



KHIND HOLDINGS BERHAD (380310-D)



Eco Friendly

laporan tahunan 2008 annual report

KHIND HOLDINGS BERHAD (380310-D)

Manufacturer & Marketer for



laporan tahunan 2008 annual report



KHIND HOLDINGS BERHAD
(380310-D)

Healthy lifestyle and energy-saving products from a World Brand...

Happy cooking moments delivered by Khind continued in 2008. Introducing some of its latest healthy lifestyle-based innovative food preparation and cooking appliances:

Khind ANSHIN rice cookers with Smart Switch Model No: RC118M (1.8L)

With a cleverly-designed switch when turned on automatically switches off the electricity supply once the rice is fully cooked, by-passing the keep warm mode - the Anshin rice cooker with Smart switch is ideal for any home. With the existing heat still generated, rice will be cooked to perfection without the burnt and sticky remains at the bottom of the cooking pot. To reheat rice just simply switch off the ECO switch - it's that simple!



Khind Hot Lava Infrared Gas Stove Model No: IGS1515



The new and improved "Hot Lava" Infrared Gas Stove is another innovatively-created product for cooking food. Designed to deliver charcoal hot cooking in a modern way, the "Hot Lava" gas stove cooker has a unique ceramic mesh when heated emits infrared heat that locks in flavours during the cooking process, while using less energy and gas.

Moreover, with a dual heat control feature it allows for the perfect delivery of infrared heat during the cooking process. Less gas, less energy, less smoke, no emission of carbon monoxide - the "Hot Lava" is ideal for the cook who is looking for perfection.

As consumers globally continue to look for products that help them enjoy better lifestyles, Khind will be there to provide innovative energy-saving home appliances reflecting its position as "A World Brand...from Malaysia"



Electric Water Heater

THE HEART OF YOUR HOME



Ariston's Bello series is accomplished in an elegant Italian design complete with European modern technology. A great range of colour choices created to suit your personal style. Better product for better quality of life; Your lives are filled with warmth and best possible comfort.



Storage Water Heater



Instant Shower



INDESIT



We work, you play.

Indesit's philosophy is based on three strengths: confidence, friendliness and smartness.

The mission is expressed through its play off - 'we work, you play', aiming to make consumers' lives simple and enjoyable by giving you more time to pursue your own interests.

Styled by the Italian designer Giugiaro, the brand offers fresh, simple lines with consumer focused benefits and features.

Practical and functional, each detail combines elegance and sturdiness for easier use and longer life. So sit back, relax, get on with the fun things in life.



Washing Machines



Dryers



Dishwashers



Oven Cookers



Indesico Prestigious showroom

Indesico (M) Sdn Bhd
(A member of Khind Group of Companies)

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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, 2008.

Overview of the Malaysian Economy in 2008

With the global economic contagion playing out across all countries, Malaysia was not spared. The Malaysian economy slowed to 4.6 per cent (4.6%) in 2008 versus 6.3 per cent (6.3%) in 2007. Meanwhile, headline inflation moderated to 5.9% in the fourth quarter of 2008 (3Q 08: 8.4%, source Bank Negara Malaysia 4th Quarter Report 2008) as a result of downward adjustments of retail fuel prices by the Government. This downward trend in inflation is expected to continue in 2009, which bodes well for the public.

On the trade front, Malaysia's total trade hit RM1.18 trillion, a marginal increase of 6.8 per cent (6.8%) from 2007. Exports continued to remain positive, contributing RM663.51 billion, while imports were RM521.5 billion – giving the country a trade surplus of RM142.01 billion. (source: MATRADE – Malaysia's Trade Performance 2008)

Performance of the consumer electrical appliances sector in 2008

Much of the country's trade continued to be led by the electrical and electronic products sector, valued at RM253.81 billion or 38.3 per cent (38.3%) of total exports (source: MATRADE – Malaysia's Trade Performance 2008). With declining orders and higher raw materials cost, coupled with a global slowdown in spending by consumers - the home electrical appliances sub-sector also registered much softer growth.

Generally, households and businesses remained pessimistic as the deterioration in the global economic environment, news of retrenchments and other cost-cutting measures undertaken in the manufacturing sector remained a strong feature of daily lives. This impacted the overall sentiment of the consumer retail sector thus resulting in slower sales growth for this segment of the electrical and electronic products industry.

However, against an egregious economic backdrop the Group still managed to turn in a credible performance during the year in review.

2008 performance

The Company registered higher revenue of RM185.36 million

representing a 16 per cent (16.0%) increase over the previous year's performance of RM159.68 million. More significantly, profit before tax increased by 88.9 per cent (88.9%) to RM8.57 million (2007 profit before tax: RM4.54 million). This positive performance was attributable to the strengthening of the Group's reach into the domestic retail market; operational improvements that resulted in better margin performance; and continued diligence in cost controls. In tandem with a slowing global economy, the Group's exports remained relatively flat at RM50.76 million, representing 27.4 per cent (27.4%) of total sales revenue.

Operations review

Several operational initiatives were executed in the year with a view of improving margin performance; better delivery of products to the market; improved productivity; and upgrading of employee skills set. These operational initiatives while not new in nature served as a continuation of the Group's effort to improve performance on a year-to-year basis.

Improved margin performance was attained as a result of an open pricing and sourcing policy between subsidiaries that allowed each strategic business unit (SBU) from marketing to manufacturing operations to determine competitive price platforms. Similarly, the elimination of intermediaries within the group to effect better margin performance was aggressively adopted at all levels. A heightened diligence on monthly sales revenue collection was also practised consistently, thus ensuring improved cash flows. On the human resource front, increased development and training helped the Group's staff better respond to the tougher business climate.

The Group's manufacturing arm – Khind-Mistral Industries Sdn Bhd also managed to increase its original equipment manufacturing (OEM) business during the year, bringing in additional source of revenue to the Group's overall domestic sales. Notwithstanding this achievement, the manufacturing arm chalked up an important milestone when it rolled out the production of its sixth millionth fan on December 18. This milestone reflected the Group's leading position in the air-cooling and air-moving products category of home consumer appliances.

Investments to the tune of RM1.0 million were also made to

enhance the Group's information technology (IT) hardware and software systems. These were primarily in the areas of enterprise resource planning (ERP) performance capabilities; dealer loyalty management programmes; video conferencing capabilities; and business intelligence solutions.

On the export front, the Group's Singapore's operations became the hub for the sales of all 'Mistral' branded products to international markets. The Group also deepened its relationship in the Middle East by establishing a co-branding partner programme to manufacture and sell locally-produced consumer appliances in Egypt and the region. This business partner arrangement allowed the Group to transfer technology to a leading Egyptian electrical consumer appliances company to initially produce general fans for the local market.

Marketing Review

On the marketing front, the Group spent approximately RM5.5 million on advertising and promotions, specifically on: road shows; more eye-catching point-of-sales materials; and a more aggressive rewards-based incentive programme for its trade dealers – all with the aim of raising brand awareness and generate quicker off-take of products at dealer outlets.

Extending the Group's focus of introducing innovative yet affordably-priced appliances, new products were launched in the year. Leading the way were two products for the kitchen – the Anshin rice cooker with smart switch (Model No: RC118M); and a new and improved energy saving infrared gas stove (Model No: IGS1515). These two new products added to the growing stable of healthy lifestyle-based products for the home within the Group's product line-up.

In addition, the Group further strengthened its reach into the semi-urban and rural markets, while further deepening its presence within supermarkets and the large independent chain stores.

During the year under review, Indesit Co. SpA. of Italy has appointed the Group to be the principal marketing and sales representative for the Indesit range of home laundry and cooking appliances, and Ariston instant home water heating products. These two leading Italian brands will add synergy to the Group's business while providing a platform for Khind to expand into the premium range of home consumer appliances.

Looking forward

Despite the gloomy economic outlook, consumers globally will continue to look for innovative products that help lead healthier lifestyles, save energy and are kind to the environment.

The Khind Group is cognizant of these trends and will continue to roll-out blue ocean products as part of its business strategy.

With a challenging economic environment that is expected to prevail much longer, further reduction in the Group's operational costs will remain a constant feature in the new financial year as it seeks to improve margin performance even further.

More effort will also be placed to expanding the Group's market share of air-cooling and home laundry appliances targeted at the rural markets. These will be supported with road shows that allow consumers to experience the Group's latest products.

The Group will also strengthen its presence within the supermarkets and independent chain stores as this sales channel is proving to be a good growth segment.

Note of thanks

The Board recognised that 2008 was a challenging year for all connected to the Khind fabric. Sincere thanks go out to the senior management team; employees; shareholders; business partners; customers; and regulatory officials – who have in one way or another helped the Group achieve a credible performance in the past year. Their support helps provide the platform for the Group to courageously journey through what is expected to be another difficult economic year ahead.

CHENG KING FA
CHAIRMAN

CHENG PING KEAT
GROUP CHIEF EXECUTIVE
OFFICER (CEO)

Corporate Structure



A World Brand...From Malaysia

KHIND HOLDINGS BERHAD (380310-D)



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
www.indesico.com.my

Email Address :

khb@khindmistral.com

Share Registrars :

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

Company Secretaries :

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
Hong Leong Bank 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 70, is the Founder of the KHIND group, which commenced as a small family business 48 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 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.

Mr. KF Cheng is a director and minority 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 2008 financial statements in respect of related party transactions. In 2008, he attended all the six meetings held by the Board.

He has a direct interest in 1,824,601 shares (4.55%) and deemed interests in 1,304,124 shares (3.26%) via his spouse and daughters in KHIND.

Mr. KF Cheng, who has reached 70 years of age, would like to seek re-appointment as a Director of KHIND pursuant to section 129(6) of the Companies Act 1965 at the Company's Thirteenth (13th) Annual General Meeting.





MR. CHENG PING KEAT
- Malaysian
- Group Chief Executive Officer

Mr. Cheng Ping Keat, aged 48, was appointed 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.

On 21 November 2008, Mr. PK Cheng resigned from the Khind Audit Committee (KAC), being the only Executive member of the KAC since its inception in 1998.

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. Mr. PK Cheng has a direct interest in 1,107,720 shares (2.76%) and a deemed interest in 1,556,599 shares (3.89%) via his spouse in KHIND.

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 2008 financial statements in respect of related party transactions. In 2008, he attended all the six meetings of the Board.

Profile of Board of Directors (Con't)

**MDM TAN LAY KUAN
@TAN LAY WAH**
- Malaysian
- Independent /
Non-Executive Director

Mdm. Tan Lay Wah, aged 62, has been an Independent/Non-Executive Director of KHIND since 20 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 KAC since 10 August 1998 and is also a member of the Nomination and Remuneration Committee formed on 15 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 six meetings of the Board in 2008.

Mdm. Tan has a direct interest in 13,333 shares (0.03%) and a deemed interest in 242,667 shares (0.61%) via her spouse, in KHIND.

**MR. KAMIL BIN DATUK HJ. ABDUL
RAHMAN**
- Malaysian
- Senior Independent /
Non-Executive Director

Mr. Kamil A. Rahman, aged 60, 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 was appointed as the KAC Chairman on 5 August 2008, after the resignation of the former KAC Chairman, Mr. Nordin bin Mohamad Desa, who retired as a Director (and hence resigned as the KAC Chairman) at the Company's Twelfth (12th) Annual General Meeting which was held on 29 May 2008. Mr. Kamil was appointed as the Senior Independent Director on 31 March 2009.

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 six meetings of the Board in 2008. He does not have any direct or indirect shareholdings in KHIND.

Mr. Kamil bin Datuk Haji Abdul Rahman will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Thirteenth (13th) Annual General Meeting.

MR. MD. AZMI BIN LOP YUSOF
- Malaysian
- Independent/
Non-Executive Director

Mr. Md. Azmi bin Lop Yusof, aged 54, was appointed a Non-Independent / Non-Executive Director of KHIND on 20 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 six meetings of the Board in 2008.

Mr. Md. Azmi has beneficial interests in 1,469,935 shares (3.67%) and 39 shares (0.0001%), of KHIND - which are pledged to BI Nominees (Tempatan) Sdn. Bhd. and Mayban Nominees (Tempatan) Sdn. Bhd. respectively.

Mr. Md. Azmi bin Lop Yusof will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Thirteenth (13th) Annual General Meeting.

MR. LEE AH LAN @ LEE KEOK HOOI
- Malaysian
**- Non-Independent/
Non-Executive Director**

Mr. Lee Keok Hooi, aged 62, 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).

On 21 November 2008, Mr. Lee was appointed as a Non-Executive Member of the Khind Audit Committee (KAC).

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 four of the six meetings of the Board held in 2008.

Mr. Lee does not have any conflict of interest with KHIND, other than that disclosed in the 2008 financial statements pertaining to related party transactions. He does not have any direct or indirect shareholdings in KHIND.

Statement on Corporate Governance

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

The Board is committed to the maintenance of high standards of corporate governance by adopting and implementing the prescription of the principles and best practices set out in Malaysia Code of Corporate Governance, revised 2007 (The "Code").

a) BOARD OF DIRECTORS

BOARD COMPOSITION AND BALANCE

The Board currently comprises six (6) members, of whom two (2) are of Executive capacity and three (3) out of four (4) Non-Executive Directors are independent. This is in compliance with the 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 the exercise of their independent judgment.

The Executive Directors are responsible for determining and implementing financial and operational decisions. The role of Independent Non-Executive Directors is crucial in ensuring that the strategies proposed by the management are fully deliberated and examined. They fulfill a pivotal role in corporate accountability as they provide unbiased and independent views, advices and judgements on issues pertaining to the shareholders, employees, customers, suppliers and the various communities in which the Group conduct its business.

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.

In accordance with Part 2 AA, VII of the Code, Mr. Kamil bin Datuk Hj. Abdul Rahman has been appointed as the Senior Independent Non-Executive Director.

BOARD MEETINGS

During the year, four (4) Ordinary Board Meetings and two (2) Special Board Meetings were held and the attendance record of the Board members is reflected as follows:-

DIRECTORS' BOARD MEETINGS IN YEAR 2008	
Directors	Total Number of Meetings Attended by Directors
1. Mr. Cheng King Fa	6/6
2. Mr. Cheng Ping Keat	6/6
3. Mr. Kamil bin Datuk Hj. Abdul Rahman	6/6
4. Mr. Lee Ah Lan @ Lee Keok Hooi	4/6
5. Mdm. Tan Lay Kuan @ Tan Lay Wah	6/6
6. Mr. Md. Azmi bin Lop Yusof	6/6
7. Mr. Nordin bin Mohamad Desa (Retired on 29 May 2008)	2/3

SUPPLY OF INFORMATION TO 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 with a substantial value, major investments and financial decisions, including key policies and procedures and delegated authority limits are subject to Board approval. All deliberations in relation to matters discussed and the conclusions are recorded.

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

The Directors have unrestricted access to advice and services of the company secretaries, senior management and independent professional advisers including the external auditors, at the Company's expense. 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 which operate within clear defined terms of reference. They are 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 Committee which was established on 15 November 2001 comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Committee is responsible for developing the remuneration packages and benefits-in-kind of Executive Directors and making recommendation to the Board for approval. The remuneration of the Non-Executive Directors is decided by the entire Board. The Board has complied with the Code to review the remuneration of Directors such that the Group attracts and retain the right Director mix to run the Company successfully.

The Committee is also responsible to make appropriate recommendations to the Board on matters of renewal, extension, retirement, appointment and re-appointment of directors as well as review annually the mix of skills experience and competencies of the Board. The Committee is currently developing a process of assessment on the effectiveness of the Board, the committee members 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 have been properly documented. This process also 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

(Senior Independent Non-Executive Director)

Members

Md. Azmi bin Lop Yusof

(Independent Non-Executive Director)

Tan Lay Kuan @ Tan Lay Wah

(Independent Non-Executive Director)

Lee Ah Lan @ Lee Keok Hooi

(Non-independent Non-Executive Director)

Statement on Corporate Governance (Con't)

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.

During the year, ESOS Committee was dissolved and members retired upon expiry of the ESOS Scheme.

DIRECTORS' TRAINING

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") and Continuing Education Programme ("CEP") points in accordance with requirements.

Pursuant to Paragraph 15.09(2), the Directors will continue to attend other relevant training programs either on their own arrangement or organized by the Company, covering the area of finance, management and leadership to equip themselves with the essential skills and knowledge to run the Company effectively.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Article of Association, all Directors who are appointed by the Board during the year are subject to retirement and re-election at the Annual General Meeting subsequent to their appointment and at least one-third (1/3) of the remaining Directors be subject to retirement by rotation at each Annual General Meeting.

The Article of Association also provides that all Directors to offer themselves for re-election by rotation at least once in every three (3) years during the Annual General Meeting. The Nomination and Remuneration Committee reviews the rotation of the Directors.

DIRECTORS' REMUNERATION

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

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

Directors' Remuneration & Benefit-in-Kind

Directors	Fees RM	Salaries RM	Bonus RM	EPF-Employer Contribution @ 15% RM	Benefit-in- Kind RM	Grand Total RM
Executive Directors	-	878,000	211,000	157,050	180,112	1,426,162
Non-Executive Directors	90,000	-	-	-	38,000	128,000
TOTAL	90,000	878,000	211,000	157,050	218,112	1,554,162

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

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

Remuneration Bands	Number of Directors		Total
	Executive	Non-Executive	
Up to RM50,000	-	5	5
RM550,001- RM600,000	-	-	-
RM600,001- RM650,000	1	-	1
RM650,001- RM700,000	-	-	-
RM700,001- RM750,000	-	-	-
RM750,001- RM800,000	1	-	1
Total	2	5	7

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board acknowledges the importance of accountability to the shareholders through proper communication with them. 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 as the principal form of dialogue and the avenue for direct interaction between the shareholders, investors and the Company, 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 (Con't)

DIALOGUE BETWEEN COMPANY AND INVESTORS

Press conferences are normally held after the AGM 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 additions, the Group CEO meets with fund managers, institutional investors and investment analysts as and when requested to ensure they are updated with new information pertaining to the Group's strategy and major developments.

The shareholders and investors are 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, www.mistral.com.my and www.indesico.com.my.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of the financial reporting. The financial statements and quarterly results are reviewed by Audit Committee and approved by the Board before releasing to Bursa Malaysia Securities Berhad.

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

The Board has maintained an appropriate and transparent relationship with the 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 of 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 the financial statements prepared for the financial year give a true and fair view of the state of affair of the Company and the Group as at 31 December 2008 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 year ended 31 December 2008 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 Company and the Group used appropriate accounting policies which are consistently applied;
- Reasonable and prudent judgments 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 operations in 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.

Statement of Compliance with the Best Practices of the Code

The Board is committed to achieve high standards of corporate governance throughout the Group and to maintain high level of integrity and ethics in all its business dealings. The Board is of the view that all the best practices have been adopted and complied as prescribed in the Malaysian Code of Corporate Governance, revised 2007.

Corporate Responsibility

During the year, the Group has endorsed a formal Corporate Responsibility Policy, which includes the areas of environment, community, marketplace and workplace. This Policy will serve as the direction for the Group in any selected Corporate Responsibility initiatives in the future.

The Group has participated in many local community events by leading in local community projects, sponsoring gifts and donations to charitable organizations. The Group has also donated internationally to the victims of Cyclone Nargis in Myanmar as well as the victims of the Sichuan Earthquake in China.

In its endeavor to conserve the environment, the Group has launched more environmentally-friendly products with better energy efficiency to the marketplace.

It has been the Group's consistent practice of achieving a minimum 16 hours of training per employee per year. The Group believes that all employees who are well trained will be valuable resources for the growth of our business.

Statement on Corporate Governance (Con't)

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 Employees' Share Option Scheme ("ESOS") has lapsed during the financial year.
4. **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme**
During the year under 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 by the Company and its subsidiaries for the financial year ended 31 December 2008 was Ringgit Malaysia Eight Thousand (RM8,000) only.
7. **Profits estimates, forecast or projection**
There was no variance between the results of the financial year and the unaudited results previously released by the Company. The Company did not release any profit estimate, forecast or projection during the financial year.
8. **Profit guarantee**
No profit guarantee had been given by the Company during 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 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 upon terms and conditions therein stated.
 3. Conditional Sale and Purchase Agreement dated 11 March 2009 between Khind Customer Service Sdn Bhd ("KCS") (formerly known as Khind Marketing (M) Sdn Bhd), and Lee Teik Cheng and Poo Siew Yong in relation to the disposal of a factory building held under HS (D) No. 115859 PT No. 1513 Bandar Sunway Daerah Petaling State of Selangor, which bears the correspondence address of No. 15, Jalan PJS 11/8, Bandar Sunway, 46150 Petaling Jaya, Selangor and measuring an area of approximately 761.5942 square metres. The factory building will be disposed off for a total cash consideration of RM2,180,000 only. The proposed disposal is expected to be completed by the second half of year 2009.
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. Except for a property owned by KCS, a wholly-owned subsidiary of the Company, had been revalued and reclassified as non current asset held for sale according to approved accounting standard, FRS 5. The property will be subsequently disposed and a Sale and Purchase Agreement had been signed, as disclosed above.
11. **Recurrent Related Party Transaction ("RRPT")**
The Group had made full disclosures on the Related Party Transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of business of the Company and its subsidiaries.

At the forthcoming Annual General Meeting, the Company will be seeking a new and renewal of the shareholders' mandate to enter into the RRPT of a revenue or trading nature.

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 2008.

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 2008

Mr. Nordin bin Mohamad Desa (KAC Chairman), retired as a director during the Company's 12th Annual General Meeting convened on 29 May 2008. On 5 August 2008, Mr. Kamil bin Datuk Haji Abdul Rahman was appointed as the new KAC Chairman. He is supported by a majority of non-executive members.

On 21 November 2008, Mr. Cheng Ping Keat (Group CEO) resigned from the KAC and was replaced by Mr. Lee Ah Lan @ Lee Keok Hooi, a Non-Independent/Non- Executive Director. Both Mr. Kamil bin Datuk Haji Abdul Rahman and Mr. Lee Ah Lan @ Lee Keok Hooi are KAC members with accounting qualifications.

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 /Non-Executive	
Nordin bin Mohamad Desa (Chairman) <i>(Resigned as KAC Chairman on 29.05.2008)</i>	2/2 (100%)
Kamil bin Datuk Hj. Abdul Rahman (Chairman) <i>(Appointed as KAC Chairman on 05.08.2008)</i>	4/4 (100%)
Tan Lay Kuan @ Tan Lay Wah (f)	4/4 (100%)
Non-Independent	
Cheng Ping Keat <i>(Resigned as KAC member on 21.11.2008)</i>	4/4 (100%)
Lee Ah Lan @ Lee Keok Hooi <i>(Appointed as KAC member on 21.11.2008 which was last KAC meeting in 2008)</i>	

3. Terms of Reference

The Terms of Reference for the Committee, were revised and approved by the Board on 21 May 2008. The revisions to the Terms of Reference are to ensure due compliance with the recent amendments to the relevant provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

3.1 Composition

- The Khind Audit Committee (KAC) shall have a minimum of three (3) members, all of whom shall be non-executive 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. Terms of Reference (continued)

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.

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 non-executive members;
- The Chairman shall call for a meeting to discuss any material issue requiring shareholders' attention, if so requested by the external auditors;
- The KAC shall meet with the external auditors, without executive board members, at least twice a year.

The Terms of Reference have incorporated the amended provisions in Bursa Malaysia Securities' Listing Requirements, which took effect from 28 January 2008.

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 2008, 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 2007 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 31.12.2008, the KAC focused on the following internal auditable functions:-

- o Compensation, benefits and rewards systems;
- o Recruitment, hiring, termination and payroll management;
- o Sales order processing, recognition and recording;
- o Billing management and monitoring of outstanding orders;
- o Accounts receivable recognition and recording;
- o Processing, recording, management of collections;
- o Credit evaluation and approvals.

For financial year ended 31 December 2008, the Company's Employees' Share Options Scheme (ESOS) lapsed on 27 June 2008 and was not renewed.

Financial Calendar

Date	Event
28 April 2008	Notice of Twelfth (12th) Annual General Meeting
21 May 2008	Announcement of unaudited results for the First Quarter ended 31 March 2008
19 August 2008	Announcement of unaudited results for the Second Quarter ended 30 June 2008
9 October 2008	Notice of interim dividend of 5% (net of 26% income tax) payable on 21 November 2008 for the financial year ended 31 December 2008
18 November 2008	Proposed Acquisition of Land
21 November 2008	Announcement of unaudited results for the Third Quarter ended 30 September 2008
26 February 2009	Announcement of unaudited results for the Final Quarter ended 31 December 2008
11 March 2009	Proposed Disposal by the Company's wholly owned subsidiary Khind Customer Service Sdn. Bhd. (formerly Khind Marketing (M) Sdn Bhd) , a factory known as No.15, Jalan PJS 11/8, Bandar Sunway, 46150, Petaling Jaya, Selangor Darul Ehsan held under issue document of title HS(D) No.115859 PT No. 1513 Bandar Sunway Daerah Petaling State of Selangor for a total consideration of RM2,180,000.



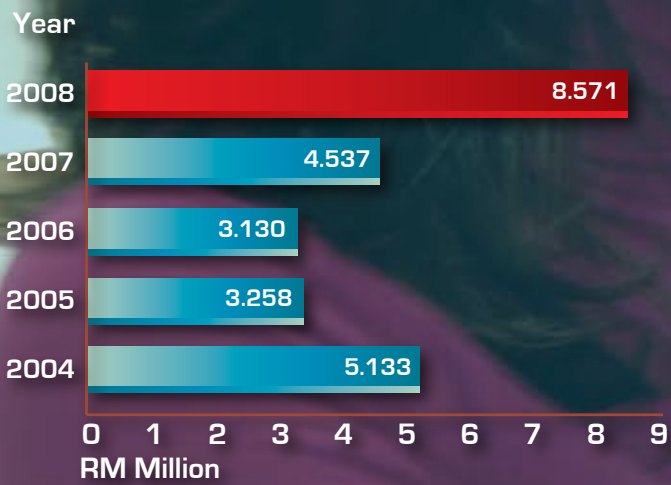


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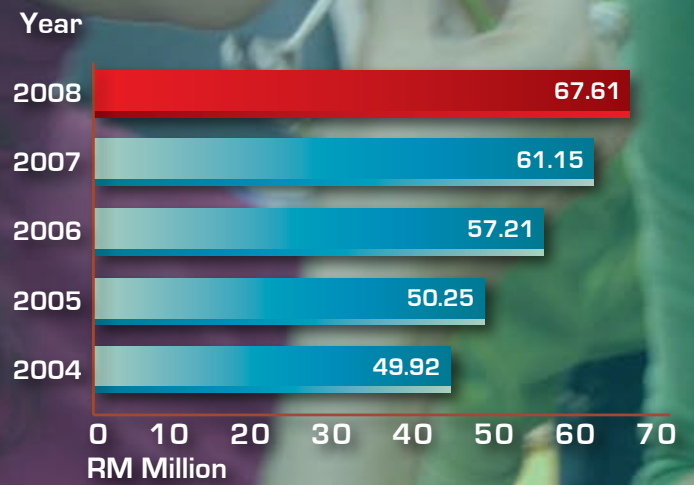
Financial Statements

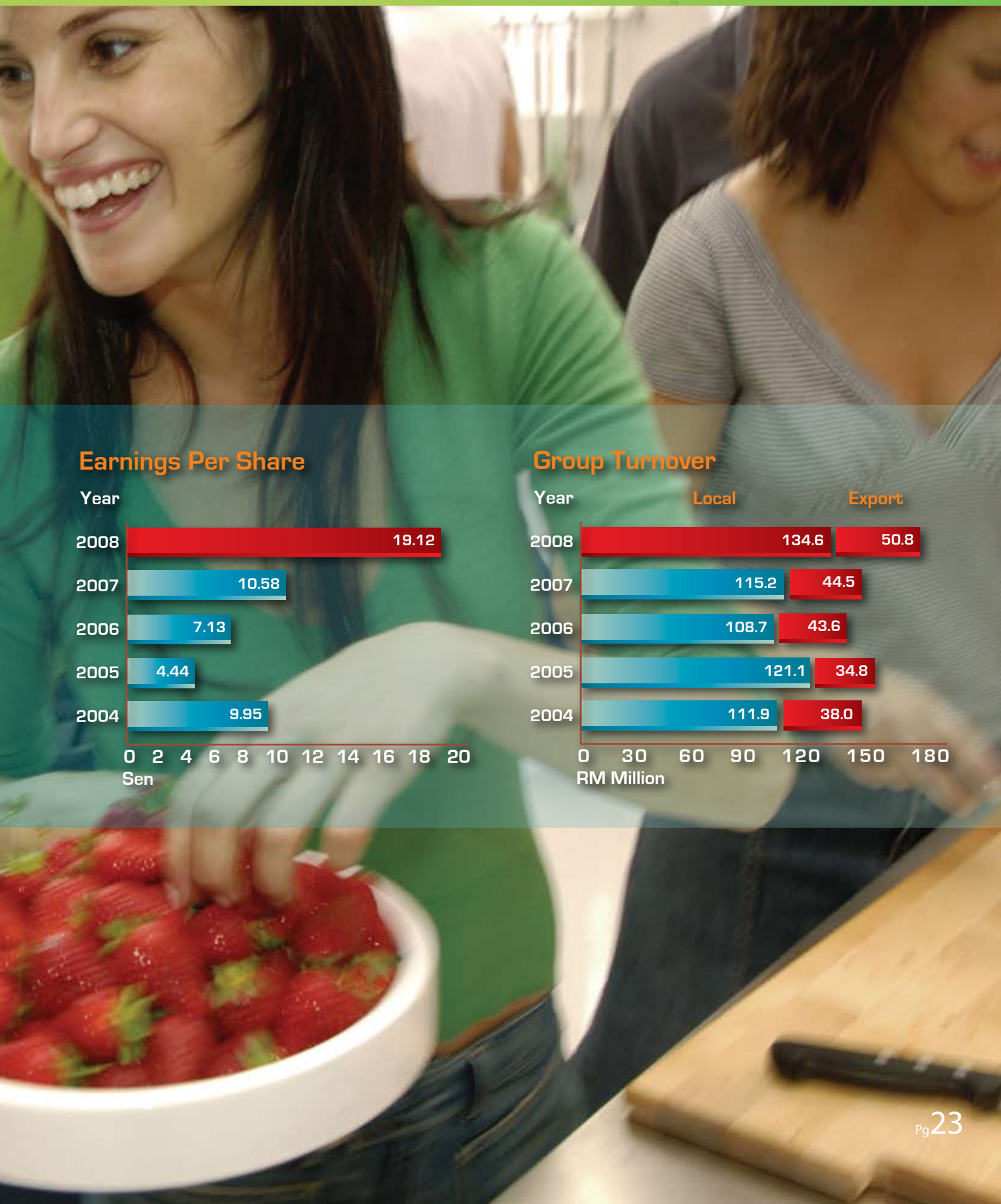
Financial Statements

Profit Before Income Taxation

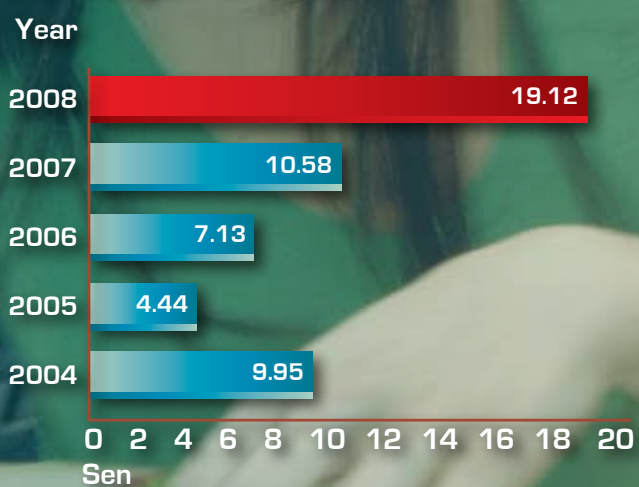


Shareholders' Funds





Earnings Per Share



Group Turnover

