



A World Brand...From Malaysia
Exported to over 50 countries worldwide

KHIND HOLDINGS BERHAD
(380310-D)

Healthy Lifestyles

laporan tahunan 2007 annual report

KHIND HOLDINGS BERHAD (380310-D)

laporan tahunan 2007 annual report



KHIND HOLDINGS BERHAD (380310-D)

Manufacturer & Marketer for





KHIND
A World Brand...From Malaysia
Exported to over 50 countries worldwide

A World Brand from Malaysia brings a Healthy Lifestyle approach

As a growing number of consumers worldwide become more affluent, there is a movement to lead healthier lifestyles. Consumers are seeking ways to complement or supplement their need to be healthier – making them more selective in their purchasing behaviour of consumer products.

At Khind, we took cognizance of this emerging trend and began to invest and develop new products that would fit nicely into the lives of consumers in 2007. Whether it is kitchen appliances, air-cooling devices for the bedroom or living room to large appliances – Khind actively sought to provide consumers with home electrical appliances that helped complement a healthier lifestyle.

Some of these new products rolled-out in 2007 include:

Khind ANSHIN rice cookers [Model No: RC1118 (1.8L) / RC1110 (1.0L) / RC1106 (0.6L)]

The key feature of this product is its stainless steel inner cooking pot that has 10 year warranty and provides users with a healthier alternative to preparing rice. The stainless inner pot is scratch proof and corrosion resistant thus providing users with peace of mind in preparing their favorite staple diet.

Khind ANSHIN rice steamer [Model No: RCS518]

A member of the Anshin series, this product offers consumers with the age-old method of steaming rice. With this method of preparation, consumers obtain greater nutrients from rice. In addition, this rice steamer allows users other interesting cooking methods such as preparation of soups and stews – all in a stainless steel inner cooking pot. For further peace of mind, the inner and outer cooking pots each carry a 10 year warranty.

Khind Infrared Gas Stove [Model No: IGS1315S / IGS1315E]

Launched in the latter part of 2007, this cooking product utilises a unique ceramic mesh when heated, emits infrared heat (1000°C) that is hotter than normal gas burners. With its infrared heating capability, this cooking device is smoke-free, and does not release carbon monoxide during the heating process, while saving gas. This product is suitable for stir-frying dishes such as vegetables; fried rice and noodles; and for use during the preparation of steamboat meals – as it preserves food nutrients during the cooking process.

With consumer trends evolving towards healthier lifestyle trends, Khind is ready to provide home consumer electrical products that complement this trend. We will continue serving consumers domestically and globally with relevant products – reflecting our position as “A World Brand...from Malaysia”.



KHIND

あんしん
ANSHIN

Rice Steamer 安心蒸饭锅

“随心所欲，
享受蒸饭的乐趣！”

“Enjoy the goodness
of steamed rice... daily!”



蓝赛珍食谱
《蒸饭好煮意》

Exclusive
steamed rice recipe book by Agnes Chang



Agnes
Agnes Chang
Professional Home Economist
大马知名烹饪家

ANSHIN Rice Steamer
Spokesperson / 代言人

蒸的...好健康
Steam Up... For Health!



Steamed-cooking is always healthier - the food is less oily and doesn't get burnt. This method retains the natural juices and nutrients of food, particularly rice.

Steamed rice is really different!

- **Yummy** - Every grain of rice is cooked completely to its inner core, making it soft.
- **Aromatic** - Steaming brings out the best flavour and aroma of rice.
- **Appetising** - Every grain is fluffy and appetising.
- **Fabulous** - It does not stick to the pot and is free of crust.
- **Healthy** - Rice nutrients naturally retained.

Khind ANSHIN Rice Steamer

- Comes with 10-year warranty.
- Inner pot is made from high quality stainless steel.
- It is scratch and corrosion-resistant.
- Easy-to-use.



Distributed by: **Khind-Mistral (M) Sdn. Bhd.**
2, Jalan Astaka U8/82, Bukit Jelutong, 40150 Shah Alam, Selangor, Malaysia.
Tel: 03-7847 1900 Fax: 03-7847 5300 Email: info@khindmistral.com Website: www.khind.com



KHIND HOLDINGS BERHAD
(380310-D)

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Inside the home...



Chairman and Group Chief Executive Officer's (CEO) Joint Statement

Dear Shareholders,

On behalf of the Board of Directors of Khind Holdings Berhad and its Group of Companies, we are pleased to present the Annual Report for the financial year ended December 31, 2007.

CHENG KING FA
CHAIRMAN

CHENG PING KEAT
GROUP CHIEF
EXECUTIVE OFFICER
(CEO)

Overview of the Malaysian Economy in 2007

With a slowing global economy, Malaysia managed to achieve real gross domestic product (GDP) growth of 6.3 per cent (6.3%) in 2007. Compared with other similar market economies, Malaysia certainly turned in a fair performance. Much of the growth was contributed by a slightly more robust services sector. However, the better than expected GDP growth was counter balanced by rising prices in basic essentials which resulted in a slightly higher consumer price index (CPI) of 2.0 per cent (2.0%).

From a macroeconomic perspective, Malaysia continued to register a trade surplus in 2007, representing its tenth year of positive performance (source: *Malaysia's Trade Performance in 2007: MATRADE*). The country was also able to increase its trade links with more markets within the Asian continent against slower growth among the country's traditional export partners of the United States (U.S.) and the European Union (EU).

Performance of the consumer electrical appliances sector in 2007

Overall, the sector performed commendably despite pressures from a slowing global economy. Exports of electrical and electronics (E&E) products was lower at RM266.38 billion compared with RM281.02 billion in 2006 (source: *Malaysia's Trade Performance in 2007: MATRADE*). Within this context, exports of finished Malaysian consumer electrical appliances remained relatively flat.

Domestically, the consumer electrical appliances sector was affected by softer retail spending and sentiment, despite the various public and private-led initiatives to spur consumption. Rising raw material prices for plastics and metals-based components also led to reduced industry margins. This was further exacerbated by higher global fuel prices that had a knock-on effect, while the appreciation of the Malaysian Ringgit against the U.S. dollar had almost negligible impact as rising prices offset any substantial foreign exchange gains.

Against this challenging backdrop, it was heartening to note that the Group turned in a much better performance.

2007 performance

Notwithstanding softer growth in the E&E sector, the Company managed to still register marginally higher revenue of RM159.68 million, representing a 4.81 per cent (4.81%) increase over the previous year's performance of RM152.35 million. More importantly, profit before tax increased by almost 44.95 per cent (44.95%) to RM4.54 million (2006 profit before tax: RM3.13 million). The better performance was attributable to diligent cost controls and sales of higher margin-based products. Exports also remained a bright spot achieving RM44.53 million in sales, representing 27.89 per cent (27.89%) of overall group revenue. (28.60% contribution in 2006)

Operations review

The Group sustained its focus on delivering value to all its customers – both internal and external. Within this context, efforts to rein in rising costs remained a key driver. Strategic initiatives were executed to consciously de-centralise specific management decision functions within the group that allowed its subsidiaries greater autonomy in financial and operational matters; better open pricing negotiations between each subsidiary; and improved delivery cycles – all with the aim of serving customers consistently, and providing faster response times to the needs of the market place.

This exercise saw the Group's manufacturing arm, Khind-Mistral Industries Sdn Bhd optimizing its production capacity through direct vendor-to-buyer negotiations with the marketing subsidiaries, which was previously coordinated at Group level. It allowed Khind-Mistral Industries to strengthen its own financial operations as the direct-to-buyer arrangements yielded positive cost savings, improved inventory management, and quicker turnaround times for products to reach the market place.

Other proactive measures included: re-investment into new tooling facilities that helped improve production efficiency at the Group's manufacturing plant. In addition, a percentage of the plant's capacity was also contracted out for original equipment manufacturing (OEM) purposes, thus giving the Group another source of income.

The Group's merchandising arm also increased its efforts into better sourcing avenues for more innovative and trend setting products that yielded higher margins.

Khind-Mistral (Borneo) Sdn Bhd, the Group's East Malaysia subsidiary also turned in a better performance as a result of tighter management cost controls, strengthening of trade dealer relationships, and increased marketing activities that raised brand and product awareness.

Internationally, Dubai-based subsidiary Khind Middle East FZE managed to grow its market share of emergency light sales to key customers, while opening up markets for new products such as insect killers, and mist fans. Complementing these efforts was also improved trade marketing relationships with key dealers in the region; and participation at selected trade exhibitions.

Within the Association of South East Asian Nations (ASEAN) region, Mistral (Singapore) Pte Ltd turned in a credible performance due to higher sales of *Mistral* fans.

Marketing Review

During the year under review, the Company continued to introduce new products that targeted consumers wanting to live healthier lifestyles. These products included: the *Khind "Anshin"* series of rice cookers and rice steamer, and *Khind* infrared gas cookers – all of which were launched during the year. The new products gave the Group a platform to target consumers who were generally more health-savvy and wanted home appliances that supported this lifestyle need.

The Group also reinforced its marketing promotions activities to ensure that consumers were fully aware of the new products launched. Budgets were allocated for advertising in specific magazines; undertaking domestic road shows; and promotional tie-ups with relevant media groups.

On the trade marketing front, the Group strategically shifted some of its sales and marketing attention to modern-trade outlets (MTOs) such as hypermarkets and large chain stores - as this was a critical distribution link that was under-served but had the widest market reach. Early response from the various MTOs has been encouraging as reflected in greater shelf and floor space being accorded to the *Khind* and *Mistral* brands.

Notwithstanding efforts on the MTOs front, the Group also continued to incentivise trade dealers and their employees to sufficiently motivate this influencer group to support the *Khind* and *Mistral* brands within their outlets. The Group's relationship with BonusLink, the largest loyalty rewards' company also continued to be a good Khind business partner.

The Group's international marketing efforts also received a timely boost in the form of a RM1.99 million Brand Promotion Grant under the auspices of the Malaysian External Trade Development Corporation (MATRADE). Securing the Grant meant that the Group had additional funds to promote its brand and product presence amongst its key export markets.

Looking forward

The Khind Group will continue with its direction of introducing a wider selection of home consumer appliances that appeal to consumers who lead and live healthier lifestyles. From the way meals are prepared; to energy savings appliances; to products that complement their increasingly affluent needs – Khind hopes to be able to serve these enlightened consumers with well-thought and cleverly designed products.

As such, more attention will be given to researching newly-emerging consumer trends around the globe that will help the Group's ability to introduce products that are ahead of the curve, thus ensuring that it remains relevant to its trade partners and consumers.

From a financial perspective - vigilance on rising costs, and further improvement in the Group's overall productivity will continue to feature in the year ahead as it strives for better margin performance.

Note of thanks

Despite less than ideal market conditions in 2007, the Group has performed admirably and creditably. We share our success with our eco-system of suppliers, dealers, and employees. The Group and Management wish to place on record its appreciation for their unwavering efforts and contribution. The past year's success provides impetus for the Group to turn in a positive performance for the coming year.

CHENG KING FA

CHAIRMAN

CHENG PING KEAT

GROUP CHIEF EXECUTIVE OFFICER (CEO)

Corporate Structure



A World Brand...From Malaysia

Exported to over 50 countries worldwide

KHIND HOLDINGS BERHAD

(380310-D)

- ◆ **100%** Khind-Mistral Industries Sdn Bhd (213282-V)

Manufacture and sale of electrical home appliances and electrical accessories

- ◆ **100%** Khind Middle East FZE (01020)

Trading in electrical home appliances and wiring accessories

- ◆ **100%** Khind-Mistral (M) Sdn Bhd (442421-A)

Trading in electrical products

- ◆ **100%** Khind-Mistral (Borneo) Sdn Bhd (234614-W)

Trading in electrical home appliances and wiring accessories

- ◆ **100%** Mistral (Singapore) Pte Ltd (200106472H)

Trading in electrical products

- ◆ **100%** Khind Marketing (M) Sdn Bhd (109015-W)

Renting of commercial properties

- ◆ **100%** Khind Components Sdn Bhd (196021-P)

Temporarily ceased operations

- ◆ **100%** Khind Technology Centre Sdn Bhd (429363-P)

Temporarily ceased operations

- ◆ **50%** Khind Home Appliances Sdn Bhd (429595-W)

Trading in electrical products

- ◆ **100%** Khind-Mistral (Sabah) Sdn Bhd (177741-V)

Dormant

- ◆ **100%** Khind Industries Sdn Bhd (173304-D)

Dormant



Corporate Information



Registered Office :

No. 2, Jalan Astaka U8/82, Seksyen U8
Bukit Jelutong 40150 Shah Alam
Tel: 603-7847 1900 Fax: 603-7845 4560

Website Address :

www.khind.com
www.mistral.com.my

Email Address :

khb@khindmistral.com

Share Registrars :

PFA Registration Services Sdn Bhd
Level 13, Uptown 1, No. 1, Jalan SS 21/58
Damansara Uptown, 47400 Petaling Jaya
Tel : 603-7718 6000 Fax : 603-7722 2311

Company Secretaries :

Kam Kooi Hua (MACS 00152)
Khoo Guan Kiat (MIA 20886)

Stock Exchange Securities :

Second Board of Bursa Malaysia Securities Berhad
Stock Code : 7062

External Auditors :

KPMG Chartered Accountants (AF 0758)

Internal Auditors :

Deloitte Enterprise Risk Services Sdn Bhd

Principal Bankers:

Alliance Bank Malaysia Berhad
Ambank (M) Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Public Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (M) Berhad

Solicitors :

Khor, Anuar & Khong
Ong & Partnership
Shearn Delamore & Co

Profile of Board of Directors

MR. CHENG KING FA – Malaysian

- Founder/Chairman

Mr. Cheng King Fa, aged 69, is the Founder of the KHIND group, which commenced as a small family business 47 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturer. With more than 40 years experience in the electrical industry, he provides invaluable advice to the Group on production, marketing, new product research and development.

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

Mr. KF Cheng is a major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U), which has a 39.21% stake in KHIND. He is the father of Mr. Cheng Ping Keat.

Mr. KF Cheng has no convictions for any offence within the past ten years and has no conflict of interest with KHIND, other than those disclosed in the 2007 financial statements in respect of related party transactions. In 2007, he attended three out of four meetings held by the Board.

He has a direct interest of 979,967 shares (2.45%) and an indirect interest of 15,708,837 shares (39.21%) via Kee Hin Ventures Sdn. Bhd. (429373-U) in KHIND.





MR. CHENG PING KEAT – Malaysian

- Group Chief Executive Officer

Mr. Cheng Ping Keat, aged 47, was appointed Executive Director of KHIND on 20th 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.

Mr. PK Cheng was appointed and designated 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.

Mr. PK Cheng is a Director and major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U) which has a 39.21% stake in KHIND. He is the son of Mr. Cheng King Fa and the only Executive member of the Audit Committee since 10th August 1998.

Mr. PK Cheng has no convictions for any offence within the past ten years and has no conflict of interest with KHIND, other than those disclosed in the 2007 financial statements in respect of related party transactions. In 2007, he attended all the four meetings of the Board.

He has a direct interest of 2,302,720 shares (5.75%) in KHIND and an indirect interest of 15,708,837 shares via Kee Hin Ventures Sdn. Bhd. (429373-U), which owns a 39.21% stake in KHIND.

Mr. Cheng Ping Keat will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Twelfth (12th) Annual General Meeting.



Profile of Board of Directors (Continued)

MR. NORDIN BIN MOHAMAD DESA – Malaysian - Independent Director

Mr. Nordin bin Mohamad Desa, aged 52, became an Independent Non-Executive Director of KHIND on 20th April 1998 and has been the Chairman of the Audit Committee since its inception on 10th August 1998.

Mr. Nordin graduated with a Bachelor of Science degree in Electrical and Electronic Engineering from the University of Leeds, UK in 1979. He obtained a Master of Business Administration degree from the University of Hull, UK in 1993. He started his career as an Engineer with Jabatan Telekom Malaysia and served from 1979 to 1985. He then served as a Technical Manager with Ericsson Telecommunications Sdn Bhd from 1985 to 1990. He was later employed as the Engineering Manager of Perkom Sdn. Bhd. from 1990 to 1992.

In 1992, He joined the Malaysian Technology Development Corporation Sdn. Bhd.- a government-initiated company established to promote technology based industries, provide venture capital and commercialize local R&D. He held several senior managerial positions in the company and was its Senior General Manager when he resigned at the end of 2001.

Mr. Nordin is now an independent business and technology consultant. He is also currently serving as an Independent Non-Executive Director of ETI Tech Corporation Bhd., a company listed on the Mesdaq counter of Bursa Malaysia.

Mr. Nordin has no family relationship with any Director and /or major shareholder of KHIND, no conflict of interest with KHIND and has no convictions for any offence for the past ten (10) years. He attended all the four meetings of the Board in 2007.

He has a direct interest of 13,333 shares (0.03%) in KHIND.

Mr. Nordin bin Mohamad Desa will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Twelfth (12th) Annual General Meeting.

MR. KAMIL BIN DATUK HJ. ABDUL RAHMAN – Malaysian - Independent Director

Mr. Kamil A. Rahman, aged 59, was appointed 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. He is the Chairman of the Nomination and Remuneration Committee formed on 15 November 2001. His area of specialization is in corporate governance, corporate finance and risk management.

Mr. Kamil 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.

Mr. Kamil's previous positions were as Senior Vice President of the Bank of Commerce (M) Berhad and as Executive Director of Commerce International Merchant Bankers Berhad. He is also a Director of Malaysian Merchant Marine Berhad, Putera Capital Berhad, Global Carriers Berhad, PJ Bumi Berhad, Bukit Katil Resources Berhad (not listed on Bursa Malaysia), WDM Holdings Berhad (not listed on Bursa Malaysia), and the Malaysia South Africa Business Council (company limited by guarantee).

Mr. Kamil has no family relationship with any Director and or major shareholder of the Company, no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all the four meetings of the Board in 2007.

He does not have any direct or indirect shareholdings in KHIND.



MDM. TAN LAY KUAN @ TAN LAY WAH – Malaysian
- Independent Director

Mdm. Tan Lay Wah, aged 61, has been an Independent Non-Executive Director of KHIND since 20th April 1998. She is highly experienced in company secretarial practice and management consultancy and specializes in industrial management, corporate finance and development of manufacturing industries. She is currently Founder/Executive Director of Champion Die-Casting Sdn. Bhd.– a company involved in the manufacture and trading of zinc and aluminium with high pressure moulded die-casting and precision machining products.

Mdm. Tan has been an independent member of the Audit Committee since 10th August 1998 and is also a member of the Nomination and Remuneration Committee formed on 15th November 2001.

Mdm. Tan has no family relationship with any director and/or major shareholder of KHIND, no conflict of interest with KHIND and has no convictions for any offence within the past ten years. She attended all the four meetings of the Board in 2007.

She has a direct interest of 13,333 shares (0.03%) in KHIND.

MR. MD. AZMI BIN LOP YUSOF – Malaysian
- Independent Director

Mr. Md. Azmi bin Lop Yusof, aged 53, was appointed a Non-independent / Non-Executive Director of KHIND on 20th April 1998. He obtained a Diploma in Agriculture from Kolej Pertanian Malaysia in 1975 and graduated with a degree in Agricultural Business from Louisiana State University, USA in 1979. He is a former State Assemblyman for Terengganu and also sits on the board of some private limited companies.

On 26 February 2008, Mr. Md. Azmi was re-designated as an Independent Non-Executive Director.

Mr. Md. Azmi has no family relationship with any Director but is a shareholder of KHIND. He is also a member of the Nomination and Remuneration Committee. He has no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all the four meetings of the Board in 2007.

Mr. Md. Azmi has beneficial interests in 1,469,935 shares (3.67%) and 39 shares (0.00009%), of KHIND - which are pledged to BI Nominees (Tempatan) Sdn. Bhd. and Mayban Nominees (Tempatan) Sdn. Bhd. respectively.

MR. LEE AH LAN @ LEE KEOK HOOI – Malaysian
- Non-independent / Non-executive Director

Mr. Lee Keok Hooi, aged 61, was appointed as a Non-independent /Non-Executive Director of KHIND on 26 March 1999. He holds a Bachelor of Commerce degree in Accounting from the University of Western Australia and is a Chartered Accountant (Malaysia) and a CPA (Australia).

Mr. Lee is the Group Executive Chairman of Hock Sin Leong Group Berhad – a company listed on the Main Board of Bursa Malaysia Securities Berhad, and a premier home-grown consumer electrical and electronic products player and he has been involved in the group activities since 1976. He is also a member of the Nomination and Remuneration Committee of KHIND.

Mr. Lee has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past ten years and does not hold any shares in KHIND. He attended all the four meetings of the Board held in 2007.

Mr. Lee does not have any conflict of interest with KHIND, other than that disclosed in the 2007 financial statements pertaining to related party transactions.

He does not have any direct or indirect shareholdings in KHIND.

Mr. Lee Ah Lan @ Lee Keok Hooi will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Twelfth (12th) Annual General Meeting.

Statement on Corporate Governance

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

The Board is therefore committed to the maintenance of high standards of corporate governance by supporting and implementing the prescription of the principles and best practices set out in Malaysia Code of Corporate Governance (The "Code") for the financial year ended 31 December 2007.

BOARD OF DIRECTORS

During the year, four (4) Ordinary Board Meetings were held and the attendance record is reflected as follows:-

DIRECTORS' BOARD MEETINGS IN YEAR 2007	
Directors	Total Number of Meetings Attended by Directors
1. Mr. Cheng King Fa	3/4
2. Mr. Cheng Ping Keat	4/4
3. Mr. Nordin bin Mohamad Desa	4/4
4. Mdm. Tan Lay Kuan @ Tan Lay Wah	4/4
5. Mr. Md. Azmi bin Lop Yusof	4/4
6. Mr. Lee Ah Lan @ Lee Keok Hooi	4/4
7. Mr Kamil bin Datuk Hj. Abdul Rahman	4/4
8. Mr.Ong Wang Bing @ Kie Tjhan (<i>ceased on 31 May 2007</i>)	2/2
9. Mr. Soekardi Thedjoisworo Tjhan (<i>Resigned on 31 October 2007</i>)	3/3

BOARD COMPOSITION AND BALANCE

The Board currently comprises seven (7) members, of whom two (2) are of Executive capacity. Four (4) out of five (5) Non-Executive Directors are independent, which is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Securities, that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. All Independent Non-Executive Directors are independent of management and free of any relationship that could interfere with their exercise on independent judgement.

In totality, the Directors share a wide exposure in the legal, business, financial and technical fields. This blend of knowledge and experience is vital to determine an objective outlook of the Group. A brief profile of each Director is set out in pages 6 to 9 of the Annual Report.

The Executive Directors are responsible for determining and implementing operational decisions, whilst the Non-Executive Directors complement with their skills and experiences. The role of these Independent Non-Executive Directors is crucial in ensuring that the strategies proposed by the management are fully deliberated and examined.

The Independent Non-Executive Directors fulfil a pivotal role in corporate accountability as they provide unbiased and independent views, advice and judgement on issues pertaining to the shareholders, employees, customers, suppliers and the various communities in which the Group conduct its business.

In accordance with Part 2 AA. VII of the Code, Mr Nordin bin Mohamad Desa has been appointed as the Senior Independent Non-Executive Director.

SUPPLY OF INFORMATION OF THE BOARD

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

Corporate plans and annual budgets, acquisitions and disposals of undertakings and properties of 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 conclusion are recorded.

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

The Directors have full and unrestricted access to advice and services of the company secretary, senior management and independent professional advisers including the external auditors. The Directors can utilize the professional services when necessary to fulfill their duties and specific responsibilities as enumerated in Best Practices Provisions AAI of the code.

BOARD COMMITTEES

The Board delegates certain responsibility to Board Committees, mainly the Audit Committee, the Nomination and Remuneration Committee and the ESOS Committee. Prior to the establishment of these committees, their functions were assumed by the Board as a whole. The Chairman of the three (3) Committees will report to the Board the outcome of their Committee decisions.

a) Audit Committee

The Audit Committee was appointed by the Board and established on 10 August 1998 to assist its duty of maintaining a sound system of internal controls and risk management to safeguard shareholders' interest and the Company's assets.

A full Audit Committee report enumerating its membership, its role and its activities during the year is set out in pages 18 to 19 of this annual report.

b) Nomination and Remuneration Committee

The Nomination and Remuneration which was established on 15 November 2001. The Committee comprises of three(3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Directors.

The Committee is responsible for developing a formal and transparent remuneration policy and packages of Executive Directors and in recommending to the Board for approval. The remuneration of the Non-Executive Directors is decided by the entire Board. The Group has complied with the Malaysian Code on Corporate Governance to review the remuneration for Directors such that the Group attracts and retain the right Director mix.

The Committee is currently developing a process of assessment on the effectiveness of the BOD, the committees of the Board of Directors and contribution of each individual director, including Independent Non-Executive Directors, as well as the Chief Executive Officer (CEO). All assessment and evaluation carried out by Nomination and Remuneration Committee shall be properly documented. This process involves developing a job description and limits to management responsibility for directors including CEO.

The members of the nomination and Remuneration Committee who served during the financial year are:

Chairman

Kamil bin Datuk Haji Abdul Rahman

(Independent and Non-Executive Director)

Members

Tan Lay Kuan @ Tan Lay Wah

(Independent and Non-Executive Director)

Md. Azmi bin Lop Yusof

(Independent and Non-Executive Director)

Lee Ah Lan @ Lee Keok Hooi

(Non-independent and Non-Executive Director)

Statement on Corporate Governance (Continued)

BOARD COMMITTEES (continued)

C) ESOS Committee

The ESOS Committee was established on 13 May 2003 to administer the ESOS of the Group in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations (based on the performance, length of service, competency and discipline of eligible employees) and to attend to such other matters as may be required. The ESOS Committee meets when necessary.

The ESOS Committee comprises the following Directors:

Chairman

Kamil bin Datuk Haji Abdul Rahman

(Independent and Non-Executive Director)

Members

Tan Lay Kuan @ Tan Lay Wah

(Independent and Non-Executive Director)

Cheng Ping Keat

(Group Chief Executive Officer)

APPOINTMENT TO THE BOARD

It is the responsibility of the Nomination and Remuneration Committee to recommend new appointees to the Board after reviewing their skills, qualifications, experiences, expertise, professionalism, integrity and ability to discharge such responsibility / functions as expected. This Committee will assist the Board in reviewing the required mix of skills and experiences of the Non-Executive Directors.

DIRECTORS' TRAINING

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") in compliance with the Listing Requirements.

At the date of this Annual Report, all the Directors of the Board had completed, complied and acquired their respective CEP points in accordance with the provisions of the CEP requirements.

In addition to the individual attendance of training by each Director, the Company also has arranged various training programmes for the company's Directors, covering area of finance, management and economic industries.

The Company will provide an orientation and education programmes for new Directors appointed to the Board.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to rotation at the Annual General Meeting subsequent to their appointment. The Articles of Association also provide that each of the Directors be subject to re-election by rotation at least once in every three (3) years during the Annual General Meeting.

In accordance with the Articles, one-third (1/3) of the remaining Directors, including the Managing Director, are required to submit themselves for re-election by rotation at each Annual General Meeting. The Nomination and Remuneration Committee reviews the rotation of the Directors.

DIRECTORS' REMUNERATION

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

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

Directors' Remuneration & Benefit in Kind

Directors	Fees	Salaries	Bonus	EPF-Employer Contribution @ 15% (RM)	Benefit-in- Kind (RM)	Grand Total (RM)
Executive Directors	18,000	1,017,000	83,100	71,775	260,884	1,450,759
Non-Executive Directors	60,000	-	-	-	26,000	86,000
TOTAL	78,000	1,017,000	83,100	71,775	286,884	1,536,759

On recommended disclosure of detail of the remuneration of each Director, the Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the "Band Disclosure" made.

The number of Directors whose total remuneration falls into the following bands are tabulated below, as follows:

Remuneration Bands	Number of Directors		
	Executive	Non-Executive	Total
Up to RM50,000	-	5	5
RM550,001- RM600,000	1	-	1
RM600,001- RM650,000	1	-	1
Total	2	5	7

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board acknowledges the importance of accountability to its shareholders through proper communication with its shareholders. All relevant developments of the Group and financial results have been duly announced on a timely basis. In addition, regular press releases are held to inform the public on the latest business development.

THE AGM

The Annual General Meeting (AGM), remain the principal form for dialogue and an avenue for direct interaction between the shareholders and investors where they are given the opportunity to raise questions on the operational, financial performance and major developments of the Group as well as on the resolutions being proposed. The AGM is usually held in May and it has been the Company's practice to send the Notice of AGM and the Annual Report to Shareholders at least twenty-one (21) days before the meeting.

Statement on Corporate Governance (Continued)

DIALOGUE BETWEEN COMPANY AND INVESTORS

Press conferences are normally held after the Annual General Meeting where the media is advised on the status of resolutions that were considered and the key events of the Company. The Group CEO is present at the press conference to clarify and explain issues raised by the press media.

In addition, the Group CEO meets with fund managers, institutional investors and investment analysts as and when requested.

The shareholders and investors are also able to access the corporate, financial and market information of the Company from the Bursa Malaysia Securities Berhad listed companies information at the Bursa Malaysia Securities Berhad website as well as the Company's website at www.khind.com and www.mistral.com.my.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. All accounting standards which the Board considers to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of the financial reporting.

Statement of Internal Control

The Group's Statement of Internal Control is set out in page 17 of this Annual Report.

Relationship with the Auditors

An appropriate and transparent relationship is maintained with the Company's Auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the Audit Committee Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee report enumerating its role in relation to the Auditors is set out in pages 18 to 19 this Annual Report.

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statement

The Directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affair of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

The Board has reviewed and approved the Annual Audited Financial Statements for the financial year ended 31 December 2007 and collectively and individually accept full responsibility for the accuracy of the information given and confirmed that after making reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any statement of information therein misleading.

The Directors consider that in preparing the financial statements:

- The Group used appropriate accounting policies which are consistently applied;
- Reasonable and prudent judgement and estimates were made;
- All applicable approved Accounting Standards, regulatory and legal requirements have been complied, save and except otherwise disclosed in the notes of the accounts;
- On going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group have adequate resources to continue in operational existence or the foreseeable future.

The Directors are also responsible for ensuring that the Company maintains accounting records, registers and related information, including minutes of all management and shareholder's meetings.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

The Audit Committee and the Board review and approve all statutory accounts before its release to the Bursa Malaysia Securities Berhad.

Statement of Compliance with the Best Practices of the Code

The Company is committed to achieve high standards of corporate governance throughout the Group and high level of integrity and ethics in its business dealings. The Board is of the view that all best practices have been adopted and complied as prescribed in the Malaysian Code of Corporate Governance.

Corporate Social Responsibility

Khind's corporate social responsibilities have been evolving from our community relations activities carried out at the birthplace of the Company. These activities are focused to strengthen and contribute to our community stakeholders including employees, employees' families, school children, orphans, the poor, religious bodies and public community areas. These activities have been performed for many years and Khind has been acknowledged as a good corporate citizen to the local community.

The Company will continue to support corporate social responsibility initiatives in the future.

Statement on Corporate Governance (Continued)

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Bursa Malaysia Securities Berhad Listing Requirements:

- 1. Utilisation of proceeds**
There were no corporate proposals announced at the date of this annual report.
- 2. Share Buybacks**
During the financial year, there were no share buybacks by the Company.
- 3. Option, Warrants or Convertible Securities**
The Company had on 1 April 2003, been granted approval by Securities Commission ("SC") on its proposed establishment of an Employees' Share Option Scheme ("Proposed ESOS")
- 4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**
During the year under the review, the Company did not sponsor any ADR or GDR programmes.
- 5. Sanctions / Penalties**
There were no sanctions and/or penalties (that were made public) imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.
- 6. Non-audit fees**
The non-audit fees paid and payable to the external auditors amounted to RM8,000 by the Company and its subsidiaries for the financial year ended 31 December 2007.
- 7. Profits estimates, forecast or projection**
There is no variance between the results for the financial year and the unaudited results previously released by the Company. The Company did not release any profit estimate, forecast or projection for the financial year.
- 8. Profit guarantee**
No profit guarantee had been given by the Company in respect of the financial year.
- 9. Material Contract**
Save as disclosed below, there were no other material contracts (not being contracts entered into in the ordinary course of business), which are or may be material which have been entered into by Khind and its subsidiaries, within the two (2) years immediately preceding the date of this report.
 1. Share Sale Agreement dated 26 May 2007 between Khind Holdings Berhad ("KHB") and Mistral (Malaysia) Sdn Bhd ("MM") in relation to the purchase by KHB from MM, of 500,000 ordinary shares of RM1.00 each in Khind-Mistral (M) Sdn Bhd for an aggregate cash consideration of RM1,010,000.00 upon terms and conditions therein stated.
 2. Sale and Purchase Agreement dated 10 March 2008 between Cheng Tuck Sdn Bhd ("CTSB") and Khind-Mistral Industries Sdn Bhd ("KMISB") in relation to the purchase by KMISB from CTSB of all that piece of vacant land held under issue document of title HS (D) 1854, No. PT 2531 Town of Pekan Bagan Nakhoda Omar, District of Sabak Bernam, Negeri Selangor for a total cash consideration of RM495,183.00 upon terms and conditions therein stated.
- 10. Revaluation of Landed Properties**
Save as disclosed in Note 2(c) (Significant Accounting Policies) and Note 3 (Property, Plant and Equipment) of the Notes to the Financial Statements, the Company does not adopt a policy on regular revaluation of its landed properties.
- 11. Recurrent Related Party Transaction (RRPT)**
The Company had made full disclosure on the Related Party Transaction which consists of the RRPT of a revenue or trading nature and will be seeking a mandate from the shareholders at the forthcoming Annual General Meeting.

The details of the Recurrent Related Party Transaction (RRPT) are disclosed in Note 27 of the Financial Statement.

Statement on Internal Control

INTRODUCTION

The Board recognises the importance of a sound system of internal control to safeguard shareholders' investment and the Group's assets.

The Statement on Internal Control outlines the nature and scope of internal control of the Group during the year.

BOARD RESPONSIBILITY

The Board of Directors is committed to maintaining a system of internal control in financial, operational and compliance as well as risk management to achieve the following objectives:

- Safeguard assets of the Group and shareholders' interest;
- Identify and manage risks affecting the Group
- Compliance with regulatory requirements; and
- Operational results are closely monitored and substantial variances are promptly explained.

The Board also acknowledges its responsibility for reviewing adequacy and integrity of system of internal control. In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. It should be further noted that the cost of the system should not outweigh the benefits.

KEY INTERNAL CONTROL PROCESS

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

- **Term of Reference**
Clear definition of the terms of reference, i.e., functions, authorities and responsibilities of the various committees of the Board of Directors has been established.
- **Control procedures**
Operating Procedures Manuals that set out the policies, procedures and practices are adopted by all 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 with relevant industry experience to run and manage the operations and business of the Group.

- **Reporting and review**
The Group's management teams carry out monthly monitoring and review of financial results and forecasts for all businesses within the Group. Actual results are then compared with budgeted results. Any significant matter is brought forward for the Board's consideration and decision.
- **Internal audit**
Independent internal audit function provides assurance to the Audit Committee through the execution of internal audit visits based on an approved risk-based internal audit plan. Findings arising from these visits are presented, together with Management's response and proposed action plans, to the Audit Committee for its review.

In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

The Board is of the view that the system of internal control is satisfactory and has not 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 internal controls.

Report on Audit Committee

The Board of Directors is pleased to present its report on the Audit Committee and the activities carried out during financial year ended 31 December 2007.

1. Constitution

On 10 August 1998, the Board set up the Khind Audit Committee (KAC) as a best practice in corporate governance.

2. Members and Meetings in 2007

During the year under review, Mr. Nordin bin Mohamad Desa is the KAC's Chairman. He is supported by a majority of independent members. Mr. Kamil bin Datuk Haji Abdul Rahman is the member with an accounting qualification.

The KAC met four (4) times during the financial year. The attendance details and status of members are as follows:-

<i>Name</i>	<i>Attendance</i>
Independent	
Nordin bin Mohamad Desa (Chairman)	4/4 (100%)
Kamil bin Datuk Hj. Abdul Rahman	4/4 (100%)
Tan Lay Kuan @ Tan Lay Wah (f)	4/4 (100%)
Non-Independent	
Cheng Ping Keat	4/4 (100%)

3. Terms of Reference

The Terms of Reference for the Committee, has remained unchanged since its approval by the Board in 1998 and are as follows:-

3.1 Composition

- The Khind Audit Committee (KAC) shall have a minimum of three (3) members, a majority of whom shall be independent directors;
- The members shall be appointed by the Board from amongst its directors;
- No alternate director shall be a member;
- The Chairman shall be an Independent Non-Executive Director and shall be elected by the Audit Committee.

3.2 Secretary

- The secretary of the KAC shall be the Company Secretary.

3.3 Objectives

- To assure the Company's shareholders that specified financial standards and Bursa Malaysia Securities Berhad ("Bursa Securities") disclosure requirements have been complied with;
- To ensure consistency with Bursa Securities' commitment towards a high standard of corporate disclosure;
- To adopt practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to shareholders.

3.4 Duties and Responsibilities

- To recommend the nomination of person/persons as external auditors and to consider their fees;
- To review and report to the Board – issues pertaining to the termination/resignation of external auditors;
- To report to the Board after review with external auditors on audit plan and report, evaluation of internal control system and Management letters and Management responses;
- To review and report to the Board on the adequacy and effectiveness of internal audit functions performed;
- To review and report to the Board on the quarterly results of financial statements, focusing on major accounting policy changes, significant and unusual events, accounting standards and legal requirements and the going concern assumption;
- To review and report to the Board on conflict of interest in related party transactions;
- To inform the Board on breaches of Bursa Securities requirements;

3.5 Powers and Authority

In the discharge of its duties, the KAC has the following rights:-

- Is authorized to investigate any matter within its terms of reference;
- Has full and unrestricted access to any information and resources to perform its function;
- Has direct communication to both internal and external auditors and able to meet in the absence of executive members of KAC;
- Able to obtain independent professional advice, when necessary.

Report on Audit Committee (Continued)

3. Terms of Reference (continued)

3.6 Meetings

- The KAC shall meet at least four (4) times a year;
- The Group Financial Controller and representatives of both external and internal auditors shall be invited to attend the meetings;
- The quorum for the KAC meetings shall be the presence of a majority of independent members;
- The Chairman shall call for a meeting to discuss any material issue requiring shareholders' attention, if so requested by the external auditors.

4. Internal Audit Function

The internal audit function is currently out-sourced to an independent professional service firm. Our internal auditors conduct periodic audits on internal control matters relating to systems, standard operating procedures, credit control and risks management and monitor compliance by the various subsidiaries within the Group.

Specific areas of concern to follow-up on high risk areas are identified in the progress reports and are highlighted to the KAC. Four (4) audit reports were issued and presented to the KAC with the recommended corrective actions acted upon.

In 2006, our internal auditors presented an Internal Audit Charter, for the Khind group of companies, which had been approved by the KAC. The Charter aims to define and establish the formal mission statement and the objectives and scope of the internal audit function.

5. Activities of the Committee

In 2007, the KAC held four (4) meetings as scheduled in their corporate calendar, to discuss and consider each of the draft quarterly result announcements, final accounts and the 2006 annual report before recommending for approval by the Board.

Similarly, the statutory accounts for the previous year and the various accounting provisions required were reviewed to ensure due compliance with group policies and the appropriate accounting standards.

As part of the process, the KAC also discussed the annual audited financial statements with the external auditors as well as their findings and recommendations. The KAC also assessed the effectiveness of the system of internal controls in the areas audited and discussions are held before approval of the Annual Internal Audit Plan.

The KAC also reviewed the terms and procedures of the Recurrent Related Party Transactions (RRPT) on a quarterly basis during their meetings, to ensure that RRPT would be carried out on normal commercial terms which were not prejudicial to the interests of minority shareholders.

During the financial year ended 31.12.2007, the KAC focused on the following internal auditable functions:-

- o related party transactions ie. sales and purchase transactions within the Khind group and its related parties;
- o credit control ie. credit evaluation, debt monitoring and collection procedures;
- o inventory management ie. inventory monitoring and recording;
- o customer care centre ie. customers' processing requests on repairs and services and spare parts inventory control;
- o general computer control ie. Implementation, administration and configuration of logical security tools and back-up procedures, protection and batch processing control;
- o sales order management ie. sales order recording, billing management, transfer pricing and monitoring outstanding orders.

For financial year ended 31 December 2007, no options had been exercised by eligible employees of the Khind group. As at 31 December 2007, a total of 2,282,000 options had been granted but not exercised. To date, the ESOS remains status quo, as no new options had been granted to non-executive directors and new eligible employees of the Khind group.

The KAC engaged the services of a professional firm to conduct and evaluate the Khind group's Financial Reporting Standards (FRS) readiness to ensure due compliance with and adherence to the new financial reporting requirements, which came into force on 1 January 2006. The FRS Assessment Report focused on identification and high level review and also highlighted the various FRS, which had some related or significant impact on the Khind group.