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# Corporate philosophy

Back in 1961, Cheng King Fa started a modest business in Sekinchan trading electrical goods. Driven by his clear vision, the business flourished and in the late seventies, developed to include the manufacture of electrical accessories and lamps. The next decade witnessed Khind's venture into the increase export market.

In 1992 Khind's manufacturing expanded to include fans and other household appliances and by the turn of the millennium, the Group was distributing audio-visual products and white goods.

Today, the Khind Group, which was listed on the KLSE on 12 August 1998, manufactures and distributes world-class electrical home appliances across Malaysia and around the world.



Received Award from DPM Datuk Seri Abdullah Ahmad Badawi

### Caring for our shareholders

- To strive for the interest of all stakeholders through continuous improvement and proactive planning



EGM held in year 2002



Moon cake festival celebration



Annual Dinner 2002



Employees received long service awards at annual dinner

### Caring for our employees

- To provide a conducive working environment for employees' personal development and excellence
- To build a strong team spirit and develop collective accountability towards realization of our common goals



Group photo of employees after training session



Prize giving ceremony for Khind "Celebrate & Win Contest"



Winners of Khind "Celebrate & Win Contest"



Souvenir to Middle East customer

**Caring for our customers**

- To delight our customers with high quality products and service at a fair price



Beijing and Henan trip



Chiangmai trip



Eastern Europe trip

**Caring for our suppliers**

- To grow together with our employees, suppliers and customers and to treasure them as our valued partners

**Caring for our community**

- To build our name in the electrical industries both domestically and globally
- To be a pride to our nation and society



Warehouse sales in Sekinchan factory



Safety activities in Sekinchan factory

# Chairman's statement

## Dear shareholders

On behalf of the Board of Directors of Khind Holdings Berhad and its Group of Companies, it gives me great pleasure to present to you the Annual Report for the financial year ended 31 December 2002.

## Financials

For the year under review, the Group revenue amounted to approximately RM158.59 million, representing a growth of more than 20 per cent. The commendable revenue growth is a result of an increase in exports sales and the successful acquisition of the Mistral brand in the Group's business.

With the positive revenue growth as well as the better cost and expense controls, the Group has managed to return to the black. The Group made a profit before tax of RM4.17 million in 2002 as compared to a loss before tax of approximately RM1.58 million in 2001.

The Group is pleased with the improved results. It is an indication of the Group's success on a number of strategic fronts. Amongst them, the Group's move to increase its product offerings, as well as expanding its presence particularly to new markets in Australia and the Middle East.

## Dividends

I am pleased to inform you that the Board of Directors has announced an interim dividend of 5 per cent less tax at 28 per cent for the financial year ended 31 December 2002, which was paid on 26 September 2002. The total gross dividend and total net dividend paid by the Group in 2002 amounted to RM2 million and RM1.44 million respectively.

## Economy

Despite greater uncertainties in the global environment, the Malaysian economy continued to grow, registering a growth of 4.2 per cent in 2002. Driven mainly by domestic demand, the economic growth was also spurred by the strong performance of the export sector.

The total export earnings in 2002 amounted to RM354.4 billion, an increase of 6.0 per cent as compared to that of RM334.3 billion achieved in the previous year. The export of electrical and electronic products remains Malaysia's largest export earner. It netted receipts amounting to RM197.9 billion, making up 55.8 per cent of the total export revenue in 2002.

In line with this, Bank Negara Malaysia was reported to have said that the outlook for Malaysia's economy would remain positive. The continued growth is expected to be supported by a modest world economic growth, pick up in the global electronics industry, firm commodity prices, and stronger expansion in intra-regional trade. Factors such as consumer confidence, positive growth in the import of capital goods, higher value on foreign direct investments, are amongst the other factors that will influence the overall economic performance.

As for the manufacturing sector, the overall sales value for the sector is estimated at RM307.8 billion with more than 970,000 people employed as at December 2002. Manufacturing will remain a key sector for the Malaysian economy, representing approximately 30.7 per cent of the country's gross domestic product (GDP).

However, 2003 will continue to be an especially demanding year ahead for the manufacturing sector. Competition from global trade liberalisation will be intensified. Lower-priced products from China are also expected to impact local market demand for the Group's products.

Moreover, labour shortages as a result of the Government's decision to deport illegal foreign workers particularly within the construction industry had also affected to a certain degree the sales of some of our product lines.

## Outlook

Moving forward, Khind is well aware that it needs to further improve the Group's marketing and operational efficiencies to face the challenges ahead. The Group is currently initiating pro-active measures to further improve the quality of its products and services, as well as to introduce a number of initiatives to strengthen its brand. The Group recognises that it is imperative for it to invest in building its brand as part of the overall strategy to face competition.

The Group will also focus on introducing a wider range of products and services to the local and overseas market. Khind plans to offer a wider range of products especially for its refrigerator and washing machine product range. It is hoped that with the addition of the new products as well as the Group's drive to grow businesses overseas, Khind will continue to meet its growth and financial targets. For its overseas operations, the Group intends to capitalise on its newly opened office in Singapore, and strengthening its Middle East presence through Dubai operations.

I am confident that the Group will continue to grow and create value to its shareholders. The solid foundation that the Group has laid over the past 40 over years will ensure that it continues to deliver quality products and services to customers locally and globally.

## Acknowledgement

On behalf of the Board and Management of Khind Holdings Berhad, I would like to take this opportunity to extend a heartfelt thanks to all our customers, dealers, suppliers, employees and shareholders for their invaluable support. We look forward to sharing the fruits of success with all our stakeholders in the years ahead.

Together, we will make Khind a world brand from Malaysia.



**Cheng King Fa**  
Executive Chairman  
29 April 2003



# Managing director's review of operations

## Financial review

For the year ended 31 December 2002, Khind recorded revenue of RM158.59 million for the Group. This represents a growth of 21.76 per cent on the back of last year's revenue of RM130.25 million. The positive growth in revenue is a result of the Group's focus on strengthening internal cost controls, the expansion of product ranges within the Group's product offerings, and the acquisition of Mistral in 2001 as well as the Group's initiative to expand into new international markets.

Khind recorded a profit before tax of RM4.17 million for the year ended 31 December 2002, as compared to a loss before tax of RM1.58 million for the previous year. The increase in profit margin is attributed to various internal and external factors that impacted on the Group's bottom line. The export demand for our products is currently affected by the uncertain climate in the Middle East. In anticipation of the situation escalating to a full-fledged conflict, the Group had taken pro-active steps in the year to further improve our cost position. The Group made the decision to outsource its entire logistic functions to a third party. By doing so, the Group transformed its fixed cost of maintaining a fleet of logistic facilities into variable cost and alleviated the need for storage space to cope with business expansion.

## Manufacturing operations

In line with internal cost control, Khind strives to continue restructuring and streamlining its operations in order to be more cost-efficient. During the year, the manufacturing plants' operations were consolidated through the centralisation of several core functional departments. This merger has resulted in higher efficiency in operations as it allowed better internal cost control and enhanced production line capabilities.

The Group's manufacturing subsidiary is in the process of upgrading its ISO9002:1994 status to ISO9001:2000.

## Corporate development

### Bonus issue:

At the end of April 2002, Khind completed its bonus issue allotment of one ordinary share for every three existing ordinary shares held. This is as per KLSE's mandate issued in 2001 whereby paid-up share capital of Second Board listed companies is to be increased to a minimum of RM40.0 million.

Khind had also announced an Employees' Share Option Scheme (ESOS) in December 2002. The proposed ESOS will enable Khind to align the long-term interests of employees with those of the Company and encourage employees to assume greater responsibility for the better performance of the Group.

## Business operations

### International trade offices:

In 2002, Khind expanded abroad by establishing offices in Singapore and Dubai. Thus far, the Group's international trade offices have been successful in their own right, ensuring that the Khind and Mistral's name is well-positioned in line with our tagline of being "A World Brand...From Malaysia".



### International trade fair:

In early April and mid-October 2002, Khind participated in the Tripoli International Trade Fair (TITF 2002) in Africa and the 2002 Hong Kong Electronics Fair respectively. The Group also participated in the Cairo International Fair in Egypt late March 2002 and the Asean Trade Fair in Bangkok mid October 2002. These opportunities were for Khind to showcase its wide range of manufactured home electrical appliances' products and accessories.

### Product focus:

In 2003, Khind will continue to concentrate on its Mistral and Khind product range, e.g., refrigerators, freezers and electrical fans, as these products have generated much revenue and sales for the Group in the year 2002.

### Strategic alliances:

Today's competitive global market requires creative thinking in marketing one's product. Strategic alliances are crucial in a business that involves a sophisticated, complex structure. As such, in 2002, Khind has forged a supplier-manufacturer alliance with certain manufacturers abroad as part of its international expansion plans.

## Awards, recognitions and achievements

Year 2002 also turned out to be another award-winning year for Khind. We were awarded the 'Good Design Mark' by the Malaysia Design Council (MDC) for the innovative design of our emergency light model EM2000; the 'Best Customer Award 2001' by Standards and Industrial Research Institute of Malaysia (SIRIM) for our long standing involvement and commitment in meeting the quality standards for products; the 'Innovative Excellence Product' during the Selangor Industry Awards 2002 and the 'Special Award for Innovative Product' by the Ministry of International Trade and Industry (MITI) during the Industrial Excellent Awards 2002 for our innovative range of products.

All these awards only served to reiterate Khind's commitment to produce innovative quality products for its users.

### Research & development (R&D)

Khind aims to continue its work in innovating its products via design and manufacturing processes. The efforts to reinforce this exercise have been bolstered by the various recognitions the Group has received in 2002.

In the coming years, Khind is keen on continuing the good work and thereby reiterating its commitment in providing a wide selection of products that meets and surpass the national quality standards. Khind believes that innovation will drive the organisation to the next level of business and operational excellence.

### Human resources

At Khind, we believe our greatest asset is our productive employees. With this in mind, we continued to invest in training our employees by providing "Total Quality Management" (TQM) training programme for our employees. Khind's Total Management System, now well into its third year of operations, works concurrently on about 20 key operational and business areas – all with the view of ensuring the Group and its products continue to compete effectively in the market place.

We believe in empowering our employees with an in-depth understanding of their job functions and our product offerings. Indirectly, this will help instil confidence amongst our employees who will then be able to execute their tasks responsibly and effectively.

With all this systems and processes in place, Khind's ultimate aim is to have innovative quality products that result in customer satisfaction.

### Community responsibilities

As a "thank you" to all loyal customers who have supported Khind throughout the years, the staff and Management hosted its fifth warehouse sale at its factory in Sekinchan, Selangor and a stock clearance sale in Subang Jaya, Selangor early November 2002. The Sekinchan sale attracted close to 7,500 shoppers over four days. Items on sale included TVs, washing machines, video compact disc (VCD) players, rice cookers, vacuum cleaners, gas cookers, blenders and emergency lights.

### Note of appreciation

Despite the challenging market conditions in 2002, the Group has performed credibly by returning to profitability. Much of the Group's success in the year was attributable to the collective efforts of our suppliers, dealers and employees. The Group and Management wishes to place on record its appreciation for their contributions.

### The way forward – 2003

The Group believes the coming year will remain challenging, with uncertainty in the global economic climate. Nonetheless, the Group is committed to developing the "Khind" and "Mistral" brand to ensure continued longevity and growth through greater operational efficiency, and brand acceptance by its customers.



**Dato' Cheng Hup**  
Managing Director

