance costs                                                                                                    | 18   | 2,988          | 3,241          | 391            | 674            |
| Net gain on disposal and write off<br>of property, plant and equipment and<br>assets classified as held for sale |      | (145)          | (4,031)        | -              | (1,427)        |
| Net impairment gain on financial assets                                                                          |      | (60)           | (136)          | (29)           | (118)          |
| Unrealised foreign exchange gain                                                                                 |      | (564)          | -              | (75)           | -              |
| <b>Operating profit/(loss) before changes<br/>in working capital</b>                                             |      | 20,891         | 22,168         | (2,595)        | (3,237)        |
| Change in inventories                                                                                            |      | (1,962)        | (4,596)        | -              | -              |
| Change in trade and other receivables                                                                            |      | (4,715)        | (6,464)        | (174)          | (310)          |
| Change in trade and other payables                                                                               |      | 2,150          | 4,239          | (532)          | 169            |
| <b>Cash generated from/(used in) operations</b>                                                                  |      | 16,364         | 15,347         | (3,301)        | (3,378)        |
| Tax refund                                                                                                       |      | 63             | 229            | -              | 16             |
| Tax paid                                                                                                         |      | (5,525)        | (3,954)        | (1)            | (1,077)        |
| <b>Net cash from/(used in) operating activities</b>                                                              |      | 10,902         | 11,622         | (3,302)        | (4,439)        |
| <b>Cash flows from investing activities</b>                                                                      |      |                |                |                |                |
| Acquisition of intangible assets                                                                                 |      | (39)           | (59)           | (11)           | (21)           |
| Acquisition of property, plant and equipment                                                                     | (i)  | (4,377)        | (8,046)        | (101)          | (170)          |
| Advances to subsidiaries                                                                                         |      | -              | -              | (2,527)        | (1,156)        |
| Dividend received from subsidiaries                                                                              | 16   | -              | -              | 18,801         | 11,467         |
| Interest received                                                                                                |      | 322            | 295            | 134            | 166            |
| Proceeds from disposal of property, plant<br>and equipment                                                       |      | 248            | 11,177         | -              | 4,930          |
| Placement of fixed deposits                                                                                      | 10   | (513)          | -              | -              | -              |
| <b>Net cash (used in)/from investing activities</b>                                                              |      | (4,359)        | 3,367          | 16,296         | 15,216         |

## Statements of Cash Flows for the year ended 31 December 2014 (continued)

|                                                   | Note | Group          |                 | Company        |                |
|---------------------------------------------------|------|----------------|-----------------|----------------|----------------|
|                                                   |      | 2014<br>RM'000 | 2013<br>RM'000  | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Cash flows from financing activities</b>       |      |                |                 |                |                |
| Dividend paid to owners of the Company            | 22   | (4,006)        | (4,006)         | (4,006)        | (4,006)        |
| Drawdown/(Repayment) of bank borrowings           |      | 3,101          | (4,433)         | (302)          | (3,277)        |
| Interest paid                                     |      | (2,988)        | (3,241)         | (391)          | (674)          |
| Repayment of hire purchase liabilities            |      | (1,177)        | (1,013)         | (36)           | (14)           |
| <b>Net cash used in financing activities</b>      |      | <b>(5,070)</b> | <b>(12,693)</b> | <b>(4,735)</b> | <b>(7,971)</b> |
| Net increase in cash and cash equivalents         |      | 1,473          | 2,296           | 8,259          | 2,806          |
| Effect of exchange rate fluctuations on cash held |      | 963            | 843             | 75             | -              |
| Cash and cash equivalents at 1 January            |      | 36,162         | 33,023          | 4,586          | 1,780          |
| <b>Cash and cash equivalents at 31 December</b>   | (ii) | <b>38,598</b>  | <b>36,162</b>   | <b>12,920</b>  | <b>4,586</b>   |

### Notes to statements of cash flows

#### i) Acquisition of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM12,712,000 (2013: RM17,847,000) and RM101,000 (2013: RM361,000) respectively, of which RM1,572,000 (2013: RM863,000) and RMNil (2013: RM191,000) were acquired by means of hire purchase plans and RM6,763,000 (2013: RM8,938,000) of the Group's were acquired by means of term loans.

#### ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

|                                     | Note | Group          |                | Company        |                |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
|                                     |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Cash and bank balances              | 12   | 31,775         | 30,380         | 8,888          | 3,572          |
| Deposits placed with licensed banks | 12   | 7,899          | 7,070          | 4,032          | 1,014          |
|                                     |      | <b>39,674</b>  | <b>37,450</b>  | <b>12,920</b>  | <b>4,586</b>   |
| Bank overdraft - secured            | 14   | (772)          | (906)          | -              | -              |
| Bank overdraft - unsecured          | 14   | (304)          | (382)          | -              | -              |
|                                     |      | <b>38,598</b>  | <b>36,162</b>  | <b>12,920</b>  | <b>4,586</b>   |

The notes on pages 41 to 83 are an integral part of these financial statements.



## Notes to the Financial Statements

Khind Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**

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

**Registered office**

Level 18, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2014 do not include other entities.

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 7.

These financial statements were authorised for issue by the Board of Directors on 8 April 2015.

### 1. Basis of preparation

#### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014**

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*

## Notes to the Financial Statements *(continued)*

### 1. Basis of preparation *(continued)*

#### (a) Statement of compliance *(continued)*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 *(continued)***

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- MFRS 15, *Revenue from Contracts with Customers*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, *Financial Instruments (2014)*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1 and 2 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 12, 14, 128, 141, Amendments to MFRS 5, 11 and 127 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

#### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 6 - *measurement of the recoverable amount of cash-generating unit*
- Note 8 - *recognition of unutilised tax losses and capital allowances*

### 2. 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.



## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies *(continued)*

#### (a) 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 investments includes transaction costs.

##### (ii) **Business combinations**

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

For new acquisitions, the Group measures the cost of goodwill at the date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

##### (iii) **Acquisitions of non-controlling interests**

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

##### (iv) **Loss of control**

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

##### (v) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the 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.

## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (v) *Non-controlling interests (continued)*

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.

#### (b) Foreign currency

##### (i) *Foreign currency transactions*

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

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

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the 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 combination before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities 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 foreign currency translation reserve ("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.

#### (c) Financial instruments

##### (i) *Initial recognition and measurement*

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

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



## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (ii) *Financial instrument categories and subsequent measurement*

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

##### (a) *Financial assets at fair value through profit or loss*

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

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

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

##### (b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

##### (c) *Loans and receivables*

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost.

##### (iii) *Financial guarantee contracts*

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

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

##### (iv) *Derecognition*

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

## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iv) *Derecognition (continued)*

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

#### (d) 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 will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

|                                            |             |
|--------------------------------------------|-------------|
| • Leasehold land                           | 15-99 years |
| • Office and factory buildings             | 40-50 years |
| • Plant and machinery                      | 5-10 years  |
| • Tools and moulds                         | 5-10 years  |
| • Furniture, fittings and office equipment | 3-10 years  |
| • Motor vehicles                           | 5 years     |
| • Renovations                              | 5-10 years  |

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



## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies (continued)

#### (e) 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. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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.

#### (f) Intangible assets

##### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

##### (ii) Other intangible assets

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

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

##### (iii) Subsequent expenditure

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

##### (iv) Amortisation

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

## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies (continued)

#### (f) Intangible assets (continued)

##### (iv) *Amortisation (continued)*

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 patent and trademarks are ten (10) years.

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

#### (g) Investment property

##### **Investment property carried at cost**

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

These include freehold land 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.

#### (h) Inventories

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

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.

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) 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.

#### (j) Impairment

##### (i) **Financial assets**

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

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

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available held for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.



## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies *(continued)*

#### (j) Impairment *(continued)*

##### (ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

#### (k) Equity instruments

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

#### (l) 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 has 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 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.

## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies (continued)

#### (m) 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.

#### (n) Revenue and other income

##### (i) Goods sold

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

##### (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) Management fees

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

##### (v) 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.

#### (o) 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.



## Notes to the Financial Statements *(continued)*

### 2. Significant accounting policies *(continued)*

#### (o) Borrowing costs *(continued)*

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.

#### (p) 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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

#### (q) Earnings per ordinary share

The Group presents basic 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 Company by the weighted average number of ordinary shares outstanding during the period, and adjusted for own shares held.

#### (r) 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 segments' 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.

#### (s) 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)*

### 2. Significant accounting policies (continued)

#### (t) 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 uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

### 3. Property, plant and equipment

| Group                                  | Freehold land<br>RM'000 | Long term leasehold land<br>RM'000 | Office and factory buildings<br>RM'000 | Plant and machinery<br>RM'000 | Tools and moulds<br>RM'000 | Furniture, fittings and office equipment<br>RM'000 | Motor vehicles<br>RM'000 | Renovations<br>RM'000 | Total<br>RM'000 |
|----------------------------------------|-------------------------|------------------------------------|----------------------------------------|-------------------------------|----------------------------|----------------------------------------------------|--------------------------|-----------------------|-----------------|
| <b>Cost</b>                            |                         |                                    |                                        |                               |                            |                                                    |                          |                       |                 |
| At 1 January 2013                      | 7,841                   | 5,425                              | 21,470                                 | 6,151                         | 14,976                     | 11,358                                             | 5,271                    | 4,709                 | 77,201          |
| Additions                              | -                       | -                                  | 11,452                                 | 768                           | 1,443                      | 1,196                                              | 937                      | 2,051                 | 17,847          |
| Written off                            | -                       | -                                  | -                                      | -                             | (13)                       | (673)                                              | -                        | (424)                 | (1,110)         |
| Disposals                              | -                       | -                                  | (1,752)                                | -                             | -                          | (67)                                               | (277)                    | -                     | (2,096)         |
| Effect of movements in exchange rates  | -                       | -                                  | 90                                     | -                             | -                          | 81                                                 | 36                       | 60                    | 267             |
| At 31 December 2013/<br>1 January 2014 | 7,841                   | 5,425                              | 31,260                                 | 6,919                         | 16,406                     | 11,895                                             | 5,967                    | 6,396                 | 92,109          |
| Additions                              | -                       | 4,938                              | 4,660                                  | 51                            | 1,261                      | 690                                                | 646                      | 466                   | 12,712          |
| Written off                            | -                       | -                                  | -                                      | -                             | -                          | (244)                                              | -                        | (225)                 | (469)           |
| Disposals                              | -                       | -                                  | -                                      | -                             | -                          | -                                                  | (407)                    | -                     | (407)           |
| Effect of movements in exchange rates  | -                       | -                                  | 277                                    | -                             | -                          | 92                                                 | 38                       | 74                    | 481             |
| At 31 December 2014                    | 7,841                   | 10,363                             | 36,197                                 | 6,970                         | 17,667                     | 12,433                                             | 6,244                    | 6,711                 | 104,426         |



## Notes to the Financial Statements (continued)

### 3. Property, plant and equipment (continued)

| Group                                  | Freehold land<br>RM'000 | Long term leasehold land<br>RM'000 | Office and factory buildings<br>RM'000 | Plant and machinery<br>RM'000 | Tools and moulds<br>RM'000 | Furniture, fittings and office equipment<br>RM'000 | Motor vehicles<br>RM'000 | Renovations<br>RM'000 | Total<br>RM'000 |
|----------------------------------------|-------------------------|------------------------------------|----------------------------------------|-------------------------------|----------------------------|----------------------------------------------------|--------------------------|-----------------------|-----------------|
| <b>Accumulated depreciation</b>        |                         |                                    |                                        |                               |                            |                                                    |                          |                       |                 |
| At 1 January 2013                      | -                       | 778                                | 5,536                                  | 5,049                         | 11,916                     | 9,344                                              | 3,896                    | 4,093                 | 40,612          |
| Depreciation for the year              | -                       | 77                                 | 509                                    | 156                           | 616                        | 720                                                | 614                      | 387                   | 3,079           |
| Written off                            | -                       | -                                  | -                                      | -                             | (13)                       | (610)                                              | -                        | (191)                 | (814)           |
| Disposals                              | -                       | -                                  | (212)                                  | -                             | -                          | (49)                                               | (277)                    | -                     | (538)           |
| Effect of movements in exchange rates  | -                       | -                                  | -                                      | -                             | -                          | 54                                                 | 27                       | 55                    | 136             |
| At 31 December 2013/<br>1 January 2014 | -                       | 855                                | 5,833                                  | 5,205                         | 12,519                     | 9,459                                              | 4,260                    | 4,344                 | 42,475          |
| Depreciation for the year              | -                       | 128                                | 786                                    | 228                           | 699                        | 788                                                | 696                      | 612                   | 3,937           |
| Written off                            | -                       | -                                  | -                                      | -                             | -                          | (239)                                              | -                        | (221)                 | (460)           |
| Disposals                              | -                       | -                                  | -                                      | -                             | -                          | -                                                  | (313)                    | -                     | (313)           |
| Effect of movements in exchange rates  | -                       | -                                  | 27                                     | -                             | -                          | 58                                                 | 28                       | 52                    | 165             |
| At 31 December 2014                    | -                       | 983                                | 6,646                                  | 5,433                         | 13,218                     | 10,066                                             | 4,671                    | 4,787                 | 45,804          |
| <b>Carrying amounts</b>                |                         |                                    |                                        |                               |                            |                                                    |                          |                       |                 |
| At 1 January 2013                      | 7,841                   | 4,647                              | 15,934                                 | 1,102                         | 3,060                      | 2,014                                              | 1,375                    | 616                   | 36,589          |
| At 31 December 2013/<br>1 January 2014 | 7,841                   | 4,570                              | 25,427                                 | 1,714                         | 3,887                      | 2,436                                              | 1,707                    | 2,052                 | 49,634          |
| At 31 December 2014                    | 7,841                   | 9,380                              | 29,551                                 | 1,537                         | 4,449                      | 2,367                                              | 1,573                    | 1,924                 | 58,622          |

| Company                            | Freehold land<br>RM'000 | Furniture, fittings and office equipment<br>RM'000 | Motor vehicles<br>RM'000 | Renovations<br>RM'000 | Total<br>RM'000 |
|------------------------------------|-------------------------|----------------------------------------------------|--------------------------|-----------------------|-----------------|
| <b>Cost</b>                        |                         |                                                    |                          |                       |                 |
| At 1 January 2013                  | 7,841                   | 1,066                                              | -                        | 479                   | 9,386           |
| Additions                          | -                       | 89                                                 | 272                      | -                     | 361             |
| Written off                        | -                       | (3)                                                | -                        | -                     | (3)             |
| At 31 December 2013/1 January 2014 | 7,841                   | 1,152                                              | 272                      | 479                   | 9,744           |
| Additions                          | -                       | 84                                                 | -                        | 17                    | 101             |
| At 31 December 2014                | 7,841                   | 1,236                                              | 272                      | 496                   | 9,845           |
| <b>Accumulated depreciation</b>    |                         |                                                    |                          |                       |                 |
| At 1 January 2013                  | -                       | 487                                                | -                        | 255                   | 742             |
| Depreciation for the year          | -                       | 163                                                | 23                       | 74                    | 260             |
| Written off                        | -                       | (3)                                                | -                        | -                     | (3)             |
| At 31 December 2013/1 January 2014 | -                       | 647                                                | 23                       | 329                   | 999             |
| Depreciation for the year          | -                       | 182                                                | 54                       | 76                    | 312             |
| At 31 December 2014                | -                       | 829                                                | 77                       | 405                   | 1,311           |

## Notes to the Financial Statements *(continued)*

### 3. Property, plant and equipment (continued)

| Company                            | Freehold land<br>RM'000 | Furniture,<br>fittings<br>and office<br>equipment<br>RM'000 | Motor<br>vehicles<br>RM'000 | Renovations<br>RM'000 | Total<br>RM'000 |
|------------------------------------|-------------------------|-------------------------------------------------------------|-----------------------------|-----------------------|-----------------|
| <b>Carrying amounts</b>            |                         |                                                             |                             |                       |                 |
| At 1 January 2013                  | 7,841                   | 579                                                         | -                           | 224                   | 8,644           |
| At 31 December 2013/1 January 2014 | 7,841                   | 505                                                         | 249                         | 150                   | 8,745           |
| At 31 December 2014                | 7,841                   | 407                                                         | 195                         | 91                    | 8,534           |

#### 3.1 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 RM444,289 (2013: RM452,000) belonging to a subsidiary is in the process of being registered in the name of the subsidiary.

#### 3.2 Security

At 31 December 2014, leasehold land and office buildings of the Group with a carrying amount of RM5,603,561 and RM22,472,300 (2013: RM899,036 and RM17,821,361) respectively have been pledged as securities for the bank facilities granted to the Group (refer Note 14).

#### 3.3 Assets under hire purchase

Included in property, plant and equipment of the Group are motor vehicles, tools and moulds acquired under hire purchase arrangements with a carrying amount of RM5,307,724 (2013: RM3,433,581).

### 4. Prepaid lease payments

| Group                                                              | RM'000 |
|--------------------------------------------------------------------|--------|
| <b>Leasehold land with unexpired period less than 50 years</b>     |        |
| <b>Cost</b>                                                        |        |
| At 1 January 2013/31 December 2013/1 January 2014/31 December 2014 | 2,975  |
| <b>Accumulated amortisation</b>                                    |        |
| At 1 January 2013                                                  | 479    |
| Amortisation for the year                                          | 198    |
| At 31 December 2013/1 January 2014                                 | 677    |
| Amortisation for the year                                          | 199    |
| At 31 December 2014                                                | 876    |
| <b>Carrying amounts</b>                                            |        |
| At 1 January 2013                                                  | 2,496  |
| At 31 December 2013/1 January 2014                                 | 2,298  |
| At 31 December 2014                                                | 2,099  |



## Notes to the Financial Statements *(continued)*

### 5. Investment property

| Group and Company                                                  | RM'000 |
|--------------------------------------------------------------------|--------|
| <b>Cost</b>                                                        |        |
| At 1 January 2013/31 December 2013/1 January 2014/31 December 2014 | 3,090  |
| <b>Accumulated amortisation</b>                                    |        |
| At 1 January 2013                                                  | -      |
| Amortisation for the year                                          | -      |
| At 31 December 2013/1 January 2014                                 | -      |
| Amortisation for the year                                          | 124    |
| At 31 December 2014                                                | 124    |
| <b>Carrying amounts</b>                                            |        |
| At 1 January 2013                                                  | 3,090  |
| At 31 December 2013/1 January 2014                                 | 3,090  |
| At 31 December 2014                                                | 2,966  |

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

| Group and Company                           | 2014<br>RM'000 | 2013<br>RM'000 |
|---------------------------------------------|----------------|----------------|
| Direct operating expenses:                  |                |                |
| - non-income generating investment property | 13             | 15             |

### Fair value information

Fair value of investment property is categorised as follows:

| Group and Company  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--------------------|-------------------|-------------------|-------------------|-----------------|
| 2014               |                   |                   |                   |                 |
| Land and buildings | -                 | -                 | 4,936             | 4,936           |
| 2013               |                   |                   |                   |                 |
| Land and buildings | -                 | -                 | 4,150             | 4,150           |

### 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. | Not applicable.                 | Not applicable.                                                                       |

## Notes to the Financial Statements *(continued)*

### 6. Intangible assets

| Group                              | Goodwill<br>RM'000 | Patents<br>and<br>trademarks<br>RM'000 | Total<br>RM'000 |
|------------------------------------|--------------------|----------------------------------------|-----------------|
| <b>Cost</b>                        |                    |                                        |                 |
| At 1 January 2013                  | 3,826              | 1,229                                  | 5,055           |
| Additions                          | -                  | 59                                     | 59              |
| At 31 December 2013/1 January 2014 | 3,826              | 1,288                                  | 5,114           |
| Additions                          | -                  | 39                                     | 39              |
| At 31 December 2014                | 3,826              | 1,327                                  | 5,153           |
| <b>Accumulated amortisation</b>    |                    |                                        |                 |
| At 1 January 2013                  | -                  | 1,128                                  | 1,128           |
| Amortisation for the year          | -                  | 16                                     | 16              |
| At 31 December 2013/1 January 2014 | -                  | 1,144                                  | 1,144           |
| Amortisation for the year          | -                  | 20                                     | 20              |
| At 31 December 2014                | -                  | 1,164                                  | 1,164           |
| <b>Carrying amounts</b>            |                    |                                        |                 |
| At 1 January 2013                  | 3,826              | 101                                    | 3,927           |
| At 31 December 2013/1 January 2014 | 3,826              | 144                                    | 3,970           |
| At 31 December 2014                | 3,826              | 163                                    | 3,989           |

#### 6.1 Impairment testing for cash-generating units containing goodwill

The recoverable amount of goodwill 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 one year period. Cash flow projections for the period beyond the one year period are extrapolated using 0% growth rate (2013: 0%). The key assumptions used for value-in-use calculations are:

- The subsidiaries will continue their operation indefinitely.
- The size of operation will remain with at least or not lower than the current results.
- The discount rate applied of 4.73% (2013: 4.87%) 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).



## Notes to the Financial Statements *(continued)*

### 6. Intangible assets (continued)

| <b>Company</b>                     | <b>Patents and<br/>trademarks<br/>RM'000</b> |
|------------------------------------|----------------------------------------------|
| <b>Cost</b>                        |                                              |
| At 1 January 2013                  | 1,052                                        |
| Additions                          | 21                                           |
| At 31 December 2013/1 January 2014 | 1,073                                        |
| Additions                          | 11                                           |
| At 31 December 2014                | 1,084                                        |
| <b>Accumulated amortisation</b>    |                                              |
| At 1 January 2013                  | 1,011                                        |
| Amortisation for the year          | 6                                            |
| At 31 December 2013/1 January 2014 | 1,017                                        |
| Amortisation for the year          | 8                                            |
| At 31 December 2014                | 1,025                                        |
| <b>Carrying amounts</b>            |                                              |
| At 1 January 2013                  | 41                                           |
| At 31 December 2013/1 January 2014 | 56                                           |
| At 31 December 2014                | 59                                           |

### 7. Investments in subsidiaries

|                       | <b>Company</b>         |                        |
|-----------------------|------------------------|------------------------|
|                       | <b>2014<br/>RM'000</b> | <b>2013<br/>RM'000</b> |
| <b>At cost</b>        |                        |                        |
| Unquoted shares       | 38,715                 | 38,715                 |
| Less: Impairment loss | (6,767)                | (6,767)                |
|                       | 31,948                 | 31,948                 |

## Notes to the Financial Statements *(continued)*

### 7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

| Name of subsidiary                                                      | Principal place of business/<br>Country of incorporation | Principal activities                                                                                                    | Effective ownership interest and voting interest |           |
|-------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-----------|
|                                                                         |                                                          |                                                                                                                         | 2014<br>%                                        | 2013<br>% |
| 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                                                 | Dormant                                                                                                                 | 100                                              | 100       |
| Khind-Mistral Industries Sdn. Bhd.                                      | Malaysia                                                 | Manufacture and sale of electrical home appliances and wiring accessories                                               | 100                                              | 100       |
| Khind-Mistral (M) Sdn. Bhd.                                             | Malaysia                                                 | Trading in electrical home appliances and wiring accessories                                                            | 100                                              | 100       |
| Khind Alliances Sdn. Bhd.                                               | Malaysia                                                 | Trading in electrical home appliances                                                                                   | 100                                              | 100       |
| Khind Electrical (Malaysia) Sdn. Bhd.                                   | Malaysia                                                 | Wholesale and distribution of electrical products                                                                       | 100                                              | 100       |
| Khind Properties Sdn. Bhd.<br>(f.k.a Khind Technology Centre Sdn. Bhd.) | Malaysia                                                 | Dormant                                                                                                                 | 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* #                                                | Dubai                                                    | 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                                                   | Trading in electrical home appliances and household goods                                                               | 99.9                                             | 99.9      |
| Khind Starfish Foundation^^                                             | Malaysia                                                 | Charity activities                                                                                                      | -                                                | -         |

\* Not audited by KPMG.

# 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.

#### There are 99.9% equity interest is held by the Company's subsidiary, Mayer Marketing Pte. Ltd.

^^ Khind Starfish Foundation is a charitable organisation and is a company limited by guarantee and not having a share capital.



## Notes to the Financial Statements (continued)

### 8. Deferred tax assets/(liabilities)

#### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

| Group                                           | Assets         |                | Liabilities    |                | Net            |                |
|-------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                 | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Property, plant and equipment                   | 954            | -              | (3,146)        | (2,087)        | (2,192)        | (2,087)        |
| Provisions                                      | 3,321          | 3,951          | -              | -              | 3,321          | 3,951          |
| Tax loss carry-forwards                         | 631            | 297            | -              | -              | 631            | 297            |
| Unutilised capital allowances<br>carry-forwards | 33             | 14             | -              | -              | 33             | 14             |
| Others                                          | -              | -              | (68)           | (115)          | (68)           | (115)          |
| Tax assets/(liabilities)                        | 4,939          | 4,262          | (3,214)        | (2,202)        | 1,725          | 2,060          |
| Set off of tax                                  | (1,303)        | -              | 1,303          | -              | -              | -              |
| Net tax assets/(liabilities)                    | 3,636          | 4,262          | (1,911)        | (2,202)        | 1,725          | 2,060          |

#### Unrecognised deferred tax assets

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

|                                                 | Group          |                | Company        |                |
|-------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                 | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Deductible temporary differences                | (9,308)        | (8,553)        | (7,510)        | (8,049)        |
| Tax loss carry-forwards                         | (16,889)       | (20,244)       | (8,813)        | (6,359)        |
| Unutilised capital allowances<br>carry-forwards | (1,375)        | (492)          | (1,375)        | (389)          |
|                                                 | (27,572)       | (29,289)       | (17,698)       | (14,797)       |
| Tax at 24% (2013: 25%)                          | 6,617          | 7,322          | 4,248          | 3,699          |

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

#### Movement in temporary differences during the year

| Group                                           | At<br>1.1.2013<br>RM'000 | Recognised<br>in profit<br>or loss<br>(Note 19)<br>RM'000 | At<br>31.12.2013/<br>1.1.2014<br>RM'000 | Recognised<br>in profit<br>or loss<br>(Note 19)<br>RM'000 | At<br>31.12.2014<br>RM'000 |
|-------------------------------------------------|--------------------------|-----------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------|----------------------------|
|                                                 |                          |                                                           |                                         |                                                           |                            |
| Provisions                                      | 2,977                    | 974                                                       | 3,951                                   | (630)                                                     | 3,321                      |
| Property, plant and equipment                   | (3,314)                  | 1,227                                                     | (2,087)                                 | (105)                                                     | (2,192)                    |
| Tax loss carry-forwards                         | 305                      | (8)                                                       | 297                                     | 334                                                       | 631                        |
| Unutilised capital allowances<br>carry-forwards | 16                       | (2)                                                       | 14                                      | 19                                                        | 33                         |
| Others                                          | 802                      | (917)                                                     | (115)                                   | 47                                                        | (68)                       |
|                                                 | 786                      | 1,274                                                     | 2,060                                   | (335)                                                     | 1,725                      |

## Notes to the Financial Statements *(continued)*

### 9. Inventories

|                                         | <b>Group</b>           |                        |
|-----------------------------------------|------------------------|------------------------|
|                                         | <b>2014<br/>RM'000</b> | <b>2013<br/>RM'000</b> |
| Raw materials                           | 4,308                  | 5,894                  |
| Work-in-progress                        | 670                    | 1,164                  |
| Manufactured inventories                | 58,699                 | 54,657                 |
|                                         | <u>63,677</u>          | <u>61,715</u>          |
| Recognised in profit or loss:           |                        |                        |
| Inventories recognised as cost of sales | 206,016                | 204,680                |
| Write-down to net realisable value      | 962                    | 1,513                  |
| Reversal of write-down                  | <u>(558)</u>           | <u>(576)</u>           |

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

### 10. Other investments

| <b>Group</b>                                           | <b>Shares<br/>quoted in<br/>Malaysia<br/>RM'000</b> | <b>Trust<br/>funds<br/>RM'000</b> | <b>Deposits<br/>placed with<br/>licensed<br/>banks<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--------------------------------------------------------|-----------------------------------------------------|-----------------------------------|-------------------------------------------------------------------|-------------------------|
| <b>2014</b>                                            |                                                     |                                   |                                                                   |                         |
| <b>Current</b>                                         |                                                     |                                   |                                                                   |                         |
| Financial assets at fair value through profit or loss: |                                                     |                                   |                                                                   |                         |
| Held for trading                                       | 195                                                 | 1,096                             | 513                                                               | 1,804                   |
| Market value of quoted investments                     | <u>195</u>                                          | <u>1,096</u>                      | <u>-</u>                                                          | <u>1,291</u>            |
| <b>2013</b>                                            |                                                     |                                   |                                                                   |                         |
| <b>Current</b>                                         |                                                     |                                   |                                                                   |                         |
| Financial assets at fair value through profit or loss: |                                                     |                                   |                                                                   |                         |
| Held for trading                                       | 233                                                 | 1,067                             | -                                                                 | 1,300                   |
| Market value of quoted investments                     | <u>233</u>                                          | <u>1,067</u>                      | <u>-</u>                                                          | <u>1,300</u>            |
| <b>Company</b>                                         |                                                     |                                   |                                                                   |                         |
| <b>2014</b>                                            |                                                     |                                   |                                                                   |                         |
| <b>Current</b>                                         |                                                     |                                   |                                                                   |                         |
| Financial assets at fair value through profit or loss: |                                                     |                                   |                                                                   |                         |
| Held for trading                                       | -                                                   | 1,096                             | -                                                                 | 1,096                   |
| Market value of quoted investments                     | <u>-</u>                                            | <u>1,096</u>                      | <u>-</u>                                                          | <u>1,096</u>            |
| <b>2013</b>                                            |                                                     |                                   |                                                                   |                         |
| <b>Current</b>                                         |                                                     |                                   |                                                                   |                         |
| Financial assets at fair value through profit or loss: |                                                     |                                   |                                                                   |                         |
| Held for trading                                       | -                                                   | 1,067                             | -                                                                 | 1,067                   |
| Market value of quoted investments                     | <u>-</u>                                            | <u>1,067</u>                      | <u>-</u>                                                          | <u>1,067</u>            |



## Notes to the Financial Statements *(continued)*

### 11. Trade and other receivables

| Note                                | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Current Trade</b>                |                |                |                |                |
| Trade receivables                   | 67,727         | 62,797         | -              | -              |
| Less: Allowance for impairment loss | (2,349)        | (2,430)        | -              | -              |
|                                     | 65,378         | 60,367         | -              | -              |
| <b>Non-trade</b>                    |                |                |                |                |
| Amount due from subsidiaries        | -              | -              | 19,391         | 17,254         |
| Less: Allowance for impairment loss | -              | -              | (4,247)        | (4,247)        |
| 11.1                                | -              | -              | 15,144         | 13,007         |
| Other receivables                   | 5,969          | 5,723          | 25             | 25             |
| Less: Allowance for impairment loss | -              | (272)          | -              | -              |
| 11.2                                | 5,969          | 5,451          | 25             | 25             |
| Deposits                            | 1,647          | 2,124          | 26             | 13             |
| Prepayments                         | 1,145          | 1,102          | 473            | 312            |
|                                     | 8,761          | 8,677          | 524            | 350            |
|                                     | 74,139         | 69,044         | 15,668         | 13,357         |

#### 11.1 Amount due from subsidiaries

Amount due from subsidiaries are in respect of advances and payments made on behalf, which are unsecured, interest bearing at 4% (2013: 4%) and repayable on demand.

#### 11.2 Other receivables

Included in other receivables is an amount of RM3,660,739 (2013: RM4,640,076) being advances paid for the purchases of inventories.

#### 11.3 Deposits

In 2013, included in the deposits was RM960,000 paid for the purchase of a land and building. This transaction has been completed in 2014.

### 12. Cash and bank balances

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Cash and bank balances              | 31,775         | 30,380         | 8,888          | 3,572          |
| Deposits placed with licensed banks | 7,899          | 7,070          | 4,032          | 1,014          |
|                                     | 39,674         | 37,450         | 12,920         | 4,586          |

## Notes to the Financial Statements *(continued)*

### 13. Share Capital

| Group and Company           | Number<br>of shares<br>2014<br>'000 | Amount<br>2014<br>RM'000 | Number<br>of shares<br>2013<br>'000 | Amount<br>2013<br>RM'000 |
|-----------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| Authorised:                 |                                     |                          |                                     |                          |
| Ordinary shares of RM1 each | 50,000                              | 50,000                   | 50,000                              | 50,000                   |
| Issued and fully paid:      |                                     |                          |                                     |                          |
| Ordinary shares of RM1 each | 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.

### 14. Loans and borrowings

|                                | Group          |                | Company        |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Non-current</b>             |                |                |                |                |
| Secured term loans             | 27,693         | 22,346         | 7,953          | 8,269          |
| Finance lease liabilities      | 1,260          | 1,031          | 104            | 142            |
|                                | 28,953         | 23,377         | 8,057          | 8,411          |
| <b>Current</b>                 |                |                |                |                |
| Secured term loans             | 1,512          | 1,150          | 329            | 315            |
| Secured bank overdrafts        | 772            | 906            | -              | -              |
| Unsecured bank overdrafts      | 304            | 382            | -              | -              |
| Unsecured bankers' acceptances | 48,361         | 44,206         | -              | -              |
| Finance lease liabilities      | 1,003          | 837            | 37             | 35             |
|                                | 51,952         | 47,481         | 366            | 350            |
|                                | 80,905         | 70,858         | 8,423          | 8,761          |

#### Security

The secured term loans are:

- secured by way of fixed charges over the Group's leasehold land and office buildings (refer Note 3); and
- supported by corporate guarantee from the Company.

Secured bank overdrafts are secured by ways of fixed charges over the Group's office building (refer Note 3) and are guaranteed by the Company.

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



## Notes to the Financial Statements *(continued)*

### 14. Loans and borrowings (continued)

#### **Significant covenants for the term loans**

The following are the significant covenants for the term loans applicable to the Group:

- i) not to create or permit to exist any security over the leasehold land and office building; and
- ii) not to allow any change in the majority shareholders or shareholdings of the majority shareholders without the prior consents of the lenders.

#### **Finance lease liabilities**

Finance lease liabilities are payable as follows:

|                               | Future<br>minimum<br>lease<br>payments<br>2014<br>RM'000 | Interest<br>2014<br>RM'000 | Present value<br>of minimum<br>lease<br>payments<br>2014<br>RM'000 | Future<br>minimum<br>lease<br>payments<br>2013<br>RM'000 | Interest<br>2013<br>RM'000 | Present value<br>of minimum<br>lease<br>payments<br>2013<br>RM'000 |
|-------------------------------|----------------------------------------------------------|----------------------------|--------------------------------------------------------------------|----------------------------------------------------------|----------------------------|--------------------------------------------------------------------|
| Less than one year            | 1,108                                                    | 105                        | 1,003                                                              | 923                                                      | 86                         | 837                                                                |
| Between one and<br>five years | 1,351                                                    | 91                         | 1,260                                                              | 1,091                                                    | 60                         | 1,031                                                              |
|                               | <u>2,459</u>                                             | <u>196</u>                 | <u>2,263</u>                                                       | <u>2,014</u>                                             | <u>146</u>                 | <u>1,868</u>                                                       |

### 15. Trade and other payables

|                            | Note | Group          |                | Company        |                |
|----------------------------|------|----------------|----------------|----------------|----------------|
|                            |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Trade</b>               |      |                |                |                |                |
| Trade payables             |      | <u>21,057</u>  | <u>19,385</u>  | <u>-</u>       | <u>-</u>       |
| <b>Non-trade</b>           |      |                |                |                |                |
| Amount due to subsidiaries | 15.1 | -              | -              | 429            | 819            |
| Other payables             |      | 7,950          | 19,103         | -              | 1,743          |
| Accrued expenses           | 15.2 | <u>26,741</u>  | <u>15,110</u>  | <u>1,219</u>   | <u>8</u>       |
|                            |      | <u>34,691</u>  | <u>34,213</u>  | <u>1,648</u>   | <u>2,570</u>   |
|                            |      | <u>55,748</u>  | <u>53,598</u>  | <u>1,648</u>   | <u>2,570</u>   |

#### **15.1 Amount due to subsidiaries**

Amount due to subsidiaries are mainly in respect of advances, which are unsecured, interest bearing at 4% (2013: 4%) and repayable on demand.

#### **15.2 Accrued expenses**

Included in accrued expenses was a provision for retirement gratuity of Directors amounted to RM517,500 (2013: RMNil).

## Notes to the Financial Statements *(continued)*

### 16. Revenue

|                 | Group          |                | Company       |               |
|-----------------|----------------|----------------|---------------|---------------|
|                 | 2014           | 2013           | 2014          | 2013          |
|                 | RM'000         | RM'000         | RM'000        | RM'000        |
| Sales of goods  | 319,051        | 325,035        | -             | -             |
| Management fees | -              | -              | 6,754         | 5,516         |
| Dividends       | -              | -              | 18,801        | 11,467        |
|                 | <u>319,051</u> | <u>325,035</u> | <u>25,555</u> | <u>16,983</u> |

### 17. Finance income

|                                                                                        | Group      |            | Company    |            |
|----------------------------------------------------------------------------------------|------------|------------|------------|------------|
|                                                                                        | 2014       | 2013       | 2014       | 2013       |
|                                                                                        | RM'000     | RM'000     | RM'000     | RM'000     |
| Interest income of financial assets that are not at fair value through profit or loss: |            |            |            |            |
| - deposits placed with licensed banks                                                  | 322        | 295        | 79         | 66         |
| - loans to subsidiaries                                                                | -          | -          | 55         | 100        |
|                                                                                        | <u>322</u> | <u>295</u> | <u>134</u> | <u>166</u> |

### 18. Finance costs

|                                                                                              | Group        |              | Company    |            |
|----------------------------------------------------------------------------------------------|--------------|--------------|------------|------------|
|                                                                                              | 2014         | 2013         | 2014       | 2013       |
|                                                                                              | RM'000       | RM'000       | RM'000     | RM'000     |
| Interest expense of financial liabilities that are not at fair value through profit or loss: |              |              |            |            |
| - term loans                                                                                 | 1,118        | 1,091        | 379        | 599        |
| - bank overdrafts                                                                            | 80           | 80           | -          | -          |
| - other borrowings                                                                           | 1,790        | 2,070        | 7          | 4          |
| - inter-company advances                                                                     | -            | -            | 5          | 71         |
|                                                                                              | <u>2,988</u> | <u>3,241</u> | <u>391</u> | <u>674</u> |



## Notes to the Financial Statements *(continued)*

### 19. Tax expense

#### Recognised in the profit or loss

|                                                                   | Group          |                | Company        |                |
|-------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Current tax expense</b>                                        |                |                |                |                |
| Malaysian - current year                                          | 1,937          | 4,777          | -              | 1,085          |
| - prior year                                                      | (495)          | 169            | 554            | (13)           |
| Overseas - current year                                           | 608            | 176            | -              | -              |
| - prior year                                                      | 168            | 12             | -              | -              |
|                                                                   | <u>2,218</u>   | <u>5,134</u>   | <u>554</u>     | <u>1,072</u>   |
| <b>Deferred tax expense</b>                                       |                |                |                |                |
| Origination and reversal of temporary differences                 | 485            | (890)          | -              | -              |
| Over provision in prior year                                      | (150)          | (384)          | -              | -              |
|                                                                   | <u>335</u>     | <u>(1,274)</u> | <u>-</u>       | <u>-</u>       |
|                                                                   | <u>2,553</u>   | <u>3,860</u>   | <u>554</u>     | <u>1,072</u>   |
| <b>Reconciliation of tax expense</b>                              |                |                |                |                |
| Profit before tax                                                 | <u>14,714</u>  | <u>20,096</u>  | <u>15,609</u>  | <u>9,001</u>   |
| Income tax calculated using Malaysian tax rate of 25% (2013: 25%) | 3,679          | 5,024          | 3,902          | 2,250          |
| Non-deductible expenses                                           | 1,354          | 3,377          | 221            | 245            |
| Tax exempt income                                                 | (326)          | (2,807)        | (4,700)        | (1,792)        |
| Effect of tax rates in foreign jurisdictions                      | (1,006)        | (987)          | -              | -              |
| Temporary differences not recognised, net change                  | (671)          | (544)          | 577            | 382            |
|                                                                   | <u>3,030</u>   | <u>4,063</u>   | <u>-</u>       | <u>1,085</u>   |
| (Over)/Under provision in prior year                              | (477)          | (203)          | 554            | (13)           |
|                                                                   | <u>2,553</u>   | <u>3,860</u>   | <u>554</u>     | <u>1,072</u>   |

## Notes to the Financial Statements *(continued)*

### 20. Profit for the year

|                                                                                          | Note | Group          |                | Company        |                |
|------------------------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                                          |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Profit for the year</b>                                                               |      |                |                |                |                |
| <b>is arrived at after charging:</b>                                                     |      |                |                |                |                |
| Amortisation on:                                                                         |      |                |                |                |                |
| - Intangible assets                                                                      | 6    | 20             | 16             | 8              | 6              |
| - Prepaid lease payments                                                                 | 4    | 199            | 198            | -              | -              |
| Auditors' remuneration:                                                                  |      |                |                |                |                |
| - Audit fees                                                                             |      |                |                |                |                |
| KPMG Malaysia                                                                            |      | 178            | 170            | 28             | 26             |
| Other auditors                                                                           |      | 114            | 110            | -              | -              |
| - Non-audit fees                                                                         |      |                |                |                |                |
| KPMG Malaysia                                                                            |      | 13             | 12             | 13             | 12             |
| Bad debts written off                                                                    |      | 6              | -              | -              | -              |
| Depreciation on property, plant and equipment                                            | 3    | 3,937          | 3,079          | 312            | 260            |
| Depreciation on investment property                                                      | 5    | 124            | -              | 124            | -              |
| Loss on property, plant and equipment written off                                        |      | 9              | 296            | -              | -              |
| Impairment loss on trade and other receivables                                           | 24.4 | 125            | 267            | -              | -              |
| Personnel expenses (including key management personnel):                                 |      |                |                |                |                |
| - Contributions to Employees Provident Fund                                              |      | 5,206          | 4,789          | 813            | 644            |
| - Wages, salaries and others                                                             |      | 46,300         | 46,470         | 5,992          | 5,534          |
| Rental of premises                                                                       |      | 4,393          | 4,919          | 220            | 96             |
| Realised foreign exchange loss                                                           |      | 572            | 450            | -              | -              |
| Inventories written off                                                                  |      | 136            | 383            | -              | -              |
| Write-down of inventories                                                                | 9    | 962            | 1,513          | -              | -              |
| Net loss arising on financial assets:                                                    |      |                |                |                |                |
| - Other investments                                                                      | 24.2 | 9              | -              | -              | -              |
| <b>and after crediting:</b>                                                              |      |                |                |                |                |
| Dividend income from subsidiaries (unquoted)                                             |      | -              | -              | 18,801         | 11,467         |
| Reversal of impairment loss on trade and other receivables                               | 24.4 | 200            | 222            | -              | -              |
| Foreign exchange gain:                                                                   |      |                |                |                |                |
| - Realised                                                                               |      | 1,163          | 764            | 2              | 12             |
| - Unrealised                                                                             |      | 564            | -              | 75             | -              |
| Inter-company management fees                                                            |      | -              | -              | 6,754          | 5,516          |
| Rental income of premises                                                                |      | 225            | 265            | 11             | 129            |
| Net gain arising on financial assets:                                                    |      |                |                |                |                |
| - Other investments                                                                      | 24.2 | -              | 136            | 29             | 118            |
| Gain on disposal of property, plant and equipment and assets classified as held for sale |      | 154            | 4,327          | -              | 1,427          |
| Reversal of write-down of inventories                                                    | 9    | 558            | 576            | -              | -              |



## Notes to the Financial Statements *(continued)*

### 21. Earnings per ordinary share

#### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share at 31 December 2014 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**

|                                                                    | <b>Group</b> |             |
|--------------------------------------------------------------------|--------------|-------------|
|                                                                    | <b>2014</b>  | <b>2013</b> |
| Profit for the year attributable to owners of the Company (RM'000) | 12,161       | 16,236      |
| Weighted average number of ordinary shares at 31 December ('000)   | 40,059       | 40,059      |
| Basic earnings per ordinary share (sen)                            | 30.36        | 40.53       |

### 22. Dividend

Dividend recognised in the current year by the Company is:

|                       | <b>Sen<br/>per share</b> | <b>Total<br/>amount<br/>RM'000</b> | <b>Date of<br/>payment</b> |
|-----------------------|--------------------------|------------------------------------|----------------------------|
| <b>2014</b>           |                          |                                    |                            |
| Interim 2014 ordinary | 10.00                    | 4,006                              | 29 October 2014            |
| <b>2013</b>           |                          |                                    |                            |
| Interim 2013 ordinary | 10.00                    | 4,006                              | 30 September 2013          |

### 23. 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") (ie. 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 holdings : Includes the holding of investment in subsidiaries
- Trading and service : 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 tax, interest, depreciation and amortisation, 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 of assets on 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.

## Notes to the Financial Statements *(continued)*

### 23. Operating segments (continued)

#### 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.

| Group                         | Investment holdings |                | Trading and service |                | Manufacturing  |                | Eliminations   |                | Total          |                |
|-------------------------------|---------------------|----------------|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                               | 2014<br>RM'000      | 2013<br>RM'000 | 2014<br>RM'000      | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Segment profit</b>         |                     |                |                     |                |                |                |                |                |                |                |
| External revenue              |                     |                |                     |                |                |                |                |                |                |                |
| - Malaysia                    | -                   | -              | 149,972             | 173,270        | 12,121         | 15,077         | -              | -              | 162,093        | 188,347        |
| - Outside Malaysia            | -                   | -              | 146,544             | 122,999        | 10,414         | 13,689         | -              | -              | 156,958        | 136,688        |
| Total external revenue        | -                   | -              | 296,516             | 296,269        | 22,535         | 28,766         | -              | -              | 319,051        | 325,035        |
| Inter-segment revenue         | 25,555              | 16,983         | 8,372               | 6,918          | 57,050         | 68,990         | (90,977)       | (92,891)       | -              | -              |
| Total segment revenue         | 25,555              | 16,983         | 304,888             | 303,187        | 79,585         | 97,756         | (90,977)       | (92,891)       | 319,051        | 325,035        |
| Segment profit                | 15,937              | 9,509          | 15,358              | 17,857         | 8,012          | 8,568          | (21,927)       | (12,892)       | 17,380         | 23,042         |
| Finance income                |                     |                |                     |                |                |                |                |                | 322            | 295            |
| Finance cost                  |                     |                |                     |                |                |                |                |                | (2,988)        | (3,241)        |
| Profit before tax             |                     |                |                     |                |                |                |                |                | 14,714         | 20,096         |
| Tax expense                   |                     |                |                     |                |                |                |                |                | (2,553)        | (3,860)        |
| Profit for the year           |                     |                |                     |                |                |                |                |                | 12,161         | 16,236         |
| <b>Segment assets</b>         |                     |                |                     |                |                |                |                |                |                |                |
| Segment assets                | 26,099              | 17,894         | 184,569             | 171,882        | 36,303         | 39,219         | -              | -              | 246,971        | 228,995        |
| Unallocated assets            |                     |                |                     |                |                |                |                |                | 5,613          | 3,841          |
| Total assets                  |                     |                |                     |                |                |                |                |                | 252,584        | 232,836        |
| <b>Liabilities</b>            |                     |                |                     |                |                |                |                |                |                |                |
| Segment liabilities           | 9,642               | 10,512         | 105,278             | 86,340         | 21,733         | 28,097         | -              | -              | 136,653        | 124,949        |
| Unallocated liabilities       |                     |                |                     |                |                |                |                |                | 2,748          | 3,889          |
| Total liabilities             |                     |                |                     |                |                |                |                |                | 139,401        | 128,838        |
| <b>Capital expenditure</b>    |                     |                |                     |                |                |                |                |                |                |                |
| Capital expenditure           | 101                 | 361            | 13,322              | 14,457         | 1,689          | 3,029          | -              | -              | 15,112         | 17,847         |
| Depreciation and amortisation | 435                 | 266            | 2,283               | 1,637          | 1,542          | 1,372          | -              | -              | 4,260          | 3,275          |



## Notes to the Financial Statements *(continued)*

### 24. Financial instruments

#### 24.1 Categories of financial instruments

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

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

|                              | Carrying<br>amount<br>RM'000 | L&R/<br>(FL)<br>RM'000 | FVTPL-<br>HFT<br>RM'000 |
|------------------------------|------------------------------|------------------------|-------------------------|
| <b>2014</b>                  |                              |                        |                         |
| <b>Financial assets</b>      |                              |                        |                         |
| <b>Group</b>                 |                              |                        |                         |
| Other investments            | 1,804                        | 513                    | 1,291                   |
| Trade and other receivables  | 72,994                       | 72,994                 | -                       |
| Cash and bank balances       | 39,674                       | 39,674                 | -                       |
|                              | <u>114,472</u>               | <u>113,181</u>         | <u>1,291</u>            |
| <b>Company</b>               |                              |                        |                         |
| Other investments            | 1,096                        | -                      | 1,096                   |
| Trade and other receivables  | 15,195                       | 15,195                 | -                       |
| Cash and bank balances       | 12,920                       | 12,920                 | -                       |
|                              | <u>29,211</u>                | <u>28,115</u>          | <u>1,096</u>            |
| <b>Financial liabilities</b> |                              |                        |                         |
| <b>Group</b>                 |                              |                        |                         |
| Loans and borrowings         | (80,905)                     | (80,905)               | -                       |
| Trade and other payables     | (55,748)                     | (55,748)               | -                       |
|                              | <u>(136,653)</u>             | <u>(136,653)</u>       | <u>-</u>                |
| <b>Company</b>               |                              |                        |                         |
| Loans and borrowings         | (8,423)                      | (8,423)                | -                       |
| Trade and other payables     | (1,648)                      | (1,648)                | -                       |
|                              | <u>(10,071)</u>              | <u>(10,071)</u>        | <u>-</u>                |

## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.1 Categories of financial instruments (continued)

|                              | Carrying<br>amount<br>RM'000 | L&R/<br>(FL)<br>RM'000 | FVTPL-<br>HFT<br>RM'000 |
|------------------------------|------------------------------|------------------------|-------------------------|
| <b>2013</b>                  |                              |                        |                         |
| <b>Financial assets</b>      |                              |                        |                         |
| <b>Group</b>                 |                              |                        |                         |
| Other investments            | 1,300                        | -                      | 1,300                   |
| Trade and other receivables  | 67,942                       | 67,942                 | -                       |
| Cash and bank balances       | 37,450                       | 37,450                 | -                       |
|                              | <u>106,692</u>               | <u>105,392</u>         | <u>1,300</u>            |
| <b>Company</b>               |                              |                        |                         |
| Other investments            | 1,067                        | -                      | 1,067                   |
| Trade and other receivables  | 13,045                       | 13,045                 | -                       |
| Cash and bank balances       | 4,586                        | 4,586                  | -                       |
|                              | <u>18,698</u>                | <u>17,631</u>          | <u>1,067</u>            |
| <b>Financial liabilities</b> |                              |                        |                         |
| <b>Group</b>                 |                              |                        |                         |
| Loans and borrowings         | (70,858)                     | (70,858)               | -                       |
| Trade and other payables     | (53,598)                     | (53,598)               | -                       |
|                              | <u>(124,456)</u>             | <u>(124,456)</u>       | <u>-</u>                |
| <b>Company</b>               |                              |                        |                         |
| Loans and borrowings         | (8,761)                      | (8,761)                | -                       |
| Trade and other payables     | (2,570)                      | (2,570)                | -                       |
|                              | <u>(11,331)</u>              | <u>(11,331)</u>        | <u>-</u>                |

#### 24.2 Net gains and losses arising from financial instruments:

|                                                     | Group          |                | Company        |                |
|-----------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                     | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Net gains/(losses) on:                              |                |                |                |                |
| Fair value through profit or loss:                  |                |                |                |                |
| - Held for trading                                  | (9)            | 136            | 29             | 118            |
| Loans and receivables                               | 391            | 250            | 134            | 166            |
| Financial liabilities measured at<br>amortised cost | (1,833)        | (2,927)        | (314)          | (662)          |
|                                                     | <u>(1,451)</u> | <u>(2,541)</u> | <u>(151)</u>   | <u>(378)</u>   |



## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt securities. 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.

##### 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 evaluation 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 credits, which are guaranteed by banks before the shipment of goods.

*Exposure to credit risk, credit quality and collateral*

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

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

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

|              | Group          |                | Company        |                |
|--------------|----------------|----------------|----------------|----------------|
|              | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Domestic     | 39,666         | 42,915         | 14,179         | 13,357         |
| Asia         | 25,667         | 18,904         | 1,212          | -              |
| Middle-East  | 6,074          | 2,260          | 277            | -              |
| Europe & USA | 1,160          | 1,256          | -              | -              |
| Others       | 1,572          | 3,709          | -              | -              |
|              | <u>74,139</u>  | <u>69,044</u>  | <u>15,668</u>  | <u>13,357</u>  |

## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.4 Credit risk (continued)

##### Receivables (continued)

##### *Impairment losses*

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

| Group                       | Gross<br>RM'000 | Individual<br>impairment<br>RM'000 | Net<br>RM'000 |
|-----------------------------|-----------------|------------------------------------|---------------|
| <b>2014</b>                 |                 |                                    |               |
| Not past due                | 40,770          | -                                  | 40,770        |
| Past due 0 - 30 days        | 12,820          | -                                  | 12,820        |
| Past due 31 - 120 days      | 7,378           | -                                  | 7,378         |
| Past due more than 120 days | 6,759           | (2,349)                            | 4,410         |
|                             | <u>67,727</u>   | <u>(2,349)</u>                     | <u>65,378</u> |
| <b>2013</b>                 |                 |                                    |               |
| Not past due                | 38,137          | -                                  | 38,137        |
| Past due 0 - 30 days        | 9,188           | -                                  | 9,188         |
| Past due 31 - 120 days      | 8,777           | -                                  | 8,777         |
| Past due more than 120 days | 6,695           | (2,430)                            | 4,265         |
|                             | <u>62,797</u>   | <u>(2,430)</u>                     | <u>60,367</u> |

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

|                             | Group          |                |
|-----------------------------|----------------|----------------|
|                             | 2014<br>RM'000 | 2013<br>RM'000 |
| At 1 January                | 2,430          | 2,385          |
| Impairment loss recognised  | 125            | 267            |
| Impairment loss reversed    | (200)          | (222)          |
| Impairment loss written off | (6)            | -              |
| At 31 December              | <u>2,349</u>   | <u>2,430</u>   |

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

##### Investments and other financial assets

##### *Risk management objectives, policies and processes for managing the risk*

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



## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.4 Credit risk (continued)

##### **Receivables (continued)**

##### *Exposure to credit risk, credit quality and collateral*

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

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

##### **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 RM139,159,000 (2013: RM142,496,000) 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.

##### **Inter-company loans and advances**

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### *Exposure to credit risk, credit quality and collateral*

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

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

##### *Impairment losses*

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

#### 24.5 Liquidity risk

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

The Group maintains 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.

## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.5 Liquidity risk (continued)

##### *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<br>amount<br>RM'000 | Contractual<br>interest<br>rate/coupon | Contractual<br>cash flows<br>RM'000 | Under<br>1 year<br>RM'000 | 1-2<br>years<br>RM'000 | 2-5<br>years<br>RM'000 | More<br>than 5<br>years<br>RM'000 |
|---------------------------------------------|------------------------------|----------------------------------------|-------------------------------------|---------------------------|------------------------|------------------------|-----------------------------------|
| <b>2014</b>                                 |                              |                                        |                                     |                           |                        |                        |                                   |
| <b>Group</b>                                |                              |                                        |                                     |                           |                        |                        |                                   |
| <i>Non-derivative financial liabilities</i> |                              |                                        |                                     |                           |                        |                        |                                   |
| Secured term loans                          | 29,205                       | 1.88%-8.10%                            | 41,713                              | 2,677                     | 2,677                  | 7,688                  | 28,671                            |
| Finance lease liabilities                   | 2,263                        | 2.38%-6.56%                            | 2,459                               | 1,108                     | 660                    | 691                    | -                                 |
| Unsecured bankers' acceptances              | 48,361                       | 1.63%-5.75%                            | 48,381                              | 48,381                    | -                      | -                      | -                                 |
| Secured bank overdraft                      | 772                          | 7.28%                                  | 772                                 | 772                       | -                      | -                      | -                                 |
| Unsecured bank overdraft                    | 304                          | 8.10%                                  | 304                                 | 304                       | -                      | -                      | -                                 |
| Trade and other payables                    | 55,748                       | -                                      | 55,748                              | 55,748                    | -                      | -                      | -                                 |
|                                             | <u>136,653</u>               |                                        | <u>149,377</u>                      | <u>108,990</u>            | <u>3,337</u>           | <u>8,379</u>           | <u>28,671</u>                     |
| <b>Company</b>                              |                              |                                        |                                     |                           |                        |                        |                                   |
| <i>Non-derivative financial liabilities</i> |                              |                                        |                                     |                           |                        |                        |                                   |
| Secured term loans                          | 8,282                        | 4.60%-4.90%                            | 12,134                              | 711                       | 711                    | 2,133                  | 8,579                             |
| Finance lease liabilities                   | 141                          | 2.38%                                  | 153                                 | 43                        | 43                     | 67                     | -                                 |
| Trade and other payables                    | 1,648                        | -                                      | 1,648                               | 1,648                     | -                      | -                      | -                                 |
| Financial guarantee                         | -                            | -                                      | 139,159                             | 139,159                   | -                      | -                      | -                                 |
|                                             | <u>10,071</u>                |                                        | <u>153,094</u>                      | <u>141,561</u>            | <u>754</u>             | <u>2,200</u>           | <u>8,579</u>                      |



## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.5 Liquidity risk (continued)

##### *Maturity analysis (continued)*

|                                                 | Carrying<br>amount<br>RM'000 | Contractual<br>interest<br>rate/coupon | Contractual<br>cash flows<br>RM'000 | Under<br>1 year<br>RM'000 | 1-2<br>years<br>RM'000 | 2-5<br>years<br>RM'000 | More<br>than 5<br>years<br>RM'000 |
|-------------------------------------------------|------------------------------|----------------------------------------|-------------------------------------|---------------------------|------------------------|------------------------|-----------------------------------|
| <b>2013</b>                                     |                              |                                        |                                     |                           |                        |                        |                                   |
| <b>Group</b>                                    |                              |                                        |                                     |                           |                        |                        |                                   |
| <i>Non-derivative<br/>financial liabilities</i> |                              |                                        |                                     |                           |                        |                        |                                   |
| Secured term loans                              | 23,496                       | 1.68%-7.78%                            | 32,089                              | 2,004                     | 2,004                  | 5,911                  | 22,170                            |
| Finance lease<br>liabilities                    | 1,868                        | 2.38%-6.56%                            | 2,014                               | 530                       | 962                    | 522                    | -                                 |
| Unsecured bankers'<br>acceptances               | 44,206                       | 1.49%-5.75%                            | 45,056                              | 45,056                    | -                      | -                      | -                                 |
| Secured bank<br>overdraft                       | 906                          | 7.28%                                  | 906                                 | 906                       | -                      | -                      | -                                 |
| Unsecured bank<br>overdraft                     | 382                          | 7.28%                                  | 382                                 | 382                       | -                      | -                      | -                                 |
| Trade and other<br>payables                     | 53,598                       | -                                      | 53,598                              | 53,598                    | -                      | -                      | -                                 |
|                                                 | <u>124,456</u>               |                                        | <u>134,045</u>                      | <u>102,476</u>            | <u>2,966</u>           | <u>6,433</u>           | <u>22,170</u>                     |
| <b>Company</b>                                  |                              |                                        |                                     |                           |                        |                        |                                   |
| <i>Non-derivative<br/>financial liabilities</i> |                              |                                        |                                     |                           |                        |                        |                                   |
| Secured term loans                              | 8,584                        | 4.53%-5.03%                            | 12,815                              | 711                       | 711                    | 2,133                  | 9,260                             |
| Finance lease<br>liabilities                    | 177                          | 2.38%                                  | 196                                 | 43                        | 43                     | 110                    | -                                 |
| Loans from subsidiaries                         | 819                          | 4.00%                                  | 819                                 | 819                       | -                      | -                      | -                                 |
|                                                 | <u>9,580</u>                 |                                        | <u>13,830</u>                       | <u>1,573</u>              | <u>754</u>             | <u>2,243</u>           | <u>9,260</u>                      |

#### 24.6 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.

##### 24.6.1 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 U.S. Dollar ("USD") and Singapore Dollar ("SGD").

##### *Risk management objectives, policies and processes for managing the risk*

The Group does not hedge this exposure to the USD. The transactions in other foreign currencies are insignificant. 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)*

### 24. Financial instruments (continued)

#### 24.6 Market risk (continued)

##### 24.6.1 Currency risk (continued)

###### *Exposure to foreign currency risk*

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

| Group               | USD            | Denominated in |                  |
|---------------------|----------------|----------------|------------------|
|                     | RM'000         | SGD<br>RM'000  | Others<br>RM'000 |
| <b>2014</b>         |                |                |                  |
| Trade receivables   | 678            | 19,315         | 8,561            |
| Secured bank loans  | -              | (11,249)       | -                |
| Trade payables      | (4,050)        | (4,266)        | (1,645)          |
| <b>Net exposure</b> | <b>(3,372)</b> | <b>3,800</b>   | <b>6,916</b>     |
| <b>2013</b>         |                |                |                  |
| Trade receivables   | 5,102          | 12,720         | 2,092            |
| Secured bank loans  | -              | (8,591)        | -                |
| Trade payables      | (4,887)        | (1,710)        | (1,523)          |
| <b>Net exposure</b> | <b>215</b>     | <b>2,419</b>   | <b>569</b>       |

###### *Currency risk sensitivity analysis*

A 10% (2013: 10%) strengthening of Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| Group  | Profit or loss |                |
|--------|----------------|----------------|
|        | 2014<br>RM'000 | 2013<br>RM'000 |
| USD    | 253            | (16)           |
| SGD    | (285)          | (181)          |
| Others | (519)          | (43)           |

A 10% (2013: 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.

##### 24.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and 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 utilises 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 minimised.



## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.6 Market risk (continued)

##### 24.6.2 Interest rate risk (continued)

###### *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 |         |
|---------------------------------|----------|----------|---------|---------|
|                                 | 2014     | 2013     | 2014    | 2013    |
|                                 | RM'000   | RM'000   | RM'000  | RM'000  |
| <b>Fixed rate instruments</b>   |          |          |         |         |
| Financial assets                | 8,412    | 7,070    | 8,888   | 1,014   |
| Financial liabilities           | (2,263)  | (1,868)  | (141)   | (177)   |
|                                 | 6,149    | 5,202    | 8,747   | 837     |
| <b>Floating rate instrument</b> |          |          |         |         |
| Financial liabilities           | (78,642) | (68,990) | (8,282) | (8,584) |

###### *Interest rate risk sensitivity analysis*

###### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group 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 insignificant impact to the profit or loss, assuming all other variables, in particular foreign currency rates, remains constant.

##### 24.6.3 Other price risk

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

###### *Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors 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 equity investments moved in correlation with FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2013: 10%) strengthening/weakening in FBMKLCI at the end of the reporting period would have insignificant impact to the equity and profit or loss respectively.

## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.7 Fair value information

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

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

|                              | Fair value of financial instruments<br>carried at fair value |                   |                   |                 | Fair value of financial instruments not<br>carried at fair value |                   |                   |                 | Total<br>fair<br>value | Carrying<br>amount |
|------------------------------|--------------------------------------------------------------|-------------------|-------------------|-----------------|------------------------------------------------------------------|-------------------|-------------------|-----------------|------------------------|--------------------|
|                              | Level 1<br>RM'000                                            | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                                | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | RM'000                 | RM'000             |
| <b>2014</b>                  |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| <b>Group</b>                 |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| <b>Financial assets</b>      |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| Investment in trust fund     | -                                                            | 1,096             | -                 | 1,096           | -                                                                | -                 | -                 | -               | 1,096                  | 1,096              |
| Investment in quoted shares  | 195                                                          | -                 | -                 | 195             | -                                                                | -                 | -                 | -               | 195                    | 195                |
|                              | <u>195</u>                                                   | <u>1,096</u>      | <u>-</u>          | <u>1,291</u>    | <u>-</u>                                                         | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>1,291</u>           | <u>1,291</u>       |
| <b>Financial liabilities</b> |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| Finance lease liabilities    | -                                                            | -                 | -                 | -               | -                                                                | -                 | (2,256)           | (2,256)         | (2,256)                | (2,263)            |
| Secured term loans           | -                                                            | -                 | -                 | -               | -                                                                | -                 | (28,766)          | (28,766)        | (28,766)               | (29,205)           |
|                              | <u>-</u>                                                     | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>-</u>                                                         | <u>-</u>          | <u>(31,022)</u>   | <u>(31,022)</u> | <u>(31,022)</u>        | <u>(31,468)</u>    |
| <b>2014</b>                  |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| <b>Company</b>               |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| <b>Financial assets</b>      |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| Investment in trust fund     | -                                                            | 1,096             | -                 | 1,096           | -                                                                | -                 | -                 | -               | 1,096                  | 1,096              |
|                              | <u>-</u>                                                     | <u>1,096</u>      | <u>-</u>          | <u>1,096</u>    | <u>-</u>                                                         | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>1,096</u>           | <u>1,096</u>       |
| <b>Financial liabilities</b> |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                        |                    |
| Finance lease liabilities    | -                                                            | -                 | -                 | -               | -                                                                | -                 | (142)             | (142)           | (142)                  | (141)              |
| Secured term loans           | -                                                            | -                 | -                 | -               | -                                                                | -                 | (8,167)           | (8,167)         | (8,167)                | (8,282)            |
|                              | <u>-</u>                                                     | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>-</u>                                                         | <u>-</u>          | <u>(8,309)</u>    | <u>(8,309)</u>  | <u>(8,309)</u>         | <u>(8,423)</u>     |



## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.7 Fair value information (continued)

|                                  | Fair value of financial instruments<br>carried at fair value |                   |                   |                 | Fair value of financial instruments not<br>carried at fair value |                   |                   |                 | Total<br>fair<br>value<br>RM'000 | Carrying<br>amount<br>RM'000 |
|----------------------------------|--------------------------------------------------------------|-------------------|-------------------|-----------------|------------------------------------------------------------------|-------------------|-------------------|-----------------|----------------------------------|------------------------------|
|                                  | Level 1<br>RM'000                                            | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                                | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |                                  |                              |
| <b>2013<br/>Group</b>            |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                                  |                              |
| <b>Financial<br/>assets</b>      |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                                  |                              |
| Investment in<br>trust fund      | -                                                            | 1,067             | -                 | 1,067           | -                                                                | -                 | -                 | -               | 1,067                            | 1,067                        |
| Investment in<br>quoted shares   | 233                                                          | -                 | -                 | 233             | -                                                                | -                 | -                 | -               | 233                              | 233                          |
|                                  | <u>233</u>                                                   | <u>1,067</u>      | <u>-</u>          | <u>1,300</u>    | <u>-</u>                                                         | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>1,300</u>                     | <u>1,300</u>                 |
| <b>Financial<br/>liabilities</b> |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                                  |                              |
| Finance lease<br>liabilities     | -                                                            | -                 | -                 | -               | -                                                                | -                 | (2,014)           | (2,014)         | (2,014)                          | (1,868)                      |
| Secured<br>term loans            | -                                                            | -                 | -                 | -               | -                                                                | -                 | (23,496)          | (23,496)        | (23,496)                         | (23,496)                     |
|                                  | <u>-</u>                                                     | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>-</u>                                                         | <u>-</u>          | <u>(25,510)</u>   | <u>(25,510)</u> | <u>(25,510)</u>                  | <u>(25,364)</u>              |
| <b>2013<br/>Company</b>          |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                                  |                              |
| <b>Financial<br/>assets</b>      |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                                  |                              |
| Investment in<br>trust fund      | -                                                            | 1,067             | -                 | 1,067           | -                                                                | -                 | -                 | -               | 1,067                            | 1,067                        |
|                                  | <u>-</u>                                                     | <u>1,067</u>      | <u>-</u>          | <u>1,067</u>    | <u>-</u>                                                         | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>1,067</u>                     | <u>1,067</u>                 |
| <b>Financial<br/>liabilities</b> |                                                              |                   |                   |                 |                                                                  |                   |                   |                 |                                  |                              |
| Finance lease<br>liabilities     | -                                                            | -                 | -                 | -               | -                                                                | -                 | (196)             | (196)           | (196)                            | (177)                        |
| Secured<br>term loans            | -                                                            | -                 | -                 | -               | -                                                                | -                 | (8,584)           | (8,584)         | (8,584)                          | (8,584)                      |
|                                  | <u>-</u>                                                     | <u>-</u>          | <u>-</u>          | <u>-</u>        | <u>-</u>                                                         | <u>-</u>          | <u>(8,780)</u>    | <u>(8,780)</u>  | <u>(8,780)</u>                   | <u>(8,761)</u>               |

## Notes to the Financial Statements *(continued)*

### 24. Financial instruments (continued)

#### 24.7 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 (2013: 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 Company 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. The management regularly reviews significant unobservable inputs and valuation adjustments.

### 25. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and 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.



## Notes to the Financial Statements *(continued)*

### 25. Capital management (continued)

The debt-to-equity ratios at 31 December 2014 and at 31 December 2013 were as follows:

|                                        | Group    |          |
|----------------------------------------|----------|----------|
|                                        | 2014     | 2013     |
|                                        | RM'000   | RM'000   |
| Total loans and borrowings (Note 14)   | 80,905   | 70,858   |
| Less: Cash and bank balances (Note 12) | (39,674) | (37,450) |
| Net debt                               | 41,231   | 33,408   |
| Total equity                           | 113,183  | 103,998  |
| Debt-to-equity ratio                   | 0.36     | 0.32     |

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.

### 26. Capital and other commitments

|                                 | Group  |        |
|---------------------------------|--------|--------|
|                                 | 2014   | 2013   |
|                                 | RM'000 | RM'000 |
| <b>Land and building</b>        |        |        |
| Contracted but not provided for | 1,631  | 3,840  |

### 27. Contingencies

|                                                                     | Company |         |
|---------------------------------------------------------------------|---------|---------|
|                                                                     | 2014    | 2013    |
|                                                                     | RM'000  | RM'000  |
| <b>Guarantee - unsecured</b>                                        |         |         |
| Guarantees and contingencies relating to borrowings of subsidiaries | 139,159 | 142,496 |

### 28. Related parties

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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 either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

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

## Notes to the Financial Statements *(continued)*

### 28. Related parties (continued)

#### 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 below transactions are shown in Note 11 and 15.

|                            | Company        |                |
|----------------------------|----------------|----------------|
|                            | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>A. Subsidiaries</b>     |                |                |
| - Management fee income    | (6,754)        | (5,516)        |
| - Rental expense           | 202            | 96             |
| - Interest income on loans | (55)           | (100)          |
| - Interest expense         | <u>5</u>       | <u>71</u>      |

|                                                                                                     | Group          |                | Company        |                |
|-----------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                                     | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>B. Key management personnel</b>                                                                  |                |                |                |                |
| <b>Directors</b>                                                                                    |                |                |                |                |
| - Remuneration                                                                                      | 4,945          | 4,614          | 1,900          | 1,797          |
| - Fees                                                                                              | 216            | 180            | 216            | 180            |
| - Other short-term employee benefits<br>(including estimated monetary value of<br>benefits-in-kind) | <u>723</u>     | <u>729</u>     | <u>399</u>     | <u>376</u>     |
|                                                                                                     | <u>5,884</u>   | <u>5,523</u>   | <u>2,515</u>   | <u>2,353</u>   |

### 29. Subsequent event

On 5 March 2015, the Company disposed a land with carrying amount of RM7,841,000 as at 31 December 2014 to a subsidiary for a sale consideration of RM11,000,000.



## Notes to the Financial Statements *(continued)*

### 30. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

|                                                             | Group          |                | Company        |                |
|-------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                             | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Total retained earnings of the Company and its subsidiaries |                |                |                |                |
| - realised                                                  | 68,789         | 60,867         | 22,919         | 11,975         |
| - unrealised                                                | 1,219          | 904            | 191            | 86             |
|                                                             | 70,008         | 61,771         | 23,110         | 12,061         |
| Less: Consolidation adjustments                             | 779            | 861            | -              | -              |
| Total retained earnings                                     | 70,787         | 62,632         | 23,110         | 12,061         |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 36 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 83 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**CHENG KING FA**  
FOUNDER/CHAIRMAN

**CHENG PING KEAT**  
GROUP CHIEF EXECUTIVE OFFICER (CEO)

Kuala Lumpur, Malaysia

Date: 8 April 2015

## Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Cheng Ping Keat**, the Director primarily responsible for the financial management of Khind Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 83 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.

|                                  |   |                        |
|----------------------------------|---|------------------------|
| Subscribed and solemnly declared | ) |                        |
| by the above named               | ) | <b>CHENG PING KEAT</b> |
| CHENG PING KEAT                  | ) |                        |
| in Kuala Lumpur on 8 April 2015  | ) |                        |

Before me:

**MANOHARAN A/L SELLAMUTHU**  
W656  
Commission for Oaths  
Kuala Lumpur, Malaysia



## Independent Auditors' Report to the members of Khind Holdings Berhad

### Report on the Financial Statements

We have audited the financial statements of Khind Holdings Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 82.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## **Independent Auditors' Report** to the members of Khind Holdings Berhad (continued)

### **Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 on page 83 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

#### **LEE YEE KENG**

Approval Number: 2880/04/15(J)  
Chartered Accountant

Petaling Jaya, Malaysia

Date: 8 April 2015



## Statistics on Shareholdings as at 31 March 2015

### SUBSTANTIAL SHAREHOLDERS - Based on the Register of Substantial Shareholders as at 31 March 2015

| Names of Substantial Shareholders         | Direct Interest | Percentage (%) | Deemed/ Indirect Interest | Percentage (%) |
|-------------------------------------------|-----------------|----------------|---------------------------|----------------|
| 1 Kee Hin Ventures Sdn. Bhd. (429373-U)   | 15,708,837      | 39.21          | -                         | -              |
| 2 Cheng Ping Keat                         | 2,725,720       | 6.80           | 15,708,837*               | 39.21          |
| 3 Federlite Holdings Sdn. Bhd. (296526-H) | 2,692,600       | 6.72           | -                         | -              |
| 4 Koh Guat Kuan                           | 2,165,199       | 5.41           | -                         | -              |
| 5 Great Partner Industries Limited        | -               | -              | 15,708,837@               | 39.21          |

Notes: \* Indirect interest by virtue of his shareholdings in Kee Hin Ventures Sdn. Bhd.

@ Indirect interest by virtue of their shareholdings in Kee Hin Ventures Sdn. Bhd.

## Analysis of Shareholdings as at 31 March 2015

Authorised Share Capital : RM 50,000,000.00  
 Issued and Paid-up Capital : RM 40,059,000.00  
 Class of Shares : Ordinary shares of RM 1.00 each  
 Voting Rights per Share : One vote per Ordinary Share  
 No. of Shareholders : 1,116

| Size of Holdings                 | No. of Shareholders | % of Shareholders | No. of Shares held | % of Issued capital |
|----------------------------------|---------------------|-------------------|--------------------|---------------------|
| Less than 100                    | 170                 | 15.23             | 6,017              | 0.02                |
| 100 - 1,000                      | 144                 | 12.90             | 97,018             | 0.24                |
| 1,001 - 10,000                   | 671                 | 60.13             | 2,208,716          | 5.51                |
| 10,001 - 100,000                 | 110                 | 9.86              | 2,813,754          | 7.02                |
| 100,001 to < 5% of issued shares | 17                  | 1.52              | 11,641,139         | 29.06               |
| 5% and above of issued shares    | 4                   | 0.36              | 23,292,356         | 58.15               |
| <b>TOTAL</b>                     | <b>1,116</b>        | <b>100.00</b>     | <b>40,059,000</b>  | <b>100.00</b>       |

## Statistics on Shareholdings as at 31 March 2015

### THIRTY LARGEST SHAREHOLDERS - per Register of Depositors as at 31 March 2015

| Names of Shareholders |                                                                                                                                                    | No. of<br>Shares held | % of<br>Issued capital |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|
| 1                     | Kee Hin Ventures Sdn. Bhd. (429373-U)                                                                                                              | 15,371,967            | 38.37                  |
| 2                     | Cheng Ping Keat                                                                                                                                    | 2,725,720             | 6.80                   |
| 3                     | Federlite Holdings Sdn. Bhd. (296526-H)                                                                                                            | 2,692,600             | 6.72                   |
| 4                     | Koh Guat Kuan                                                                                                                                      | 2,165,199             | 5.41                   |
| 5                     | Cheng King Fa                                                                                                                                      | 1,898,601             | 4.74                   |
| 6                     | Imartech Industries Sdn. Bhd. (270026-X)                                                                                                           | 1,568,000             | 3.91                   |
| 7                     | BI Nominees (Tempatan) Sdn. Bhd. (176122-V)<br>(Md. Azmi bin Lop Yusof)                                                                            | 1,469,935             | 3.67                   |
| 8                     | Cheng Hup                                                                                                                                          | 1,191,869             | 2.98                   |
| 9                     | Airex Industries Sdn. Bhd. (455346-A)                                                                                                              | 1,110,667             | 2.77                   |
| 10                    | Cheng Yoke Leng                                                                                                                                    | 652,333               | 1.63                   |
| 11                    | Cheng Yoke Kan                                                                                                                                     | 607,000               | 1.52                   |
| 12                    | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (66878-U)<br>[Deutsche Trustees Malaysia Berhad for Hong Leong<br>Consumer Products Sector Fund] | 560,000               | 1.40                   |
| 13                    | Lim Ah Dek                                                                                                                                         | 461,500               | 1.15                   |
| 14                    | Amsec Nominees (Tempatan) Sdn. Bhd. (102918-T)<br>[Pledged securities account – Ambank (M) Berhad for<br>Lee Ah Lan @ Lee Keok Hooi (SMART)]       | 460,000               | 1.15                   |
| 15                    | ABB Nominee (Tempatan) Sdn. Bhd. (37645-P)<br>(Pledged securities account for Yayasan Terengganu)                                                  | 400,000               | 1.00                   |
| 16                    | Koh Eng Thye                                                                                                                                       | 379,367               | 0.95                   |
| 17                    | Kee Hin Ventures Sdn. Bhd. (429373-U)                                                                                                              | 336,870               | 0.84                   |
| 18                    | Yayasan Kelantan Darulnaim (KELENTBIL980)                                                                                                          | 245,000               | 0.61                   |
| 19                    | RHB Capital Nominees (Tempatan) Sdn. Bhd. (24915-H)<br>[Pledged securities account for Fong Siling (CEB)]                                          | 200,000               | 0.50                   |
| 20                    | Soh Chak Boo                                                                                                                                       | 155,500               | 0.39                   |
| 21                    | Cheing Boon Ngoun @ Chean Puan In                                                                                                                  | 150,367               | 0.38                   |
| 22                    | Lim Peng Huat                                                                                                                                      | 126,000               | 0.31                   |
| 23                    | Heng Sin Tok                                                                                                                                       | 88,333                | 0.22                   |
| 24                    | Perbadanan Kemajuan Negeri Kedah (ECT 51965)                                                                                                       | 88,200                | 0.22                   |
| 25                    | Khind Industries Sdn. Bhd. (173304-D)                                                                                                              | 86,500                | 0.22                   |
| 26                    | Public Nominees (Tempatan) Sdn. Bhd. (6464-T)<br>[Pledged securities account for Ooi Kin Chong @ Ooi Kin Chong<br>(E-SPI/ASR)]                     | 76,000                | 0.19                   |
| 27                    | Cheng Kin Yet                                                                                                                                      | 73,433                | 0.18                   |
| 28                    | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (66878-U)<br>[Hong Leong Asset Management Berhad for Ritz Crest Sdn. Bhd.]                       | 68,300                | 0.17                   |
| 29                    | Chan Tuck Kwai                                                                                                                                     | 66,841                | 0.17                   |
| 30                    | Public Invest Nominees (Asing) Sdn. Bhd. (262581-D)<br>[Exempt AN for Phillip Securities Pte Ltd (clients)]                                        | 66,667                | 0.17                   |
|                       |                                                                                                                                                    | 35,542,769            | 88.74                  |



## Directors' Shareholdings as at 31 March 2015

Pursuant to Section 134(12)(c) of the Companies Act 1965, the Directors' shareholdings/interest and their deemed interest via their spouses and children are as follows:-

| Names of Directors                     | Direct Shareholdings | Percentage % | Indirect Shareholdings  | Percentage % | Deemed interest        | Percentage % |
|----------------------------------------|----------------------|--------------|-------------------------|--------------|------------------------|--------------|
| 1. Cheng King Fa                       | 1,898,601            | 4.74         | -                       | -            | 1,304,124 <sup>#</sup> | 3.26         |
| 2. Cheng Ping Keat                     | 2,725,720            | 6.80         | 15,708,837 <sup>*</sup> | 39.21        | 2,165,199 <sup>^</sup> | 5.41         |
| 3. Lee Ah Lan<br>@ Lee Keok Hooi       | 460,000              | 1.15         | -                       | -            | -                      | -            |
| 4. Kamil bin Datuk<br>Hj. Abdul Rahman | -                    | -            | -                       | -            | -                      | -            |
| 5. Wong Chin Mun                       | -                    | -            | -                       | -            | -                      | -            |

Note:

<sup>#</sup> Deemed interest by virtue of his spouse and children's' direct shareholdings.

<sup>\*</sup> Indirect interest by virtue of his shareholdings in Kee Hin Ventures Sdn. Bhd.

<sup>^</sup> Deemed interest by virtue of his spouse's direct shareholdings.

## List of Properties Held by the Group as at 31 December 2014

| Location/Address                                                                                                                             | Built-up (sq.foot) | Tenure                                       | Existing use of properties                                                                                                                                             | Date of acquisition/ completion                                      | Approx. age                  | Net Book Value @ 31.12.2014 (RM'000) |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------|--------------------------------------|
| PT124 No. 2,<br>Jalan Perusahaan 2<br>Off Jalan Bernam<br>45400 Sekinchan<br>Selangor Darul Ehsan                                            | 192,853            | Leasehold<br>99 years<br>expiring on<br>2102 | Factory, warehouse<br>and office for Khind-<br>Mistral Industries Sdn. Bhd.                                                                                            | (Land)<br>24.01.1989<br><br>(Building)<br>15.01.1991 -<br>01.07.1998 | 25 years<br><br>16- 23 years | 2,662<br><br>6,348                   |
| Lot 8243-8245, No. 15-17<br>Lee Chong Lin Industrial Estate<br>Jalan Pending<br>93450 Kuching, Sarawak                                       | 7,084              | Leasehold<br>60 years<br>expiring on<br>2045 | Office, service centre<br>and warehouse for<br>Khind-Mistral (Borneo)<br>Sdn. Bhd.                                                                                     | (Lot 8243)<br>31.03.1993<br>(Lot 8245)<br>19.08.1995                 | 21 years<br><br>19 years     | 519                                  |
| Lot 160, Sublot 2180-2181<br>Block 3, Piasau Industrial Estate<br>98000 Miri, Sarawak                                                        | 8,241              | Expiring<br>on 2053                          | Office, service centre<br>and warehouse for<br>Khind-Mistral (Borneo)<br>Sdn. Bhd.                                                                                     | 10.09.2004                                                           | 10 years                     | 704                                  |
| Lot Pt 2531 held under<br>HS (D) 1854<br>Pekan Bagan Nakhoda Omar<br>District of Sabak Bernam<br>Selangor                                    | 832,911            | Leasehold<br>60 years<br>expiring on<br>2064 | Industrial land presently<br>planted with oil palm                                                                                                                     | 18.11.2008                                                           | 6 years                      | 444                                  |
| Lot 3, 4, 5, 6<br>Mogoputi Industrial Park<br>Kota Kinabalu, Sabah                                                                           | 11,040             | Leasehold<br>99 years<br>expiring on<br>2097 | Office, service centre<br>and warehouse for<br>Khind-Mistral (Borneo)<br>Sdn. Bhd.                                                                                     | 10.08.2000                                                           | 14 years                     | 1,478                                |
| Lot 1214, Section 66<br>Jalan Perbadanan, Off Bintawa<br>Industrial Estate, 93450 Kuching<br>Sarawak                                         | 45,951             | Leasehold<br>expiring on<br>2056             | Office, service centre<br>and warehouse for<br>Khind-Mistral (Borneo)<br>Sdn Bhd                                                                                       | 09.09.2014                                                           | 1 year                       | 4,900                                |
| Plot 120, Bandar Perda<br>held under HS(D) 121<br>No. PT123, Mukim 7<br>Daerah Seberang Prai<br>Tengah, Penang                               | 3,670              | Freehold                                     | Branch office and<br>service centre for<br>Khind-Mistral (M) Sdn. Bhd.                                                                                                 | 05.05.1999                                                           | 15 years                     | 414                                  |
| PT No. 17671 held under<br>HS(D) 142726 No. 2<br>Jalan Astaka U8/82<br>Seksyen U8, Bukit Jelutong<br>40150 Shah Alam<br>Selangor Darul Ehsan | 25,112             | Freehold                                     | Office, service centre and<br>showroom for Khind-Mistral (M)<br>Sdn. Bhd., Khind Alliances Sdn. Bhd.<br>and export office for<br>Khind-Mistral Industries<br>Sdn. Bhd. | 12.03.1999                                                           | 15 years                     | 3,275                                |
| Lot 64240 No.4<br>Jalan Astaka U8/82<br>Seksyen U8, Bukit Jelutong<br>40150 Shah Alam<br>Selangor Darul Ehsan                                | 18,621             | Freehold                                     | Office for Khind Holdings<br>Berhad                                                                                                                                    | 20.08.2000                                                           | 14 years                     | 2,022                                |
| 71 Ubi Crescent<br>#06-01, #06-02, #06-03, #06-04<br>Excalibur Centre<br>Singapore 408571                                                    | 9,784              | Leasehold<br>60 years<br>expiring on<br>2057 | Office, service centre and<br>showroom for Mistral (Singapore)<br>Pte. Ltd. and Mayer Marketing<br>Pte. Ltd.                                                           | 30.01.2013                                                           | 2 years                      | 11,086                               |
| 71 Ubi Crescent<br>#06-09<br>Excalibur Centre<br>Singapore 408571                                                                            | 2,799              | Leasehold<br>60 years<br>expiring on<br>2057 | Office, service centre and<br>showroom for Mistral (Singapore)<br>Pte. Ltd. and Mayer Marketing<br>Pte. Ltd.                                                           | 26.8.2014                                                            | 1 year                       | 3,710                                |
| Lot 745, Block 16<br>Kuching Central Land District                                                                                           | 59,125             | Leasehold<br>expiring on<br>2025             | Vacant Land                                                                                                                                                            | 28.04.2010                                                           | 5 years                      | 2,099                                |
| Flat No:G11 & G12<br>Discovery Garden, MOGUL 226<br>Dubai, UAE                                                                               | 2,002              | Freehold                                     | Apartments for staff<br>accommodations                                                                                                                                 | 12.05.2010                                                           | 5 years                      | 534                                  |

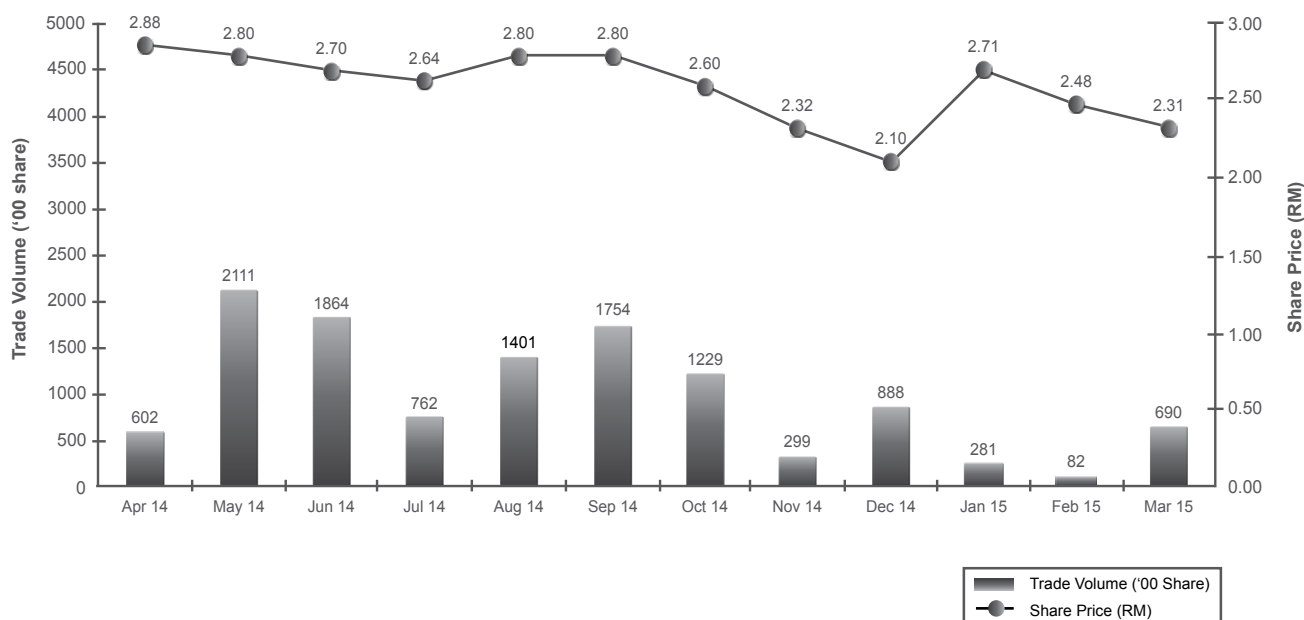


## List of Properties Held by the Group as at 31 December 2014 (continued)

| Location/Address                                                                                 | Built-up<br>(sq.feet) | Tenure   | Existing use of<br>properties          | Date of<br>acquisition/<br>completion | Approx.<br>age | Net Book<br>Value @<br>31.12.2014<br>(RM'000) |
|--------------------------------------------------------------------------------------------------|-----------------------|----------|----------------------------------------|---------------------------------------|----------------|-----------------------------------------------|
| Unit 108<br>Autumn 1, Jumeirah Village Circle<br>Dubai, UAE                                      | 953                   | Freehold | Apartments for staff<br>accommodations | 22.5.2014                             | 1 year         | 835                                           |
| I-Parc, Lot 29, Seksyen U8<br>Bukit Jelutong, 40150 Shah Alam                                    | 5,339                 | Freehold | Vacant Building                        | 15.01.2010                            | 5 years        | 2,966                                         |
| PT 7725 held under 'HS(D) 204098<br>Mukim of Bukit Raja, Daerah Petaling<br>Selangor Darul Ehsan | 65,340                | Freehold | Vacant Land                            | 01.06.2010                            | 5 years        | 7,841                                         |

## Investors' Information

### MONTHLY SHARE PRICE AND TRADE VOLUME



### PER SHARE INFORMATION

|                                | As at 31 December |       |       |       |       |       |
|--------------------------------|-------------------|-------|-------|-------|-------|-------|
|                                | 2014              | 2013  | 2012  | 2011  | 2010  | 2009  |
| Earning per share (sen)        | 30.36             | 40.53 | 26.48 | 19.64 | 20.76 | 20.12 |
| Gross Dividend per share (sen) | 10.00             | 10.00 | 6.00  | 7.00  | 9.00  | 10.00 |
| Net Dividend per share (sen)   | 10.00             | 10.00 | 6.00  | 7.00  | 7.25  | 10.00 |
| Dividend Pay Out Ratio (%)     | 32.94             | 24.67 | 22.66 | 35.64 | 34.92 | 49.70 |
| Dividend Yield (%)             | 4.33              | 3.61  | 4.51  | 5.38  | 5.70  | 9.52  |
| Net Assets per share (RM)      | 2.83              | 2.60  | 2.27  | 2.05  | 1.91  | 1.79  |

### SHARE CAPITAL INFORMATION

|                                     |                               |
|-------------------------------------|-------------------------------|
| Price at 31-03-2015                 | : RM2.31                      |
| Market Capitalization at 31-03-2015 | : RM92.54 million             |
| Share prices                        | : Highest RM3.00 on 14-5-2014 |
|                                     | : Lowest RM1.90 on 16-12-2014 |
| Trade Volume                        | : Highest 1,260               |
|                                     | : Lowest 0                    |



## 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  
[enquiry@khind.com](mailto:enquiry@khind.com)

#### BUSINESS OFFICE, SALES AND 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  
[km.enquiry@khind.com](mailto:km.enquiry@khind.com)

#### Branch Offices

**Perak**

No. 44, Persiaran Bercham Selatan 2,  
Taman Desa Kencana  
31400 Bercham, Ipoh, Perak  
Tel: 605-545 6778 Fax: 605-549 6779  
605-548 2991 605-548 5991  
[kmm.ipo@khind.com](mailto:kmm.ipo@khind.com)

**Penang**

No. 2, Jalan Perda Timur, Bandar Perda,  
14000 Bukit Mertajam, Pulau Pinang  
Tel: 604-537 2803 Fax: 604-537 0807  
604-537 2804 604-537 2702  
604-537 2703  
[kmm.bmo@khind.com](mailto:kmm.bmo@khind.com)

**Melaka**

No. 21, Jalan Melaka Raya 11, Taman Melaka Raya,  
75000 Melaka  
Tel: 606-281 5717 Fax: 606-281 5849  
606-281 5723  
[kmm.mko@khind.com](mailto:kmm.mko@khind.com)

**Pahang**

No. A63, Lorong Setali 2, Air Putih, 25300 Kuantan, Pahang  
Tel: 609-568 9711 Fax: 609-568 9712  
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**Johor**

No. 81, Jalan Ros Merah 2/3, Taman Johor Jaya,  
81100 Johor Bahru, Johor  
Tel: 607-355 8991 Fax: 607-353 8992  
[kmm.jbo@khind.com](mailto: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  
[kmm.kbo@khind.com](mailto: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  
[kmi.enquiry@khind.com](mailto: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  
[kas.inquiry@khind.com](mailto:kas.inquiry@khind.com)

**Khind Electrical (Malaysia) Sdn Bhd (84527-A)**

No. 35, Persiaran Industri, Bandar Sri Damansara,  
52200 Kuala Lumpur, Malaysia  
Tel: 603-6276 8732 Fax: 603-6272 1137  
[kemy.enquiry@khind.com](mailto:kemy.enquiry@khind.com)

**Penang Branch Office**

18-17-E, Gurney Tower, Persiaran Gurney,  
10250 Penang  
Tel: 604-229 9394 Fax: 604-226 6390  
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## Khind Group Offices and Addresses *(continued)*

### EAST MALAYSIA

**Khind-Mistral (Borneo) Sdn Bhd (234614-W)**

No. 15, Lee Chong Lin Industrial Estate, Jalan Pending,  
93450 Kuching Sarawak  
Tel: 6082-338 511 Fax: 6082-339 039  
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**Kota Kinabalu**

Lot 3-6, Mogoputi Industrial Park, Jalan Penampang KM 8,  
89500 Kota Kinabalu, Sabah  
Tel: 6088-718 117 Fax: 6088-716 637  
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**Branch Offices****Miri**

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

TB 4315, Block 31 Lot 2, 3rd Floor Fajar Complex,  
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91000 Tawau, Sabah  
Tel: 6089-763 100 Fax: 6089-763 100  
[kmb.enquiry@khind.com](mailto:kmb.enquiry@khind.com)

### OVERSEAS

**Khind Middle East FZE (01020)**

FZS1AA05, Jebel Ali Free Zone, P.O.Box 261569,  
Dubai, United Arab Emirates  
Tel: 00-9714-8860492 Fax: 00-9714-8860493  
[kme.enquiry@khind.com](mailto:kme.enquiry@khind.com)

**Mistral (Singapore) Pte Ltd (200106472-H)**

71 Ubi Crescent, #06-01, Excalibur Centre,  
Singapore, 408571  
Tel: 65-6346 5233 Fax: 65-6346 5560  
[mspl.enquiry@khind.com](mailto:mspl.enquiry@khind.com)

**Mayer Marketing Pte Ltd (198701251D)**

71 Ubi Crescent, #06-04, Excalibur Centre,  
Singapore, 408571  
Tel: 65-6542 8383 Fax: 65-6543 5152  
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**Khind Systems (Singapore) Pte Ltd (196400399W)****Khind Electrical & Environmental (Singapore) Pte Ltd (198000887M)**

5, Penjuru Close, #03-00,  
Singapore, 608600  
Tel: 65-6862 3777 Fax: 65-6862 8628  
[kssg.sales@khind.com](mailto:kssg.sales@khind.com)  
[kesg.sales@khind.com](mailto:kesg.sales@khind.com)

**Khind Electrical (Hong Kong) Limited (79949)**

Unit D, 5/F, World Tech Centre,  
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Kwun Tong, Kowloon, Hong Kong  
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[kehk.sales@khind.com](mailto:kehk.sales@khind.com)

**QUALITY ASSURANCE UNIT****Representative office in P.R.C.**

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Changcheng, Foshan City,  
Guangdong, P.R. China 528000  
Tel: +86 757-8333 4980 Fax: +86 757-8399 1493  
[fskhind@163.com](mailto:fskhind@163.com)



## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Nineteenth Annual General Meeting of **KHIND HOLDINGS BERHAD** will be convened at Conference Room, Second Floor, No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 27 May 2015 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 2014 and the Reports of the Directors and Auditors thereon. (Please see Note 1 of Explanatory Notes on Ordinary Business)
2. To re-elect Cheng Ping Keat who retires by rotation pursuant to Article 100 of the Company's Articles of Association. (Resolution 1)
3. To re-elect Kamil bin Datuk Hj. Abdul Rahman who retires by rotation pursuant to Article 100 of the Company's Articles of Association. (Resolution 2)
4. To approve the Directors' Fees of RM216,000 for financial year ending 31 December 2015. (Resolution 3)
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 4)

### **As Special Business:**

6. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act 1965:  
  
"THAT Cheng King Fa who is over the age of seventy years and retiring in accordance with Section 129(2) of the Companies Act 1965 be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company." (Resolution 5)
7. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act 1965:  
  
"THAT Wong Chin Mun who is over the age of seventy years and retiring in accordance with Section 129(2) of the Companies Act 1965 be and is hereby re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company." (Resolution 6)

To consider and if thought fit, pass the following Ordinary Resolutions with or without modifications:

### **8. Ordinary Resolution**

#### **- Authority for Directors to issue shares pursuant to Section 132D of the Companies Act 1965**

"THAT subject always to the Companies Act 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being. (Resolution 7)

THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

## Notice of Annual General Meeting *(continued)*

### 9. Ordinary Resolution

#### - Continuing in office as an Independent Non-Executive Director

“THAT authority be and is hereby given to Kamil bin Datuk Hj. Abdul Rahman who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company.” (Resolution 8)

10. To transact any other business for which due notice shall have been given in accordance with the Companies Act 1965.

### By Order of the Board

**KUAN HUI FANG (MIA 16876)**

**WONG WAI FOONG (MAICSA 7001358)**

Kuala Lumpur

30 April 2015

### Notes:

1. A member entitled to attend 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 2 proxies. The provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply.
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 Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 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 20 May 2015. 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.

### Explanatory Notes on Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act 1965 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. Kamil bin Datuk Hj. Abdul Rahman is standing for re-election as Director of the Company and being eligible, has offered himself for re-election at the Nineteenth Annual General Meeting. The Board has conducted an assessment on his independence and is satisfied that he has complied with the independence criteria applied by the Company.

### Explanatory Notes on Special Business

#### Resolution 5:

The re-appointment of Cheng King Fa, a person over the age of 70 years as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company shall take effect if this proposed Resolution is passed by a majority of not less than three-fourths ( $\frac{3}{4}$ ) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting of which not less than 21 days' notice specifying the intention to propose the resolution has been duly given.



## Notice of Annual General Meeting *(continued)*

### Explanatory Notes on Special Business *(continued)*

#### Resolution 6:

The re-appointment of Wong Chin Mun, a person over the age of 70 years as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company shall take effect if this proposed Resolution is passed by a majority of not less than three-fourths ( $\frac{3}{4}$ ) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting of which not less than 21 days' notice specifying the intention to propose the resolution has been duly given.

#### Resolution 7:

This proposed Resolution is proposed pursuant to Section 132D of the Companies Act 1965, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue shares in the Company up to and not exceeding in total ten per cent (10%) of the issued and paid-up share capital 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 Annual General Meeting of the Company.

This proposed Resolution is a renewal of the previous year's mandate. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 26 May 2014 and will lapse at the conclusion of the Nineteenth Annual General Meeting.

#### Resolution 8:

The Board has assessed the independence of Kamil bin Datuk Hj. Abdul Rahman, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- a. he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Thus, he would be able to function as a check and balance and bring an element of objectivity to the Board;
- b. his area of specialisation in corporate governance, corporate finance and risk management would provide the Board with an independent judgement to better manage and run the Group;
- c. he has a good understanding of the Group's business operations;
- d. he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and
- e. he has exercised his due care during his tenure as an Independent Non-Executive Director of the Company and carried out his duties in the best interest of the Company and shareholders.

## Statement Accompanying *the Notice of Annual General Meeting*

**STATEMENT ACCOMPANYING THE NOTICE OF THE NINETEENTH (19TH) ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **Details of the Directors standing for Re-Appointment**

The details of Cheng King Fa and Wong Chin Mun who are standing for re-appointment as Directors pursuant to Section 129 of the Companies Act 1965 are disclosed on pages 10 and 11.

**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/Company No.]

of \_\_\_\_\_

being member(s) of Khind Holdings Berhad, hereby appoint:-

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings |   |
|----------------------|-------------------|-----------------------------|---|
|                      |                   | No. of Shares               | % |
| Address              |                   |                             |   |

and / or (delete as appropriate)

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings |   |
|----------------------|-------------------|-----------------------------|---|
|                      |                   | No. of Shares               | % |
| Address              |                   |                             |   |

or failing him, the Chairman of the Meeting as \*my/our proxy/proxies to attend and vote for \*me/us and on \*my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Conference Room, Second Floor, No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 27 May 2015 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

| ORDINARY RESOLUTION |                                                                                                 | FOR | AGAINST |
|---------------------|-------------------------------------------------------------------------------------------------|-----|---------|
| 1.                  | Re-election of Cheng Ping Keat                                                                  |     |         |
| 2.                  | Re-election of Kamil bin Datuk Hj. Abdul Rahman                                                 |     |         |
| 3.                  | Approval of Directors' Fees                                                                     |     |         |
| 4.                  | Re-appointment of Messrs KPMG as Auditors                                                       |     |         |
| 5.                  | Re-appointment of Cheng King Fa as Director                                                     |     |         |
| 6.                  | Re-appointment of Wong Chin Mun as Director                                                     |     |         |
| 7.                  | Authority for Directors to issue shares pursuant to Section 132D of the Companies Act 1965      |     |         |
| 8.                  | Kamil bin Datuk Hj. Abdul Rahman to continue in office as an Independent Non-Executive Director |     |         |

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions.  
In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

\_\_\_\_\_  
Signature of Shareholder/Common Seal

NOTES:

- A member entitled to attend 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 2 proxies. The provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply.
- 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.
- 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.
- 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.
- 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 Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the Meeting or any adjournment thereof.
- 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 20 May 2015. 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.



*please fold here*

Affix  
Stamp

The Share Registrar  
**Khind Holdings Berhad**  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Wilayah Persekutuan

*please fold here*