



55 years of delivering happiness

## Strength In Unity

The cover of this year's Annual Report shows different colourful strands joining together to make a strong, thick rope. Akin to a tough rope, many elements come together in the shape of employees, suppliers and business partners to make KHIND into what it is today - a global player in the home electrical and electronic appliances market. The rope represents the unity that binds us together as an integrated force to meet the challenges and create synergistic opportunities for growth. The significance of our unity is even more vital as we celebrate 55 years of anniversary - a resounding achievement through focusing our passions and purpose in delivering happiness to all.

2016

KHIND HOLDINGS BERHAD (380310-D)

**KHIND**  
Delivering Happiness



**KHIND GOT TALENT  
INSPIRING NEW WAY OF THINKING**

55 years of delivering happiness



**AMAZING HUNT  
UNITING THROUGH TEAMWORK**



## TEAMBUILDING FINDING SOLUTIONS THROUGH CHALLENGES



## DISCOVERING NEW POSSIBILITIES

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Cheng King Fa**

Founder/Chairman

**Mr. Cheng Ping Keat**

Group Chief Executive Officer/Executive Director

**En. Kamil Bin Datuk Hj. Abdul Rahman**

Senior Independent Non-Executive Director

**Mr. Wong Chin Mun**

Independent Non-Executive Director

**Mr. Lee Ah Lan @ Lee Keok Hooi**

Independent Non-Executive Director

### AUDIT COMMITTEE

**En. Kamil Bin Datuk Hj. Abdul Rahman**

Chairman, Senior Independent Non-Executive Director

**Mr. Wong Chin Mun**

Member, Independent Non-Executive Director

**Mr. Lee Ah Lan @ Lee Keok Hooi**

Member, Independent Non-Executive Director

### NOMINATION AND REMUNERATION COMMITTEE

**Mr. Wong Chin Mun**

Chairman, Independent Non-Executive Director

**En. Kamil Bin Datuk Hj. Abdul Rahman**

Member, Senior Independent Non-Executive Director

**Mr. Lee Ah Lan @ Lee Keok Hooi**

Member, Independent Non-Executive Director

### Company Secretaries:

Kuan Hui Fang (MIA 16876)

Wong Wai Foong (MAICSA 7001358)

### Registered Office:

Unit 30-01, Level 30, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

Tel: 603-2783 9191

Fax: 603-2783 9111

### Share Registrar:

Tricor Investor & Issuing House Services Sdn. Bhd.

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

Tel : 603-2783 9299

Fax : 603-2783 9222

### Stock Exchange Securities :

Main Market of Bursa Malaysia Securities Berhad

Stock Code : 7062

### External Auditors:

RSM Malaysia (AF:0768)

### 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

RHB Bank Berhad

Standard Chartered Bank Malaysia Berhad

United Overseas Bank Limited

United Overseas Bank (M) Berhad

### Solicitors:

Khor, Anuar & Khong

Shearn Delamore & Co

Olivia Lim & Co

Soo Thien Ming and Nashrah

## CORPORATE STRUCTURE

# KHIND

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

- ① **100% Khind-Mistral Industries Sdn Bhd (213282-V)**  
Manufacture and sale of electrical home appliances and wiring accessories
  - ① **100% Khind Middle East FZE (01020)**  
Trading in electrical home appliances
- ① **100% Khind-Mistral (M) Sdn Bhd (442421-A)**  
Trading in electrical home appliances and wiring accessories
- ① **100% Khind-Mistral (Borneo) Sdn Bhd (234614-W)**  
Trading in electrical home appliances and wiring accessories
- ① **100% Mistral (Singapore) Pte Ltd (200106472H)**  
Trading in household electrical and electronic appliances
- ① **100% Khind Customer Service Sdn Bhd (109015-W)**  
Providing general repair and rework services and renting of commercial properties
- ① **100% Khind Alliances Sdn Bhd (811092-W)**  
Trading in electrical home appliances
- ① **100% Khind-Mistral (Sabah) Sdn Bhd (177741-V)**  
Dormant
- ① **100% Khind Components Sdn Bhd (196021-P)**  
Dormant
- ① **100% Khind Properties Sdn Bhd (429363-P)**  
Property development and property investment
- ① **100% Mayer Marketing (M) Sdn Bhd (429595-W)**  
Dormant
- ① **100% Khind Industries Sdn Bhd (173304-D)**  
Dormant
- ① **100% Khind Electrical (Malaysia) Sdn Bhd (84527-A)**  
Wholesale and distribution of electrical products
- ① **100% Khind Systems (Singapore) Pte Ltd (196400399W)**  
Supply of power distribution and protection solutions, electrical goods, environmental hygiene and pest control service
  - ① **100% Khind Electrical & Environmental (Singapore) Pte Ltd (198000887M)**  
Dormant
  - ① **100% Khind Electrical (Hong Kong) Limited (79949)**  
Trading in electrical products and building materials
    - ① **100% Khind Electrical (Guangzhou) Limited (440101400049866)**  
Dormant
- ① **100% Mayer Marketing Pte Ltd (198701251D)**  
Trading in electrical home appliances and household goods
  - ① **99.9% Mayer Marketing Sdn Bhd (AGO-RC-4836)**  
Dormant

## FINANCIAL HIGHLIGHTS

### 5-Year Financial Highlights

Key Operating Results (RM'000)	Year ended 31 December				
	2012	2013	2014	2015	2016
Revenue	288,591	325,035	319,051	337,768	356,292
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	18,768	26,630	21,982	17,501	20,712
Profit before tax	13,399	20,096	14,714	9,162	12,088
Profit attributable to owners	10,607	16,235	12,161	6,180	9,786

Other Key Data (RM'000)	Year ended 31 December				
	2012	2013	2014	2015	2016
Total equity attributable to owner	90,794	103,998	113,183	122,168	129,186
Total assets	210,975	232,836	252,584	256,864	268,467
Total borrowings	66,705	70,858	80,905	79,064	78,535

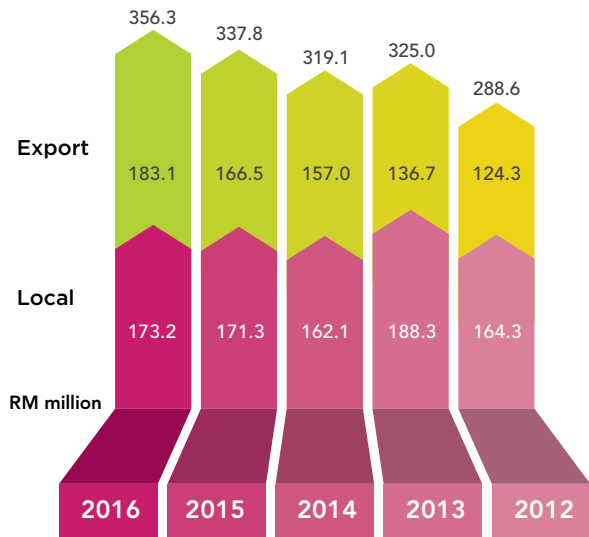
Financial Ratio (%)	Year ended 31 December				
	2012	2013	2014	2015	2016
Return on equity attributable to owners	11.7%	15.6%	10.7%	5.1%	7.6%
Return on total assets	5.0%	7.0%	4.8%	2.4%	3.6%
Current ratio	1.7	1.6	1.7	1.8	1.9
Debt equity ratio	0.7	0.7	0.7	0.6	0.6

Share Information	Year ended 31 December				
	2012	2013	2014	2015	2016
Earnings per share (sen)	26.5	40.5	30.4	15.4	24.4
Gross Dividend per share (sen)	6.0	10.0	10.0	7.0	10.0
Net Dividend per share (sen)	6.0	10.0	10.0	7.0	10.0
Dividend Pay Out Ratio (%)	22.7	24.7	32.9	45.4	40.9
Dividend Yield (%)	4.3	4.0	4.8	3.2	4.5
Net assets per share (RM)	2.27	2.60	2.83	3.05	3.22
Share Price as at 31 December (RM)	1.39	2.48	2.10	2.21	2.20
Market Capitalisation (RM million)	55.68	99.35	84.12	88.53	88.13

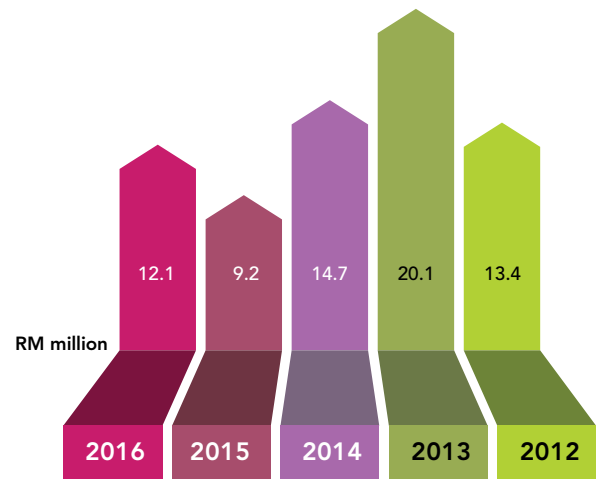
## FINANCIAL HIGHLIGHTS

### Key Highlights

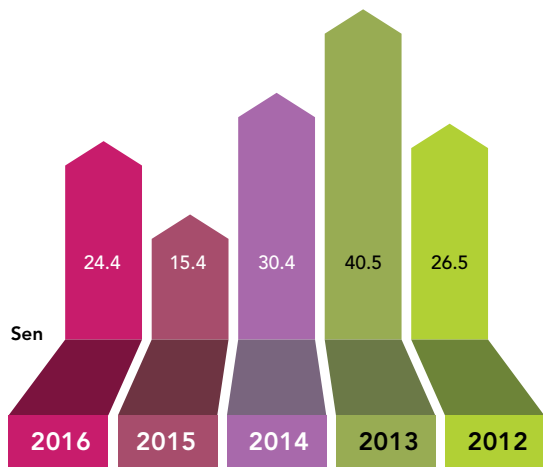
#### Revenue



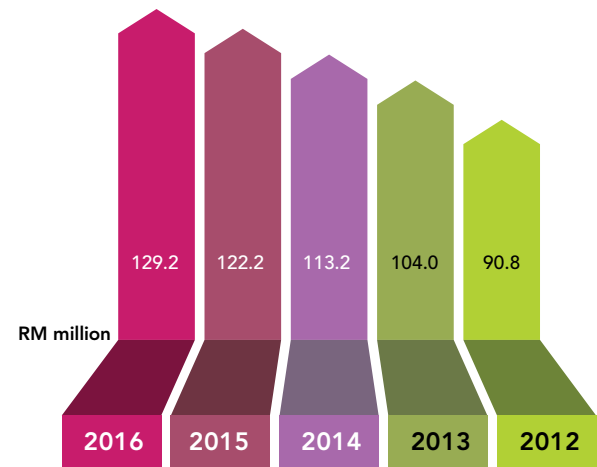
#### Profit Before Tax (PBT)



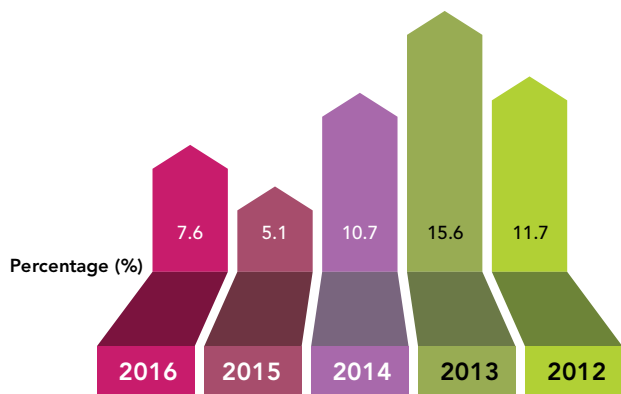
#### Earnings Per Share



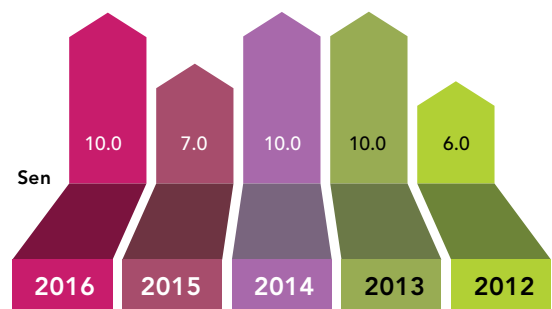
#### Shareholders' Funds



#### Return on Equity (ROE)



#### Net Dividend Per Share



## CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER'S JOINT STATEMENT

**Dear Shareholders,**

**We are pleased to present this year's Annual Report to shareholders. 2016 was a year full of surprises due to economic shocks caused by a few major events happening in advanced countries during the year. However, your Company has delivered improved sales and profits, partly contributed by the increased sales due to the unusual dry spell that occurred in the first half of the year. This improved result is largely due to the willingness to embrace change by your Management team and employees.**

### **The Malaysia Economy in 2016**

In 2016, the Malaysian economy recorded a growth of 4.2% (2015: 5.0%) despite considerable external and domestic headwinds. The global economic landscape was challenging given the subdued global demand and low commodity prices. International financial markets were also subjected to heightened uncertainty with significant reversal of capital flows from emerging economies. This was driven by the unexpected political developments in the advanced economies, such as the UK and the US, and the macroeconomic policies adopted by these economies. Domestically, the economy continued to face headwinds from the higher cost of living amid soft employment conditions. Concurrently, business and consumer sentiments were affected by a confluence of global and domestic factors, including the heightened volatility in financial markets and the significant underperformance of the ringgit.

Domestic demand continued to anchor growth, supported mainly by private sector spending. Private consumption growth, in particular, was sustained at 6.1% (2015: 6.0%), supported by continued employment and wage growth following the increase in minimum wage and civil servant

salaries. Government measures to boost disposable income such as the temporary reduction in employees' contribution to the Employees Provident Fund (EPF), higher Bantuan Rakyat 1Malaysia (BR1M) payouts and tax relief to lower-income tax payers also supported household spending.

(Source: 2016 BNM Annual Report, Bank Negara Malaysia)

### **55th Anniversary**

In celebrating Khind's 55th Anniversary, our company has organised a series of events to deliver happiness to our employees, customers and suppliers. The first event created for our employees is "Khind Got Talent", a specially-designed competition to unearth hidden talents among Khindies. It is a platform for Khindies to build their self-confidence and encourage their personal development.

Another event worth noting will be the "Khind Amazing Hunt", which seeks to enhance critical thinking and observation skills as well as emphasise working as a team. The event together with a lucky draw and delicious buffet lunch also aims to bring joy and happiness to our employees and suppliers.

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

To further improve our relationship with the dealers, Khind has organised the "Trolak Teambuilding Retreat", a team-building exercise specially designed for our dealers to create a deep bonding relationship and increase team spirit between us and them. It is also a relaxation exercise created for the dealers, in recognition of their hard work throughout the year.

In addition, our Group CEO and Deputy Group CEO also organised a business succession planning seminar in conjunction with the 55th Anniversary celebration. The succession talk was organised in cities across Malaysia including Shah Alam, Kuantan, Penang, Kota Bharu, Ipoh, Johor Bahru, Melaka, Kota Kinabalu and Kuching. The response from our customers and suppliers has been very positive especially for the sharing on the succession plan or exit strategy to ensure the continuation of their businesses.

Khind Video Contest is another event organised within universities and colleges, which requires students to film a 90-second video that puts a fresh spin on Khind Malaysia's image and appeal to the younger generation. We encourage the younger generation to follow Khind values through the competition, which champions Kindness, Harmony, Interesting, Novelty and Development. We also look forward in exploring more collaborations with local universities in the near future so as to cultivate talents in the creative field.

### **Khind Galleria**

As part of our corporate social responsibility, we set up Khind Galleria which aims to provide education to the public on electrical products and safety as well as promote and create a better understanding of Khind products among the public.

Officially launched in August 2016, Khind Galleria successfully attracted 5,034 visitors in 2016. With the objective of educating the public including children on manufacturing processes and electrical product knowledge, we believe they can learn from the visit, gaining valuable lifelong experience.

Apart from that, Khind Galleria is also becoming a tourist attraction in Sekinchan and the public are gaining better awareness on Khind's history, thereby enhancing our corporate image.

### **Delivering Happiness to Staff**

2016 was marked as the Year of Marathons at Khind. One aspect of happiness is having a healthy body, and one must exercise to achieve that. Hence, the Company sponsored any staff who registered for any marathon during the year. There was encouraging response from Khind staff who actively participated in a few marathon events during the year, including the Standard Chartered KL Marathon, Penang Bridge International Marathon, KL Tower International Towerthon Challenge, and etc.

During the year, we also completed the relocation of our East Malaysia business office to a new office building cum warehouse in Kuching. It has been providing more storage space and a more comfortable working environment for the staff.

In September 2016, as part of the Leadership Development Programme – WoW 2, our leaders successfully conquered Mount Kinabalu. The climb not only posed physical challenges but it was also emotionally challenging to some of them. Besides, mountain climbing also stands as a relaxation activity which helped to improve the health of our staff.

### **Moving Forward**

With gradual improvement in global growth, recovery in global commodity prices and the continued growth of domestic demand are expected to collectively support Malaysia's growth performance. The Malaysian economy is projected to register a sustained growth of 4.3% - 4.8% in 2017.

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

Headline inflation is projected to average higher in the range of 3.0% - 4.0% in 2017, given the prospect of higher global commodity and energy prices, and the impact of the depreciation of the ringgit exchange rate.

(Source: 2016 BNM Annual Report, Bank Negara Malaysia)

Business conditions will continue to be challenging due to economic uncertainty. Therefore, we will continue to focus on our international business division growth as well as on cost reduction and rationalisation initiatives. We believe the small changes that we have made today will generate greater and long-term benefits in the near future.

### Recognition and Appreciation

As the Company continues its growth, your Board wishes to extend its deepest appreciation to the contributions of Mr. Chan Tuck Kwai (Director of Khind-Mistral (Borneo) Sdn. Bhd.). Mr. Chan will be retiring after his loyal service of more than thirty years to the Company. We wish him great happiness as he embarks on the next phase of his life.

Your Board also acknowledges the great effort by various parties in improving the Company's performance in 2016. We would like to extend our warm appreciation to all our employees, trade partners, audit and legal consultants, regulatory bodies and the communities for their continued support of Khind over the years.

Khind looks forward to scale greater heights in 2017.

### CHENG KING FA

*Chairman*

### CHENG PING KEAT

*Group Chief Executive Officer (CEO)*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview of Khind Group



### Corporate Profile

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

Being one of the more successful home grown electrical home appliances manufacturers in Malaysia and abroad, we offer products that include a variety of general fans and small kitchen appliances, besides our premium range of products under the Mistral brand which is mainly in the air-moving category of home consumer appliances. Other than that, the Group is the distributor of several international consumer appliance brands such as Ariston, Honeywell, KitchenAid, Mayer, etc. Another distributed product is the ‘MacroAir’ brand of high volume, low speed (HVLS) industrial fans which saw a positive uptake as well among large retail and

commercial developments, especially energy-conscious industrial and commercial users who seek better solutions to their ventilation needs. HVLS fans have an immediate impact on the environment, making for a more comfortable and healthier environment and saving money on air conditioning costs.

On the Industrial Electrical front, KHIND acts as a one-stop provider for electrical and environmental solutions that include integrated solutions to homes, schools, hotels, factories, shopping centres and many more. Its core expertise and competencies in electrical products as well as environmental products and services allow it to distribute highly specialised industrial electrical and environmental solutions to large commercial customers in the manufacturing and services sector.

Striving continuously to be the leading one-stop provider of the best home appliances both in Malaysia and elsewhere in the world, KHIND continues to improve both in product innovation and customer services.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Our Vision

#### Delivering Happiness to Stakeholders

##### Shareholders

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

##### Employees

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

##### Customers

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

##### Suppliers

Growth, win-win partnership.

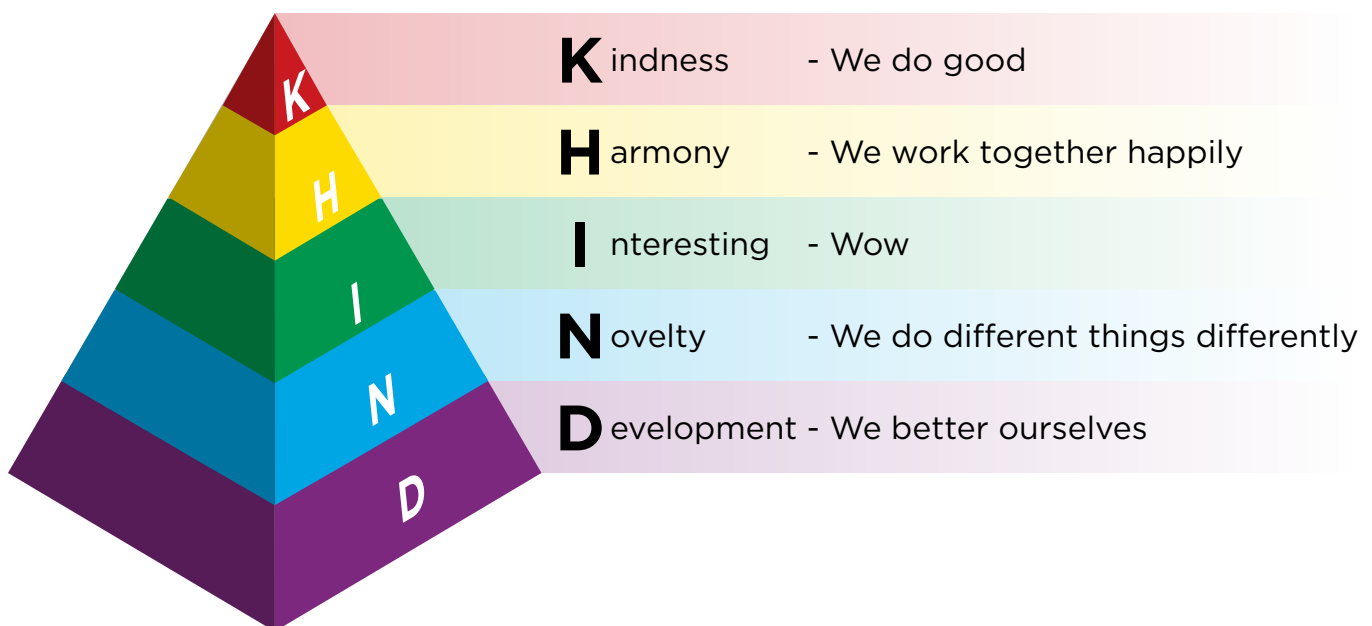
##### Community

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

##### Company

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

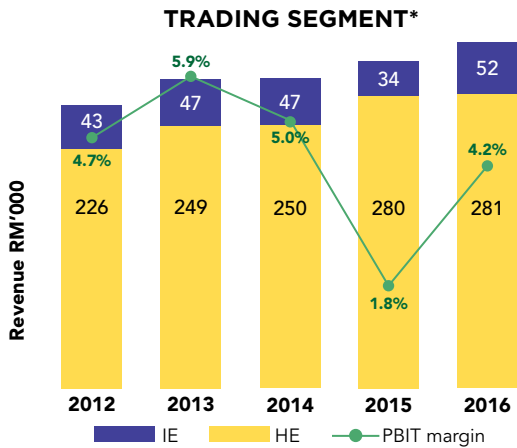
### Our Core Values



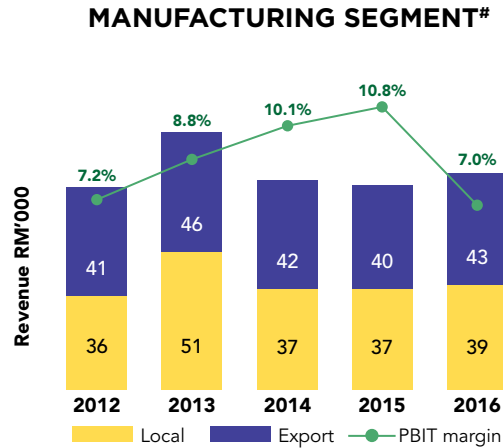
**Quality is the foundation of all the above**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**Our Business**



\* excluding inter-segment revenue



# including inter-segment revenue

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

**Trading Segment**

**Home Electrical Division (HE)**

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	145,150	51.6%
Singapore	87,466	31.1%
United Arab Emirates	48,201	17.1%
Other countries	633	0.2%
	<b>281,450</b>	<b>100%</b>

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

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

The Group acquired Mayer Marketing Pte Ltd (MMPL) in 2012. MMPL is a leading distributor of imported quality home

appliances in Singapore and has a retail presence of four (4) stores in Singapore. Known for its complete range of quality and high performance kitchen appliances, it has successfully retained itself as the sole distributor for top quality brands such as KitchenAid, Ariston, Indesit, Bamix, Delizia and Naturai.

Our products are mainly distributed via outright sales to dealers, departmental and chain stores, supermarkets and some are also distributed via e-commerce channels due to the increasing internet savvy consumers. Malaysia and Singapore have remained as the primary markets where the Group operates while businesses in Middle East countries continued to grow, thus contributing to the Group's profit over the years. The ASEAN market will be the Group's focus for the next few years where great potential lies ahead.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Our Business (continued)

#### Trading Segment (continued)

##### Industrial Electrical Division (IE)

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	14,971	28.9%
Singapore	32,402	62.6%
Other countries	4,393	8.5%
	51,766	100%

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

The Industrial Electrical Division derives its revenue largely from contract-based income from Malaysia and Singapore.

The Group continues to leverage on its expertise and experience to build its strength in substation equipment (transformers and switchgear) and lightning protection solutions. In 2016, the division was awarded a number of projects in Singapore and further broadening our project experience in different areas. The Group also operates a hygiene business branded as KSS Hygiene, providing sanitisation services and washroom products.

#### Manufacturing Segment

Geographical information	Revenue (RM'000)	Percentage (%)
Malaysia	38,760	47.1%
Singapore	4,921	6.0%
United Arab Emirates	28,692	34.8%
Other countries	9,972	12.1%
	82,345	100%

Our manufacturing plant in Sekinchan has a total built-up area of approximately 200,000 square feet located on approximately 5.6 acres of land. In 2016, the factory had a total workforce of around 440 staff. The Group has very little dependence on foreign labour.

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

Product range manufactured by our factory:

- Fans
  - stand fan, table fan, floor fan, living fan, wall fan, ceiling fan, exhaust fan, ventilation fan
- Lighting
  - rechargeable portable light, emergency light

- Home Appliances
  - mixer, blender
- Others
  - insect killer, money detector, etc.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Our Strategies

#### Objective: Expanding geographical reach within ASEAN region

##### Strategic direction

###### New markets

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

###### New products

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

### Financial Review

#### Review of Financial Performance

##### Revenue

For the financial year ended 31 December 2016 (“FY2016”), the Group recorded a revenue of RM356.3 million – representing an increase of 5.5% over the previous year’s performance of RM337.8 million. The higher revenue was led by higher contribution from the overseas division in trading segment. The revenues from its domestic and overseas operations grew 1.1% and 10.0% respectively as compared to previous year. The significant growth in the overseas segment was mainly attributed to the growth in customer base and market shares.

##### Other income

Other income rose by 159.2%, approximately RM3.6 million to RM5.9 million from FY2015. The increase was mainly due to sales rebate and compensation or warranty claim received from Principal in our Singapore subsidiary.

##### Distribution expenses

Distribution expenses of the Group increased by approximately RM6.1 million or 11.1% to RM61.0 million as compared to the last financial year, in tandem with the increase in revenue. The increase was mainly attributed to the increase in marketing expenses to improve sales.

##### Administrative and other expenses

Administrative and other expenses slightly decreased by about RM0.1 million or 0.3% to RM42.9 million during the year, mainly attributed to the reduction in rental for showroom expenses in line with the restructuring of retailing businesses in Singapore.

##### Finance costs

Finance costs decreased by RM29,000 to RM3.4 million in FY2016 as compared to FY2015, due to the decrease in loans and borrowings of RM0.5 million during the year.

##### Income tax expenses

The Group income tax expenses for the year was RM2.3 million, which amounted to effective tax rate of 19%, lower than the statutory rate of 24% (FY2015: 25%). The lower rate was primarily attributed to lower tax rates in foreign countries and utilisation of unabsorbed tax losses in the subsidiaries.

##### Profit for the year

In FY2016, the Group’s profit before tax increased by about RM2.9 million or about 31.9% to RM12.1 million as compared to RM9.2 million in the previous year. The improvement stemmed from a 5.5% increase in revenue and higher other income coupled with lower administrative and other expenses as well as reduced finance costs offset by higher cost of purchase of raw materials and increase in distribution expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Review (continued)

#### Statement of Financial Position

##### Assets

The Group's non-current assets increased by RM1.3 million to RM71.5 million as at 31 December 2016 (31 December 2015: RM70.2 million). Property, plant and equipment registered an increase of RM2.8 million or 4.9% increase. The increase was mainly attributable to the additional capital expenditure spending of RM7.6 million during the financial year and offset by the depreciation and amortisation cost of RM5.2 million.

The reported current assets of the Group amounted to approximately RM196.9 million as at 31 December 2016 (31 December 2015: RM186.7 million). Inventories turnover days as at 31 December 2016 increased to 137 days from 126 days as at last financial year. The substantial increase in inventories was due to the optimistic expectation on consumer demand in the coming financial year. The turnover days of trade and other receivables improved from 76 days to 74 days for FY2016 due to the improvement on collection efficiency.

Provision has been made for the receivables in the legal case of Khind Electrical (Malaysia) Sdn. Bhd. against Maha Tenaga Jaya Technology Sdn. Bhd. Therefore, the legal case is not expected to have a material effect on the Group's operations, performance and financial conditions.

##### Liabilities

Non-current liabilities increased by RM4.9 million or 15.5% from RM31.9 million as at 31 December 2015 to RM36.8 million as at 31 December 2016 was mainly due to the drawdown of two new term loans during the financial year.

The Group's current liabilities as at 31 December 2016 fell slightly by approximately RM0.3 million or 0.3%, to RM102.5 million from RM102.8 million as at 31 December 2015. This was mainly due to the increase in net repayment of short-term bank borrowings of approximately RM5.5 million and decrease in current tax payable of RM0.2 million in FY2016 offset by the increase in trade and other payables of RM5.4 million.

However, during the year, total borrowings decreased marginally by about RM0.5 million to RM78.5 million as compared to RM79.0 million in 2015. The turnover days of trade and other payables increased slightly from 84 days to 88 days for FY2016 to maximise trade credit to improve cash flow position.

##### Shareholders' Equity

As at 31 December 2016, the Group had shareholders' equity of approximately RM129.2 million as compared to RM122.2 million as at 31 December 2015 resulting from an increase in retained earnings.

##### Cash Flow

During the financial year, the Group's cash and cash equivalents decreased by RM0.3 million to RM34.7 million from RM35.0 million in previous year. The Group's working capital was mainly generated from operating activities of RM15.5 million. Net cash used in investing activities amounted to RM6.9 million, due to the establishment of new branches, renovation of new warehouse in East Malaysia and the acquisition of apartment as employees' hostel in the Middle East. Net cash used in financing activities of RM10.4 million was due to the payment of dividends amounting to RM4.0 million, finance cost of RM3.4 million, repayment of bank borrowing of RM10.1 million and off-set by drawdown of term loan of RM7.1 million.

##### Liquidity and Capital Resources

During the year, the Group's bank borrowings of RM78.5 million as at 31 December 2016 were mainly comprised of term loans used to finance purchase of property and trade financing for local and overseas purchases. The Group's net gearing ratio remained at a healthy level at about 0.61 times at the end of 2016 as compared to 0.65 times in the previous year.

The Board approved a capital expenditure of RM10.7 million for FY2017 mostly to improve productivity and efficiency of the manufacturing plant in Sekinchan. The capital expenditure spending will be funded by a combination of both internally generated funds and bank borrowings.

##### Dividends

In line with the improved performance of the Group, the Board declared a total Dividend of 10 sen per share for the year ended 31 December 2016 (FY2015: 7 sen per share).

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**Operations Review**

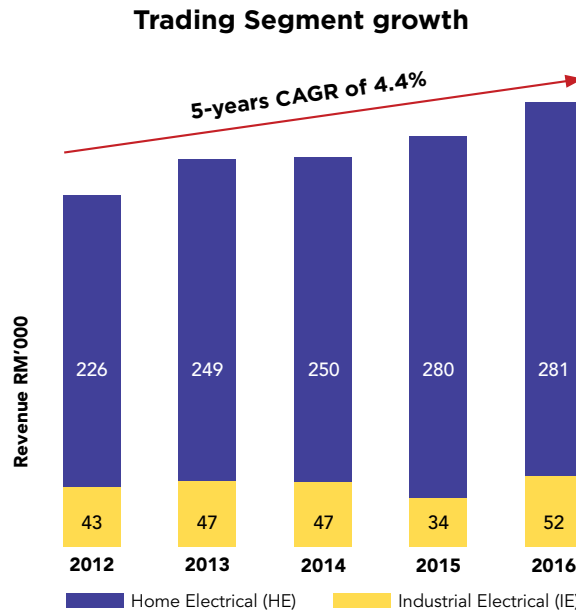
KHIND achieved good results in the first half of the financial year ended 31 December 2016. However, weak market sentiment from the second half of the year onwards had affected business growth. Nevertheless, overall performance was still better than the preceding year.

The Group recorded a revenue of RM356.3 million for the year ended December 31, 2016 – representing an increase of 5.5% over the previous year’s performance of RM337.8 million. Profit before tax for the year improved significantly by 31.9% to RM12.1 million as compared with the previous year’s RM9.2 million, amid better sales demand in both local and overseas regions.

**Trading Segment**

Despite weak consumer sentiment due to the global economy slowdown, the total revenue for the trading segment increased by 6.3% to RM333.2 million while profit before tax stood at RM14.2 million, increased substantially by 147.6% as compared with the previous year mainly due to a significant individual impairment loss recognised in previous year.

In this regard, the Group is pleased to report that its subsidiaries, Khind-Mistral (M) Sdn. Bhd. together with Khind Middle East FZE and Khind Systems (Singapore) Pte Ltd achieved outstanding performance in 2016. Khind-Mistral (M) Sdn. Bhd. is a strategic unit of KHIND which accounts for a third of the Group’s revenue.



**Calm Before the Storm**

The first half of the year has kept Khind-Mistral (M) Sdn. Bhd. occupied as there has been an increase in sales mainly driven by the increased demand for air-cooling devices such as air-coolers and fans during the unusual dry spell in Malaysia. However, the unexpected outcome of departure of the United Kingdom from the European Union or also known as Brexit in mid-2016 has posed a certain risk of uncertainty in the global market, further dampened by subdued risk appetite due to inconsistent global crude oil and commodity prices as well as domestic issues.

The already worsen situation was further amplified by the surprised win by US president-elect Donald Trump towards the year end of 2016, which caused a slump in the ringgit against US dollar.

The tough business environment has affected the sales of our trading company in 2nd half of the financial year ended 31 December 2016.

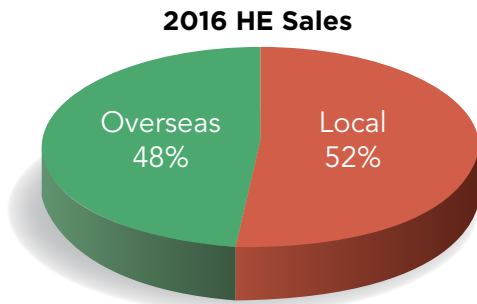
Although clouded by economic uncertainty and volatility, Khind-Mistral (M) Sdn. Bhd. still managed to achieve better result compared to the previous financial year ended 31 December 2015, attributed to higher gross profit margin which was achieved mainly due to improved product portfolio including air moving products with additional features and kitchen appliances such as multi cooker, soup cooker, porridge cooker and our Khind Signature series.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Operations Review (continued)

#### Call for Change



Over the past years, sales promotions and discount offers were used to attract its customer and increase brand awareness to ensure the brand remains relevant in today's market. As competition is becoming more and more intense, the Group soon changed the scenario using pull marketing strategy to generate demand for our products. Various media channels were used to generate interest in a product, encouraging customers to seek out the product on their own. Media channels such as Astro Go Shop, Khind Online, Facebook, Google Ads and Youtube are part of the strategic plan in place to create word-of-mouth effect on our business. Recognised as an important platform for growth and investment, Khind also collaborates with major e-commerce players like Lazada, Groupon, 11street and others.

During the year, a major exercise was carried out to revisit KHIND's entire range of products, relooking at its strengths and weaknesses, revamping and improving along the way. In 2016, KHIND launched the 'Signature' series kitchen appliances that come with a sleek stainless steel body and classy black finishing. The Khind Signature Series comprises stir fryer, hand blender, bread toaster, coffee maker, noodle maker and jug kettle. These kitchen appliances, each with their different function and practical design create an enjoyable and hassle-free cooking experience for customers. Besides the popular range of double-boiler cookers, new cookery range products such as soup cooker, porridge cooker and multi cooker were also introduced towards the end of the year.



#### All Set to Grow

Khind Middle East FZE (KME) achieved commendable results this year, attributed mainly by the growth in customer base. Economic recovery in the Middle East and North Africa (MENA) region led by the recovering global crude oil price in 2016 is the main factor that leads to the better performance. The foreign exchange works advantageously to KME which generates sales in US dollar also contributes to the improved results due to the appreciation of the US dollar against other currencies.

The current overseas sales account for 48% of total trading sales to the external customers in the home electrical division. In line with the plan to increase the international sales proportion, the Group consolidated international sales for all strategic business units under a single division. This will help to realign our marketing and promotional efforts in order to concentrate and streamline entry into new markets. The Group had also participated in several international trade shows to promote its export businesses, such as the Carthage Expobatiment, Facilities Management Expo, Airport Show, and the Big 5 Exhibition. The ASEAN region will be our primary focus for the next few years.

Recently in February 2017, the Group marked its first venture into the Indonesian market by incorporating a subsidiary in Indonesia known as PT Khind Environmental Solutions. The new venture exposed the Group to amongst others, competition risks, currency volatility and funding risks. However, the Group has taken reasonable steps to carefully select its business partners in expanding into the new market. To address competition, Khind will position itself as a quality product and service provider with a single product venture before expanding the product range to mitigate the competition risk. Besides, the Group has reserved sufficient funding to support the subsidiary's operation in Indonesia.



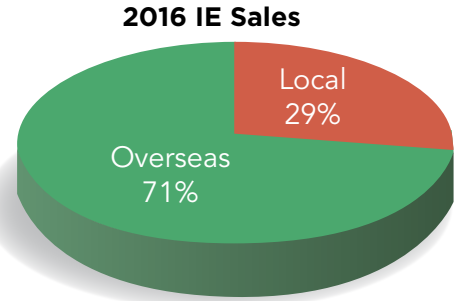
**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**Operations Review (continued)**

**Seizing Opportunity**

On the Industrial Electrical front, Khind Systems (Singapore) Pte Ltd reported higher sales in 2016 by an approximately 40% in comparison to the FYE 2015 with the award of a few projects in Singapore, one of which involves one-stop solution (design & installation) for the Singapore Cable Tunnel project. Each of the projects grants us with valuable experience and further broadens our project knowledge in different areas.

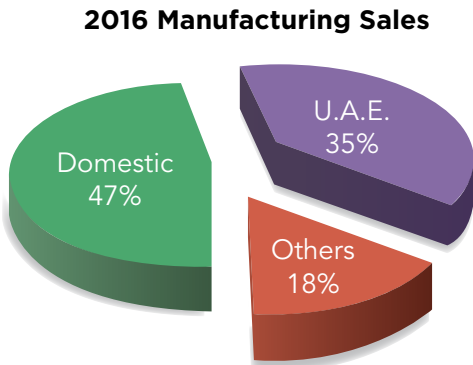
In view of the sluggish economic conditions experienced in both Malaysia and Singapore, the Group faces tougher competition in securing new project which is dependent on the level of industrial investments in respective countries. However, the Group is seizing opportunity to attract new clients as well as identify project opportunities in the public sector.



**Manufacturing Segment**

The total revenue for the manufacturing division increased by 6.7% to RM82.3 million as compared with the previous financial year mainly due to higher sales from related companies as bulk purchase leads to saving in costs. However, the division's result has not moved in tandem with the growth in revenue. Profit before tax declined by 31.0% to RM5.7 million, as compared with the previous financial year's RM8.3 million mainly due to a series of improvement exercises carried out during the year.

**A Re-organisation Year**



The sharp depreciation of the ringgit against the US dollar has caused a sharp increase in all raw material and production costs. This has resulted in lower gross profit margin despite an increase in local and export revenue. In addition, the increase in upkeep and maintenance costs for improving working conditions and re-organisation of the factory set up has further driven down profit margins of the manufacturing division.

2016 is a year of change for the factory, focusing on productivity and efficiency improvement. In order to enhance the value creation process, the factory has been focusing on lean manufacturing. Since then, raw material waste has been reduced substantially thereby results in saving costs of production.

Process improvement in production flow is also a major initiative to minimise scrap and rework costs. The actions taken include re-evaluating suppliers, standardisation and simplification in production process as well as investment or upkeep in plant and machinery. During the year, Khind-Mistral Industries Sdn. Bhd. purchased three (3) units of moulding machines due to production requirements. The Company also developed multiple sourcing for the supply of certain critical parts in order to reduce dependency on a single supplier as there is no assurance that the supplier will continue to supply the material to us forever. Furthermore, the Company will never miss out any chance to move upstream in the production process whenever the opportunity arises.

In addressing the environmental sustainability issue, the Company has been in the process of adopting ISO 14001 – Environmental Management Systems since the end of 2016. To comply with that, the disposal of waste and product packaging will be done in a more environmental friendly way. The Company is also in the midst of upgrading from ISO 9001:2008 to ISO 9001:2015 in light of the update in the ISO standard to provide continuous assurance to our customers on product quality.

**Industry 4.0**

Moving into the new era of Industry 4.0 – the next Industrial Revolution, technological improvement to our manufacturing process will become more essential than ever in the near future. In order to strengthen our competitive edge in manufacturing, the Company has set up plans to collaborate with local institutes to bring in technical experts to upgrade the production system.

Ultimately, KHIND will move towards automation by continuously attracting young talents and investing in upgrading of plant and machinery. It is an essential part of the Company's transformation to the next level.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Risks and Plan to Mitigate the Risks within the Group

#### Foreign currency exchange risk

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

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

#### Credit risk

Our financial performance is dependent on the creditworthiness of our customers that we normally grant them credit periods from 30 to 90 days. In the event of significant delay or default in payment by our major customers, it may adversely affect our financial position and our Group's results should there be any impairment made for the bad or doubtful debts. In tackling such issues, we will assess the credit standing of the existing and prospective customers prior to accepting their orders based on our previous dealings with them. In addition, our credit control team review our trade receivable ageing quarterly and closely follow up subsequent collection of debts including sending out reminder letters, follow-up calls as well as taking legal action on a case by case basis to recover outstanding debts.

#### Downtime risk

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

#### Political risk

One of our subsidiary, Khind Middle East FZE (KME) exposed to political risk in the Middle East and North Africa (MENA) region. In FY2016, KME contributed 13.5% of the Group's total sales, up from 12.4% in the previous year. The region has been facing an increasing threat of violence and unrest from civil wars in Libya, Yemen, Iraq and Syria. However, the rewards of doing business in MENA region cannot be ignored. Hence, the Management has continued to support our clients and establish long term trust relationship together with close monitoring of the political situation to avoid taking undue risk.

### Prospects and Outlook

Moving forward into 2017, we expect the business condition will continue to be challenging due to the slowdown in consumer demand. In order to ensure profitability in our operations, the Group will continue to embark on cost reduction and rationalisation exercises as well as improve operational efficiency. On the other hand, the Group will put more effort into growing and expanding its international businesses due to the continuing weakening of domestic currency.

Overall, we expect positive growth to our sales performance and the Group's results will remain satisfactory in line with the business process improvement exercises.

### Dividend Policy

While the Group does not have any formal dividend policy, it has been distributing dividends of more than 20% dividend payout ratio during the last 5 years and hopes to continue to do so into the future. Our practice of dividend payout is consistent with our capital management strategies, and we remain committed to our shareholders in this regard despite the presence of more stringent capital requirements.

## PROFILE OF BOARD OF DIRECTORS

### **CHENG KING FA**

*Malaysian, Male  
Founder/Chairman*

Mr. Cheng King Fa, aged 78, is the Founder of the KHIND Group, which commenced as a small family business 55 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturers. With his decades-long experience in the electrical industry, he provides invaluable advice to the Group on production, marketing, new product research and development.

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 five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. He has no conflict of interest with KHIND. He attended all five meetings of the Board in 2016. He is the father of Mr. Cheng Ping Keat.

### **CHENG PING KEAT**

*Malaysian, Male  
Executive Director/Group Chief Executive Officer*

Mr. Cheng Ping Keat, aged 56, 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 five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. He has no conflict of interest with KHIND. He attended all five meetings of the Board in 2016. He is the son of Mr. Cheng King Fa.

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

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

En. Kamil Bin Datuk Hj. Abdul Rahman, aged 68, was appointed as an Independent Non-Executive Director of KHIND on 30 July 2001. At the same time, he became an independent member of the KHIND Audit Committee. His area of specialisation is 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 directorships in other public listed companies namely, Jiankun International Berhad and Brahim's Holdings Berhad. He is also a Director of \*WDM Holdings Berhad, and the \*\*Malaysia South Africa Business Council.

He has no family relationship with any Director and/or major shareholder of the Company and no conflict of interest with KHIND. He has no convictions for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. He attended all five meetings of the Board in 2016.

\* Not listed on Bursa Malaysia Securities Berhad

\*\* Company limited by guarantee

## PROFILE OF BOARD OF DIRECTORS (CONTINUED)

### **WONG CHIN MUN**

*Malaysian, Male*

*Independent Non-Executive Director*

*Chairman of the Nomination and Remuneration Committee*

*Member of the Audit Committee*

Mr. Wong Chin Mun, aged 72, was appointed as an Independent Non-Executive Director of KHIND on 19 July 2010. He holds a Bachelor of Business degree in Accounting and Secretarial Administration from Curtin University, Western Australia and has a Teacher's Certificate from the Ministry of Education, Malaysia. He is a Fellow of the Certified Practising Accountants of Australia (FCPA) & Associate of Malaysian Institute of Accountants.

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

He is currently the Chairman of Vistage Malaysia Sdn. Bhd., which has the rights for the Vistage System from Vistage International Inc., USA, for assisting chief executive officers and entrepreneurs to proactively manage change and grow their businesses. 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 has been serving 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 five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. He attended all five meetings of the Board in 2016. He does not have any conflict of interest with KHIND.

### **LEE AH LAN @ LEE KEOK HOOI**

*Malaysian, Male*

*Independent Non-Executive Director*

*Member of the Audit Committee*

*Member of the Nomination and Remuneration Committee*

Mr. Lee Keok Hooi, aged 70, was appointed as a Non-Independent Non-Executive Director of KHIND on 26 March 1999. He was re-designated as an Independent Director on 17 April 2013. He is a member of the Nomination & Remuneration Committee and Audit Committee of KHIND.

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 five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. He attended 4 out of 5 meetings of the Board in 2016. He does not have any conflict of interest with KHIND.

## KEY SENIOR MANAGEMENT PROFILE

### **BOH BOON CHIANG**

*Malaysian, Male*

*Group Chief Operating Officer*

*(Deputy Group Chief Executive Officer-redesignation w.e.f. 1 April 2017)*

Mr. Boh Boon Chiang, aged 54, joined KHIND as Group Chief Operating Officer on 1 March 2011. He is responsible for its overall day-to-day management and operation. He has been instrumental in assisting the Group Chief Executive Officer in managing and executing the Group's business in Malaysia, Singapore, Hong Kong, China, Middle East and North Africa. He was promoted to Deputy Group CEO in April 2017.

He is professionally qualified as an accountant and is a member of the Malaysian Institute of Accountants. He also obtained his Master of Business Administration from Bath University, U.K. He has more than 26 years of commercial experience in various sectors including construction, manufacturing and education and he has extensive exposure in financial management which covers corporate affairs, business development, taxation and finance.

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

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

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

### **KHOO GUAN KIAT**

*Malaysian, Male*

*Group Chief Financial Officer*

*(Executive Director of Khind-Mistral Industries Sdn Bhd ('KMI')-redesignation w.e.f. 1 April 2017)*

Mr. Khoo Guan Kiat, aged 50, has been appointed as the new Executive Director of KMI to oversee the operations of the company with effect from 1 April 2017. Prior to his appointment, he was the Group Chief Financial Officer of KHIND responsible for all financial-related activities of the Group which include accounting and finance, strategic planning, legal, property management, deal analysis and investor relationship.

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

He has more than 27 years of working experience in various sectors including manufacturing, trading, interior renovation which covers areas of corporate affairs, business development, taxation and finance.

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

He has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. He has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

### **WONG LAI PENG**

*Malaysian, Female*

*Group Financial Controller*

Ms. Wong Lai Peng, aged 47, joined KHIND as a Group Finance Manager on November 2007. She was promoted to the present position as Group Financial Controller on 1 April 2017. She is responsible in overseeing and managing all financial affairs of the Group which include corporate finance, treasury, accounting and taxation.

She graduated with a Bachelor of Accounting (Honours) from University Utara Malaysia in 1994 and is a member of Malaysian Institute of Accountants. She has about 22 years of experience in area of auditing, taxation, management accounting and reporting, corporate finance and treasury affair.

She started her career in 1994 with Price Waterhouse (now known as Pricewaterhouse Coopers). Between 1996 and 2004, she joined Hong Leong Credit Berhad as an investment planning officer for a brief period and subsequently joined Muda Holdings Berhad as a Financial Analyst. Prior to joining Khind Holdings Berhad, she has held senior financial position in a private company. Throughout her career, she has served in various listed companies and industries including finance services, manufacturing and retail.

She has no conviction for any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2016. She has no conflict of interest with KHIND and does not have any family relationship with any director and/or major shareholder of KHIND.

## STATEMENT ON CORPORATE GOVERNANCE

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

In building a sustainable business, the Board is committed to maintain high standards of corporate governance by adopting and implementing the prescription of the principles and best practices set out in the Malaysian Code on Corporate Governance 2012 ("the Code").

The Board is pleased to disclose below, the manner and extent in which it has applied the principles and best practices 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 Company and its subsidiaries ("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.

The Group Chief Executive Officer ("Group CEO") is responsible for the day-to-day running of the Group's business, implementation of the Board's policies and making operational decisions. The roles of the Group CEO are as below:-

- (a) to ensure balance of management power and authority;
- (b) responsible for the overall business performance of the Group;
- (c) develop performance targets, strategic direction, long term goals and to ensure the smooth operation for the Group;
- (d) implementation of Board policies, strategies and decisions;
- (e) provide strong leadership to employees of the Group;
- (f) assess business opportunities which are of potential benefit to the Group; and
- (g) keep the Board fully informed of all important aspects of the Group's operations and bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

Save for matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objectives to the Group CEO. The Board monitors the decisions and actions of the Group CEO and the performance of the Group to gain assurance that progress is being made towards the corporate objectives, within the limits it has imposed.

#### 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 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.

To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by various Board Committees namely the Audit Committee ("AC") and the Nomination and Remuneration Committee ("NRC") which have been established with terms of reference setting out their duties and responsibilities. The Chairman of the respective Committees report regularly to the Board on the key findings of their review and make recommendations to the Board.

#### Formalised Ethical Standards through Code of Conduct and Ethics

The Board shall observe and adhere to the Directors' Code of Conduct and Ethics as set out in the Board Charter. The Company has 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.

Whistle-blowing reports are addressed to the Senior Independent Non-Executive Director or the Chairman of the AC following the form and specific conditions as prescribed under the policy. The policy also affirms that the identity of the whistle-blower will be kept confidential and protection will be accorded to the whistle-blower against any form of reprisal or retribution. The whistle-blowing policy can be accessed on the Company's website at [www.khind.com](http://www.khind.com).

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### A. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (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. The Company's activities on corporate social responsibility are disclosed on pages 32 to 36 of this Annual Report and the 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 and Board Committees meeting, together with a comprehensive set of Board and Board Committees papers are furnished to the Directors and Committee members for their perusal prior to the Board and Board Committees meetings. This is to ensure sufficient time is given to enable the Directors and Committee members to review and consider the agenda items to be deliberated at the Board and Board Committees meetings. The Board and Board Committees papers include, amongst others, quarterly financial reports, year-end financial statements of the Group, annual budget and other major operational financial and legal issues.

Corporate plans and annual budgets, acquisitions and disposals of undertakings and properties with a substantial value, major investments and financial decisions, including key policies and procedures and delegated authority limits are subject to Board approval. All deliberations in relation to matters discussed and the conclusions are recorded.

The Directors are provided with non-financial indicators like customer service performance, safety & health compliance and market information when dealing with such matters on the agenda.

The Directors, whether collectively or individually, have full and unrestricted access to any information pertaining to the Company and to the advice and services of the Company Secretaries. The Directors may also seek independent professional advice in the furtherance of their duties and responsibilities at the expense of the Company subject to the following:

- (i) first, discuss with the Chairman;
- (ii) provide a written notice to the Company Secretary of his intention to seek independent advice with a summary of the subject-matter; and
- (iii) the Board shall be notified and approval be obtained prior to the engagement of the professional advisors.

#### Qualified and Competent Company Secretaries

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, and compliance with the Companies Act 2016 and Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company Secretaries ensure that deliberations at Board and Board Committee meetings are well documented. The Directors are regularly updated by the Company Secretaries on changes made to the relevant regulatory requirements, more particularly on areas relating to the duties and responsibilities and disclosure requirements of the Directors.

The Company Secretaries undertake the following functions, amongst others:

- a) advising the Directors of their duties and responsibilities;
- b) advising the Directors of obligations to disclose their interest in securities, disclosure of any conflict of interest and related party transaction;
- c) advising the Directors of prohibition on dealing in securities during the closed period and restriction on disclosure of price sensitive information;
- d) preparing agenda items of meetings for Board and Board Committees;
- e) attending all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are made and maintained accordingly;
- f) advising the Board on its obligatory requirements to disclose material information;
- g) ensuring the appointment of new Directors, re-appointment and resignation of Directors are in accordance with the relevant legislations; and
- h) ensuring execution of assessment for Directors, Board and Board Committees.

Both Company Secretaries are qualified under Section 235 of the Companies Act 2016.

The Company Secretaries work closely with Management to ensure that timely and appropriate information flows to the Board and Board Committees, and between the Non-Executive Directors and Management. The Company Secretaries constantly keep abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### A. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

#### Board Charter

The Board Charter was adopted by the Board on 17 April 2013 and last reviewed on 31 March 2017. 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 on the Company's website at [www.khind.com](http://www.khind.com).

### B. STRENGTHEN COMPOSITION

#### NRC

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

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

Mr. Wong Chin Mun – Chairman  
 En. Kamil Bin Datuk Hj. Abdul Rahman – Member  
 Mr. Lee Ah Lan @ Lee Keok Hooi – Member

The NRC is chaired by Mr. Wong Chin Mun and not En. Kamil Bin Datuk Hj. Abdul Rahman who is the Senior Independent Non-Executive Director and the Chairman of the AC. The Board believes that having different chairmen in the NRC and AC allows each Independent Director to carry out equitable roles and responsibilities in discharging the duties and responsibilities delegated by the Board effectively. As such, the Board has decided to maintain the current composition for these two Board Committees. The Terms of Reference of the NRC can be found on the Company's website at [www.khind.com](http://www.khind.com).

#### Appointments to the Board

The Board shall consist of qualified individuals with diverse professional backgrounds and the skills, extensive experience and knowledge necessary to govern the Company and the Group. The appointment of a new Director is a matter for consideration and decision by the Board, upon recommendation from the NRC.

In making their recommendations, the NRC would assess the qualifications, credentials, core competencies vis-à-vis the composition of required mix of skills to demonstrate knowledge, expertise and experience, character, professionalism, integrity, competencies, time commitment and other qualities, which the potential candidate would bring to the Board to effectively discharge his/her role as Director of the Company.

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

#### Re-election of Directors and Re-appointment of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board may only hold office until the following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. The 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 (3) years.

#### Boardroom and Gender Diversity

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

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 have equal employment opportunities, without barriers to employment or job development by reason of one's gender, ethnicity, religion and age.

#### Board Assessment

The NRC evaluates the performance of the Board members on an annual basis. The annual exercise involves Directors completing questionnaires covering the assessment of the Board and Board Committee's performance, assessment of individual Directors (self and peer evaluation), assessment on mix of skills and experience of Board and assessment on independence amongst others.

The Directors' responses are then collated by the Company Secretaries and a summary of the findings would be submitted to the NRC for deliberation. The NRC would review the summary, assess and make recommendations to the Board.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### B. STRENGTHEN COMPOSITION (CONTINUED)

#### Board Assessment (continued)

On 22 February 2017, the NRC conducted an assessment and considered the re-election of En. Kamil Bin Datuk Hj. Abdul Rahman and re-appointment of Mr Cheng King Fa, Mr Wong Chin Mun and Mr Lee Ah Lan @ Lee Keok Hooi and collectively agreed that they met the criteria of character, experience, integrity, competence and time to effectively discharge their roles as Directors as prescribed by the MMLR. Based on the recommendation of the NRC, the Board would be seeking shareholders' approval for their re-election and re-appointment as Directors at the Twenty-first AGM.

The Board is satisfied with the results of the annual assessment and is of the view that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills, comprising individuals of high calibre, credibility and having the necessary skills and qualifications, to enable the Board to discharge its duties and responsibilities effectively.

#### Summary of Activities Undertaken by the NRC

During the financial year 2016, the following activities were undertaken by NRC:

- (i) assessed the effectiveness and required mix of skills and experience and other qualities, including core competencies of the Board as a whole, the committees of the Board and the contribution of each existing Director and thereafter, recommend the findings to the Board;
- (ii) reviewed and made recommendations to the Board on the re-election and re-appointment of Directors based on the assessment conducted;
- (iii) assessed the independence of the Independent Directors based on criteria set out in the MMLR of Bursa Securities;
- (iv) reviewed and recommended the re-election of Mr Cheng Ping Keat;
- (v) reviewed and recommended the re-appointment of Mr. Cheng King Fa, Mr. Wong Chin Mun and Mr Lee Ah Lan @ Lee Keok Hooi; and
- (vi) reviewed and recommended the retention of En. Kamil Bin Datuk Hj. Abdul Rahman, the Independent Director who had served on the Board for more than nine years, to continue in office as Independent Non-Executive Director ("INED")
- (vii) reviewed the budget for Directors' training and made recommendations to the Board;
- (viii) reviewed the 2015 bonus and 2016 remuneration packages for the Executive Chairman and Group CEO and made recommendations to the Board;
- (ix) reviewed Directors' fees for the financial year ended 31 December 2016 and made recommendations to the Board.

#### Remuneration Policies

The NRC also examines and recommends to the Board the remuneration package of the Executive Directors. The Executive Directors' remuneration is structured according to their skills and experience as well as linking rewards to the Group and individual performance. The performance of Executive Directors is measured by their contribution to both the Board and the Company. The remuneration of Executive Directors includes salary and emoluments, bonus and benefits-in-kind.

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

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

Details of remuneration of Directors of the Company for the financial year ended 31 December 2016 are as follows:

Company	Directors' Remuneration & Benefit-in-Kind					Grand Total RM
	Fees RM	Salaries and allowances RM	Bonus RM	EPF-Employer Contribution @ 17% RM	Benefit-in- Kind RM	
<b>Directors</b>						
Executive Directors	–	1,417,900	199,200	275,204	135,397	2,027,701
Non-Executive Directors	216,000	18,000	–	–	9,000	243,000
<b>Total</b>	<b>216,000</b>	<b>1,435,900</b>	<b>199,200</b>	<b>275,204</b>	<b>144,397</b>	<b>2,270,701</b>
<b>Group</b>						
<b>Directors</b>						
Executive Directors	–	1,417,900	199,200	275,204	135,397	2,027,701
Non-Executive Directors	216,000	18,000	–	–	9,000	243,000
<b>Total</b>	<b>216,000</b>	<b>1,435,900</b>	<b>199,200</b>	<b>275,204</b>	<b>144,397</b>	<b>2,270,701</b>

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

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### B. STRENGTHEN COMPOSITION (CONTINUED)

#### Remuneration Policies (continued)

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

Company	Number of Directors		Total
	Executive	Non-Executive	
<b>Remuneration Bands</b>			
Up to RM50,000	–	–	–
RM50,001 – RM100,000	–	3	3
RM700,001 – RM750,000	1	–	1
RM1,300,001 – RM1,350,000	1	–	1
<b>Total</b>	<b>2</b>	<b>3</b>	<b>5</b>
<b>Group</b>			
<b>Remuneration Bands</b>			
RM50,001 – RM100,000	–	3	3
RM700,001-RM750,000	1	–	1
RM1,300,001-RM1,350,000	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 appointments. 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, scrutinise the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Company's business and the reporting of monthly business performance.

During the year, 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 interests 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 re-designation as a Non-Independent Director. Notwithstanding that En. Kamil Bin Datuk Hj. 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 En. Kamil Bin Datuk Hj. Abdul Rahman, who has a strong understanding of the Group's corporate history and business and has devoted sufficient time and commitment to discharge his responsibilities as an Independent Director.

The Board has assessed En. Kamil Bin Datuk Hj. 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 En. Kamil Bin Datuk Hj. Abdul Rahman as an Independent Director for shareholders' approval at the AGM of the Company.

#### Separation of Positions of the Chairman and 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 decisions. 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 has three (3) Independent Directors and two (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 manufacturers 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 on the Board provides the necessary check and balance.

En. Kamil Bin Datuk Hj. Abdul Rahman is the Senior Independent Non-Executive Director to whom all concerns or queries pertaining to the Company may be conveyed by shareholders and stakeholders.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### 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 details of attendance of the Board members are as follows:

Directors	Meeting Dates					Total
	25/02/2016	20/05/2016	24/08/2016	24/11/2016	15/12/2016	
Mr. Cheng King Fa	√	√	√	√	√	5/5
Mr. Cheng Ping Keat	√	√	√	√	√	5/5
En. Kamil Bin Datuk Hj. Abdul Rahman	√	√	√	√	√	5/5
Mr. Lee Ah Lan @ Lee Keok Hooi	√	X	√	√	√	4/5
Mr. Wong Chun Mun	√	√	√	√	√	5/5

The Board meetings for each financial year are scheduled before the end of the preceding financial year so that the Directors may plan ahead and fit the year's meetings into their own schedules.

The Directors are required to notify the Chairman prior to their acceptance of new directorships in other companies notwithstanding that the MMLR allows a Director to sit on the Board of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

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

#### Training

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

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

Among the trainings/courses attended by the Directors during the financial year ended 31 December 2016 are as follows:

No	Course Title	Date
1.	Lean Manufacturing in Some Malaysian Companies	22 January 2016
2.	Director & Principal Consultant for Competitive Dynamics	22 January 2016
3.	Search Inside Yourself - next level of Chairing Workshop	31 January 2016
4.	2016 Vistage ChairWorld Conference @ JW Marriott, Los Angeles, USA	31 January – 2 February 2016
5.	Future of Technology & the Future of Business	1 February 2016
6.	Visualise Your Dream & Embark on the Path to Make the Dream a Reality	2 February 2016
7.	MIDA Seminar	30 March 2016
8.	Financial Analysis & Modelling	12 – 13 April 2016
9.	Crude Oil Price & Ringgit Malaysia Trend	18 May 2016
10.	Asean Economic Community (AEC) & TransPacific Partnership Agreement (TPPA)	17 June 2016
11.	Annual Conference by Malaysian Institute of Chartered Secretaries and Administrators.	8 – 9 August 2016
12.	The New Companies Bill 2015	17 August 2016
13.	The Ultimate Sales Boost - How to Double Your Sales	7 September 2016
14.	Financial Management of a Business	9 September 2016
15.	Global Economy Trend	21 September 2016
16.	Managing @V.U.C.A (Volatility, Uncertainty, Complexity & Ambiguity)	17 October 2016
17.	Highlights of 2017 Budget & Its Implications on Business	3 November 2016
18.	What's in Store for 2017 - Positive Qi Directions, Favourable Industries & Stock Market Predictions	3 November 2016
19.	International Conference	15 – 16 November 2016

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### E. UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### Compliance and Applicable Financial Reporting Standards

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

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

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

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

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

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

Messrs RSM Malaysia was appointed as the External Auditors of the Company at the Twentieth AGM of the Company held on 30 May 2016.

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

The AC had on 22 February 2017, conducted an assessment on the suitability and independence of the External Auditors and took into consideration the following:-

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

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

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

### F. RECOGNISE AND MANAGE RISKS

#### Sound Framework to Manage Risk

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

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

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

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### F. RECOGNISE AND MANAGE RISKS (CONTINUED)

#### Sound Framework to Manage Risk (continued)

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

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

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

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

The Group's Statement on Risk Management and Internal Control is set out on pages 37 and 38 of this Annual Report.

#### Internal Audit Function

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

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

### G. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### Corporate Disclosure Policies

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

The Company is guided by the Corporate Disclosure Guide issued by Bursa Securities with the consultation of the Company Secretaries, advisers and/or other service providers. However, the Board of Directors will review the necessity for formalising 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 announcements of the quarterly financial results are also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

### 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 MMLR, 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 authorised nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow and restrict on proxy's qualification.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### H. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONTINUED)

#### Encourage Poll Voting

At the Twentieth AGM, the Chairman informed the shareholders the substantive resolutions put forth for shareholders' approval and encouraged the voting of all substantive resolutions by polling pursuant to the Code. The Chairman also read out the provisions of the Articles of Association on the shareholders' right to demand a poll vote.

In accordance with the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all resolutions as set out in the Notice of the Twenty-first AGM and future general meetings will be conducted by poll. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

#### 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 MMLR 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 MMLR.

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 Malaysia Securities Berhad:

#### 1. Utilisation of proceeds

The Company did not raise funds through any corporate proposals during the financial year.

#### 2. Material Contract

There were no material contracts entered into by the Company or its subsidiaries involving Directors or major shareholders' interests during the financial year.

#### 3. Employee Share Scheme

The Company does not have an Employee Share Scheme.

#### 4. Recurrent Related Party Transactions ("RRPTs")

The Company did not seek any shareholders' mandate in respect of RRPTs of a revenue of trading nature at the Twentieth AGM.

#### 5. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable by the Company and the Group to the External Auditors for the financial year ended 31 December 2016 are as follows:-

	Company (RM)	Group (RM)
Audit fees	31,000	307,772
Non-Audit fees	20,000	30,955
Total	51,000	338,727

### STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and the Group for that period. The financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965 ("the Act"). In preparing the financial statements for the year ended 31 December 2016, the Directors have:-

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

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

## STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

**Corporate Social Responsibility (CSR)** is defined by Bursa Malaysia CSR Framework as an open and transparent business practice, based on ethical values and respect for employees, shareholders, the community, the environment and other stakeholders.

In 2016, Khind mainly focused its CSR activities on the development programme for aboriginal people of Malaysia (orang asli community) in collaboration with the Department of Orang Asli Development [Jabatan Kemajuan Orang Asli (JAKOA)] and Projects for Happiness 2016.

### Delivering Happiness to the Community

#### 1.0 Monash University Malaysia launches Gerontechnology Laboratory

Based on the data collected from the Department of Statistics, between 2010 and 2014, Malaysians aged 65 years and above are projected to increase more than threefold of the population in 2010 which will lead to Malaysia becoming an ageing population in the year 2021. Khind Starfish Foundation was proud to contribute RM50,000 towards a part of the construction costs to Monash University Malaysia to launch its Gerontechnology Lab on February 18, 2016. The Gerontechnology Lab is a collaborative effort among the schools of business, IT, health sciences, medicine, arts, social sciences and engineering. The Lab consists of the Living Hall Station, Kitchen Station, Cognitive Station and Health Station.



“Gerontechnology” comes from the words “Gerontology” and “Technology” and it implies the marrying of the two interdisciplinary fields of scientific research in which technology is directed towards the aspirations and opportunities for the older persons. The Gerontechnology Lab in Monash University Malaysia strives to conduct quality gerontechnological research.



#### 2.0 Projects for Happiness 2016

Khind Starfish Foundation continued to fund local undergraduate students from public and private institutions to undertake various volunteer oriented community programmes in 2016.

“Projects for Happiness” is a platform to enable undergraduate students to enhance their non-academic skills and to complete their own projects. Khind Starfish Foundation believes that this project is a catalyst to encourage students to recognise their capability to deliver happiness to the less fortunate communities. Khind Starfish Foundation approved 21 projects from several universities. Total funds distributed to these projects were approximately RM139,000.

## STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### Delivering Happiness to the Community (continued)

#### 2.0 Projects for Happiness 2016 (continued)

Below is the list of projects that were supported by Kind Starfish Foundation:

Projects	University
Annual Public Health Campaign	UCSI University
Give a Chance	UCSI University
PAVOFS	University Teknologi Mara (Cawangan Johor)
Zomi School Project	Monash University
Palm Oil Agribusiness Nursery for Youth	University Teknologi Mara (Cawangan Johor)
Big Farm and Mini library	First City University
Reading Bus	Sunway University College
IGNITE	Universiti Kebangsaan Malaysia (UKM)
Guardian 1.0 Sungai Udang	Universiti Putra Malaysia (UPM)
Cabin Buku project	Universiti Putra Malaysia (UPM)
"The Day I Met The Prince" Children's theatre tour	Universiti Sains Malaysia (USM)
Buku Jalanan Chow Kit (BJCK) module	Universiti Malaya
Certification of Home Based Cosmetology Specialist (HOBICOS) for Single Mothers	University Teknologi Mara (Cawangan Johor)
Co & Coal	Universiti Utara Malaysia
A Community readers	Help University
Community Outreach Programme 2016	Universiti Pendidikan Sultan Idris (UPSaI)
We Love, We Care 2.0	INIT International University
Hands of Hope	UCSI University
English for All	University Selangor
Dialect Survey and Collection of Folk Rhymes in Tanjung Piandang, Perak	Universiti Malaya
Kuala Sepetang – Waste Separation Awareness Campaign	University Malaysia Perlis



## STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### Delivering Happiness to the Community (continued)

#### 3.0 Children’s Mini Library for the Orang Asli Community

Khind collaborated with Jabatan Kemajuan Orang Asli (JAKOA) to initiate an educational project to promote reading and enrich education for the Orang Asli children. In October 2016, staff members of Khind participated in this activity to set up a mini library for Orang Asli children in the main library located in Gombak, Kuala Lumpur. Many staff members donated storybooks, toys and also purchased new children’s books for the mini library. In addition, staff members assisted the librarian to complete the indexing of reference books. For the final agenda in November 2016, staff members of Khind and JAKOA prepared an exclusive programme coupled with quiz and magic shows to entertain the Orang Asli children. An electrical safety talk was delivered to primary school children and an environment awareness session was shared with secondary school children. Even the kindergarten children were engrossed and delighted in the sand-colouring exercise organised for them. Lucky children beamed with excitement when they received attractive prizes. The event was a tremendous success.



#### 4.0 Local Community Service (Care for the Underprivileged)



In the spirit of “delivering happiness to community”, Khind initiated a total of 7 visits to orphanages and old folks’ homes in Selangor. During these visits, staff members assisted in various tasks such as installation, repair and replacement of faulty electrical items; housekeeping; and also educating children on electrical safety awareness.



# STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

## Delivering Happiness to the Community (continued)

### 5.0 Inspiring Arts and Culture

Supporting Malaysian heritage, arts and cultural performances is one of the objectives of Khind Starfish Foundation. The Foundation is proud to be a Corporate Sponsor to Hands Percussion and Dua Space since 2013. Khind Starfish Foundation rendered its support to the "Dance Music Series 2020" performed by Toccata studio; "Black & White @Variation" performed by Dua Space and sponsored the "Ju Percussions Group Asia Concert Tour" in Malaysia, produced and organised by Hands Percussion.



## Delivering Happiness to the Environment

### 1.0 Site Clean Up in Sekinchan

Throughout the year, Khind carried out 7 site cleaning jobs in several locations in Sekinchan which include the children's playground at Taman Sekinchan Jaya and drainage at the rice fields (Parit 5 and Parit 6). Staff members organised a beach cleaning activity in Redang beach (Pantai Redang) as well.



## STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### Delivering Happiness to Employees

Khind strongly believes that the company's most valuable asset is its employees, to propel the company into the new century. The following programmes were organised for the employees:

#### 1.0 Training

Khind allocated 2.0% of its annual basic payroll for an annual training budget, to enhance skills and knowledge among employees. In 2016, Khind embarked on the WoW3 programme after the successful graduation of WoW2 participants with the ascent to Mount Kinabalu, Sabah. WoW training is a leadership programme to develop young talents to be future leaders of the Company. Participants in WoW training programmes have to undergo a series of training modules so that they are well-prepared to undertake future challenges.



#### 2.0 Safety and Health Programme

During the year, the Khind Safety and Health Committee conducted blood donation campaigns at its Shah Alam Head Office. A fire evacuation drill was demonstrated at the factory besides other occupational safety and health codes of practice to maintain proper safety and health awareness in the workplace.

#### 3.0 Encouragement for Employee Volunteerism

As a responsible corporate citizen, Khind encourages employees to be involved in volunteering work for any activities relating to corporate responsibility. As such, Khind will provide a maximum of 3 work days per year to employees who wish to dedicate time for volunteering work on external CR activities that are approved by the company.

#### 4.0 Back to School Benefits for Employees' Children

Before commencement of school, Khind will hand out school uniforms, shoes, stationery and school bags for its employees' children who are studying in primary and secondary schools. This programme helps to alleviate parents' yearly burden.

#### 5.0 Sports and Social Club

Khind Wellness Center located in the Shah Alam Head Office is equipped with facilities for table tennis, billiards and gym work-out to help staff members to live a healthy lifestyle. A range of exercise classes such as yoga, body conditioning, body combat and zumba dance are held in the Wellness Center weekly. In addition, the Sports and Social Club Committee organises various outdoor sports like bowling and futsal for the employees.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

### BOARD RESPONSIBILITY

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

### Management's Accountability

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

### RISK MANAGEMENT

The Board is committed to 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 from adverse impacts to its functions, operations, assets, employees, consumers or shareholders.

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

The objectives of the written policy are to ensure that:

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

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

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

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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### KEY INTERNAL CONTROL PROCESSES

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

- **Terms of Reference**  
Clear definition of the terms of reference, i.e. functions, authorities and responsibilities of the various committees of the Board of Directors has been established.
- **Control Procedures**  
Operating Procedures Manuals that set out the policies, procedures and practices that are adopted by all the companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.
- **Organisational Structure and Accountability Levels**  
The Group has a defined organisational structure with clear lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.  
  
The Board relies on the Group Chief Executive Officer and Deputy Group Chief Executive Officer with relevant industry experience to run and manage the operations and business of the Group.
- **Budgeting, Reporting and Review**  
The Group prepares comprehensive budgets that roll up into an annual budget that is approved by the Board prior to the commencement of the financial year. The management team performs monthly monitoring and review of financial results and forecasts for all businesses within the Group. Actual results are then compared with budgeted results and any significant matter is brought forward for the Board's consideration and decision at least on a quarterly basis.
- **Independence of the Audit Committee**  
The Audit Committee comprises non-executive members of the Board who are independent directors. The Committee holds regular meetings to deliberate on findings and recommendations and reports back to the Board.
- **Internal Audit & ISO Audit**  
To maintain a sound system of internal control, the Group relies on its two (2) assurance mechanisms, namely:
  - (i) Internal Audit; and
  - (ii) ISO Audit.

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

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

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

### CONCLUSION

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 10 April 2017.

## AUDIT COMMITTEE REPORT

### 1. MEMBERSHIP AND MEETINGS

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

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

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

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

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

AUDIT COMMITTEE MEETING IN YEAR 2016	
Members	Total Number of Meetings Attended by Directors
Kamil bin Datuk Hj. Abdul Rahman (Chairman)	4/4
Wong Chin Mun	4/4
Lee Ah Lan @ Lee Keok Hooi	3/4

### 2. TERMS OF REFERENCE OF THE AC

The Terms of Reference of the AC is available on the Company's website, [www.khind.com](http://www.khind.com). The Terms of Reference was last reviewed on 24 August 2016.

### 3. WORK OF THE AC

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

#### Financial Results

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

#### External Audit

- Reviewed the final audit findings for the year ended 31 December 2015 with Messrs KPMG;
- Reviewed Messrs KPMG's performance and independence and held private discussions with them without the presence of the Executive Directors and Management team;
- Reviewed the proposal letter and profile of Messrs RSM Malaysia upon the receipt of notice of nomination of Auditors from a substantial shareholder and recommended to the Board to table the appointment of Messrs RSM Malaysia as Auditors of the Company in place of the retiring Auditors, Messrs KPMG at the Twentieth Annual General Meeting;

## AUDIT COMMITTEE REPORT (CONTINUED)

### 3. WORK OF THE AC (continued)

#### External Audit (continued)

- Reviewed with the Audit Planning Memorandum presented by Messrs RSM Malaysia, covering the audit scope of work, applicable financial reporting framework and auditing standards, areas of work amongst others, in respect of the audit of the financial statements for the year ended 31 December 2016;
- Reviewed and discussed the areas of audit focus with Messrs RSM Malaysia.

#### Internal Audit

- Reviewed and deliberated on the internal audit reports presented by the Internal Auditors, assessed the findings highlighted by the Internal Auditors;
- Reviewed and appraised the adequacy and effectiveness of Management's response in resolving the issues reported;
- Reviewed and deliberated on the follow-up reports issued by the Internal Auditors and assessed the status of corrective actions taken by Management in implementing the agreed action plan within the agreed timeline.

#### Others

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

### 4. INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to BDO Governance Advisory Sdn. Bhd. The Internal Auditors have developed an annual audit plan to support and execute internal control reviews. The scope of internal audit includes the conduct of follow-up reviews on the status of implementation of recommendations agreed by Management in the earlier audits and the conduct of four (4) internal control reviews for 2016.

During the financial year ended 31 December 2016, the Internal Auditors have carried out reviews on the following business processes:-

- a) Revenue and Credit Control Management for Khind Electrical (Malaysia) Sdn. Bhd.
- b) Revenue and Credit Control Management for Khind-Mistral (M) Sdn. Bhd.
- c) Inventory Management and Sales Management (POS System) for Mayer Marketing Pte. Ltd.
- d) Revenue and Credit Control Management and Inventory Management for Khind Middle East FZE

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

The AC carries out an evaluation on the Internal Auditors on an annual basis. On 22 February 2017, the AC had carried out an evaluation and expressed their satisfaction with the adequacy of the scope, methodology, competency, resources and authority of the Internal Auditors.

The total cost incurred for outsourcing of the internal audit function of the Group during the financial year ended 31 December 2016 amounted to RM70,000.

# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

### Principal activities

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

### Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	9,786	113

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

### Dividend

Since the end of the previous financial year, the Company paid an interim single-tier tax exempt dividend of 10 sen per ordinary share totalling RM4,005,900 in respect of the financial year ended 31 December 2016 on 7 October 2016.

The directors do not recommend any final dividend to be paid for the financial year ended 31 December 2016.

### Reserves and provisions

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

### Issue of shares and debentures

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

### Options granted over unissued shares

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

### Directors

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

#### The Company

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

#### Subsidiary Companies

Adil Jimmy Mistry  
Boh Boon Chiang  
Cheng King Fa  
Cheng Ping Keat  
Chong Yen Hong  
Cheng Yoke Kan  
Khoo Guan Kiat  
Mok Lai Fun Aida  
Pg Hj Mohd Sofree Bin Pg Hj Daud  
Chang Kok Sooi  
(Resigned on 1 April 2017)  
Chan Tuck Wai  
(Resigned on 1 April 2017)

## DIRECTORS' REPORT (CONTINUED)

### Directors' interests in shares

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

	Number of shares			At 31.12.2016
	At 1.1.2016	Acquired	(Disposed)	
<b>THE COMPANY</b>				
<b>Direct interest</b>				
Cheng King Fa	1,903,601	–	–	1,903,601
Cheng Ping Keat	2,725,720	–	–	2,725,720
Lee Ah Lan @ Lee Keok Hooi	460,000	–	–	460,000
<b>Indirect interest</b>				
Cheng King Fa*	1,304,124	–	–	1,304,124
Cheng Ping Keat**	2,165,199	–	–	2,165,199
<b>Deemed interest in the Company</b>				
Cheng Ping Keat	15,708,837	–	–	15,708,837

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

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

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

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

### Directors' benefits

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

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

### Directors remuneration

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

### Indemnifying directors, officers and auditors

The total amount of insurance premium paid for the director, officer or auditor of the Group and of the Company is as follow:

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

## **DIRECTORS' REPORT** (CONTINUED)

### **Subsidiary companies**

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

### **Auditors remuneration**

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

### **Other statutory information**

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts and the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

## **DIRECTORS' REPORT** (CONTINUED)

### **Auditors**

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

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

**CHENG KING FA**

**CHENG PING KEAT**

Kuala Lumpur  
10 April 2017

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	60,871	58,034	397	546
Prepaid lease payments	7	1,702	1,901	–	–
Investment property	8	2,843	2,905	2,843	2,905
Intangible assets	9	3,398	3,998	56	58
Investments in subsidiaries	10	–	–	31,948	31,948
Deferred tax assets	11	2,717	3,344	–	–
<b>Total non-current assets</b>		<b>71,531</b>	<b>70,182</b>	<b>35,244</b>	<b>35,457</b>
<b>Current assets</b>					
Inventories	12	83,547	75,816	–	–
Other investments	13	1,997	1,477	1,253	1,248
Current tax assets		1,190	1,672	3	51
Trade and other receivables	14	71,835	70,257	35,250	39,663
Cash and cash equivalents	15	38,367	37,460	5,029	4,530
<b>Total current assets</b>		<b>196,936</b>	<b>186,682</b>	<b>41,535</b>	<b>45,492</b>
<b>Total assets</b>		<b>268,467</b>	<b>256,864</b>	<b>76,779</b>	<b>80,949</b>
<b>Equity</b>					
Share capital	16	40,059	40,059	40,059	40,059
Translation reserve	16	9,184	7,946	–	–
Retained earnings		79,943	74,163	27,513	31,406
<b>Total equity attributable to owners of the Company</b>		<b>129,186</b>	<b>122,168</b>	<b>67,572</b>	<b>71,465</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,848	1,880	–	–
Loans and borrowings	17	34,969	30,002	7,322	7,697
<b>Total non-current liabilities</b>		<b>36,817</b>	<b>31,882</b>	<b>7,322</b>	<b>7,697</b>
<b>Current liabilities</b>					
Loans and borrowings	17	43,566	49,062	400	384
Trade and other payables	18	58,352	52,942	1,485	1,403
Current tax liabilities		546	810	–	–
<b>Total current liabilities</b>		<b>102,464</b>	<b>102,814</b>	<b>1,885</b>	<b>1,787</b>
<b>Total liabilities</b>		<b>139,281</b>	<b>134,696</b>	<b>9,207</b>	<b>9,484</b>
<b>Total equity and liabilities</b>		<b>268,467</b>	<b>256,864</b>	<b>76,779</b>	<b>80,949</b>

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

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	19	356,292	337,768	16,822	19,600
Cost of sales		(243,105)	(230,064)	–	–
<b>Gross profit</b>		113,187	107,704	16,822	19,600
Other income		5,896	2,275	247	3,621
Distribution expenses		(61,000)	(54,887)	–	–
Administrative expenses		(39,131)	(40,612)	(16,598)	(11,813)
Other expenses		(3,765)	(2,153)	–	–
<b>Results from operating activities</b>		15,187	12,327	471	11,408
Finance income	20	332	295	38	103
Finance costs	21	(3,431)	(3,460)	(396)	(411)
<b>Profit before taxation</b>		12,088	9,162	113	11,100
Taxation	22	(2,302)	(2,982)	–	–
<b>Profit for the financial year</b>	23	9,786	6,180	113	11,100
<b>Attributable to:</b>					
Owners of the Company		9,786	6,180	113	11,100
<b>Profit for the financial year</b>	23	9,786	6,180	113	11,100
<b>Other comprehensive income, net of tax</b>					
<b>Item that is or may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		1,238	5,609	–	–
<b>Other comprehensive income for the year, net of tax</b>		1,238	5,609	–	–
<b>Total comprehensive income for the financial year</b>		11,024	11,789	113	11,100
<b>Total comprehensive income</b>					
<b>Attributable to:</b>					
Owners of the Company		11,024	11,789	113	11,100
<b>Basic and diluted earnings per ordinary share (sen)</b>					
– from continuing operations	24	24.43	15.43		

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

**STATEMENTS OF CHANGES IN EQUITY** FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Attributable to owners of the Company			Total RM'000
		Share capital RM'000	Translation reserve RM'000	Distributable Retained earnings RM'000	
<b>Group</b>					
<b>Balance as at 1 January 2015</b>		40,059	2,337	70,787	113,183
Foreign currency translation differences for foreign operations		–	5,609	–	5,609
Total other comprehensive income for the financial year		–	5,609	–	5,609
Profit for the financial year		–	–	6,180	6,180
Total comprehensive income for the financial year		–	5,609	6,180	11,789
Dividend to owners of the Company	25	–	–	(2,804)	(2,804)
<b>Total transactions with owners of the Company</b>		–	–	(2,804)	(2,804)
<b>Balance as at 31 December 2015/ 1 January 2016</b>		40,059	7,946	74,163	122,168
Foreign currency translation differences for foreign operations		–	1,238	–	1,238
Total other comprehensive income for the financial year		–	1,238	–	1,238
Profit for the financial year		–	–	9,786	9,786
Total comprehensive income for the financial year		–	1,238	9,786	11,024
Dividend to owners of the Company	25	–	–	(4,006)	(4,006)
<b>Total transactions with owners of the Company</b>		–	–	(4,006)	(4,006)
<b>Balance as at 31 December 2016</b>		40,059	9,184	79,943	129,186

**STATEMENTS OF CHANGES IN EQUITY** FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Attributable to owners of the Company		
		Share capital RM'000	Distributable Retained earnings RM'000	Total RM'000
<b>Company</b>				
<b>Balance as at 1 January 2015</b>		40,059	23,110	63,169
Profit and total comprehensive income for the year		–	11,100	11,100
Dividend to owners of the Company	25	–	(2,804)	(2,804)
<b>Balance as at 31 December 2015/ 1 January 2016</b>		40,059	31,406	71,465
Profit and total comprehensive income for the financial year		–	113	113
Dividend to owners of the Company	25	–	(4,006)	(4,006)
<b>Balance as at 31 December 2016</b>		40,059	27,513	67,572

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

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>					
Profit before taxation		12,088	9,162	113	11,100
<i>Adjustments for:</i>					
Amortisation of intangible assets	9	35	24	10	9
Amortisation of prepaid lease payment	7	199	198	–	–
Depreciation of investment property	8	62	61	62	61
Depreciation of property, plant and equipment	6	4,898	4,596	246	299
Dividends received from subsidiaries	19	–	–	(9,178)	(11,814)
Finance income	20	(332)	(295)	(38)	(103)
Finance costs	21	3,431	3,460	396	411
Impairment loss on trade receivables (net)		265	3,067	5,374	–
Net fair value gain on financial assets	23	(20)	(186)	(5)	(152)
Net (gain)/loss on disposal and write off of property, plant and equipment	23	(18)	24	–	(3,159)
Impairment loss on intangible assets	23	677	–	–	–
Unrealised foreign exchange gain	23	(412)	(647)	(122)	(107)
<b>Operating profit/(loss) before working capital changes</b>		<b>20,873</b>	<b>19,464</b>	<b>(3,142)</b>	<b>(3,455)</b>
Increase in inventories		(7,469)	(6,159)	–	–
(Increase)/Decrease in trade and other receivables		(1,843)	815	(156)	(17)
Increase/(Decrease) in trade and other payables		5,410	(2,806)	(41)	99
<b>Cash generated from/(used in) operations</b>		<b>16,971</b>	<b>11,314</b>	<b>(3,339)</b>	<b>(3,373)</b>
Tax refunded		1,912	1,242	49	–
Tax paid		(3,433)	(3,747)	(1)	(2)
<b>Net cash generated from/(used in) operating activities</b>		<b>15,450</b>	<b>8,809</b>	<b>(3,291)</b>	<b>(3,375)</b>
<b>Cash flows from investing activities</b>					
Acquisition of intangible assets	9	(112)	(33)	(8)	(8)
Acquisition of property, plant and equipment	a	(6,699)	(6,147)	(97)	(152)
Advances to subsidiaries		–	–	(682)	(24,322)
Dividends received from subsidiaries	19	–	–	9,178	11,814
Acquisition of other investments		(500)	–	–	–
Interest received		332	295	38	103
Proceeds from disposal of property, plant and equipment		93	55	–	11,000
Withdrawal of fixed deposits		–	513	–	–
<b>Net cash (used in)/generated from investing activities</b>		<b>(6,886)</b>	<b>(5,317)</b>	<b>8,429</b>	<b>(1,565)</b>

**STATEMENTS OF CASH FLOWS** FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from financing activities</b>				
Dividend paid to owners of the Company	25	(4,006)	(4,006)	(2,804)
Repayment of bank borrowings		(2,085)	(320)	(305)
Interest paid		(3,431)	(396)	(411)
Repayment of finance lease liabilities		(891)	(39)	(37)
<b>Net cash used in financing activities</b>		(10,413)	(4,761)	(3,557)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,849)	377	(8,497)
<b>Effect of foreign exchange rate changes</b>		1,507	122	107
<b>Cash and cash equivalents brought forward</b>		35,059	4,530	12,920
<b>Cash and cash equivalents carried forward (Note 15)</b>		34,717	5,029	4,530

**Note to the statements of cash flows**

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash	6,699	5,041	97	152
Term loans	–	1,106	–	–
	6,699	6,147	97	152
Finance lease	932	1,176	–	–
	7,631	7,323	97	152

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

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016

### 1. Principal Activities

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

### 2. Basis of Preparation of Financial Statements

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia except that Note 36 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive issued by Bursa Malaysia Securities Berhad.

### 3. Significant Accounting Policies

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

#### (a) Basis of accounting

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

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

#### (b) Basis of consolidation

##### (i) Subsidiaries

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

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

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

##### (ii) Business combinations

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (b) Basis of consolidation (continued)

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

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

##### (iv) Loss of control

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

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

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

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

##### (vi) Transactions eliminated on consolidation

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

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

#### (c) Foreign currency

##### (i) Foreign currency transactions

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (c) Foreign currency (continued)

##### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

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

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

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

#### (d) Financial instruments

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

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

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

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

The Group and the Company categorise financial instruments as follows:

###### **Financial assets**

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

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

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

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

##### (b) Loans and receivables

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

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

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

###### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (d) Financial instruments (continued)

##### (iii) Financial guarantee contracts

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

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

##### (iv) Derecognition

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

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

#### (e) Property, plant and equipment

##### (i) Recognition and measurement

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

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

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

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

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

##### (ii) Subsequent costs

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (e) Property, plant and equipment (continued)

##### (iii) Depreciation

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

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

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

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

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

#### (f) Leased assets

##### (i) Finance lease

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

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

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

##### (ii) Operating lease

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

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

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

#### (g) Intangible assets

##### (i) Goodwill

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (g) Intangible assets (continued)

##### (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.

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

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

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

#### (h) Investment property

##### Investment property carried at cost

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

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

#### (i) Inventories

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

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

##### (i) Goods

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

##### (ii) Property development

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (j) Cash and cash equivalents

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

#### (k) Impairment

##### (i) Financial assets

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

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

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

##### (ii) Other assets

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (l) Equity instruments

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

##### (i) Ordinary shares

Ordinary shares are classified as equity.

##### (ii) Dividend distribution

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

##### (iii) Distributions of assets to owners of the Group and of the Company

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

#### (m) Employee benefits

##### (i) Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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.

#### (n) Provisions

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

#### Warranties

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

#### (o) Revenue and other income

##### (i) Goods sold

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (o) Revenue and other income (continued)

##### (ii) Services

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

##### (iii) Rental income

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

##### (iv) Dividend income

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

##### (v) Management fees

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

##### (vi) Interest income

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

#### (p) Borrowing costs

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

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

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

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

#### (q) Income tax

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Significant Accounting Policies (continued)

#### (r) Earnings per ordinary share

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

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

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

#### (s) Operating segments

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

#### (t) Contingencies

##### Contingent liabilities

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

#### (u) Fair value measurements

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Adoption of MFRSs, Amendments to MFRSs and Interpretations

#### 4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2016:

- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Changes in Method of Disposal (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7 *Financial Instruments: Disclosures – Servicing Contracts and Applicability of the Amendments to MFRS 7 to Condensed Interim Financial Statements (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10 *Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investment 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*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- 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 – Discount Rates: Regional Market Issue (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 – Disclosure of Information ‘Elsewhere in the Interim Financial Report’ (Annual Improvements 2012-2014 Cycle)*

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

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

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

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

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

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

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

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

- MFRS 16 *Leases*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Adoption of MFRSs, Amendments to MFRSs and Interpretations (continued)

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

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

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- The directors anticipate that the above mentioned accounting standards, interpretations and amendments will be adopted by the Group and the Company when they become effective. Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* has not been taken into consideration because it is not applicable to the Group and the Company.

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

##### **MFRS 9 Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets*. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company is currently assessing the financial impact of adopting MFRS 9.

##### **MFRS 15 Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company is currently assessing the financial impact of adopting MFRS 15.

##### **MFRS 16 Leases**

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Upon adoption of MFRS 16, the Group and the Company are required to account for major part of their operating leases in the statement of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group and the Company.

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

### 5. Significant Accounting Estimates and Judgements

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Significant Accounting Estimates and Judgements (continued)

#### (a) Functional currency

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

#### (b) Allowance for impairment losses of trade receivables

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

#### (c) Asset impairment tests

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

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

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

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

#### (d) Net realisable value of inventories

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

#### (e) Fair value measurement

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Significant Accounting Estimates And Judgements (continued)

#### (f) Deferred tax estimation

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

#### (g) Provisions for liabilities

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

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

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

#### (h) Contingencies

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Property, Plant and Equipment

Group	Freehold land RM'000	Long term leasehold land RM'000	Office and factory buildings RM'000	Plant and machinery RM'000	Tools and moulds RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Construction -in-progress RM'000	Total RM'000
<b>Cost</b>										
At 1 January 2015	7,841	10,363	36,197	6,970	17,667	12,433	6,244	6,711	–	104,426
Additions	–	–	2,188	635	686	924	1,024	1,164	702	7,323
Apportionment to inventories	(5,489)	–	–	–	–	–	–	–	(491)	(5,980)
Disposals	–	–	–	–	–	(124)	(403)	(10)	–	(537)
Effect of movements in exchange rates	–	–	2,690	–	–	573	256	608	–	4,127
At 31 December 2015/ 1 January 2016	2,352	10,363	41,075	7,605	18,353	13,806	7,121	8,473	211	109,359
Additions	–	–	1,300	728	1,273	1,868	930	1,157	375	7,631
Apportionment to inventories	–	–	–	–	–	–	–	–	(262)	(262)
Written off	–	–	–	(553)	(7,132)	–	–	–	–	(7,685)
Disposals	–	–	–	–	–	(146)	(435)	–	–	(581)
Effect of movements in exchange rates	–	–	481	–	–	124	57	123	–	785
At 31 December 2016	2,352	10,363	42,856	7,780	12,494	15,652	7,673	9,753	324	109,247
<b>Depreciation</b>										
At 1 January 2015	–	983	6,646	5,433	13,218	10,066	4,671	4,787	–	45,804
Depreciation for the year	–	228	910	271	788	933	754	712	–	4,596
Disposals	–	–	–	–	–	(91)	(359)	(8)	–	(458)
Effect of movements in exchange rates	–	–	259	–	–	417	207	500	–	1,383
At 31 December 2015/ 1 January 2016	–	1,211	7,815	5,704	14,006	11,325	5,273	5,991	–	51,325
Depreciation for the year	–	228	1,016	303	809	1,045	703	794	–	4,898
Written off	–	–	–	(553)	(7,132)	–	–	–	–	(7,685)
Disposals	–	–	–	–	–	(140)	(366)	–	–	(506)
Effect of movements in exchange rates	–	–	104	–	–	102	30	108	–	344
At 31 December 2016	–	1,439	8,935	5,454	7,683	12,332	5,640	6,893	–	48,376
<b>Carrying amounts</b>										
At 1 January 2015	7,841	9,380	29,551	1,537	4,449	2,367	1,573	1,924	–	58,622
At 31 December 2015/ 1 January 2016	2,352	9,152	33,260	1,901	4,347	2,481	1,848	2,482	211	58,034
At 31 December 2016	2,352	8,924	33,921	2,326	4,811	3,320	2,033	2,860	324	60,871

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Property, Plant and Equipment (continued)

Company	Freehold land RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2015	7,841	1,236	272	496	9,845
Additions	–	118	34	–	152
Disposals	(7,841)	–	–	–	(7,841)
At 31 December 2015/ 1 January 2016	–	1,354	306	496	2,156
Additions	–	97	–	–	97
At 31 December 2016	–	1,451	306	496	2,253
<b>Depreciation</b>					
At 1 January 2015	–	829	77	405	1,311
Depreciation for the year	–	185	59	55	299
At 31 December 2015/1 January 2016	–	1,014	136	460	1,610
Depreciation for the year	–	157	61	28	246
At 31 December 2016	–	1,171	197	488	1,856
<b>Carrying amounts</b>					
At 1 January 2015	7,841	407	195	91	8,534
At 31 December 2015/1 January 2016	–	340	170	36	546
At 31 December 2016	–	280	109	8	397

#### (a) Title deed

Title deed to the leasehold land with unexpired lease period of more than 50 years of the Group with a carrying amount of RM427,783 (2015: RM436,036) belonging to a subsidiary is in the process of being registered in the name of the subsidiary.

#### (b) Security

At 31 December 2016, freehold land, leasehold land and office buildings of the Group with a carrying amount of RM2,352,000, RM4,670,047 and RM23,207,737 (2015: RM2,352,000, RM4,784,884 and RM24,816,240) respectively have been pledged as securities for the bank facilities granted to the Group (see Note 17).

#### (c) Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles, tools and moulds acquired under finance lease arrangements with a carrying amount of RM4,035,484 (2015: RM3,979,432).

#### (d) Apportionment of property, plant and equipment to inventories

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Prepaid Lease Payments

Group	RM'000
<b>Leasehold land with unexpired period less than 50 years</b>	
<b>Cost</b>	
At 1 January 2015/31 December 2015/1 January 2016/31 December 2016	2,975
<b>Amortisation</b>	
At 1 January 2015	876
Amortisation for the year	198
At 31 December 2015/1 January 2016	1,074
Amortisation for the year	199
At 31 December 2016	1,273
<b>Carrying amounts</b>	
At 1 January 2015	2,099
At 31 December 2015/1 January 2016	1,901
At 31 December 2016	1,702

### 8. Investment Property

Group and Company	RM'000	
<b>Cost</b>		
At 1 January 2015/31 December 2015/1 January 2016/31 December 2016	3,090	
<b>Depreciation</b>		
At 1 January 2015	124	
Depreciation for the year	61	
At 31 December 2015/1 January 2016	185	
Depreciation for the year	62	
At 31 December 2016	247	
<b>Carrying amounts</b>		
At 1 January 2015	2,966	
At 31 December 2015/1 January 2016	2,905	
At 31 December 2016	2,843	

Investment property of the Group and of the Company amounting to RM2,843,000 (2015: RM2,905,000) has been charged to secure banking facilities granted to the Group and the Company (see Note 17).

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

Group and Company	2016 RM'000	2015 RM'000
Rental income	60	84
Direct operating expenses:		
– income generating investment property	13	13

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Investment Property (continued)

#### Fair value information

Fair value of investment property is categorised as follows:

Group and Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2016</b>				
Land and building	–	–	4,820	4,820
<b>2015</b>				
Land and building	–	–	4,982	4,982

#### Level 3 fair value

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

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

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method: The valuation method considers the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size of the lot, legal and legislation constraints, supply and demand. The most significant input into this valuation approach is price per square foot.	Price per square foot (RM482 – RM625)	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

### 9. Intangible Assets

Group	Goodwill RM'000	Patents and trademarks RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2015	3,826	1,327	5,153
Additions	–	33	33
At 31 December 2015/1 January 2016	3,826	1,360	5,186
Additions	–	112	112
Impairment loss	(677)	–	(677)
At 31 December 2016	3,149	1,472	4,621
<b>Amortisation</b>			
At 1 January 2015	–	1,164	1,164
Amortisation for the year	–	24	24
At 31 December 2015/1 January 2016	–	1,188	1,188
Amortisation for the year	–	35	35
At 31 December 2016	–	1,223	1,223
<b>Carrying amounts</b>			
At 1 January 2015	3,826	163	3,989
At 31 December 2015/1 January 2016	3,826	172	3,998
At 31 December 2016	3,149	249	3,398

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Intangible Assets (continued)

#### (a) Impairment testing for cash-generating units containing goodwill

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

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

Value-in-use was determined using cash flow projections based on financial budgets approved by the Board of Directors, covering a period of one year. Cash flow projections for the period beyond the period of one year are extrapolated using 0% growth rate (2015: 0%). The key assumptions used for value-in-use calculations are:

- The subsidiaries will continue their operations indefinitely.
- The size of operations will remain at least at the same level as current results.
- The discount rate of 5.20% (2015: 6.00%) applied has incorporated elements of time value of money and business risk.

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

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

<b>Company</b>	<b>Patents and trademarks RM'000</b>
<b>Cost</b>	
At 1 January 2015	1,084
Additions	8
At 31 December 2015/1 January 2016	1,092
Additions	8
At 31 December 2016	1,100
<b>Amortisation</b>	
At 1 January 2015	1,025
Amortisation for the year	9
At 31 December 2015/1 January 2016	1,034
Amortisation for the year	10
At 31 December 2016	1,044
<b>Carrying amounts</b>	
At 1 January 2015	59
At 31 December 2015/1 January 2016	58
At 31 December 2016	56

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. Investments In Subsidiaries

	Company	
	2016 RM'000	2015 RM'000
<b>At cost</b>		
Unquoted shares	38,715	38,715
Less: Impairment loss	(6,767)	(6,767)
	31,948	31,948

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
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.	Malaysia	Property development and property investment	100	100
Mayer Marketing (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Mistral (Singapore) Pte. Ltd. *	Singapore	Trading in household electrical and electronic appliances	100	100
Khind Middle East FZE * #	United Arab Emirates	Trading in electrical home appliances	100	100
Khind Systems (Singapore) Pte. Ltd. *	Singapore	Supply of power distribution and protection solutions, electrical goods, environmental hygiene and pest control service	100	100

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. Investments In Subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
Khind Electrical & Environmental (Singapore) Pte. Ltd. * ##	Singapore	Dormant	100	100
Khind Electrical (Hong Kong) Limited * ##	Hong Kong	Trading in electrical products and building materials	100	100
Khind Electrical (Guangzhou) Limited * ###	China	Dormant	100	100
Mayer Marketing Pte. Ltd. *	Singapore	Trading in electrical home appliances and household goods	100	100
Mayer Marketing Sdn. Bhd. * ####	Brunei	Dormant	99.9	99.9

\* Not audited by RSM Malaysia.

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

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

### The entire equity interest is held by the Company's subsidiary, Khind Electrical (Hong Kong) Limited.

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

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

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

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	534	1,137	(2,970)	(3,247)	(2,436)	(2,110)
Provisions	3,089	2,895	–	–	3,089	2,895
Tax loss carry-forwards	326	871	–	–	326	871
Unutilised capital allowance carry-forwards	4	32	–	–	4	32
Others	–	–	(114)	(224)	(114)	(224)
Tax assets/(liabilities)	3,953	4,935	(3,084)	(3,471)	869	1,464
Set off of tax	(1,236)	(1,591)	1,236	1,591	–	–
Net tax assets/(liabilities)	2,717	3,344	(1,848)	(1,880)	869	1,464

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

#### Unrecognised deferred tax assets

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deductible temporary differences	(6,590)	(8,065)	(7,650)	(7,607)
Tax loss carry-forwards	(28,940)	(22,635)	(12,391)	(9,813)
Unutilised capital allowance carry-forwards	(1,925)	(1,586)	(1,651)	(1,518)
	(37,455)	(32,286)	(21,692)	(18,938)
Tax at 24% (2015: 24%)	8,989	7,749	5,206	4,545

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

#### Movement in temporary differences during the year

Group	At	Recognised	At	Recognised	At
	1.1.2015 RM'000	in profit or loss (Note 22) RM'000	31.12.2015/ 1.1.2016 RM'000	in profit or loss (Note 22) RM'000	31.12.2016 RM'000
Property, plant and equipment	(2,192)	82	(2,110)	(326)	(2,436)
Provisions	3,321	(426)	2,895	194	3,089
Tax loss carry-forwards	631	240	871	(545)	326
Unutilised capital allowances carry-forwards	33	(1)	32	(28)	4
Others	(68)	(156)	(224)	110	(114)
	1,725	(261)	1,464	(595)	869

### 12. Inventories

	Group		
	Note	2016 RM'000	2015 RM'000
Properties under development	(a)	6,242	5,980
Raw materials		7,271	5,190
Work-in-progress		857	648
Manufactured inventories		69,177	63,998
		83,547	75,816
Recognised in profit or loss:			
Inventories recognised as cost of sales		222,324	219,761
Write-down to net realisable value		883	817
Reversal of write-down		(249)	(216)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. Inventories (continued)

#### (a) Properties under development

Properties under development consist of the following:

	Note	Group	
		2016 RM'000	2015 RM'000
Land costs	(i)	5,489	5,489
Construction costs incurred		753	491
		6,242	5,980

#### (i) Land costs

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

### 13. Other investments

	Shares quoted in Malaysia RM'000	Trust funds RM'000	Mutual Funds RM'000	Total RM'000
<b>Group</b>				
<b>2016</b>				
<b>Current</b>				
Financial assets at fair value through profit or loss:				
– Held for trading	238	1,253	506	1,997
Market value of quoted investments	238	1,253	506	1,997
<b>2015</b>				
<b>Current</b>				
Financial assets at fair value through profit or loss:				
– Held for trading	229	1,248	–	1,477
Market value of quoted investments	229	1,248	–	1,477
<b>Company</b>				
<b>2016</b>				
<b>Current</b>				
Financial assets at fair value through profit or loss:				
– Held for trading	–	1,253	–	1,253
Market value of quoted investments	–	1,253	–	1,253
<b>2015</b>				
<b>Current</b>				
Financial assets at fair value through profit or loss:				
– Held for trading	–	1,248	–	1,248
Market value of quoted investments	–	1,248	–	1,248

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**14. Trade and Other Receivables**

	Group		Company		
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current</b>					
<b>Trade</b>					
Trade receivables		64,968	67,226	–	–
Less: Allowance for impairment loss		(4,159)	(4,333)	–	–
		60,809	62,893	–	–
<b>Non-trade</b>					
Amount due from subsidiaries		–	–	44,174	43,369
Less: Allowance for impairment loss		–	–	(9,621)	(4,247)
	(a)	–	–	34,553	39,122
Other receivables	(b)	8,248	4,210	46	22
Deposits		1,301	1,694	16	16
Prepayments		1,477	1,460	635	503
		11,026	7,364	697	541
		71,835	70,257	35,250	39,663

**(a) Amount due from subsidiaries**

Amount due from subsidiaries are in respect of advances and payments made on behalf, which are unsecured and repayable on demand. Advances fully repaid during the year (2015: RM890,957) are subject to interest at 4% (2015: 4%) per annum.

**(b) Other receivables**

Included in other receivables is an amount of RM6,515,763 (2015: RM3,340,999) being advances paid for the purchases of inventories.

**15. Cash and Cash Equivalents**

	Group		Company		
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances		31,926	32,624	5,029	4,530
Deposits placed with licensed banks		6,441	4,836	–	–
Balance as stated in the Statements of Financial Position		38,367	37,460	5,029	4,530
Secured bank overdrafts		(198)	(389)	–	–
Unsecured bank overdrafts		(3,452)	(2,012)	–	–
Balance for Statements of Cash Flows purposes		34,717	35,059	5,029	4,530

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16. Share Capital

Group and Company	Number of shares 2016 '000	Amount 2016 RM'000	Number of shares 2015 '000	Amount 2015 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.

### 17. Loans and Borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-current</b>				
Secured term loans	33,406	28,547	7,298	7,632
Finance lease liabilities	1,563	1,455	24	65
	34,969	30,002	7,322	7,697
<b>Current</b>				
Secured term loans	2,007	1,738	359	345
Finance lease liabilities	773	840	41	39
Secured bank overdrafts	198	389	–	–
Unsecured bank overdrafts	3,452	2,012	–	–
Unsecured bankers' acceptances	37,136	44,083	–	–
	43,566	49,062	400	384
	78,535	79,064	7,722	8,081

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. Loans and Borrowings (continued)

#### Security

The secured term loans of the subsidiaries are:

- (i) secured by way of fixed charges over the Group's leasehold land and office buildings (see Note 6); and
- (ii) supported by corporate guarantees from the Company.

The secured term loans of the Group and of the Company are:

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

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

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

#### Significant covenants for the term loans

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

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

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000
<b>Group</b>						
Less than one year	894	121	773	952	112	840
Between one and five years	1,699	136	1,563	1,575	120	1,455
	2,593	257	2,336	2,527	232	2,295
<b>Company</b>						
Less than one year	43	2	41	43	4	39
Between one and five years	24	–	24	67	2	65
	67	2	65	110	6	104

Included in the Group's finance lease liabilities are leases of production equipment amounting to RM1,195,406 (2015: RM1,327,000) expiring from one to five years.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18. Trade and Other Payables

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Trade</b>					
Trade payables		17,592	15,030	–	–
<b>Non-trade</b>					
Amount due to subsidiaries	(a)	–	–	208	85
Other payables	(b)	14,845	7,058	30	71
Accrued expenses	(c)	25,915	30,854	1,247	1,247
		40,760	37,912	1,485	1,403
		58,352	52,942	1,485	1,403

**(a) Amount due to subsidiaries**

Amount due to subsidiaries are mainly in respect of advances, which are unsecured, interest free (2015: interest bearing at 4%) and repayable on demand.

**(b) Other payables**

Included in other payables is an amount of RM1,965,562 (2015: RM2,403,521) being advances received for sale of inventories.

**(c) Accrued expenses**

Included in accrued expenses is an amount of RM393,000 (2015: RM947,000) being provision for warranties. The movement is shown below:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	947	1,554
Provisions made during the year	393	947
Provisions used during the year	(767)	(887)
Provisions reversed during the year	(180)	(667)
At 31 December	393	947

**Warranties**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**19. Revenue**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods	356,292	337,768	–	–
Management fees	–	–	7,644	7,786
Dividends	–	–	9,178	11,814
	356,292	337,768	16,822	19,600

**20. Finance Income**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
– deposits placed with licensed banks	332	295	33	67
– advances to subsidiaries	–	–	5	36
	332	295	38	103

**21. Finance Costs**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
– term loans	1,231	1,415	385	405
– bank overdrafts	143	137	–	–
– other borrowings	2,057	1,908	11	6
	3,431	3,460	396	411

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. Taxation

#### Recognised in profit or loss

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current tax expense</b>				
Malaysian – current year	2,754	3,084	–	–
– prior year	(1,188)	(205)	–	–
Overseas – current year	261	228	–	–
– prior year	(120)	(386)	–	–
	1,707	2,721	–	–
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	651	33	–	–
(Over)/Under provision in prior year	(56)	228	–	–
	595	261	–	–
	2,302	2,982	–	–
<b>Reconciliation of tax expense</b>				
Profit before taxation	12,088	9,162	113	11,100
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	2,901	2,290	27	2,775
Non-deductible expenses	782	901	1,515	286
Tax exempt income	(235)	(150)	(2,203)	(3,795)
Effect of tax rates in foreign jurisdictions	(1,195)	(967)	–	–
Temporary differences not recognised, net change	1,240	1,857	661	692
Other items	173	(586)	–	42
	3,666	3,345	–	–
Over provision in prior year	(1,364)	(363)	–	–
	2,302	2,982	–	–

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 23. Profit for the Financial Year

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit for the financial year is arrived at after charging:</b>					
Amortisation on:					
– Intangible assets	9	35	24	10	9
– Prepaid lease payments	7	199	198	–	–
Auditors' remuneration:					
Audit fees					
RSM Malaysia		173	–	31	–
Other auditors		135	324	–	31
Non-audit fees		31	15	20	15
Bad debts written off		6	15	–	–
Depreciation on property, plant and equipment	6	4,898	4,596	246	299
Depreciation on investment property	8	62	61	62	61
Loss on disposal of property, plant and equipment		–	24	–	–
Impairment loss on trade and other receivables	27	301	3,213	5,374	–
Impairment loss on intangible assets	9	677	–	–	–
Personnel expenses (including key management personnel):					
– Contributions to Employees' Provident Fund		5,955	5,457	813	826
– Wages, salaries and others		53,559	49,109	6,547	6,658
Rental of premises		4,141	5,305	330	324
Realised foreign exchange loss		667	2,022	–	88
Write-down of inventories	12	883	817	–	–
Provision for warranties	18	393	947	–	–
<b>and after crediting:</b>					
Dividend income from subsidiaries (unquoted)		–	–	9,178	11,814
Reversal of impairment loss on trade and other receivables	27	36	146	–	–
Foreign exchange gain:					
– Realised		1,222	946	57	–
– Unrealised		412	647	122	107
Inter-company management fees	19	–	–	7,644	7,786
Rental income of premises		107	84	60	84
Net fair value gain arising on financial assets:					
– Other investments		20	186	5	152
Gain on disposal of property, plant and equipment		18	–	–	3,159
Reversal of write-down of inventories	12	249	216	–	–
Reversal of provision for warranties	18	180	667	–	–

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24. Earnings Per Ordinary Share

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shares and a weighted average number of ordinary shares outstanding, calculated as follows:

#### Profit attributable to ordinary shareholders

	Group	
	2016	2015
Profit for the year attributable to owners of the Company (RM'000)	9,786	6,180
Weighted average number of ordinary shares at 31 December ('000)	40,059	40,059
Basic earnings per ordinary share (sen)	24.43	15.43

#### Diluted earnings per ordinary share

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

### 25. Dividend

#### Dividend recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2016</b>			
Interim 2016 ordinary	10.00	4,006	7 October 2016
<b>2015</b>			
Interim 2015 ordinary	7.00	2,804	29 October 2015

### 26. Operating Segments

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

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

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

#### Segment assets

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

#### Segment liabilities

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

#### Segment capital expenditure

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**26. Operating segments (continued)**

Group	Investment holding		Trading and service		Manufacturing		Eliminations		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Segment profit</b>										
External revenue										
– Malaysia	–	–	160,121	157,236	13,104	14,082	–	–	173,225	171,318
– Outside Malaysia	–	–	173,095	156,297	9,972	10,153	–	–	183,067	166,450
Total external revenue	–	–	333,216	313,533	23,076	24,235	–	–	356,292	337,768
Inter-segment revenue	16,822	19,600	5,942	6,849	59,269	52,934	(82,033)	(79,383)	–	–
Total segment revenue	16,822	19,600	339,158	320,382	82,345	77,169	(82,033)	(79,383)	356,292	337,768
Segment profit	471	11,408	14,170	5,722	5,737	8,317	(5,191)	(13,120)	15,187	12,327
Finance income									332	295
Finance costs									(3,431)	(3,460)
Profit before taxation									12,088	9,162
Tax expense									(2,302)	(2,982)
Profit for the year									9,786	6,180
<b>Group Segment assets</b>										
Segment assets	10,274	9,828	209,621	201,915	44,666	40,105	–	–	264,561	251,848
Unallocated assets									3,906	5,016
Total assets									268,467	256,864
<b>Liabilities</b>										
Segment liabilities	8,999	9,399	101,522	102,380	26,365	20,227	–	–	136,886	132,006
Unallocated liabilities									2,395	2,690
Total liabilities									139,281	134,696
<b>Capital expenditure</b>										
Capital expenditure	97	152	4,334	5,102	3,200	2,069	–	–	7,631	7,323
Depreciation and amortisation	318	369	3,212	2,923	1,740	1,664	(76)	(77)	5,194	4,879

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. Operating segments (continued)

#### Geographical segments

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

Geographical information Group	Revenue RM'000	Non-current assets RM'000
<b>2016</b>		
Malaysia	173,225	46,430
Singapore	119,868	19,351
United Arab Emirates	48,201	3,024
Other countries	14,998	10
	356,292	68,815
<b>2015</b>		
Malaysia	171,318	45,431
Singapore	109,280	19,641
United Arab Emirates	41,951	1,728
Other countries	15,219	38
	337,768	66,838

### 27. Financial Instruments

#### (A) Categories of financial instruments

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

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

2016	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL-HFT RM'000
<b>Financial assets</b>				
<b>Group</b>				
Other investments	13	1,997	–	1,997
Trade and other receivables *		63,842	63,842	–
Cash and cash equivalents	15	38,367	38,367	–
		104,206	102,209	1,997
<b>Company</b>				
Other investments	13	1,253	–	1,253
Trade and other receivables *		34,615	34,615	–
Cash and cash equivalents	15	5,029	5,029	–
		40,897	39,644	1,253

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Financial instruments (continued)

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

2016	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL- HFT RM'000
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	17	(78,535)	(78,535)	–
Trade and other payables *		(55,993)	(55,993)	–
		(134,528)	(134,528)	–
<b>Company</b>				
Loans and borrowings	17	(7,722)	(7,722)	–
Trade and other payables	18	(1,485)	(1,485)	–
		(9,207)	(9,207)	–
<b>2015</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other investments	13	1,477	–	1,477
Trade and other receivables *		65,456	65,456	–
Cash and cash equivalents	15	37,460	37,460	–
		104,393	102,916	1,477
<b>Company</b>				
Other investments	13	1,248	–	1,248
Trade and other receivables *		39,160	39,160	–
Cash and cash equivalents	15	4,530	4,530	–
		44,938	43,690	1,248
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	17	(79,064)	(79,064)	–
Trade and other payables *		(49,591)	(49,591)	–
		(128,655)	(128,655)	–
<b>Company</b>				
Loans and borrowings	17	(8,081)	(8,081)	–
Trade and other payables	18	(1,403)	(1,403)	–
		(9,484)	(9,484)	–

\* Excluding non-financial instrument balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Financial instruments (continued)

#### (B) Net gains and losses arising from financial instruments:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Net gains/(losses) on:</b>				
Fair value through profit or loss:				
– Held for trading	18	192	5	152
Loans and receivables	834	(2,785)	(5,157)	210
Financial liabilities measured at amortised cost	(3,131)	(3,890)	(396)	(499)
	(2,279)	(6,483)	(5,548)	(137)

#### (C) Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

#### (D) Credit risk

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

##### (i) Receivables

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

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

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

*Exposure to credit risk, credit quality and collateral*

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

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

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

	Group	
	2016 RM'000	2015 RM'000
Domestic	34,997	37,024
Asia	19,173	21,497
Middle-East	6,470	4,372
Others	169	–
	60,809	62,893

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Financial instruments (continued)

#### (D) Credit risk (continued)

##### (i) Receivables (continued)

###### Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2016</b>			
Not past due	48,141	–	48,141
Past due 0-30 days	4,095	–	4,095
Past due 31-120 days	4,665	–	4,665
Past due more than 120 days	8,067	(4,159)	3,908
	64,968	(4,159)	60,809
<b>2015</b>			
Not past due	45,008	–	45,008
Past due 0-30 days	6,996	–	6,996
Past due 31-120 days	7,088	(12)	7,076
Past due more than 120 days	8,134	(4,321)	3,813
	67,226	(4,333)	62,893

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

	Group	
	2016 RM'000	2015 RM'000
At 1 January	4,333	2,349
Impairment loss recognised	301	3,213
Impairment loss reversed	(36)	(146)
Impairment loss written off	(457)	(1,216)
Translation differences	18	133
At 31 December	4,159	4,333

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

##### (ii) 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)

### 27. Financial instruments (continued)

#### (D) Credit risk (continued)

##### (ii) Investments and other financial assets (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 investments and other financial assets are unsecured.

##### (iii) Financial guarantees

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

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

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM170,458,000 (2015: RM168,423,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

##### (iv) Inter-company advances

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

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

*Exposure to credit risk, credit quality and collateral*

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

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

*Impairment losses*

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

#### (E) 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)

### 27. Financial instruments (continued)

#### (E) 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 amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2016</b>							
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Secured term loans	35,413	3.79%-5.15%	48,635	3,557	3,883	10,078	31,117
Finance lease liabilities	2,336	2.38%-4.46%	2,593	894	1,012	687	–
Secured bank overdraft	198	7.22%	198	198	–	–	–
Unsecured bank overdraft	3,452	4.99%-7.81%	3,452	3,452	–	–	–
Unsecured bankers' acceptances	37,136	3.93%-7.95%	37,136	37,136	–	–	–
Trade and other payables*	55,993	–	55,993	55,993	–	–	–
	134,528		148,007	101,230	4,895	10,765	31,117
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Secured term loans	7,657	4.85%-5.15%	11,114	711	711	2,133	7,559
Finance lease liabilities	65	2.38%	67	43	24	–	–
Trade and other payables	1,485	–	1,485	1,485	–	–	–
Financial guarantees	–	–	170,458	170,458	–	–	–
	9,207		183,124	172,697	735	2,133	7,559
<b>2015</b>							
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Secured term loans	30,285	1.88%-8.10%	42,344	2,998	2,998	9,600	26,748
Finance lease liabilities	2,295	2.38%-6.56%	2,527	952	765	810	–
Secured bank overdraft	389	7.60%	389	389	–	–	–
Unsecured bank overdraft	2,012	7.85%-8.85%	2,012	2,012	–	–	–
Unsecured bankers' acceptances	44,083	4.31%-6.50%	44,104	44,104	–	–	–
Trade and other payables*	49,591	–	49,591	49,591	–	–	–
	128,655		140,967	100,046	3,763	10,410	26,748
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Secured term loans	7,977	4.60%-4.90%	11,478	711	711	2,133	7,923
Finance lease liabilities	104	2.38%	110	43	43	24	–
Trade and other payables	1,403	–	1,403	1,403	–	–	–
Financial guarantees	–	–	168,423	168,423	–	–	–
	9,484		181,414	170,580	754	2,157	7,923

\* Excluding non-financial instrument balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Financial instruments (continued)

#### (F) Market risk

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

#### (i) Currency risk

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

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

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

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

*Exposure to foreign currency risk*

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

Group	Denominated in			
	EUR RM'000	USD RM'000	RM RM'000	Others RM'000
<b>2016</b>				
Trade and other receivables	–	810	–	60
Loans and borrowings	(396)	(2,227)	–	–
Trade and other payables	(58)	(9,522)	–	(29)
<b>Net exposure</b>	<b>(454)</b>	<b>(10,939)</b>	<b>–</b>	<b>31</b>
<b>2015</b>				
Trade and other receivables	–	6,321	–	1,006
Loans and borrowings	(3,552)	–	–	–
Trade and other payables	(62)	(7,656)	(434)	(3)
<b>Net exposure</b>	<b>(3,614)</b>	<b>(1,335)</b>	<b>(434)</b>	<b>1,003</b>

*Currency risk sensitivity analysis*

A 10% (2015: 10%) strengthening of Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	Profit or loss	
	2016 RM'000	2015 RM'000
EUR	35	271
USD	831	100
Others	(2)	(75)

A 10% (2015: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Financial instruments (continued)

#### (F) Market risk (continued)

##### (ii) Interest rate risk

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

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

The Group 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 not considered to be significant.

*Exposure to interest rate risk*

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Fixed rate instruments</b>				
Financial assets	6,441	4,836	–	–
Financial liabilities	(2,336)	(2,295)	(65)	(104)
	4,105	2,541	(65)	(104)
<b>Floating rate instruments</b>				
Financial liabilities	(76,199)	(76,769)	(7,657)	(7,977)

*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 increased/ (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	Profit or loss		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
<b>2016</b>				
Floating rate instruments	(579)	579	(58)	58
<b>2015</b>				
Floating rate instruments	(576)	576	(60)	60

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Financial instruments (continued)

#### (F) Market risk (continued)

##### (iii) Other price risk

Equity price risk arises from the Group's 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% (2015: 10%) strengthening/weakening in FBMKLCI at the end of the reporting period would have insignificant impact to equity and profit or loss respectively.

#### (G) Fair value information

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

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

2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Group</b>										
<b>Financial assets</b>										
Investment in mutual fund	–	506	–	506	–	–	–	–	506	506
Investment in trust fund	–	1,253	–	1,253	–	–	–	–	1,253	1,253
Investment in quoted shares	238	–	–	238	–	–	–	–	238	238
	238	1,759	–	1,997	–	–	–	–	1,997	1,997
<b>Financial liabilities</b>										
Finance lease liabilities	–	–	–	–	–	–	(2,336)	(2,336)	(2,336)	(2,336)
Secured term loans	–	–	–	–	–	–	(35,036)	(35,036)	(35,036)	(35,413)
	–	–	–	–	–	–	(37,372)	(37,372)	(37,372)	(37,749)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**27. Financial instruments (continued)**
**(G) Fair value information (continued)**

2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Company</b>										
<b>Financial assets</b>										
Investment in trust fund	–	1,253	–	1,253	–	–	–	–	1,253	1,253
<b>Financial liabilities</b>										
Finance lease liabilities	–	–	–	–	–	–	(66)	(66)	(66)	(65)
Secured term loans	–	–	–	–	–	–	(7,546)	(7,546)	(7,546)	(7,657)
	–	–	–	–	–	–	(7,612)	(7,612)	(7,612)	(7,722)
<b>2015</b>										
<b>Group</b>										
<b>Financial assets</b>										
Investment in trust fund	–	1,248	–	1,248	–	–	–	–	1,248	1,248
Investment in quoted shares	229	–	–	229	–	–	–	–	229	229
	229	1,248	–	1,477	–	–	–	–	1,477	1,477
<b>Financial liabilities</b>										
Finance lease liabilities	–	–	–	–	–	–	(2,293)	(2,293)	(2,293)	(2,295)
Secured term loans	–	–	–	–	–	–	(29,096)	(29,096)	(29,096)	(30,285)
	–	–	–	–	–	–	(31,389)	(31,389)	(31,389)	(32,580)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Financial instruments (continued)

#### (G) Fair value information (continued)

2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Company</b>										
<b>Financial assets</b>										
Investment in trust fund	–	1,248	–	1,248	–	–	–	–	1,248	1,248
<b>Financial liabilities</b>										
Finance lease liabilities	–	–	–	–	–	–	(106)	(106)	(106)	(104)
Secured term loans	–	–	–	–	–	–	(7,798)	(7,798)	(7,798)	(7,977)
	–	–	–	–	–	–	(7,904)	(7,904)	(7,904)	(8,081)

#### 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 (2015: no transfer in either directions).

#### Level 3 fair value

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

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

#### Financial instruments not carried at fair value

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

#### Valuation processes applied by the Group for Level 3 fair value

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. Capital Management

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

The debt-to-equity ratios at 31 December 2016 and at 31 December 2015 were as follows:

	<b>Group</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Total loans and borrowings (Note 17)	78,535	79,064
Less: Cash and cash equivalents (Note 15)	(38,367)	(37,460)
Net debt	40,168	41,604
Total equity	129,186	122,168
Debt-to-equity ratio	0.31	0.34

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

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

### 29. Operating Leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	<b>Group</b>	
	<b>2015 RM'000</b>	<b>2015 RM'000</b>
Less than one year	2,972	2,915
Between one and five years	1,157	2,302
	4,129	5,217

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

#### Leases as lessor

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

	<b>Group and Company</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Less than one year	–	60

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30. Capital and Other Commitments

	Group	
	2016 RM'000	2015 RM'000
<b>Contracted but not provided for:</b>		
Land and building	2,508	–
Acquisition of property, plant and equipment	315	–
	2,823	–

### 31. Contingencies

	Company	
	2016 RM'000	2015 RM'000
<b>Guarantees - unsecured</b>		
Guarantees and contingencies relating to borrowings of subsidiaries	170,458	168,423

### 32. Related Parties Disclosures

#### 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 has related party relationships with its subsidiaries and key management personnel.

#### Significant related party transactions

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

	Company	
	2016 RM'000	2015 RM'000
<b>A. Subsidiaries</b>		
– Management fee income	(7,643)	(7,786)
– Purchases	29	–
– Rental expense	290	294
– Interest income on advances	(5)	(36)
– Sale of land	–	(11,000)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 32. Related Parties Disclosures (continued)

#### Significant related party transactions (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>B. Key management personnel</b>				
<b>Directors</b>				
– Remuneration	4,245	4,773	1,501	1,672
– Fees	216	216	216	216
– Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	1,199	1,536	554	541
	5,660	6,525	2,271	2,429
<b>Other key management personnel</b>				
– Remuneration	–	–	1,291	1,394
– Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	–	–	298	302
	–	–	1,589	1,696
	5,660	6,525	3,860	4,125

### 33. Subsequent Event

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

### 34. Other Information

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.
- (b) The registered office of the Company is located at:
- Unit 30-01, Level 30, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur
- (c) The principal place of business of the Company is located at:
- No. 2, Jalan Astaka U8/82  
Seksyen U8, Bukit Jelutong  
40150 Shah Alam  
Selangor Darul Ehsan
- (d) The financial statements are expressed in Ringgit Malaysia. All financial information has been rounded to the nearest thousand, unless otherwise stated.

### 35. Approval Of Financial Statements

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 10 April 2017.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 36. Supplementary Financial Information on the Breakdown of Realised and Unrealised Profits or Losses

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 31 December are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
– realised	73,757	70,002	27,118	31,147
– unrealised	1,786	1,851	395	259
	75,543	71,853	27,513	31,406
Add: Consolidation adjustments	4,400	2,310	–	–
Total retained earnings	79,943	74,163	27,513	31,406

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

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the directors of **KHIND HOLDINGS BERHAD (380310-D)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 46 to 96 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In the opinion of the directors, the information set out in Note 36 on page 97 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**

Director

Kuala Lumpur,

Date: 10 April 2017

**CHENG PING KEAT**

Director

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Cheng Ping Keat**, being the director primarily responsible for the financial management of **KHIND HOLDINGS BERHAD (380310-D)** do solemnly and sincerely declare that the financial statements set out on pages 46 to 97 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.

**CHENG PING KEAT**

Subscribed and solemnly declared  
by the abovenamed at Kuala Lumpur  
in the Federal Territory on 10 April 2017

Before me

**S. ARULSAMY**

W-490

Commissioner for Oaths  
Kuala Lumpur, Malaysia

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHIND HOLDINGS BERHAD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Khind Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 96.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were audited by another firm of chartered accountants whose report dated 7 April 2016 expressed an unmodified opinion.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Inventory write-down</b></p> <p><i>Refer to Note 3(i) – Significant Accounting Policies, Note 5(d) – Significant Accounting Estimates and Judgements and Note 12 – Inventories</i></p> <p>As at 31 December 2016, included in the carrying values of the inventories of the Group are raw materials and manufactured inventories amounting to RM7.3million and RM69.2million respectively.</p> <p>We focused on the amount of write-down of inventories recognised as an expense in the current financial year as it involves significant management judgement in determining the estimated net realisable value of inventories.</p> <p>The Group's evaluation process in assessing the adequacy of inventory write-downs as described in Note 5(d) to the financial statements include ageing analysis, technical assessment and subsequent events. Accordingly, there is a level of judgement in assessing the inventory provision.</p>	<p><b>The details of our work performed are as follows:</b></p> <ul style="list-style-type: none"> <li>We have reviewed the Group's inventory provisioning policy and ascertained that it remained appropriate for the Group's circumstances;</li> <li>We have tested the inventory ageing reports on sampling basis in order to place reliance on the Group's ageing report as a basis for provisions made;</li> <li>We have selected items of inventories on sampling basis and test checked against the transacted price after year end; and</li> <li>We attended physical inventory counts at all locations within scope.</li> </ul> <p>Based on our procedures performed above, we did not find any material exceptions in the inventory provisioning policy and management assessment on the net realisable value of inventories.</p>

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHIND HOLDINGS BERHAD (CONTINUED)

### Report on the Audit of the Financial Statements (continued)

#### *Information Other than the Financial Statements and Auditors' Report Thereon*

The directors of the Company are responsible for the other information. The other information comprises the Chairman and Group Chief Executive Officer's Joint Statement, Management Discussion and Analysis, Statement on Risk Management and Internal Control, Directors' Report and List of Properties held by the Group, which we obtained prior to the date of this auditors' report, and other sections included in the annual report which are expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHIND HOLDINGS BERHAD (CONTINUED)

### Report on the Audit of the Financial Statements (continued)

#### *Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

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

- 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.
- 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 10 to the financial statements, being accounts that have been included in the consolidated accounts.
- 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.
- 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.

#### *Other Reporting Responsibilities*

The supplementary information set out in Note 36 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**RSM Malaysia**  
AF: 0768  
Chartered Accountants

**Lou Hoe Yin**  
3120/04/18(J)  
Chartered Accountant

Kuala Lumpur,  
10 April 2017

## STATISTICS ON SHAREHOLDINGS AS AT 31 MARCH 2017

### SUBSTANTIAL SHAREHOLDERS – Based on the Register of Substantial Shareholders as at 31 March 2017

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

Note:

\* Deemed interest by virtue of his shareholdings in Kee Hin Ventures Sdn. Bhd.

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

### ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2017

Issued and Paid-up capital	:	RM40,059,000.00
Class of Shares	:	Ordinary Shares
Voting Rights per share	:	One vote per Ordinary Share
No. of Shareholders	:	1,103

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of Issued capital
Less than 100	166	15.05	5,681	0.01
100 – 1,000	158	14.32	105,961	0.26
1,001 – 10,000	653	59.20	2,167,587	5.41
10,001 – 100,000	104	9.43	2,699,543	6.74
100,001 to < 5% of issued shares	18	1.63	11,787,872	29.43
5% and above of issued shares	4	0.37	23,292,356	58.15
<b>Total</b>	<b>1,103</b>	<b>100.00</b>	<b>40,059,000</b>	<b>100.00</b>

## STATISTICS ON SHAREHOLDINGS AS AT 31 MARCH 2017 (CONTINUED)

### THIRTY LARGEST SHAREHOLDERS – per Register of Depositors as at 31 March 2017

Names of Shareholders	No. of Shares held	% of Issued capital
1. Kee Hin Ventures Sdn. Bhd.	15,371,967	38.37
2. Cheng Ping Keat	2,725,720	6.80
3. Federlite Holdings Sdn. Bhd.	2,692,600	6.72
4. Koh Guat Kuan	2,165,199	5.41
5. Cheng King Fa	1,932,601	4.82
6. Imartech Industries Sdn. Bhd.	1,568,000	3.91
7. BI Nominees (Tempatan) Sdn. Bhd. (Md. Azmi bin Lop Yusof)	1,469,935	3.67
8. Airex Industries Sdn. Bhd.	1,110,667	2.77
9. Teo Kwee Hock	797,400	1.99
10. Cheng Yoke Leng	652,333	1.63
11. Cheng Yoke Kan	607,000	1.52
12. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad for Hong Leong Consumer Products Sector Fund]	545,000	1.36
13. Lim Ah Dek	514,800	1.28
14. Amsec Nominees (Tempatan) Sdn. Bhd. [Pledged securities account – Ambank (M) Berhad for Lee Ah Lan @ Lee Keok Hooi (SMART)]	460,000	1.15
15. JF Apex Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Teo Siew Lai (MARGIN)]	440,900	1.10
16. Cheng Hup	381,769	0.95
17. Koh Eng Thye	379,367	0.95
18. Kee Hin Ventures Sdn. Bhd.	336,870	0.84
19. CIMB Group Nominees (Asing) Sdn. Bhd. [Exempt An for DBS Bank Ltd (SFS)]	257,900	0.64
20. Yayasan Kelantan Darulnaim	245,000	0.61
21. Soh Chak Boo	155,500	0.39
22. Cheing Boon Ngoun @ Chean Puan In	150,367	0.38
23. Cheng Kin Yet	114,333	0.29
24. Adviable Ventures Sdn Bhd	100,000	0.25
25. Hoon Choo	92,400	0.23
26. Heng Sin Tok	88,333	0.22
27. Perbadanan Kemajuan Negeri Kedah	88,200	0.22
28. Khind Industries Sdn Bhd	86,500	0.22
29. Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Ooi Kin Chong @ Ooi Kin Chong (E-SPI/ASR)]	79,000	0.20
30. Public Invest Nominees (Asing) Sdn Bhd [Exempt An for Philip Securities Pte Ltd (CLIENTS)]	66,667	0.17
	<b>35,676,328</b>	<b>89.06</b>

**STATISTICS ON SHAREHOLDINGS AS AT 31 MARCH 2017 (CONTINUED)**
**DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017**

Pursuant to the Companies Act 2016, 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	1,932,601	4.82	–	–	1,304,124#	3.26
2. Cheng Ping Keat	2,725,720	6.80	15,708,837*	39.21	2,165,199^	5.41
3. Lee Ah Lan @ Lee Keok Hooi	460,000	1.15	–	–	–	–
4. Kamil Bin Datuk Hj. Abdul Rahman	–	–	–	–	–	–
5. Wong Chin Mun	–	–	–	–	–	–

Note:

# Deemed interest by virtue of his spouse and children's direct shareholdings.

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

^ Deemed interest by virtue of his spouse's direct shareholdings.

## LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2016

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (years)	Net Book Value @ 31.12.2016 (RM'000)
PT124 No. 2 Jalan Perusahaan 2 Off Jalan Bernam 45400 Sekinchan Selangor Darul Ehsan	192,853	Leasehold 99 years expiring on 2102	Factory, warehouse and office for Khind-Mistral Industries Sdn Bhd	(Land) 24.01.1989  (Building) 15.01.1991 - 01.07.1998	27 years  18 - 25 years	2,601  6,500
Lot 8243-8245, No. 15-17 Lee Chong Lin Industrial Estate Jalan Pending 93450 Kuching, Sarawak	7,084	Leasehold 60 years expiring on 2045	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	(Lot 8243) 31.03.1993 (Lot 8245) 19.08.1995	23 years  21 years	487
Lot 160 Sublot 2180-2181 Block 3 Piasau Industrial Estate 98000 Miri, Sarawak	8,241	Expiring on 2053	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.09.2004	12 years	669
Lot Pt 2531 held under HS(D) 1854 Pekan Bagan Nakhoda Omar District of Sabak Bernam Selangor	832,911	Leasehold 60 years expiring on 2064	Industrial land presently planted with oil palm	18.11.2008	8 years	428
Lot 3, 4, 5, 6 Mogoputi Industrial Park Kota Kinabalu, Sabah	11,040	Leasehold 99 years expiring on 2097	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.08.2000	16 years	1,387
Lot 1214, Section 66 Jalan Perbadanan Off Bintawa Industrial Estate 93450 Kuching Sarawak	45,951	Leasehold expiring on 2056	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	09.09.2014	3 years	4,670
Plot 120, Bandar Perda held under HS(D) 121 No. PT123, Mukim 7 Daerah Seberang Prai Tengah, Penang	3,670	Freehold	Branch office and service centre for Khind-Mistral (M) Sdn Bhd	05.05.1999	17 years	390
PT No. 17671 held under HS(D) 142726 No. 2, Jalan Astaka U8/82 Seksyen U8, Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	25,112	Freehold	Office, service centre and showroom for Khind- Mistral (M) Sdn Bhd, Khind Alliances Sdn Bhd and export office for Khind- Mistral Industries Sdn Bhd	12.03.1999	17 years	3,206
Lot 64240 No.4 Jalan Astaka U8/82 Seksyen U8 Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	18,621	Freehold	Office for Khind Holdings Berhad	20.08.2000	16 years	1,973

**LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2015 (CONTINUED)**

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/Completion	Approx. age (years)	Net Book Value @ 31.12.2016 (RM'000)
71 Ubi Crescent #06-01, #06-02 #06-03, #06-04 Excalibur Centre Singapore 408571	9,784	Leasehold 60 years expiring on 2057	Office, service centre and showroom for Mistral (Singapore) Pte Ltd and Mayer Marketing Pte Ltd	30.01.2013	4 years	12,303
71 Ubi Crescent #06-09 Excalibur Centre Singapore 408571	2,799	Leasehold 60 years expiring on 2057	Office, service centre and showroom for Mistral (Singapore) Pte Ltd and Mayer Marketing Pte Ltd	26.08.2014	3 years	4,127
Lot 745, Block 16 Kuching Central Land District	59,125	Leasehold expiring on 2025	Vacant land	28.04.2010	7 years	1,702
Flat No: G11 & G12 Discovery Gardens MOGUL 226 Dubai, UAE	2,002	Freehold	Apartments for staff accommodations	12.05.2010	7 years	427
Unit 108 Autumn 1 Jumeirah Village Circle Dubai, UAE	953	Freehold	Apartments for staff accommodations	22.05.2014	3 years	842
Crescent Tower C, Me'aisem first International Media Production Zone Dubai, UAE	1,327	Freehold	Apartments for staff accommodations	24.08.2016	1 year	1,231
No.2A Jalan Astaka U8/84A Seksyen U8 Bukit Jelutong 40150 Shah Alam	5,339	Freehold	Semi detached factory building renting out to generate income	15.01.2010	7 years	2,843
PT 7725 held under HS(D) 204098 Mukim of Bukit Raja Daerah Petaling Selangor Darul Ehsan	65,340	Freehold	Vacant land	01.06.2010	7 years	7,841
No.45 & 45A Bercham Bistari 5 Medan Bercham Bistari 31400 Ipoh, Perak	3,080	Leasehold 99 years expiring on 2112	Branch Office, service centre for Khind-Mistral (M) Sdn Bhd	03.03.2015	2 years	631
No.377M & M1 Jalan Melor 1/1 Taman Peringgit Jaya 75400 Melaka	3,120	Leasehold 99 years expiring on 2076	Branch Office, service centre for Khind-Mistral (M) Sdn Bhd	08.08.2014	2 years	353
No.89, Jalan Teratai 10 Taman Johor Jaya, 81100 Johor Bahru, Johor	2,926	Freehold	Branch Office, service centre for Khind-Mistral (M) Sdn Bhd	11.02.2015	2 years	615

## KHIND GROUP OFFICES AND ADDRESSES

### PENINSULAR MALAYSIA

#### CORPORATE HEADQUARTER

- **Khind Holdings Berhad (380310-D)**

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

**Tel:** 603-7839 2000  
**Fax:** 603-7847 5301  
**Email:** enquiry@khind.com

#### BUSINESS OFFICE, SALES & MARKETING OPERATIONS

- **Khind-Mistral (M) Sdn Bhd (442421-A)**

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

**Tel:** 603-7839 2000  
**Fax:** 603-7845 6300 / 603-7847 5300  
**Email:** km.enquiry@khind.com

#### BRANCH OFFICES

##### Perak

No. 45 & 45A Bercham Bistari 5,  
Medan Bercham Bistari, 31400 Ipoh, Perak

**Tel:** 605-541 7520 / 605-541 5298  
**Fax:** 605-549 2016  
**Email:** kmm.ipo@khind.com

##### Melaka

No. 377M & M1, Jalan Melor 1/1,  
Taman Peringgit Jaya, 75400 Melaka

**Tel:** 606-281 5717 / 606-281 5723  
**Fax:** 606-281 5849  
**Email:** kmm.mko@khind.com

##### Johor

No. 89, Jln Teratai 10, Taman Johor Jaya,  
81100 Johor Bahru, Johor

**Tel:** 607-355 8991  
**Fax:** 607-353 8992  
**Email:** kmm.jbo@khind.com

- **Khind-Mistral Industries Sdn Bhd (213282-V)**

##### Factory

No. 2, Jalan Perusahaan 2, Off Jalan Bernam,  
45400 Sekinchan, Selangor Darul Ehsan, Malaysia

**Tel:** 603-3241 1991  
**Fax:** 603-3241 1500  
**Email:** kmi.enquiry@khind.com

- **Khind Alliances Sdn Bhd (811092-W)**

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

**Tel:** 603-7839 2000  
**Fax:** 603-7845 6300 / 603-7847 5300  
**Email:** kas.inquiry@khind.com

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

No. 35, Persiaran Industri, Bandar Sri Damansara,  
52200 Kuala Lumpur, Malaysia

**Tel:** 603-6276 8732  
**Fax:** 603-6272 1137  
**Email:** kemy.enquiry@khind.com

##### Penang Branch Office

18-17-E, Gurney Tower, Persiaran Gurney, 10250 Penang

**Tel:** 604-229 9394  
**Fax:** 604-226 6390  
**Email:** kemy.penang@khind.com

## KHIND GROUP OFFICES AND ADDRESSES (CONTINUED)

### EAST MALAYSIA

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

Lot 1214, Section 66, Jalan Perbadanan, Off Bintawa Industrial Estate, 93450 Kuching, Sarawak

**Tel:** 6082-338 511  
**Fax:** 6082-339 039  
**Email:** kmb.enquiry@khind.com

#### BRANCH OFFICES

##### Miri

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

**Tel:** 6085-662 533

**Fax:** 6085-654 933

**Email:** kmb.enquiry@khind.com

##### Tawau

TB 4315, Block 31, Lot 2, 3rd Floor Fajar Complex, Jalan Merdeka 2, 91000 Tawau, Sabah

**Tel:** 6089-763 100

**Fax:** 6089-763 100

**Email:** kmb.enquiry@khind.com

##### Kota Kinabalu

Lot 3-6, Mogoputi Industrial Park, Jalan Penampang KM 8, 89500 Kota Kinabalu, Sabah

**Tel:** 6088-718 117

**Fax:** 6088-716 637

**Email:** kmb.enquiry@khind.com

### OVERSEAS

- **Khind Middle East FZE (01020)**

FZS 1AA05, Jebel Ali Free Zone, P.O. Box 261569, Dubai, United Arab Emirates

**Tel:** 00-9714-886 0492  
**Fax:** 00-9714-886 0493  
**Email:** kme.enquiry@khind.com

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

71 Ubi Crescent, #06-01, Excalibur Centre, Singapore 408571

**Tel:** 65-6346 5233 / 65-6346 5122  
**Fax:** 65-6346 5560  
**Email:** mspl.enquiry@khind.com

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

71 Ubi Crescent, #06-04, Excalibur Centre, Singapore 408571

**Tel:** 65-6542 8383 / 65-6542 6868  
**Fax:** 65-6543 5152  
**Email:** mayer.enquiry@khind.com

- **Khind Systems (Singapore) Pte Ltd (196400399W)**

5, Penjuru Close, #03-00, Singapore 608600

**Tel:** 65-6862 3777  
**Fax:** 65-6862 8628  
**Email:** kesg.sales@khind.com

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

Unit D, 5/F, World Tech Centre, No. 95, How Ming Street, Kwun Tong, Kowloon, Hong Kong

**Tel:** 00-852-2833 6966  
**Fax:** 00-852-2838 0724  
**Email:** kehk.sales@khind.com

#### QUALITY ASSURANCE UNIT

##### Representative Office in P.R.C.

Room 303, No. 13 Building, Changcheng, Foshan City, Guangdong, P.R. China 528000

**Tel:** +86 757-8333 4980  
**Fax:** +86 757-8399 1493  
**Email:** fskhind@163.com

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-first Annual General Meeting (“AGM”) of **KHIND HOLDINGS BERHAD** will be convened at Conference Room, Second Floor, No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 May 2017 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 2016 and the Reports of the Directors and Auditors thereon.  | (Please see Note 1 of Explanatory Notes on Ordinary Business) |
| 2. | To re-elect Kamil bin Datuk Hj. Abdul Rahman who retires by rotation pursuant to Article 100 of the Company's Articles of Association, comprising part of the Constitution of the Company (“the Constitution”). | (Resolution 1)  |
| 3. | To approve the Directors' fees of RM252,000 for the financial year ending 31 December 2017. (2016: RM216,000)   | (Resolution 2)  |
| 4. | To approve the Directors' benefits of RM37,000 from 1 January 2017 until the next AGM of the Company.   | (Resolution 3)  |
| 5. | To re-appoint Cheng King Fa, whose term of office shall be expiring at the conclusion of this Twenty-first AGM, as Director of the Company.   | (Resolution 4)  |
| 6. | To re-appoint Wong Chin Mun, whose term of office shall be expiring at the conclusion of this Twenty-first AGM, as Director of the Company.   | (Resolution 5)  |
| 7. | To re-appoint Lee Ah Lan @ Lee Keok Hooi, whose term of office shall be expiring at the conclusion of this Twenty-first AGM, as Director of the Company.  | (Resolution 6)  |
| 8. | To re-appoint Messrs RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration.  | (Resolution 7)  |

### **As Special Business**

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

- |     |   |                |
|-----|---|----------------|
| 9.  | <p><b>Ordinary Resolution</b></p> <p><b>– Authority for Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016</b></p> <p>“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting.”</p> | (Resolution 8) |
| 10. | <p><b>Ordinary Resolution</b></p> <p><b>– Continuing in office as an Independent Non-Executive Director</b></p> <p>“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.”</p>   | (Resolution 9) |
| 11. | To transact any other business for which due notice is given in accordance with the Companies Act 2016 and the Constitution of the Company.   |                |

### **By Order of the Board**

**KUAN HUI FANG (MIA 16876)**  
**WONG WAI FOONG (MAICSA 7001358)**

Kuala Lumpur  
 28 April 2017

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### 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 two (2) proxies.
2. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the Meeting or any adjournment thereof.
6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 23 May 2017. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his/her behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), all resolutions set out in this Notice will be put to vote by way of poll.

### Explanatory Notes on Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.
2. Kamil bin Datuk Hj. Abdul Rahman who is standing for re-election as Director and being eligible, have offered himself for re-election at the Twenty-first AGM. Cheng King Fa, Wong Chin Mun and Lee Ah Lan @ Lee Keok Hooi, whose term of office shall be expiring at the conclusion of this Twenty-first AGM, have offered themselves for re-appointment as Directors.

The Board of Directors ("the Board") has through the Nomination and Remuneration Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the MMLR on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

The Board has also through the Nomination and Remuneration Committee, conducted an assessment on Kamil bin Datuk Hj. Abdul Rahman's independence and is satisfied that he has complied with the criteria prescribed by the MMLR and Malaysian Code on Corporate Governance 2012.

3. The Directors' fees proposed for the financial year ending 31 December 2017 are calculated based on the current Board size. The benefits are calculated based on the current board size and number of scheduled Board and Committee meetings for 2017. In the event the proposed amounts are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### Explanatory Notes on Special Business

#### Resolution 8:-

This proposed Resolution is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to allot shares in the Company up to and not exceeding in total ten per cent (10%) of the total number of issued shares 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 30 May 2016 and will lapse at the conclusion of the Twenty-first AGM.

#### Resolution 9:-

The Board has via Nomination and Remuneration Committee 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 TWENTY-FIRST (21ST) 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, Wong Chin Mun and Lee Ah Lan @ Lee Keok Hooi who are standing for re-appointment as Directors are disclosed on page 20 and 21 of this Annual Report.

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<b>FORM OF PROXY</b>	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 ( <i>in Block</i> )	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name ( <i>in Block</i> )	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 Twenty-First 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 Tuesday, 30 May 2017 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

ORDINARY RESOLUTION		FOR	AGAINST
1.	Re-election of Kamil bin Datuk Hj. Abdul Rahman		
2.	Approval of Directors' fees for the financial year ending 31 December 2017		
3.	Approval of Directors' benefits from 1 January 2017 to the next Annual General Meeting		
4.	Re-appointment of Cheng King Fa as Director		
5.	Re-appointment of Wong Chin Mun as Director		
6.	Re-appointment of Lee Ah Lan @ Lee Keok Hooi as Director		
7.	Re-appointment of Messrs RSM Malaysia as Auditors of the Company and authorise the Directors to fix their remuneration		
8.	Authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
9.	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 \_\_\_\_\_ 2017

\_\_\_\_\_  
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 two (2) proxies.
- 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 Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the Meeting or any adjournment thereof.
- For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 23 May 2017. 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.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 21st Annual General Meeting will be put to vote by way of poll.

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Affix  
Stamp

The Share Registrar  
**Khind Holdings Berhad**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8 Jalan Kerinchi  
59200 Kuala Lumpur

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**KHIND**  
Delivering Happiness

