



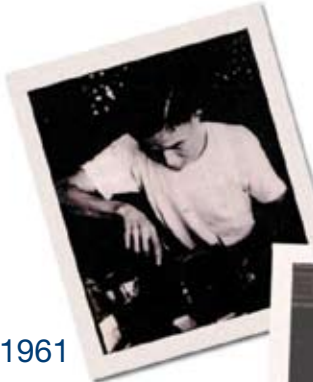
**KHIND HOLDINGS BERHAD**

Manufacturer & Marketer for



# Brief History of Khind

## A journey 45 years ago...



1961

When in 1961, the Company began as a humble trader of electrical goods in Sekinchan, Kuala Selangor. As time progressed, the vision of our then founders Mr Cheng King Fa, Chairman of the Company and Dato' Cheng Hup, former Managing Director - was to make the company a bigger success. From being a mere trader, the Company progressed to becoming a wholesaler of electrical products as the years progressed well into the 1970's.



1982



1991

In the mid-1980's, the Company decided to manufacture its own brand of products under the "Khind" name. By the late 1980's, Khind ventured outside Malaysia. The Company received its first order from Dubai in 1988. This order signaled the start of the Company's foray into international markets. Today, Khind exports to over 50 countries around the globe with sales of approximately RM43.6 million.



2004



1998

The Nineties saw the Company continue to reinforce its domestic market position by introducing a greater range of consumer home electrical appliances that appealed to a broad spectrum of Malaysians. Building on its early success, Khind Holdings Berhad was also listed on the Second Board of Bursa Malaysia on August 12th, 1998 - representing yet another milestone in the Company's on-going 45 year journey.

The new millennium provided more opportunities. In 2001, Khind made the strategic decision to acquire the "Mistral" brand franchise for Malaysia, and most of Asia. This allowed Khind to have a second synergistic brand under its portfolio that specifically targeted the rapidly growing affluent consumer at home and abroad.



2001

2006



Looking ahead, the Company seeks to be the choice of consumers wherever they live. From healthy lifestyle kitchen appliances to practical audio-visual, and air-moving products - Khind is ready to serve customers with quality and innovative products.

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



**Cheng King Fa**  
*Founder & Chairman*



**Cheng Ping Keat**  
*Group CEO*

### Dear Shareholders,

In this 45th Anniversary, the Board of Directors of Khind Holdings Berhad and its group of companies, is pleased to present the Annual Report for the financial year ended December 31, 2006.

### Overview of the Malaysian Economy in 2006

Malaysia's economy achieved a milestone for 2006 when its trade hit RM1.069 trillion (Malaysia's Trade Performance in 2006, Ministry of International Trade & Industry [MITI]). This was further supported by a better than expected gross domestic product (GDP) of 5.9 per cent (5.9%). The country's economy was also driven by an improved consumer sentiment and sustained business confidence driven largely by the private sector.

### How the electrical and electronics (E&E) sector fared?

The electrical & electronics (E&E) sector remained a robust contributor to the nation's overall economy. Strong global demand for Malaysia's exports of higher value-added E&E products reached RM281.0 billion, representing a 62.2 per cent (62.2%) contribution of total manufactured exports (Malaysia's Trade Performance in 2006, Ministry of International Trade & Industry [MITI]).

While exports continued to register positive growth, the local E&E sector performed softer due to increasing prices of raw materials such as copper, plastics, metal, logistics and fuel costs. Similarly, a slower appreciation of the Malaysian Ringgit meant that E&E companies were unable to enjoy higher exchange savings from raw material costs. All these factors had an impact on the Company's overall performance.

### 2006 performance

On the backdrop of a softer operating environment, the Company registered marginally lower revenue of RM152.35 million, or a 2.3 per cent (2.3%) decrease over the previous year's performance of RM155.87 million. Profit before tax declined by 3.9 per cent (3.9%) to RM3.13 million (2005 profit before tax: RM3.26 million). The lesser financial performance was attributable to a dip in overall local sales and lower demand for the Company's large audio-visual appliances and air-conditioners. On a positive note, export sales continued to be a consistently bright area as it registered a 25.3 per cent (25.3%) increase over the previous year to reach RM43.6 million.

### Dividends

The Board declared an interim dividend of 3.0 sen which was paid out on December 27, 2006.

### Significant Corporate Developments in 2006

Notwithstanding a more challenging business environment, the Khind Group celebrated its 45th Anniversary in a dignified manner. Management and employees implemented a series of internal and external activities to celebrate the occasion. Internally, staff had an opportunity to participate in a company-wide quiz contest which helped them acquire knowledge about the Company's history.

Externally, the Company launched its 45th Anniversary celebrations with its trade partners, BonusLink and consumers. Highlights included special promotions for consumers to purchase 'Khind' and 'Mistral' products, while enjoying more BonusLink rewards. On the trade front, the Company provided additional incentives for its dealers to reward them for their continued support. These initiatives helped the Company reinforce its long-standing heritage in the market place.

A book about the Company's unique journey and insights was also commissioned as part of its 45th Anniversary community sharing project. Titled "Have you heard of Khind?", the book delves into the early history of Khind and its colourful journey to becoming a leading E&E company in the country. The book is expected to be available to shareholders, customers and the public in early 2007.

### **Operations review**

Despite a softer operating climate, the Company continued to ensure consistency in delivery, cohesiveness in team work, and a focus in managing costs – all with a view of attaining better margin performance.

With exports being a significant contributor to overall revenue, it was heartening to note that the Company's international operating units turned in credible performances. Wholly-owned subsidiary Khind Middle East FZE located at the Jebel Ali Free Trade Zone in Dubai led the way, registering a 20 per cent (20%) increase above its business sales target in its first full year of operation. Within this context, the Middle East region continued to contribute over 50 per cent (50%) of the Company's total export sales. Meanwhile, Mistral (Singapore) Pte Ltd attained a 40 per cent (40%) sales growth. The rest of the Association of South East Asian (ASEAN) countries also charted good progress.

Domestically, the Company remained steadfast in protecting its market share despite stiffer competition from lower priced generic brands, and also the Japanese and Korean manufacturers. Similarly, a review was conducted to reduce the group's product portfolio by focusing on categories that offered innovation and value or 'inno-value', with a view of building on synergistic line extensions that provided better margins. This operational change was implemented in the latter part of the financial year.

### **Marketing Review**

As a result of changes made operationally, a supporting marketing strategy was put into motion. It was to focus on introducing 'Healthy Lifestyle' products. The decision was to differentiate the Company's brands 'Khind' and 'Mistral' clearly from competitors. The initial introduction of a rice cooker with a stainless steel inner pot called 'Khind Anshin' – the first of its kind in the market place, led the Company's foray into this new market segment. Early reaction from trade partners and consumers has been encouraging. As such, the Company will be looking to introduce similar products that fit into the healthy lifestyle needs of consumers in the market place, while reducing inventories or phasing out product categories that have thin margins or do not attract consumer interest.

On the international front, the Company continued to participate in selective trade shows and events that allowed its brands to be profiled to prospective buyers. Similarly, its International Trade Division (ITD) aggressively drove new market penetration and capitalised on opportunities to present the Company's export capabilities to prospective buyers around the globe.

### **Looking forward**

With its 45th Anniversary completed, the Company is ready to embark on its next journey. One of the key goals in 2007 will be a focus on growing, if not, maintaining profitability. To do this, the Company will continue with its newly-introduced strategy of focusing on home electrical appliances that appeal to consumers leading healthier lifestyles. By doing so allows the Company to build on synergistic product line extensions that offer higher margins.

Improved inventory control and cash flow management will also be given greater attention as the Company seeks to reduce trade delivery time cycles. Likewise, the Company will be investing in additional training and development programmes to upgrade the skills level of its employees, so that they are equipped to nimbly react to changes in the business.

### **Note of thanks**

The Board wishes to place on record its appreciation to all Khind employees, trade partners, shareholders, regulatory bodies, business advisors and consumers for their on-going support in our 45th year of business. We are encouraged by the enduring relationships that have been forged, and we look forward to building even stronger ties amongst each group in the year ahead.

## Corporate Structure



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



## Corporate Information

1. **Registered Office** : No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong 40150 Shah Alam  
Tel: 603-7847 1900  
Fax: 603-7845 4560
2. **Website Address** : [www.khind.com](http://www.khind.com)  
[www.mistral.com.my](http://www.mistral.com.my)  
**Email Address** : [khb@khindmistral.com](mailto:khb@khindmistral.com)
3. **Share Registrars** : PFA Registration Services Sdn Bhd  
Level 13, Uptown 1  
No. 1, Jalan SS 21/58  
Damansara Uptown,  
47400 Petaling Jaya  
Tel: 603-7725 4888  
Fax: 603-7722 2311
4. **Company Secretaries** : Kam Kooi Hua (MACS 00152)  
Khoo Guan Kiat (MIA 20886)
5. **Stock Exchange Listing** : Second Board of Bursa Malaysia Securities Berhad (Bursa Securities)
6. **External Auditors** : KPMG  
Chartered Accountants  
(AF 0758)
7. **Internal Auditors** : Deloitte Enterprise Risk Services Sdn Bhd
8. **Principal Bankers** : Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
Public Bank Berhad  
AmBank (M) Berhad  
United Overseas Bank (M) Berhad
9. **Solicitors** : Ong & Partnership  
Shearn Delamore & Co  
Edward Soo & Co  
Khor, Anuar & Khong  
Mak, Ong & Ng



**MR. CHENG KING FA** – 68 years, Malaysian  
– Founder / Chairman

Mr. Cheng King Fa is the Founder of the KHIND group, which commenced as a small family business 46 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.

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

He is a major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U), which has a 48.45% stake in KHIND. He is the father of Mr. Cheng Ping Keat.

He 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 2006 financial statements in respect of related party transactions. In 2006, he attended all the six meetings held by the Board.

He has a direct interest of 979,967 shares (2.45%) and an indirect interest of 19,410,737 shares (48.45%) via Kee Hin Ventures Sdn. Bhd. (429373-U) in KHIND.

Mr. Cheng King Fa will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Eleventh (11th) Annual General Meeting.



**MR. CHENG PING KEAT** – 46 years, Malaysian  
– Group Chief Executive Officer

Mr. Cheng Ping Keat 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.

He 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.

He is a Director and major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U) which has a 48.45% 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.

He 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 2006 financial statements in respect of related party transactions. In 2006, he attended all the six meetings of the Board.

He has a direct interest of 2,302,720 shares (5.75%) in KHIND and an indirect interest of 19,410,737 shares via Kee Hin Ventures Sdn. Bhd. (429373-U), which owns a 48.45% stake in KHIND.



**MR. SOEKARDI THEDJOISWORO** – 43 years, Indonesian  
– Executive Director

Mr. Soekardi Thedjoisworo was appointed an Executive Director of KHIND on 18 November 2003. He has about 18 years experience in banking, finance, credit control and auditing. He has held senior positions as a Central Credit Department Head, Finance Controller, Internal Auditor and as General Manager in various financial organizations and businesses in Indonesia.

In 1987, he graduated with a Bachelor of Science in Finance degree, with minor in Accounting and Economics from the Oklahoma State University, U.S.A. and also obtained his Master of Business Administration, with major focus in Finance from the Oklahoma City University in 1988.

He has no family relationship with any Director and or major shareholder of the Company, no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all the six board meetings held in 2006.

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

## Profile of Board of Directors (Continued)



**MR. ONG WAN BING alias KIE TJHAN – 42 years, Indonesian**  
– Executive Director

Mr. Ong Wan Bing alias Kie Tjhan was appointed a Non-Independent/Non-Executive Director of KHIND on 5 November 2004. He became an Executive Director of KHIND on 21 November 2006.

He is an established businessman with more than 20 years experience in the textile and electronics businesses in Indonesia. He also sits on the board of some private limited companies in Malaysia and Indonesia.

He has no family relationship with any Director and or major shareholder of the Company, no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all the six meetings held in 2006.

He is a Director of and has a 6.5% stake in Kee Hin Ventures Sdn. Bhd. (429373-U) which has a 48.45% stake in KHIND.

Mr. Ong Wan Bing @ Kie Tjhan will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Eleventh (11th) Annual General Meeting.



**MR. NORDIN BIN MOHAMAD DESA – 51 years, Malaysian**  
– Independent Director

Mr. Nordin bin Mohamad Desa became an Independent Non-Executive Director of KHIND on 20 April 1998 and has been the Chairman of the Audit Committee since its inception on 10 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 at 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 years. He attended all the six meetings of the Board in 2006.

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



**MR. KAMIL BIN DATUK HJ. ABDUL RAHMAN – 58 years, Malaysian**  
– Independent Director

Mr. Kamil A. Rahman 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.

He graduated with a Bachelor of Commerce degree from the University of Otago, New Zealand and subsequently qualified as a Chartered Accountant of the Institute of Chartered Accountants of New Zealand. He is also a Fellow Chartered Secretary of the Institute of Chartered Secretaries and Administrators, United Kingdom, and a Chartered Accountant of the Malaysian Institute of Accountants.

His previous positions were as Senior Vice President of the Bank of Commerce (M) Berhad and as Executive Director of Commerce International Merchant Bankers Berhad. Mr. Kamil is also a Director of 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).

He has no family relationship with any Director and or major shareholder of the Company, no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all the six meetings of the Board in 2006.

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



**MDM. TAN LAY KUAN @ TAN LAY WAH** – 60 years, Malaysian  
– Independent Director

Mdm. Tan Lay Wah 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.

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

She 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 2006.

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

Mdm. Tan Lay Kuan @ Tan Lay Wah will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Eleventh (11th) Annual General Meeting.



**MR. MD. AZMI BIN LOP YUSOF** – 52 years, Malaysian  
– Non-independent / Non-executive Director

Mr. Md. Azmi bin Lop Yusof 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.

He 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 2006.

He has beneficial interests in 1,484,935 shares (3.71%) and 39 shares (0.00009%), of KHIND - which are pledged to Maju Nominees (Tempatan) Sdn. Bhd. and Mayban Nominees (Tempatan) Sdn. Bhd. respectively.



**MR. LEE AH LAN @ LEE KEOK HOOI** – 60 years, Malaysian  
– Non-independent / Non-executive Director

Mr. Lee Keok Hooi was appointed as a Non-independent / Non-Executive Director of KHIND on 26 March 1999. He graduated from the University of Western Australia in 1973 with a Bachelor of Commerce degree in Accounting. He is an Associate Member of the Australian Society of Certified Practising Accountants and also a Member of the Malaysian Institute of Accountants.

He 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.

He has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past ten years and does not hold any shares in KHIND. He attended five of the six meetings of the Board in 2006.

He does not have any conflict of interest with KHIND, other than that disclosed in the 2006 financial statements pertaining to related party transactions.

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

## Financial Calendar

Date	Event
23 May 2006	Announcement of unaudited results for the First Quarter ended 31 March 2006
30 May 2006	Tenth Annual General Meeting
14 June 2006	Announcement of unaudited results for the First Quarter ended 31 March 2006 (Amended Announcement)
22 August 2006	Announcement of unaudited results for the Second Quarter ended 30 June 2006
21 November 2006	Announcement of Change in Boardroom
21 November 2006	Announcement of unaudited results for the Third Quarter ended 30 September 2006
23 November 2006	Notice of interim dividend of 3% (net of 28% income tax) payable on 27 December 2006 for the financial year ended 31 December 2006
27 February 2007	Announcement of unaudited results for the Final Quarter ended 31 December 2006

Date	Event
04 March 2006	Khind and Mistral Home Appliances and Electrical Appliances Trip – Chengdu
06 March 2006	MRC (Million Ringgit Club) Incentive trip to qualifying overseas customers
06 April 2006	Dealers' Incentive Trip – Korea and Tokyo
02 May 2006	Evacuation drill held at factory in Sekinchan
13 May 2006	Larian mesra organized by Khind Sports and Welfare Club held at Sekinchan for Khind staff
15 May 2006	Khind Home Appliances Trip – New Zealand
14 June 2006	Khind Home Appliances and Electrical Appliances Trip – Kunming
24 June 2006	Tour visit to Balai Bomba and Penyelamat Sekinchan
15 July 2006	Fishing competition organized by Khind Sports and Welfare Club held at Sekinchan for Khind staff
10 August 2006	Khind & Mistral Mini Champion Trip – Foshan Technical Tour
13 August 2006	Three days/two nights Team Building retreat for thirty (30) staff at Trolak
31 August 2006	Dealers' Convention – Health is Wealth held at Port Dickson and launching of "Anshin" stainless steel rice cookers
31 August 2006	Three days/two nights Team Building retreat for thirty (30) staff at Tekam
15 September 2006	Dealers' Champion Trip – Chengmai
17 September 2006	Khind 45th Anniversary Dinner held at Khind Hall in SRJK (C) Yoke Kuan Sekinchan
19 September 2006	Participated in ZAGREB International Autumn Fair at Croatia
25 September 2006	Water Pump Technical Tour for Dealers – Jakarta
10 December 2006	Silva method & Power of Vision Workshop for Senior Management and Directors
22 December 2006	Official launching of Khind and Mistral brand in Albania

## Statement on Corporate Governance

The Board of Directors of Khind Holdings Berhad recognises 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 the Malaysian Code of Corporate Governance (the "Code") for the financial year ended 31 December 2006.

### BOARD OF DIRECTORS

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

DIRECTORS' BOARD MEETING IN YEAR 2006		
Directors	Total Number of Meetings	Total Number Attended by Directors
1. Mr. Cheng King Fa	6	6
2. Mr. Cheng Ping Keat	6	6
3. Mr. Ong Wan Bing @ Kie Tjhan	6	6
4. Mr. Soekardi Thedjoisworo	6	6
5. Mr. Nordin bin Mohamad Desa	6	6
6. Mdm. Tan Lay Kuan @ Tan Lay Wah	6	6
7. Mr. Md. Azmi bin Lop Yusof	6	6
8. Mr. Lee Ah Lan @ Lee Keok Hooi	6	5
9. Mr. Kamil bin Datuk Hj. Abdul Rahman	6	6

### BOARD COMPOSITION AND BALANCE

The Board currently comprises nine (9) members, of whom four (4) are of Executive capacity. Three (3) 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 of 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 5 to 7 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 conducts 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 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 of a substantial value, major investments and financial decisions, including key policies and procedures and delegated authority limits are subject to Board approval.

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 utilise the professional services when necessary to fulfil 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 16 to 17 of this annual report.

### b) Nomination and Remuneration Committee

The Nomination and Remuneration Committee which was established on 15 November 2001 comprises of two (2) Independent Non-Executive Directors and two (2) 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 retains the right Director mix.

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)  
**Lee Ah Lan @ Lee Keok Hooi** (Non-Independent and Non-Executive Director)  
**Md. Azmi bin Lop Yusof** (Non-Independent and Non-Executive Director)

### 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)

## APPOINTMENTS 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 and other special qualities. 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, cover area of finance, management and economic industries.

## Statement on Corporate Governance (Continued)

### 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 & Benefits in Kind

Directors	Fees (RM)	Salaries (RM)	Bonus (RM)	EPF-Employer Contribution @ 15% (RM)	Benefits-in-Kind (RM)	Grand Total (RM)
Executive Directors	72,000	918,780	133,447	72,105	319,679	1,516,011
Non Executive Directors	25,000	–	–	–	–	25,000
<b>TOTAL</b>	<b>97,000</b>	<b>918,780</b>	<b>133,447</b>	<b>72,105</b>	<b>319,679</b>	<b>1,541,011</b>

On the 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		Total
	Executive	Non-Executive	
Up to RM50,000	–	5	5
RM50,001 – RM100,000	1	–	1
RM200,001 – RM250,000	1	–	1
RM550,001 – RM600,000	1	–	1
RM600,001 – RM650,000	1	–	1
<b>Total</b>	<b>4</b>	<b>5</b>	<b>9</b>

### 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), remains 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.

### DIALOGUE BETWEEN COMPANIES 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.

#### DIALOGUE BETWEEN COMPANIES AND INVESTORS (CONTINUED)

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](http://www.khind.com) and [www.mistral.com.my](http://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 judgements 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 15 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 views on issues requiring attention.

A full Audit Committee report enumerating its role in relation to the Auditors is set out in pages 16 to 17 of this Annual Report.

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

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 affairs of the Group and of the Company at 31 December 2006 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 2006 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 judgements 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.

## 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. Options, 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 2006.

**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 Contracts**

Save as disclosed below, there are 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 Circular.

- (i) Memorandum of Understanding dated 2 July 2005 between the Company and Mistral International Pty Ltd of Victoria, Australia (“MIPL”) for promoting the “Mistral” brand in their respective market.
- (ii) Joint Venture Agreement cum Shareholders’ Agreement dated 14 October 2005 between the Company and Mr Hsu Cheng-Wu in relation to their shareholdings in Khind Home Appliances Sdn. Bhd.

**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 Transactions (RRPT)**

The Company had made full disclosures on the Related Party Transactions 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 26 of the Financial Statement.

### INTRODUCTION

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, the Board of Directors of Khind Holdings Berhad (“the Company”) is pleased to provide the following statement on the state of internal control of the Group and its subsidiaries (“the Group”) for the financial year ended 31 December 2006, which has been prepared in accordance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

### RISK MANAGEMENT

In discharging its stewardship responsibilities, the Board has recognised that risk management in the Group

- should be an integral part of the Group’s management practice
- is continuous and an ongoing process
- is a logical and systematic method of identifying, analysing, assessing, treating and monitoring the Group’s risks
- enables the Group to not only minimise losses but maximise opportunities

### INTERNAL CONTROL

The Board recognises the importance of good practice of corporate governance and is committed to maintaining a sound system of internal controls. This includes the establishment of an appropriate control environment and framework, and review of the effectiveness, adequacy and integrity of the system to safeguard shareholders’ investment and the Group’s assets.

Because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The rationale of the system of internal controls is to enable the Group to achieve its corporate objectives within an acceptable risk profile and is not expected to eliminate all risks. The key processes that have been established in reviewing the adequacy and integrity of the system of internal control are as follows:-

#### ***Organisational Structure with Defined Roles and Responsibilities***

The Group has a well defined organisational structure which stipulates the reporting functions of business units and employees. Key responsibilities are clearly defined and there are clear reporting lines up to various management committees and the Board.

#### ***Reporting and Monitoring***

The Group’s management team carries out monthly monitoring and review of operational and financial results for all businesses within the Group and communicates regularly to monitor operational and financial performance against targets and plans. Action plans are formulated to address any areas of concern.

All business units prepare annual budgets and business plans, which are in line with the Group’s Vision and Mission. The Board approves the business plan and annual budget and reviews the results on a quarterly basis against its annual targets.

#### ***Quality Control***

The Group emphasises continuous effort in maintaining the quality of products. The Directors have ensured that safety and health regulations, environmental controls and all other legislations in connection with the industry have been considered and complied with.

An MS ISO 9001:2000 Quality Management System is in place to monitor and ensure the quality requirements of the Group’s products and services to meet customers’ expectation.

#### ***Policies and Procedures and Financial Authority Limits***

The parameters of delegated authority are defined and set out in written policies and procedures, including financial authority limits, to ensure a clear line of responsibility and accountability amount the business units of the Group.

#### ***Internal audit***

The Group has outsourced its internal audit function to a professional services firm whose primary responsibility is to independently provide assessment on effectiveness and reliability of the Group’s systems of internal control. The internal audit function is to advise executives and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The reports are submitted to the Audit Committee and risk and control issues were discussed during the Audit Committee meetings.

#### ***Conclusion***

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2006. The Group continues 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 2006.

## 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 2006

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:-

Name	Attendance	
<b>Independent</b>		
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%)
<b>Non-Independent</b>		
Cheng Ping Keat	4/4	(100%)

## 3. TERMS OF REFERENCE

The Terms of Reference for the Committee, remain 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. 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 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 2006, 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 2005 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.

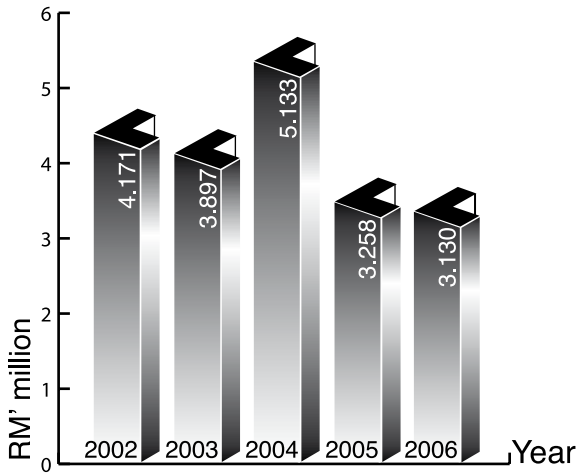
The KAC also reviewed the terms and procedures of the Recurrent Related Party Transactions (RRPT) on a quarterly basis during their meetings, to ensure that RRPT would be carried out on normal commercial terms which were not prejudicial to the interests of minority shareholders.

During the financial year, the KAC focused on the following internal auditable functions pertaining to better management of rebates & incentives, backorders, related party transactions, product costing, procurement & accounts payable, facility management, inventory management, and sales order management.

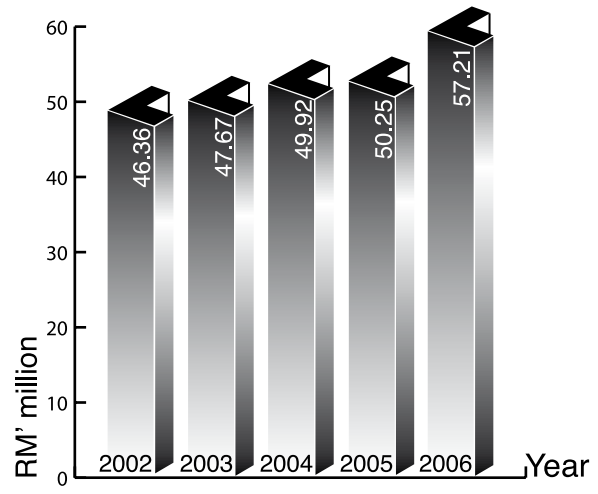
For financial year ended 31 December 2006, no options had been exercised by eligible employees of the Khind group. As at 31 December 2006, a total of 2,411,000 options had been granted but not exercised. To date, the ESOS remains status quo, as no new options had been granted to non-executive directors and new eligible employees of the Khind group.

The KAC also 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 were enforced from 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.

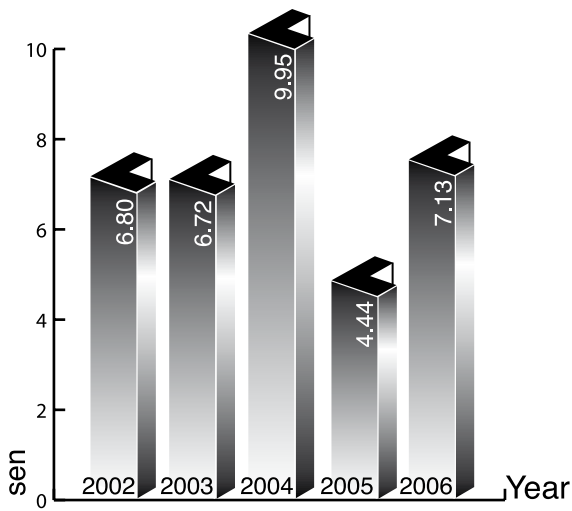
## Financial Statements



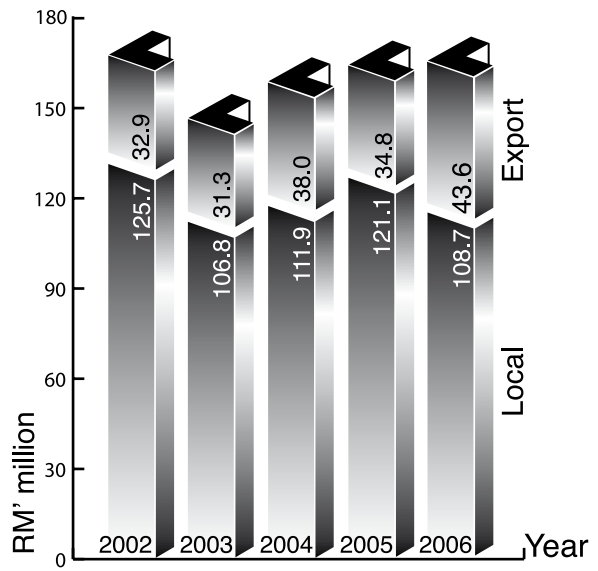
Profit Before Income Taxation



Shareholders' Funds\*



Earning Per Share\*\*



Group Turnover

\* The shareholders' funds have been restated to conform with the current year's presentation.

\*\* The audited Earning Per Share for year 2002 was restated due to the adoption of MASB 25.

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

#### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

#### RESULTS

	Group RM'000	Company RM'000
Profit for the year	3,070	234

#### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

#### DIVIDENDS

Since the end of the previous financial year, the Company paid an interim dividend of 3% less tax at 28% totalling RM865,000 in respect of the year ended 31 December 2006 on 27 December 2006.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

#### DIRECTORS OF THE COMPANY

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

Cheng King Fa  
 Cheng Ping Keat  
 Nordin Bin Mohamad Desa  
 Tan Lay Kuan @ Tan Lay Wah  
 Md Azmi Bin Lop Yusof  
 Lee Ah Lan @ Lee Keok Hooi  
 Kamil Bin Datuk Haji Abdul Rahman  
 Soekardi Thedjoisworo  
 Ong Wan Bing alias Kie Tjhan

#### DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Shareholdings in which Directors have direct interests in the holding company, Kee Hin Ventures Sdn. Bhd.:				
Cheng King Fa	1,944,000	-	-	1,944,000
Cheng Ping Keat	1,647,421	-	-	1,647,421
Ong Wan Bing alias Kie Tjhan	457,730	-	-	457,730
Shareholdings in which Directors have direct interests in the Company:				
Cheng King Fa	-	979,967	-	979,967
Nordin Bin Mohamad Desa	13,333	-	-	13,333
Tan Lay Kuan @ Tan Lay Wah	13,333	-	-	13,333
Md Azmi Bin Lop Yusof	2,014,474	-	(520,500)	1,493,974
Cheng Ping Keat	1,750,420	552,300	-	2,302,720

## Directors' Report

for the year ended 31 December 2006 (Continued)

### DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares of RM1 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Shareholdings in which Directors have indirect interests in the Company:				
Cheng King Fa	20,030,737	-	(420,000)	19,610,737
Cheng Ping Keat	20,030,737	-	(420,000)	19,610,737
Ong Wan Bing alias Kie Tjhan	20,030,737	-	(420,000)	19,610,737

	Number of options over ordinary shares of RM1 each				
	At 1.1.2006	Granted	Lapsed	Exercised	At 31.12.2006
Cheng King Fa	150,000	-	-	-	150,000
Cheng Ping Keat	150,000	-	-	-	150,000

By virtue of their interests in the shares of the Company, Cheng King Fa, Cheng Ping Keat, Nordin Bin Mohamad Desa, Tan Lay Kuan @ Tan Lay Wah, Md Azmi Bin Lop Yusof and Ong Wan Bing alias Kie Tjhan are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Khind Holdings Berhad has an interest.

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees' Share Option Scheme.

### ISSUE OF SHARES AND DEBENTURES

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

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the Employees' Share Option Scheme.

At an extraordinary general meeting held on 30 May 2003, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("ESOS") of not more than 10% of the issued share capital of the Company to eligible Directors and employees of the Group. Subsequent to that, the Company's shareholders had approved that the total number of the Company's shares which may be made available under the Scheme be amended to not exceed 15% of the issued and paid-up share capital of the Company at an extraordinary general meeting held on 25 October 2004.

The salient features of the ESOS scheme are as follows:

- i) Eligible employees are those who have been confirmed in writing as employees of the Group for at least one year on or prior to the date of the offer.

**OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)**

- ii) The major groupings of eligible employees to participate in the Scheme and the maximum number of new shares that shall be allotted to any one of them in total during the entire duration of the Scheme are set out as follows:

Major groupings of eligible employees	Maximum allowable allotment Number of ordinary shares
Directors	300,000
Senior managers	200,000
Managers	100,000
Senior executives	60,000
Executives	40,000
Senior clericals	30,000
Clerks/Technicians	20,000
Operatives	15,000

- iii) The option is personal to the grantee and is non-assignable.
- iv) The option price shall, at the discretion of the ESOS committee, be determined based on a discount of not more than 10% from the five (5)-day weighted average market price of the ordinary shares of the Company as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days preceding the date of offer or the par value of the shares, whichever is the higher.
- v) The options granted may be exercised at any time within a period of five (5) years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- vi) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.
- vii) The new shares to be allotted upon the exercise of any option shall upon allotment rank pari passu in all respects with the then existing shares except that the new shares allotted under the Scheme shall not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of the new shares.

The persons to whom the option have been granted have no right to participate by virtue of the options in any share issue of any other company.

The options offered to take up unissued ordinary shares of RM1.00 each are as follows:

Date of offer	Exercise price	Number of options over ordinary shares of RM1 each				
		At 1.1.2006	Granted	Lapsed	Exercised	At 31.12.2006
7.7.2003	RM1.00	2,296,000	-	(113,000)	-	2,183,000
19.5.2004	RM1.00	273,000	-	(45,000)	-	228,000
		2,569,000	-	(158,000)	-	2,411,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options of less than 100,000. In relation to this, there was no option holder who has been granted options more than 100,000 during the year.

**OTHER STATUTORY INFORMATION**

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

## Directors' Report

for the year ended 31 December 2006 (Continued)

### OTHER STATUTORY INFORMATION (CONTINUED)

- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

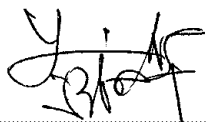
No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### AUDITORS

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

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

  
.....  
**CHENG KING FA**  
.....  
**CHENG PING KEAT**

Kuala Lumpur, Malaysia

Date: 3 April 2007

## Statement by Directors

pursuant to Section 169 (15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 25 to 56 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:


  
 .....
   
**CHENG KING FA**


  
 .....
   
**CHENG PING KEAT**

Kuala Lumpur, Malaysia

Date: 3 April 2007

## Statutory Declaration

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

I, **Cheng Ping Keat**, the Director primarily responsible for the financial management of **Khind Holdings Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 25 to 56 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Shah Alam on 3 April 2007


  
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**CHENG PING KEAT**

Before me:
   
  
**MOHD YACOB KARIM**
  
*(Registration No. B029)*
  
 Commissioner For Oaths



Lot 10, 2nd Floor,
   
 Pusat Dagangan G-90 Shah Alam,
   
 Persiaran Duta, Seksyen 11,
   
 40100 Shah Alam, Selangor,
   
 40100
   
 Tel: 03-5513 8819
   
 Fax: 03-5513 8809

## Report of the Auditors

to the members of Khind Holdings Berhad

We have audited the financial statements set out on pages 25 to 56. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 6 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

### KPMG

Firm Number: AF 0758  
Chartered Accountants

### CHONG DEE SHIANG

Partner  
Approval Number: 2782/09/08(J)

Kuala Lumpur, Malaysia

Date: 3 April 2007

## Balance Sheets

at 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Assets</b>					
Property, plant and equipment	3	24,323	27,454	257	260
Intangible assets	4	1,852	1,974	402	501
Investment property	5	1,600	–	–	–
Investments in subsidiaries	6	–	–	24,887	24,887
Other investments	7	100	96	78	78
Deferred tax assets	8	857	295	15	–
<b>Total non-current assets</b>		<b>28,732</b>	<b>29,819</b>	<b>25,639</b>	<b>25,726</b>
Receivables, deposits and prepayments	9	40,181	43,217	24,348	25,101
Inventories	10	25,588	28,234	–	–
Tax recoverable		1,796	2,386	723	915
Cash and cash equivalents	11	8,707	7,588	281	348
<b>Total current assets</b>		<b>76,272</b>	<b>81,425</b>	<b>25,352</b>	<b>26,364</b>
<b>Total assets</b>		<b>105,004</b>	<b>111,244</b>	<b>50,991</b>	<b>52,090</b>
<b>Equity</b>					
Share capital		40,059	40,059	40,059	40,059
Translation reserve		(44)	(10)	–	–
Retained earnings		17,193	10,203	10,490	11,121
<b>Total equity attributable to shareholders of the Company</b>		<b>57,208</b>	<b>50,252</b>	<b>50,549</b>	<b>51,180</b>
<b>Minority interest</b>		<b>571</b>	<b>356</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	12	<b>57,779</b>	<b>50,608</b>	<b>50,549</b>	<b>51,180</b>
<b>Liabilities</b>					
Loans and borrowings	13	1,661	2,402	–	–
Deferred tax liabilities	8	1,896	1,779	–	–
Negative goodwill		–	4,683	–	–
<b>Total non-current liabilities</b>		<b>3,557</b>	<b>8,864</b>	<b>–</b>	<b>–</b>
Current tax liabilities		202	325	–	–
Payables and accruals	15	16,785	17,567	442	910
Loans and borrowings	13	26,681	33,880	–	–
<b>Total current liabilities</b>		<b>43,668</b>	<b>51,772</b>	<b>442</b>	<b>910</b>
<b>Total liabilities</b>		<b>47,225</b>	<b>60,636</b>	<b>442</b>	<b>910</b>
<b>Total equity and liabilities</b>		<b>105,004</b>	<b>111,244</b>	<b>50,991</b>	<b>52,090</b>

The notes on pages 30 to 56 are an integral part of these financial statements.

## Income Statements

for the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Continuing operations</b>					
Revenue	16	152,346	155,866	4,567	12,583
Cost of sales		(114,412)	(119,508)	-	-
<b>Gross profit</b>		37,934	36,358	4,567	12,583
Other income		2,198	1,957	4	9
Distribution expenses		(19,099)	(19,294)	-	-
Administrative expenses		(16,216)	(14,198)	(4,239)	(3,069)
Other operating expenses		(115)	(122)	-	(1)
<b>Operating profit</b>		4,702	4,701	332	9,522
Interest income		33	8	4	1
Finance costs		(1,605)	(1,451)	-	-
<b>Profit before tax</b>	17	3,130	3,258	336	9,523
Tax expense	19	(60)	(1,379)	(102)	(212)
<b>Profit for the year</b>		3,070	1,879	234	9,311
<b>Attributable to:</b>					
Shareholders of the Company		2,855	1,780	234	9,311
Minority interest		215	99	-	-
<b>Profit for the year</b>		3,070	1,879	234	9,311
<b>Basic earnings per ordinary share (sen):</b>					
	20	7.13	4.44		

The notes on pages 30 to 56 are an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2006

Group	Note	Attributable to shareholders of the Company					Total equity RM'000
		Share capital RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	
<b>At 1 January 2005</b>		40,059	1	9,865	49,925	207	50,132
Foreign exchange translation differences		-	(11)	-	(11)	-	(11)
Profit for the year		-	-	1,780	1,780	99	1,879
Total recognised income and expense for the year		40,059	(10)	11,645	51,694	306	52,000
Disposal of a subsidiary to a minority interest		-	-	-	-	50	50
Dividend to shareholders	21	-	-	(1,442)	(1,442)	-	(1,442)
<b>At 31 December 2005</b>		40,059	(10)	10,203	50,252	356	50,608
- effect of adopting FRS 140	27	-	-	317	317	-	317
- effect of adopting FRS 3	27	-	-	4,683	4,683	-	4,683
<b>At 1 January 2006, restated</b>		40,059	(10)	15,203	55,252	356	55,608
Foreign exchange translation difference		-	(34)	-	(34)	-	(34)
Profit for the year		-	-	2,855	2,855	215	3,070
Total recognised income and expense for the year		40,059	(44)	18,058	58,073	571	58,644
Dividend to shareholders	21	-	-	(865)	(865)	-	(865)
<b>At 31 December 2006</b>		40,059	(44)	17,193	57,208	571	57,779

Company	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2005</b>		40,059	3,252	43,311
Profit for the year		-	9,311	9,311
Dividend to shareholders	21	-	(1,442)	(1,442)
<b>At 31 December 2005</b>		40,059	11,121	51,180
Profit for the year		-	234	234
Dividend to shareholders	21	-	(865)	(865)
<b>At 31 December 2006</b>		40,059	10,490	50,549

The notes on pages 30 to 56 are an integral part of these financial statements.

## Cash Flow Statements

for the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		3,130	3,258	336	9,523
Adjustments for:-					
Amortisation of negative goodwill		-	(341)	-	-
Amortisation of intangible assets	4	122	109	99	99
Depreciation of property, plant and equipment	3	2,216	2,343	65	27
Interest expense		1,605	1,451	-	-
Gain on disposal of property, plant and equipment		(16)	(51)	-	-
Interest income		(33)	(8)	(4)	(1)
Unrealised foreign exchange gain		-	(45)	-	-
Change in fair value of investment property		(100)	-	-	-
<b>Operating profit before changes in working capital</b>					
		6,924	6,716	496	9,648
Changes in inventories		2,646	(3,892)	-	-
Changes in payables and accruals		(782)	(48)	104	(203)
Changes in receivables, deposits and prepayments		3,036	(7,759)	(9)	-
<b>Cash generated from/(used in) operations</b>					
		11,824	(4,983)	591	9,445
Tax refunded		295	17	76	17
Tax paid		(189)	(1,304)	(1)	(380)
<b>Net cash generated from/(used in) operating activities</b>					
		11,930	(6,270)	666	9,082
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(ii), 3	(295)	(1,214)	(62)	(251)
Acquisition of other investment		(4)	-	-	-
Increase in investment in subsidiary		-	-	-	(50)
Interest received		33	8	4	1
Proceeds from disposal of property, plant and equipment		58	54	-	-
<b>Net cash used in investing activities</b>					
		(208)	(1,152)	(58)	(300)

## Cash Flow Statements

for the year ended 31 December 2006 (Continued)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Cash flows from financing activities</b>					
Dividends paid to shareholders of the Company	21	(865)	(1,442)	(865)	(1,442)
Drawdowns of bankers' acceptances		3,893	14,191	-	-
Drawdowns of term loans		-	688	-	-
Interest paid		(1,605)	(1,451)	-	-
Repayment of bankers' acceptances		(7,301)	(7,587)	-	-
Repayment of term loans		(739)	(648)	-	-
Repayment of hire purchase liabilities		(207)	(93)	-	-
Repayment by holding company		-	2	-	2
Repayments by/(Advances to) subsidiaries		-	-	190	(7,319)
<b>Net cash (used in)/generated from financing activities</b>		(6,824)	3,660	(675)	(8,759)
Net increase/(decrease) in cash and cash equivalents		4,898	(3,762)	(67)	23
Foreign exchange rate differences on opening balance		(34)	(11)	-	-
Cash and cash equivalents at 1 January	(i)	3,679	7,452	348	325
<b>Cash and cash equivalents at 31 December</b>	(i)	8,543	3,679	281	348

### i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	11	8,707	7,588	281	348
Bank overdraft repayable on demand - secured	13	(163)	(1,187)	-	-
Bank overdraft repayable on demand - unsecured	13	(1)	(2,722)	-	-
		8,543	3,679	281	348

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

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM454,000 (2005 - RM1,527,000), of which RM159,000 (2005 - RM313,000) were acquired by means of hire purchases.

The notes on pages 30 to 56 are an integral part of these financial statements.

# Notes to the Financial Statements

Kind Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The address of its registered office which is also its principal place of business is as follow:

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

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally engaged in investment holding and provision of management services while the other Group entities are primarily involved in manufacture and trading in electrical home appliances, wiring accessories, assembly of wire harness and power supply cords and compliance testing of electrical home appliances.

The ultimate holding company during the financial year was Kee Hin Ventures Sdn. Bhd., a company incorporated in Malaysia.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued a number of new and revised Financial Reporting Standards ("FRSs") that are effective for accounting periods beginning after 1 January 2006 or available for early adoption. In this set of financial statements, the Group has chosen not to early adopt FRS 117, *Leases* and FRS 124, *Related Party Disclosures* which are effective for annual periods beginning on or after 1 October 2006 and by virtue of the exemption in paragraph 67B of FRS 117 and paragraph 22A of FRS 124, the impact of applying FRS 117 and FRS 124 on its financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

Amendment to FRS 119<sup>2004</sup>, *Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures*, which is effective for annual periods beginning on or after 1 January 2007 is not applicable to the Group. Hence, no further disclosure is warranted.

The MASB has also issued FRS 139, *Financial Instruments: Recognition and Measurement* but for which the MASB has yet to announce the effective date of this standard. The Group has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

On 15 August 2006, the MASB issued FRS 6, *Exploration for and Evaluation of Mineral Resources* which will be effective for annual periods beginning on or after 1 January 2007 and which is not applicable to the Group. Hence, no further disclosure is warranted.

The MASB has also issued the following FRS and IC Interpretations which will be effective for annual periods beginning on or after 1 July 2007:

- Amendments to FRS 121, *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation*
- IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*
- IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- IC Interpretation 6, *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
- IC Interpretation 7, *Applying the Restatement Approach under FRS 129<sup>2004</sup> Financial Reporting in Hyperinflationary Economies*
- IC Interpretation 8, *Scope of FRS 2*

**1. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (Continued)**

The above-mentioned FRS and Interpretations are not applicable to the Group. Hence, no further disclosure is warranted.

The effects of adopting the new/revised FRSs in 2006 are set out in Note 27.

The financial statements were approved by the Board of Directors on 3 April 2007.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for investment property as explained in its accounting policy note.

**(c) Functional and presentation currency**

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

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

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

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

In particular, information about significant area of estimation uncertainty and critical judgements in applying accounting policy that has the most significant effect on the amount recognised in the financial statements are described in the following notes:

- *Note 5 - valuation of investment property*
- *Note 8 - recognition of unutilised tax losses and capital allowances*
- *Note 25 - contingencies*

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

Certain comparative amounts have been reclassified to conform to the current period's presentation (see note 28).

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

## Notes to the Financial Statements (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Basis of consolidation (Continued)

##### (i) Subsidiaries (Continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

##### (ii) Transactions eliminated on consolidation

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

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

#### (b) Foreign currency

##### (i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at of exchange rates at the balance sheet date except for goodwill and fair value adjustments arising from business combination before 1 January 2006, which are reported using the exchange rates at the dates of acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

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

##### (i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (Continued)

(ii) *Reclassification to investment property*

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

(iii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) *Depreciation*

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction and building-in-progress are not depreciated until the assets are ready for their intended use.

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

• Long term leasehold land	99 years
• Leasehold properties	50 years
• Freehold properties	50 years
• Factory buildings	50 years
• Plant and machinery	5 – 10 years
• Tools and moulds	5 – 10 years
• Furniture, fittings and office equipment	3 – 10 years
• Motor vehicles	5 years
• Renovations	5 – 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) **Leased assets**

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

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

(e) **Intangible assets**

(i) *Goodwill*

Goodwill/(negative goodwill) arises on the acquisition of subsidiaries.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

## Notes to the Financial Statements (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Intangible assets (Continued)

##### (i) Goodwill (Continued)

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is not amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement. With the adoption of FRS 3, the carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment where there is objective evidence of impairment.

Before the adoption of FRS 3, negative goodwill was measured at cost less accumulated amortisation. Negative goodwill was amortised over a period of twenty five years (25) from the date of acquisition. Following the adoption of FRS 3, the negative goodwill is recognised immediately in the income statement. The carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

##### **Acquisition of minority interests**

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

##### (ii) Patents and trademarks

Costs associated with the acquisitions of product patents and trademarks, which derived a benefit or relationship to more than one accounting period are capitalised as intangible assets.

##### (iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

##### (iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill with indefinite useful lives is tested for impairment annually and whenever there is an indication that they may be impaired. Patents and trademarks are amortised on a straight-line basis over a period of ten (10) years.

#### (f) Investments

##### **Investments in equity securities**

Investments in equity securities are recognised initially at cost plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

In the previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, *Investment Property*, all investment property are now classified separately. The Group has adopted the fair value method in measuring investment properties with effect from 1 January 2006. As provided in the transitional provision of FRS 140, *Investment Property*, the differences between the fair value and carrying amount of the property under the cost method, if any, is adjusted against the opening retained earnings.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the income statement.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## Notes to the Financial Statements (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Impairment of assets

The carrying amounts of assets except for inventories, deferred tax assets, financial assets and investment property that is measured at fair value are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful life, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

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

#### (l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

#### (m) Employee benefits

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

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

##### (ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share option granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, *Share-based Payment*, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. As all the share options were vested prior to 1 January 2006, the adoption of FRS 2 has no impact to financial statements.

#### (n) Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions (Continued)

**Contingent liabilities**

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

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rental income

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

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Management fees

Management fees are recognised in the income statement on an accrual basis.

(q) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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

(r) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

## Notes to the Financial Statements (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Tax expense (Continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

#### (t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### (u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 3. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM'000	Leasehold properties RM'000	Freehold properties RM'000	Factory buildings RM'000	Plant and machinery RM'000	Tools and moulds RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>										
At 1 January 2005	3,000	5,393	6,742	10,143	5,308	10,547	5,496	2,345	1,465	50,439
Additions	-	20	-	-	16	332	523	378	258	1,527
Disposals	-	-	-	-	-	-	(8)	(133)	-	(141)
At 31 December 2005/ 1 January 2006	3,000	5,413	6,742	10,143	5,324	10,879	6,011	2,590	1,723	51,825
Additions	-	-	-	-	5	-	287	162	-	454
Transfer to investment property	-	(1,683)	-	-	-	-	-	-	-	(1,683)
Disposals	-	-	-	-	-	-	(62)	(68)	-	(130)
Effect of movements in exchange rates	-	-	-	-	-	-	(3)	-	1	(2)
At 31 December 2006	3,000	3,730	6,742	10,143	5,329	10,879	6,233	2,684	1,724	50,464

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Long term leasehold land RM'000	Leasehold properties RM'000	Freehold properties RM'000	Factory buildings RM'000	Plant and machinery RM'000	Tools and moulds RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>Depreciation</b>										
At 1 January 2005:										
Accumulated depreciation	35	615	533	1,894	4,340	8,799	3,382	1,704	864	22,166
Depreciation for the year	30	108	112	203	270	639	509	316	156	2,343
Disposals	-	-	-	-	-	-	(5)	(133)	-	(138)
At 31 December 2005/1 January 2006										
Depreciation for the year	40	74	112	233	218	506	588	284	161	2,216
Offset of accumulated depreciation on property transferred to investment property	-	(356)	-	-	-	-	-	-	-	(356)
Disposals	-	-	-	-	-	-	(22)	(68)	-	(90)
At 31 January 2006:										
Accumulated depreciation	105	441	757	2,330	4,828	9,944	4,452	2,103	1,181	26,141
<b>Carrying amounts</b>										
At 1 January 2005	2,965	4,778	6,209	8,249	968	1,748	2,114	641	601	28,273
At 31 December 2005/1 January 2006	2,935	4,690	6,097	8,046	714	1,441	2,125	703	703	27,454
At 31 December 2006	2,895	3,289	5,985	7,813	501	935	1,781	581	543	24,323

Company	Furniture, fittings and office equipment RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2005	39	-	39
Additions	140	111	251
At 31 December 2005/1 January 2006	179	111	290
Additions	62	-	62
At 31 December 2006	241	111	352
<b>Depreciation</b>			
At 1 January 2005:			
Accumulated depreciation	3	-	3
Depreciation for the year	21	6	27
At 31 December 2005/1 January 2006	24	6	30
Depreciation for the year	43	22	65
At 31 December 2006	67	28	95
<b>Carrying amounts</b>			
At 1 January 2005	36	-	36
At 31 December 2005/1 January 2006	155	105	260
At 31 December 2006	174	83	257

## Notes to the Financial Statements (Continued)

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Title deeds to the long term leasehold land of Nil (2005 - RM2,935,000), leasehold properties with a net book value of RM3,288,000 (2005 - RM3,363,000) and freehold properties with a net book value of RM5,482,000 (2005 - RM5,778,000) belonging to four (4) (2005 - five (5)) subsidiaries are in the process of being registered in the names of these companies.

#### Security

At 31 December 2006, long term leasehold land, leasehold properties and freehold properties of the Group with a net book value of RM8,771,000 (2005 - RM10,272,000 (included investment property of RM1,327,000)) have been pledged as securities for the bank facilities granted to the Group (refer Note 13).

#### Assets under hire purchase

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with net book value of RM506,000 (2005 - RM479,000).

### 4. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Patents and trademarks RM'000	Total RM'000
<b>Cost</b>				
At 1 January/31 December 2005/ 31 December 2006				
		1,433	1,100	2,533
<b>Amortisation</b>				
At 1 January 2005:				
Accumulated amortisation		–	(450)	(450)
Amortisation for the year	17	–	(109)	(109)
At 31 December 2005/At 1 January 2006:				
Accumulated amortisation		–	(559)	(559)
Amortisation for the year	17	–	(122)	(122)
At 31 December 2006:				
Accumulated amortisation		–	(681)	(681)
<b>Carrying amounts</b>				
At 1 January 2005				
		1,433	650	2,083
At 31 December 2005/1 January 2006				
		1,433	541	1,974
At 31 December 2006				
		1,433	419	1,852

Goodwill of RM1,433,000 (2005 – RM1,433,000) represents the unamortised balance of goodwill arising from consolidation of Khind-Mistral Industries Sdn. Bhd. and Khind Marketing (M) Sdn. Bhd..

The recoverable amount of the investments in the subsidiaries are based on its value in use and the recoverable amount is higher than the carrying amount of the investments. There is thus no impairment loss recognised during the period.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results.
- The subsidiaries will continue its operation indefinitely.
- The size of operation will remain with at least or not lower than the current results.

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

4. INTANGIBLE ASSETS (CONTINUED)

Company	Note	Patents and trademarks RM'000	Total RM'000
<b>Cost</b>			
At 1 January/31 December 2005/31 December 2006		1,000	1,000
<b>Amortisation</b>			
At 1 January 2005:			
Accumulated amortisation		(400)	(400)
Amortisation for the year	17	(99)	(99)
At 31 December 2005/1 January 2006:			
Accumulated amortisation		(499)	(499)
Amortisation for the year	17	(99)	(99)
At 31 December 2006:			
Accumulated amortisation		(598)	(598)
<b>Carrying amounts</b>			
At 1 January 2005		600	600
At 31 December 2005/1 January 2006		501	501
At 31 December 2006		402	402

5. INVESTMENT PROPERTY

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Transfer from property, plant and equipment	3	1,327	-	-	-
Change in fair value		173	-	-	-
At 1 January 2006		1,500	-	-	-
Change in fair value		100	-	-	-
At 31 December		1,600	-	-	-
Included in the above are:					
Leasehold building with unexpired lease period of more than 50 years		1,600	-	-	-

**Security**

Leasehold property of the Group with a carrying amount of RM1,600,000 has been pledged as security for term loan facilities and bank overdraft granted to the Group (refer Note 13).

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
At cost:		
Unquoted shares	24,887	24,887

## Notes to the Financial Statements (Continued)

### 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2006 %	2005 %
Khind Industries Sdn. Bhd.	Temporarily ceased operations	Malaysia	100	100
Khind Marketing (M) Sdn. Bhd.	Renting of commercial properties	Malaysia	100	100
Khind-Mistral (Sabah) Sdn. Bhd.	Temporarily ceased operation	Malaysia	100	100
Khind-Mistral (Borneo) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Khind Components Sdn. Bhd.	Assembly of wire harness and power supply cords	Malaysia	100	100
Khind-Mistral Industries Sdn. Bhd.	Manufacture and sale of electrical home appliances and wiring accessories	Malaysia	100	100
Khind-Mistral (M) Sdn. Bhd.	Trading in electrical products	Malaysia	75	75
Khind Technology Centre Sdn. Bhd.	Compliance testing of electrical home appliances	Malaysia	100	100
Khind Home Appliances Sdn. Bhd.**	Trading in electrical and home appliances	Malaysia	50	50
Mistral (Singapore) Pte. Ltd.*	Trading in electrical products	Singapore	100	100
Khind Middle East FZE * #	Trading in home appliances	Dubai	100	100

\* Audited by other firm of accountants.

\*\* Although the Group owns half of the voting power of Khind Home Appliances Sdn. Bhd., it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investor of Khind Home Appliances Sdn. Bhd.. In addition, the Group has board control of the company. Consequently, the Group consolidates its investment in the company.

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

### 7. OTHER INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Non-current</b>				
At cost:				
Quoted shares in Malaysia	100	96	78	78
Market value:				
Quoted shares in Malaysia	54	46	20	20

8. DEFERRED TAX ASSETS AND LIABILITIES

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment	-	-	(1,927)	(2,223)	(1,927)	(2,223)
Investment property	-	-	(77)	-	(77)	-
Tax loss carry-forwards	63	79	-	-	63	79
Unutilised capital allowances carry-forwards	36	295	-	-	36	295
Provisions	866	365	-	-	866	365
Tax assets/(liabilities)	965	739	(2,004)	(2,223)	(1,039)	(1,484)
Set off of tax	(108)	(444)	108	444	-	-
Net tax assets/(liabilities)	857	295	(1,896)	(1,779)	(1,039)	(1,484)

**Company**

Property, plant and equipment	-	-	(20)	-	(20)	-
Unutilised capital allowances carry-forwards	35	-	-	-	35	-
Tax assets/(liabilities)	35	-	(20)	-	15	-
Set off of tax	(20)	-	20	-	-	-
Net tax assets	15	-	-	-	15	-

In recognising the deferred tax assets attributable to unutilised tax loss carry-forwards and unutilised capital allowance carry-forwards (included in deductible temporary differences of property, plant and equipment), the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax loss carry-forwards and unutilised capital allowance carry-forwards amounting to approximately RM225,000 and RM129,000 respectively will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM99,000.

**Unrecognised deferred tax assets**

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deductible temporary differences	(601)	(536)	-	-
Tax loss carry-forwards	(144)	-	-	-
	(745)	(536)	-	-

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from. Unutilised tax loss carry-forwards amounting to RM514,000 will not be available to the Group if there is substantial change in shareholders (more than 50%).

## Notes to the Financial Statements (Continued)

### 8. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

#### Movement in deferred tax assets and liabilities during the year

	At 1.1.2005 RM'000	Recognised in income statement (note 19) RM'000	At 31.12.2005 RM'000	Recognised in income statement (note 19) RM'000	Recognised in equity RM'000	At 31.12.2006 RM'000
Property, plant and equipment	(2,373)	150	(2,223)	103	193	(1,927)
Investment property	–	–	–	(28)	(49)	(77)
Tax loss carry-forwards	376	(297)	79	(16)	–	63
Unutilised capital allowance carry-forwards	367	(72)	295	(259)	–	36
Provisions	803	(438)	365	501	–	866
	(827)	(657)	(1,484)	301	144	(1,039)

#### Movement in deferred tax assets and liabilities during the year

Company	At 1.1.2005 RM'000	Recognised in income statement (note 19) RM'000	At 31.12.2005 RM'000	Recognised in income statement (note 19) RM'000	At 31.12.2006 RM'000
Property, plant and equipment	–	–	–	(20)	(20)
Unutilised capital allowance carry-forwards	–	–	–	35	35
	–	–	–	15	15

#### Movement in unrecognised deferred tax assets during the year

Group	At 1.1.2005 RM'000	Additions RM'000	At 31.12.2005 RM'000	Additions RM'000	At 31.12.2006 RM'000
Deductible temporary differences	(120)	(416)	(536)	(65)	(601)
Tax loss carry-forwards	–	–	–	(144)	(144)
	(120)	(416)	(536)	(209)	(745)

### 9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Current Trade</b>					
Trade receivables		34,850	37,954	–	–
Less: Allowance for doubtful debts		(1,807)	(1,736)	–	–
	a	33,043	36,218	–	–

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Non-trade</b>					
Other receivables		4,830	3,953	500	495
Less: Allowance for doubtful debts		(200)	-	-	-
	b	4,630	3,953	500	495
Amount due from holding company	c	508	508	508	508
Amount due from subsidiaries	d	-	-	23,336	24,098
Deposits		397	313	-	-
Prepayments		1,603	2,225	4	-
		7,138	6,999	24,348	25,101
		40,181	43,217	24,348	25,101

**Note a**

All trade receivables are denominated in the functional currency, which is in Ringgit Malaysia ("RM"). During the year, bad debts of RM449,000 (2005 - RM607,000) were written off against allowance for doubtful debts.

**Note b**

Included in other receivables is a amount of RM811,000 (2005 - RM2,401,000) being advances for the purchases of inventories.

**Note c**

Amount due from holding company is in respect of advances, which are unsecured, interest free and repayable on demand.

**Note d**

Amount due from subsidiaries are in respect of advances, which are unsecured, interest free and repayable on demand.

10. INVENTORIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At cost:				
Raw materials	2,925	5,520	-	-
Work-in-progress	419	12	-	-
Manufactured inventories	22,009	22,467	-	-
	25,353	27,999	-	-
At realisable value:				
Raw materials	235	235	-	-
	25,588	28,234	-	-

In 2006, inventories recognised as cost of sales amounted to RM114,412,000 (2005 - RM119,508,000).

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	8,707	7,588	281	348

## Notes to the Financial Statements (Continued)

### 12. CAPITAL AND RESERVES

Share Capital	Group and Company	
	2006 RM'000	2005 RM'000
Authorised: Ordinary shares of RM1 each	50,000	50,000
Issued and fully paid: Ordinary shares of RM1 each	40,059	40,059

The Company has also issued share options (refer Note 14).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its distributable reserves at 31 December 2006 if paid out as dividends.

### 13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk (refer Note 23).

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Non-current</b>				
Secured term loans	1,536	2,210	-	-
Hire purchase liabilities	125	192	-	-
	1,661	2,402	-	-
<b>Current</b>				
Secured term loans	677	742	-	-
Secured bank overdrafts	163	1,187	-	-
Unsecured bank overdrafts	1	2,722	-	-
Bankers' acceptance	25,667	29,075	-	-
Hire purchase liabilities	173	154	-	-
	26,681	33,880	-	-
	28,342	36,282	-	-

#### Security

The secured term loans are secured by way of:

- fixed charges over the Group's long term leasehold land, leasehold properties, freehold properties (refer Note 3) and investment property (refer Note 5) and
- corporate guarantee from the Company.

Secured bank overdrafts are secured by way of fixed charges over the Group's long term leasehold land, leasehold properties, freehold properties (refer Note 3) and investment property (refer Note 5) are guaranteed by the Company.

Unsecured bank overdrafts and bankers' acceptances are guaranteed by the Company.

13. LOANS AND BORROWINGS (CONTINUED)

**Significant covenants for the term loans**

In connection with the term loans agreements, the Group has agreed on the following significant covenants:

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

**Terms and debt repayment schedule**

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<b>2006</b>						
Secured term loans						
- fixed	2012	780	180	180	420	-
- variable	2013	1,433	497	310	401	225
Secured bank overdrafts	2007	163	163	-	-	-
Unsecured bank overdrafts	2007	1	1	-	-	-
Unsecured bankers' acceptances	2007	25,667	25,667	-	-	-
Hire purchase liabilities	2007 to 2009	298	173	118	7	-
		28,342	26,681	608	828	225
<b>2005</b>						
Secured term loans						
- fixed	2007	960	180	180	540	60
- variable	2012	1,992	562	506	794	130
Secured bank overdrafts	2006	1,187	1,187	-	-	-
Unsecured bank overdrafts	2006	2,722	2,722	-	-	-
Unsecured bankers' acceptances	2006	29,075	29,075	-	-	-
Hire purchase liabilities	2006 to 2008	346	154	136	56	-
		36,282	33,880	822	1,390	190

**Hire purchase liabilities**

Hire purchase liabilities are payable as follows:

Group	Payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000	Payments 2005 RM'000	Interest 2005 RM'000	Principal 2005 RM'000
Less than one year	186	13	173	171	17	154
Between one and five years	131	6	125	202	10	192
	317	19	298	373	27	346

14. EMPLOYEE BENEFITS

**Share-based payments**

On 30 May 2003, the Group established a share option programme that entitles Directors and employees to purchase shares in the Company. On 19 May 2004, a further grant on similar terms was offered to these employee groups. In accordance with these programmes options are exercisable at the market price of the shares at the date of grant.

Additionally, all share option arrangements were granted before 1 January 2005 and vested in 2005. As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to these grants.

## Notes to the Financial Statements (Continued)

### 14. EMPLOYEE BENEFITS (CONTINUED)

#### Share-based payments (Continued)

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares:

Grant date / employees entitled	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to Directors and Employees on 7 July 2003	2,296	Employees of the Group confirmed by writing for at least one year on prior to the date of the offer	5 years
Option granted to Directors and Employees on 19 May 2004	273	Employees of the Group confirmed by writing for at least one year on prior to the date of the offer	4 years
Total share options	2,569		

\* *The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.*

The number and weighted average exercise prices of share options are as follows:

	Exercise price 2006 RM	Number of options 2006 '000	Exercise price 2005 RM	Number of options 2005 '000
Outstanding at 1 January	1.00	2,569	1.00	2,751
Exercised during the year	1.00	–	1.00	–
Lapsed during the year	1.00	(158)	1.00	(182)
Outstanding at 31 December	1.00	2,411	1.00	2,569
Exercisable at 31 December	1.00	2,411	1.00	2,569

The options outstanding at 31 December 2006 have an exercise price at RM1.00 and an average contractual life of two and the half (2.5) years.

### 15. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Trade</b>					
Trade payables	a	8,425	10,102	–	–
<b>Non-trade</b>					
Amount due to subsidiaries	b	–	–	137	709
Amount due to a related party	c	250	–	–	–
Other payables		5,793	2,385	305	5
Accrued expenses		2,317	5,080	–	196
		8,360	7,465	442	910
		16,785	17,567	442	910

#### Note a

All trade payables are denominated in the functional currency, which is in Ringgit Malaysia ("RM").

#### Note b

Amount due to subsidiaries are in respect of advances, which are unsecured, interest free and repayable on demand.

#### Note c

Amount due to a related party is in respect of advances, which are unsecured, interest free and repayable on demand.

16. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sales	152,346	155,866	-	-
Management fees	-	-	2,567	2,203
Rental income from investment property	134	132	-	-
Dividends	-	-	2,000	10,380
	152,480	155,998	4,567	12,583

17. PROFIT BEFORE TAX

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Profit before tax is arrived at after charging:</b>					
Allowance for doubtful debts		720	227	-	-
Amortisation on intangible assets	4	122	109	99	99
Auditors' remuneration:					
- Audit services					
Auditors of the Company		98	95	20	20
Other auditors		28	24	-	-
Depreciation on property, plant and equipment	3	2,216	2,343	65	27
Interest expense on:					
- Bank overdrafts		110	193	-	-
- Loans		204	220	-	-
- Other borrowings		1,291	1,038	-	-
Inventories written off		-	66	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		1,807	1,793	244	179
- Wages, salaries and others		18,760	14,685	3,842	1,925
Rental of premises		173	316	73	54
<b>and after crediting:</b>					
Amortisation of negative goodwill		-	341	-	-
Allowance for doubtful debts written back		-	74	-	-
Dividend income from subsidiaries (unquoted)		-	-	2,000	10,380
Foreign exchange gain					
- realised		1,145	163	-	-
- unrealised		38	45	-	-
Gain on disposal of property, plant and equipment		16	51	-	-
Inter-company management fees		-	-	2,567	2,203
Rental income		351	355	-	-
Reversal of write-downs of inventories	10	19	537	-	-

## Notes to the Financial Statements (Continued)

### 18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors:				
- Emoluments	1,357	1,237	1,120	1,232
- Fees	97	97	25	25
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	320	161	320	35
	1,770	1,495	1,465	1,292

### 19. TAX EXPENSE

#### *Recognised in the income statement*

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Current tax expense</b>				
Malaysian – current year	822	653	97	179
– prior year	(583)	25	20	33
Overseas – current year	115	38	–	–
– prior year	7	6	–	–
	361	722	117	212
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(178)	657	(15)	–
Over provided in prior years	(123)	–	–	–
	60	1,379	102	212

#### *Reconciliation of effective tax expense*

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit for the year	3,070	1,879	234	9,311
Total tax expense	60	1,379	102	212
Profit excluding tax	3,130	3,258	336	9,523
Tax at Malaysian tax rate of 28%	876	912	94	2,666
Effect of using different tax rate for chargeable income of up to RM500,000 of certain subsidiaries	(129)	(152)	–	–
Effect of deferred tax assets not recognised	209	416	–	–
Non-deductible expenses	300	328	63	40
Tax exempt income	(408)	(76)	(70)	(2,534)
Tax incentives	(71)	(149)	–	–
Other items	(18)	69	(5)	7
	759	1,348	82	179
(Over)/Under provided in prior years	(699)	31	20	33
	60	1,379	102	212
<b>Tax savings arising from tax losses</b>				
Tax savings arising from utilisation of current year tax losses	144	–	–	–

## 20. EARNINGS PER SHARE

### Basic earning per share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM2,855,000 (2005 - RM1,780,000) and the weighted average number of ordinary shares outstanding during the year of 40,059,000 (2005 - 40,059,000).

The diluted earnings per share is not shown as the exercise price of options under ESOS is higher than the Company's share price at the balance sheet date.

## 21. DIVIDEND

Dividend recognised in the current year by the Company is:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<b>2006</b>			
Interim 2006 ordinary	2.16	865	27 December 2006
<b>2005</b>			
Interim 2005 ordinary	3.60	1,442	28 October 2005

## 22. SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments by location of customers. Inter-segment pricing is determined based on negotiated terms.

No business segment analysis is prepared as the Group is primarily engaged in the manufacturing, assembly and trading of electrical and home appliances and wiring accessories.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets, if any, other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

### Geographical segments

The Group's operations are located in Malaysia and overseas.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Malaysia		Outside Malaysia *		Eliminations		Total	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Geographical segments by location of customers</b>								
Total external revenue	108,712	121,042	43,634	34,824	-	-	152,346	155,866
Inter-segment revenue	53,736	60,437	22,681	9,790	(76,417)	(70,227)	-	-
Total segment revenue	162,448	181,479	66,315	44,614	(76,417)	(70,227)	152,346	155,866
Segment result	3,323	3,435	1,379	1,266	-	-	4,702	4,701
Interest expense							(1,605)	(1,451)
Interest income							33	8
Tax expense							(60)	(1,379)
Profit for the year							3,070	1,879

\* Primarily to Asia and Middle East regions.

## Notes to the Financial Statements (Continued)

### 22. SEGMENT REPORTING (CONTINUED)

	Malaysia		Outside Malaysia *		Total	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Geographical segments by location of customers</b>						
Segment assets	86,431	92,621	15,920	15,942	102,351	108,563
Unallocated assets					2,653	2,681
Total assets					105,004	111,244
Segment liabilities	43,334	50,180	1,793	3,670	45,127	53,850
Unallocated liabilities					2,098	2,103
Total liabilities					47,225	55,953
Capital expenditure	360	1,318	94	209	454	1,527
Depreciation and amortisation	2,274	2,418	64	34	2,338	2,452
Non-cash expenses other than depreciation and amortisation	497	207	23	20	520	227

\* Primarily to Asia and Middle East regions.

### 23. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

#### Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers requiring credit over a certain amount to mitigate the exposure to credit risk. Credit exposure of overseas customers is minimal as most of the overseas customers transact via letter of credits, which are guaranteed by banks before the shipment of goods.

All new investment, if any in quoted and unquoted securities need to be approved by the Board of Directors. All investments in quoted securities are held for long-term purposes, and therefore, any temporary diminution in value will not have any significant impact to the Group and the Company.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

#### Interest rate risk

The Group utilises short-term borrowings for working capital purposes and borrows term loans to finance capital expenditure. In view of the low interest rate scenario, exposure to fluctuation of interest rate risk is minimised.

#### Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

23. FINANCIAL INSTRUMENTS (CONTINUED)

*Effective interest rates and repricing analysis (Continued)*

Group	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
<b>2006</b>									
<b>Fixed rate instruments</b>									
Secured term loans	13	8.50	780	180	180	180	180	60	-
Hire purchase liabilities	13	4.46	298	173	118	7	-	-	-
<b>Floating rate instruments</b>									
Secured term loans	13	7.95	1,433	1,433	-	-	-	-	-
Secured bank overdrafts	13	8.25	163	163	-	-	-	-	-
Unsecured bank overdrafts	13	8.25	1	1	-	-	-	-	-
Unsecured bankers' acceptances	13	4.39	25,667	25,667	-	-	-	-	-
			28,342	27,617	298	187	180	60	-
<b>2005</b>									
<b>Fixed rate instruments</b>									
Secured term loans	13	8.50	960	180	180	180	180	180	60
Hire purchase liabilities	13	4.41	346	154	137	55	-	-	-
<b>Floating rate instruments</b>									
Secured term loans	13	7.60	1,992	1,992	-	-	-	-	-
Secured bank overdrafts	13	7.75	1,187	1,187	-	-	-	-	-
Unsecured bank overdrafts	13	7.61	2,722	2,722	-	-	-	-	-
Unsecured bankers' acceptances	13	3.80	29,075	29,075	-	-	-	-	-
			36,282	35,310	317	235	180	180	60

**Foreign currency risk**

The Group incurs foreign currency risk on sales and purchases and foreign deposits that are denominated in currencies other than Ringgit Malaysia. Approximately 17% (2005 - 19%) of the Group's sales are from export market and 36% (2005 - 45%) of the Group purchases are sourced from overseas. Most of the foreign currency transactions are denominated in US Dollars, except for 4% (2005 - 8%) of the foreign currency transactions are denominated in other foreign currencies. The Group does not hedge this exposure to the US dollars. The transactions in other foreign currencies are insignificant. The Group ascertains that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

The Group and the Company are also exposed to foreign currency risk in respect of their investment in a foreign subsidiary. The Group does not hedge this exposure by having foreign currency borrowings in view of the insignificant amount of investment in the foreign subsidiary. However, the Board and management will keep this policy under review and will take necessary action to minimise the exposure of the risk.

**Fair values**

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

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

## Notes to the Financial Statements (Continued)

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair values (Continued)

The fair value of other finance assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:-

	Note	2006		2005	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>					
Quoted shares – long term	7	100	54	96	46
Secured term loans (fixed rate)	13	780	683	960	789
Hire purchase liabilities	13	298	341	346	283
<b>Company</b>					
Quoted shares – long term	7	78	20	78	20

#### Estimation of fair values

The following summarises the methods used in determining the fair values of financial instruments reflected in the table.

Fair value of quoted shares is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

For other financial liabilities, fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

	2006	2005
Secured term loans	8.50%	8.50%

### 24. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Capital expenditure commitments</b>				
<b>Plant and equipment</b>				
Authorised but not contracted for and payable:				
Later than five years	496	1,591	496	–

### 25. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

#### Contingent liabilities not considered remote

##### Litigation - unsecured

- i) A subsidiary had received a letter of demand from a supplier's solicitor claiming a sum of RM270,000 as consequential loss suffered due to cancellation of a purchase order. Based on the legal advice obtained, the subsidiary had filed the statement of defence and counter claimed losses resulting from poor quality of the products supplied by the supplier. The case is now fixed for pre-trial case management on 3 September 2007.
- ii) A third party has filed a claim against two subsidiaries of the Company. This third party claimed that the defendants have manufactured, imported and distributed the electrical plugs fitted with its trademark without its authority. The case is now fixed for case management on 20 June 2007.

25. CONTINGENCIES (CONTINUED)

**Contingent liabilities not considered remote (Continued)**

**Litigation - unsecured (Continued)**

- iii) A third party ('plaintiff') has filed a claim against a subsidiary for the refund of approximately RM612,111 for breach of Deed of Settlement dated 11 May 2005 ("Deed of Settlement"). The Deed of Settlement stipulated that the third party has agreed to purchase goods from the subsidiary with a minimum value of RM1,5000,000. However, this third party did not honour the said purchase.

The subsidiary has counter-claimed against the third party for a payment of RM900,000 together with interest rate of 8% per annum arising from breach of the terms and conditions of the Deed of Settlement. The case has been adjourned to a date to be fixed by the Court.

- iv) A third party connected to be the above plaintiff mentioned in item (iii) above has filed a claim on 29 December 2006 against the same subsidiary claiming losses and damages.

The Directors do not expect any material losses to arise from the above cases and therefore, no provision has been made in the financial statements.

	Company	
	2006 RM'000	2005 RM'000
<b>Guarantee - unsecured</b>		
Guarantees and contingencies relating to borrowings of subsidiaries	73,365	72,945

26. RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with the followings:-

- i) The ultimate holding company, Kee Hin Ventures Sdn. Bhd..
- ii) Its subsidiaries as disclosed in Note 6.
- iii) The entire shareholders of the holding company, namely Cheng King Fa, Cheng Ping Keat, Great Partner Industries Limited, Apex Leader (Hong Kong) Ltd (*formerly known as Sony Investment (HK) Ltd*) and Ong Wan Bing alias Kie Tjhan.

Significant related party transactions of the Group and of the Company during the year other than those disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Transactions with subsidiaries</b>				
Rental expense	-	-	73	54
Management fees	-	-	2,567	2,203

**Transactions with related parties**

With companies in which Lee Ah Lan @ Lee Keok Hooi, a Director of the Company, has interest:  
HSL Electrical & Electronics Sdn. Bhd.

- Sales	(2,965)	(3,535)	-	-
E & E Sales & Services Sdn. Bhd.				
- Purchases	5	20	-	-

These transactions had been entered into in the normal course of business and had been established under negotiated terms.

## Notes to the Financial Statements (Continued)

### 27. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of the following standards:

#### **FRS 3, Business Combinations and FRS 138, Intangible Assets**

The adoption of FRS 3 and FRS 138 has resulted in a change in the accounting policy for negative goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Negative goodwill is recognised immediately in the income statement. This has resulted in the derecognition of negative goodwill and an increase of retained earnings for the Group as at 1 January 2006 by RM4,683,000.

This change in accounting policy has no material impact on earnings per share.

#### **FRS 140, Investment Property**

The Group now measures all investment property at fair value with any change therein recognised in the income statement. In accordance with the transitional provisions, FRS 140 has been applied at 1 January 2006. The change in accounting policy is made in accordance with their transitional provisions.

The change in accounting policy had the following impact on these consolidated financial statements:

	Group	
	2006 RM'000	2005 RM'000
<b>Balance sheet at 1 January 2006</b>		
Increase in retained earnings	317	-
Increase in investment property	1,500	-
Decrease in property, plant and equipment	(1,327)	-
Net decrease in deferred tax liabilities	(144)	-
<hr/>		
<b>Income statement for the year ended 31 December 2006</b>		
Increase in profit	72	-
<hr/>		
<b>Balance sheet at 31 December 2006</b>		
Increase in investment property	100	-
Increase in deferred tax liabilities	(28)	-

This change in accounting policy has no material impact on earnings per share.

### 28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 27.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Statements of changes in equity</b>				
Retained earnings at 1 January 2006	15,203	10,203	-	-

Following the adoption of FRS 3, Business Combinations, minority interests was reclassified into equity, likewise in arriving at profit for the year minority interests was not deducted.

### SUBSTANTIAL SHAREHOLDERS

	Names of Substantial Shareholders	Direct Interest	Percentage (%)	Deemed Interest	Percentage (%)
1	Kee Hin Ventures Sdn.Bhd. (KHVSB) (429373-U) (note 1)	19,410,737	48.45	–	–
2	Cheng Ping Keat (note 2)	2,302,720	5.75	19,410,737	48.45
3	Cheng King Fa (note 2)	979,967	2.45	19,410,737	48.45
4	Great Partner Industries Limited (note 3)	–	–	19,410,737	48.45
5	Apex Leader (Hong Kong) Limited (formerly Sony Investment (HK) Limited (note 4)	–	–	19,410,737	48.45

**Notes:** (1) Includes pledged account of 8,480,000 shares with Amsec Nominees (Tempatan) Sdn. Bhd. via AmBank (M) Berhad.

(2) Mr. Cheng King Fa and Mr. Cheng Ping Keat are deemed interested in KHVSB by virtue of their directorships and substantial shareholdings in KHVSB.

(3) Great Partner Industries Limited (Co.No: 541965) has a deemed interest by virtue of its substantial stake in KHVSB.

(4) Apex Leader (Hong Kong) Limited (formerly Sony Investment (HK) Limited) (Co.No:617636) has a deemed interest by virtue of its substantial stake in KHVSB.

### ANALYSIS OF SHAREHOLDINGS

#### SIZE OF SHAREHOLDINGS

Authorised Share Capital	:	RM 50,000,000.00
Fully paid and issued shares	:	RM 40,059,000.00
Class of Shares	:	Ordinary shares of RM 1.00 each
Voting Rights	:	1 vote per Ordinary Share
No. of Shareholders	:	1,333

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of issued capital
Less 100	118	8.85	5,106	0.01
100 - 1,000	116	8.70	93,719	0.24
1,001 - 10,000	936	70.22	3,000,217	7.49
10,001 - 100,000	139	10.43	3,305,713	8.25
100,001 to > 5% of issued shares	21	1.58	12,277,658	30.65
5% and above of issued shares	3	0.22	21,376,587	53.36
<b>TOTAL</b>	<b>1333</b>	<b>100.00</b>	<b>40,059,000</b>	<b>100.00</b>

## Shareholdings Statistics

as at 30 March 2007 (Continued)

### THIRTY LARGEST SHAREHOLDERS - per Register of Depositors as at 30 March 2007

	Names of Shareholders	No. of Shares held	% of issued capital
1	Kee Hin Ventures Sdn. Bhd. (KHVSB) (429373-U)	10,593,867	26.44
2	Amsec Nominees (Tempatan) Sdn. Bhd. (102918-T) <i>(AmBank (M) Berhad for Kee Hin Ventures Sdn. Bhd.)</i>	8,480,000	21.17
3	Cheng Ping Keat	2,302,720	5.75
4	Airex Industries Sdn. Bhd. (455346-A)	1,570,667	3.92
5	Imartech Industries S/B. (270026-X)	1,568,000	3.91
6	Koh Guat Kuan	1,556,599	3.89
7	Dato' Cheng Hup	1,507,069	3.76
8	Maju Nominees (Tempatan) Sdn. Bhd. (33863-K) <i>(Pledged Account for Md. Azmi bin Lop Yusof)</i>	1,484,935	3.71
9	Cheng King Fa	979,967	2.45
10	Mayban Nominees (Tempatan) Sdn. Bhd. (258939-H) <i>(Pledged Account for Then Nyong Fah)</i>	421,000	1.05
11	ABB Nominee (Tempatan) Sdn. Bhd. (37645-P) <i>[Pledged Account for Yayasan Terengganu (1115001178)]</i>	400,000	1.00
12	Kee Hin Ventures Sdn. Bhd. (KHVSB) (429373-U)	336,870	0.84
13	Southern Nominees (Tempatan) Sdn. Bhd. (8424-H) <i>(Pledged Account for Then Nyong Fah)</i>	320,000	0.80
14	Perbadanan Kemajuan Negeri Kedah (ECT 51965)	294,000	0.74
15	Yayasan Sarawak (41971)	294,000	0.74
16	Yayasan Kelantan Darulnaim (KELENTBIL980)	245,000	0.61
17	Cheing Boon Ngoun @ Chean Puan In	242,667	0.61
18	Koh Eng Thye	218,167	0.54
19	Abdul Muis bin Hassan	194,000	0.48
20	Mai Yin @ Leong Mai Lin	160,209	0.40
21	Cheng Yoke Leng	145,600	0.36
22	Choah Yoke Moi	126,241	0.31
23	Khind Industries Sdn. Bhd. (173304-D)	112,000	0.28
24	Malaysian Technology Development Corporation Sdn. Bhd. (235796-D)	100,667	0.25
25	Heng Sin Tok	72,333	0.18
26	Lee Kim You @ Lee Kim Leng	70,000	0.17
27	Ng Cheng Soon	66,667	0.17
28	Cheng Kin Yet	65,500	0.16
29	Khor Hang Cheng	60,000	0.15
30	TA Nominees (Tempatan) Sdn. Bhd. (268290-H) <i>(Pledged Account for Phua Lee Ping)</i>	57,000	0.14
		34,045,745	84.98

## Directors' Shareholdings

- as at 30 March 2007

	Names of Directors	Direct Shareholdings	Percentage %	Indirect Shareholdings	Percentage %
1.	Mr. Cheng King Fa (Note 1)	979,967	2.45	*19,410,737	48.45
2.	Mr. Cheng Ping Keat (Note 1)	2,302,720	5.75	*19,410,737	48.45
3.	Mr. Md. Azmi bin Lop Yusof (Note 2)	1,484,974	3.71	-	-
4.	Mr. Nordin bin Mohamad Desa	13,333	0.03	-	-
5.	Mdm. Tan Lay Kuan @ Tan Lay Wah	13,333	0.03	-	-
6.	Mr. Lee Ah Lan @ Lee Keok Hooi	-	-	-	-
7.	Mr. Kamil bin Datuk Hj. Abdul Rahman	-	-	-	-
8.	Mr. Soekardi Thedjoisworo	-	-	-	-
9.	Mr. Ong Wan Bing alias Kie Tjhan (Note 3)	-	-	*19,410,737	48.45

**Note:**

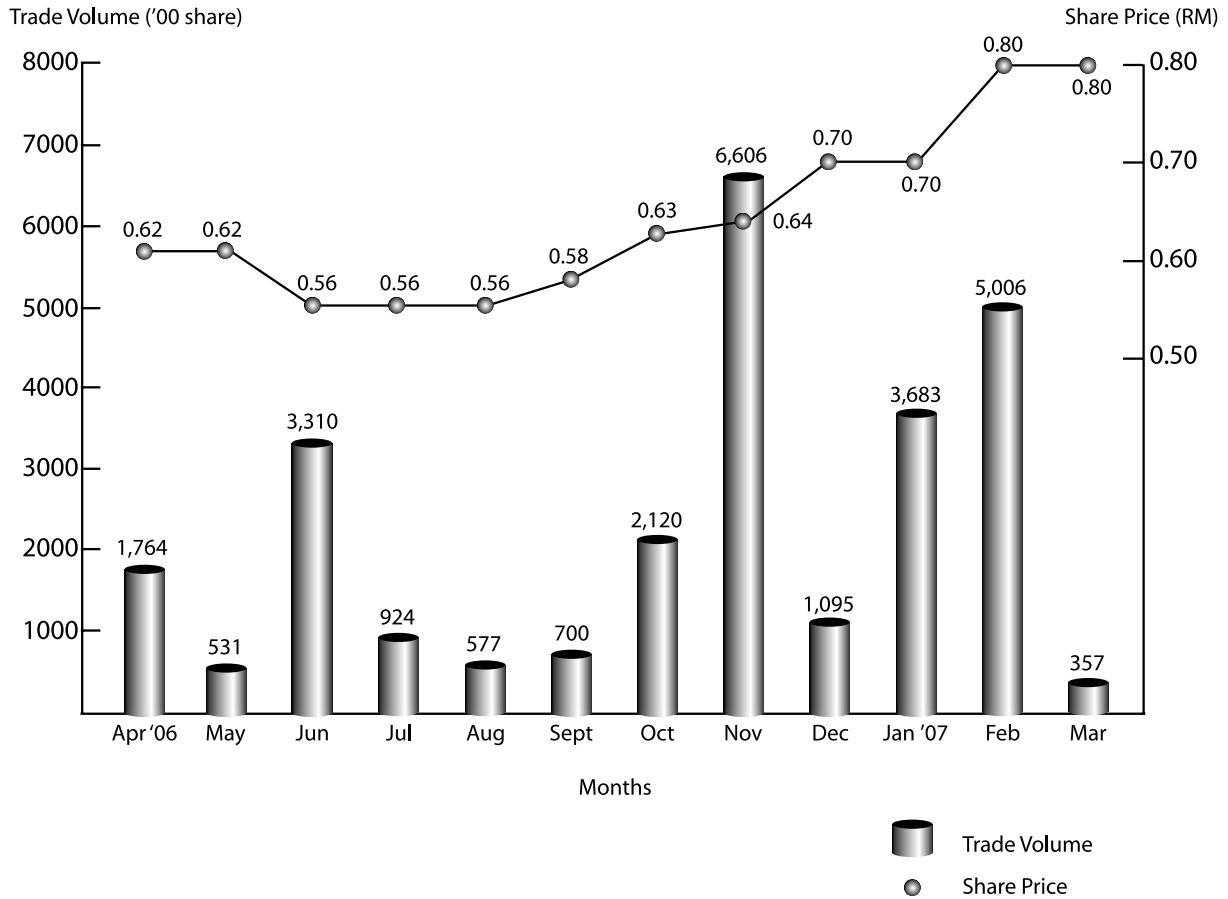
1. Messrs. Cheng King Fa and Cheng Ping Keat are deemed interested in the \*19,410,737 shares beneficially-owned by Kee Hin Ventures Sdn. Bhd. (429373-U) (KHVSB), by virtue of their substantial stake in KHVSB.
2. Mr. Md. Azmi bin Lop Yusof is the beneficial owner for 1,484,935 and 39 shares which are pledged to and registered in the names of Maju Nominees (Tempatan) Sdn. Bhd. and Mayban Nominees (Tempatan) Sdn. Bhd. respectively.
3. Mr. Ong Wan Bing alias Kie Tjhan is deemed to be interested in the \*19,410,737 shares beneficially-owned by KHVSB, by virtue of his direct interest of 6.5% in KHVSB.

## List of Properties Held by the Group

as at 31 December 2006

Location/ Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (months/years)	Net Book Value @ 31.12.2006 (RM'000)
PT124 No. 2, Jalan Perusahaan 2, Off Jalan Bernam, 45400 Sekinchan, Selangor Darul Ehsan.	192,853	Leasehold 99 years expiring on 2102.	Factory, warehouse and office for Khind- Mistral Industries Sdn Bhd, Khind Components Sdn Bhd and Khind Technology Centre Sdn Bhd	(Land) 24.01.1989  (Building) 15.01.1991 – 01.07.1998	18 years  8 – 16 years	13,048
No. 15, Jalan PJS 11/8, Bandar Sunway, (Phase 13), Mukim of Damansara District of Petaling, Selangor Darul Ehsan.	7,433	Leasehold 99 years expiring on 2096.	Rented out.	26.05.1993.	13 – 14 years	1,600
Lot 8243-8245, No. 15-17, Lee Chong Lin Industrial Estate, Jalan Pending, 93450 Kuching, Sarawak	7,084	Leasehold 60 years expiring on 2045.	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	(Lot 8243) 31.03.1993 (Lot 8245) 19.08.1995	13 years  11 years	649
Lot 160, Sublot 2180-2181 Block 3, Piasau Industrial Estate, 98000 Miri, Sarawak	8,241	Expiring on 2053.	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.09.2004	2 years	845
Lot 3, 4, 5, 6 Mogoputi Industrial Park, Kota Kinabalu, Sabah	11,040	Leasehold 99 years expiring on 2097.	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.08.2000	6 – 7 years	1,831
Plot 120, Bandar Perda held under HS(D) 121, No. PT123, Mukim 7, Daerah Seberang Prai Tengah, Penang	3,670	Freehold	Branch office and service centre for Khind-Mistral (M) Sdn Bhd	05.05.1999	7 – 8 years	503
PT No. 17671 held under HS (D) 142726 No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam Selangor Darul Ehsan	25,112	Freehold	Office and service centre for Khind-Mistral (M) Sdn Bhd and export office for Khind-Mistral Industries Sdn Bhd	12.03.1999	7 – 8 years	3,261
Lot 64240 No. 4, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan	18,621	Freehold	Office for Khind Holdings Berhad and rented out.	20.08.2000	6 – 7 years	2,221

MONTHLY SHARE PRICE AND TRADE VOLUME



PER SHARE INFORMATION

		As at 31 December				
		2006	2005	2004	2003	2002
Earnings per share (sen)	(a)	7.13	4.44	9.95	6.72	6.80
Gross Dividend per share (sen)		3.00	5.00	6.00	5.00	5.00
Net Dividend per share (sen)	(b)	2.16	3.60	4.32	3.60	3.60
Dividend Pay Out Ratio (%)	(b)/(a)	30.29	81.08	43.42	53.57	52.94
Dividend Yield (%)		4.29	8.47	7.59	5.24	4.50
Net Assets per share (RM)		1.44	1.26	1.25	1.19	1.16

SHARE CAPITAL INFORMATION

Price at 30-03-2007	:	RM 0.80
Market Capitalization at 30-03-2007	:	RM 32.05 million
Share prices	:	Highest RM 4.350 on 10-02-2000
	:	Lowest RM 0.545 on 13-06-2006
Daily Trade Volume	:	Highest 486,600
	:	Lowest 0

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Eleventh (11th) Annual General Meeting of **KHIND HOLDINGS BERHAD** will be convened at Conference Room, Second Floor, No.2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 31 May 2007 at 10.00 a.m. to transact the following:-

## AGENDA

### *Ordinary Business*

1. **To receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon;** (Resolution 1)
2. **To re-elect the following Directors, who retire by rotation, pursuant to Article 100 of the Company's Articles of Association:-**
  - (a) **Mr. Cheng King Fa** (Resolution 2a)
  - (b) **Mr. Ong Wan Bing @ Kie Tjhan** (Resolution 2b)
  - (c) **Mdm. Tan Lay Kuan @ Tan Lay Wah** (Resolution 2c)
3. **To approve Directors' Fees of RM97,000 for financial year ended 31 December 2006** (Resolution 3)
4. **To re-appoint Messrs. KPMG as Auditors of the Company for the financial year ending 31 December 2007 and to authorize the Directors to fix the Auditors' remuneration.** (Resolution 4)

### *Special Business:-*

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

5. **Authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.** (Resolution 5)

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting."
6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading nature with the following Related Party:-**
  - (a) **HSL Electrical & Electronic Sdn. Bhd.;** (Resolution 6a)
  - (b) **E & E Sales & Service Sdn. Bhd.; and** (Resolution 6b)
  - (c) **Co Hung Company Limited;** (Resolution 6c)**(individually referred to as "the Related Party")**

"THAT approval be and is hereby given to the Company and its subsidiaries ("KHIND Group") to renew the Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature to be entered into and to give effect to the specified Recurrent Related Party Transactions with "the Related Party" as stated in Section 2.2 of the Circular to Shareholders dated 27 April 2007, which are necessary for the day to day operations of the Khind Group provided that:-

- (i) the transactions are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to "the Related Party" than those generally available to the public and are not detrimental to the minority shareholders;

- (ii) disclosure is made in the annual report, a breakdown of the aggregate value of transactions made with “the Related Party” during the financial year with particulars of the type of transactions made and the name of the related party involved in each type of transactions made and their relationship with the Company and that such approval shall continue to be in force until:-
- the conclusion of the next annual general meeting of the Company;
  - the expiration of the period within which the next general meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever occurs first;
- (iii) the Directors and/or any one of them be and are hereby authorized to complete and do all such acts and things to give effect to the transactions contemplated and/or authorized by this Ordinary Resolution.”

**Others**

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

**By Order of the Board**

**KAM KOOI HUA** (MACS 00152)  
**KHOO GUAN KIAT** (MIA 20886)  
 Joint Company Secretaries

Shah Alam, Selangor.  
 27 April 2007.

**Notes:**

- A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a Member of the Company.*
- A Member is entitled to appoint not more than two (2) proxies to attend and vote at the Meeting. Where A Member appoints two (2) proxies, the Member shall specify the proportion of the Member's shareholdings to be represented by each proxy.*
- Where a Member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.*
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if such appointer is a corporation, under its common seal, or the hand of its attorney.*
- The instrument appointing a proxy must be deposited with the Share Registrars, PFA Registration Services Sdn. Bhd., Level 13, Uptown 1, No.1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.*

**Explanatory Notes on Special Business:-**

**(a) Ordinary Resolution 5 pursuant to Section 132D of the Companies Act, 1965.**

*The proposed Ordinary Resolution 5, if passed, will empower the Directors to allot and issue up to a maximum of 10 per cent of the issued share capital of the Company at any time in their absolute discretion without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.*

**(b) Ordinary Resolutions 6a, 6b and 6c on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.**

*The proposed Ordinary Resolutions 6a, 6b and 6c, if passed, will empower the Directors from the date of the Eleventh (11th) Annual General Meeting, to deal with the related party transactions including recurrent related party transactions of a revenue or trading nature which are necessary for its day to day operations. The Recurrent Related Party Transactions are in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature dated 27 April 2007 for further information.*

# Statement Accompanying the Notice of Annual General Meeting

**STATEMENT ACCOMPANYING THE NOTICE OF THE ELEVENTH (11TH) ANNUAL GENERAL MEETING OF KHIND HOLDINGS BERHAD – PURSUANT TO PARAGRAPH 8.28 (2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD.**

## **1. Re-election of Directors**

The Directors, who are retiring pursuant to the provisions of Article 100 of the Company's Articles of Association are:-

### **Article 100**

- (a) Mr. Cheng King Fa
- (b) Mr. Ong Wan Bing @ Kie Tjhan
- (c) Mdm. Tan Lay Kuan @ Tan Lay Wah

Further details of the abovenamed directors, who are all standing for re-election, are set out in the Profile of Directors on pages 5 to 7 of the Annual Report.

## **2. Details of Attendance of Directors at Board Meetings in 2006**

The above information is provided in the Statement on Corporate Governance on page 10 of the Annual Report.

## **3. Particulars of the Eleventh (11th) Annual General Meeting of the Company**

- Venue : Conference Room, 2nd Floor, No. 2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor.
- Date : 31 May 2007 (Thursday)
- Time : 10.00 a.m.

**KHIND HOLDINGS BERHAD (380310-D)**  
(Incorporated in Malaysia)

**PROXY FORM**

<b>No of shares held</b>

\*I/We ..... \*NRIC No./Company No .....

(FULL NAME IN BLOCK LETTERS)

of .....  
(FULL ADDRESS)

being a \*member/members of Khind Holdings Berhad, hereby appoint .....

..... NRIC No .....

(FULL NAME IN BLOCK LETTERS)

of .....  
(FULL ADDRESS)

or failing \*him/her, the \*CHAIRMAN OF THE MEETING, as \*my/our proxy to attend and vote for \*me/us on \*my/our behalf at the Eleventh (11th) Annual General Meeting of the Company to be held at Conference Room, 2nd Floor, No.2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia on Thursday, 31 May 2007 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

No.	RESOLUTION	FOR	AGAINST
1.	<b>Ordinary Business</b> To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Directors' and Auditors' Reports thereon.		
2.	To re-elect the following Directors, who are retiring pursuant to Article 100 of the Company's Articles of Association and being eligible offer themselves for re-election:- (a) Cheng King Fa		
	(b) Ong Wan Bing @ Kie Tjhan		
	(c) Tan Lay Kuan @ Tan Lay Wah (f)		
3.	To approve Directors' Fees of RM97,000 for financial year ended 31 December 2006		
4.	To re-appoint Messrs. KPMG as Auditors of the Company for financial year ending 31 December 2007 and for the Directors to fix their remuneration		
5.	<b>Special Business</b> To authorize Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
6.	To renew Shareholders' Mandate for Recurrent Related Party Transactions:- (a) HSL Electrical & Electronic Sdn. Bhd.		
	(b) E & E Sales & Service Sdn. Bhd.		
	(c) Co. Hung Company Limited.		

\*Strike out whichever is not applicable

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

\_\_\_\_\_  
Signature or Common Seal of Member(s)

**Notes:**

- i. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a Member of the Company.
- ii. A Member is entitled to appoint not more than two (2) proxies to attend and vote at the Meeting. Where a Member appoints two (2) proxies, the Member shall specify the proportion of the Member's shareholdings to be represented by each proxy.
- iii. Where a Member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
- iv. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorized in writing or, if such appointor is a corporation, under its common seal, or the hand of its attorney.
- v. The instrument appointing a proxy must be deposited with the Share Registrars, PFA Registration Services Sdn. Bhd., Level 13, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.



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Stamp

The Share Registrars  
**PFA Registration Services Sdn. Bhd.**  
Level 13, Uptown 1  
No. 1, Jalan SS 21/58  
Damansara Uptown  
47400 Petaling Jaya, Selangor

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## Complaint Against Public Listed Company Form

This form is intended to facilitate the lodgement of complaints with BMSB, by investors against Public Listed Companies (PLCs) in Malaysia. Investors are encouraged, in the first instance, to amicably settle any differences directly with the PLC concerned.

Q: When can you make a complaint?

A: At anytime, preferably as soon as the problem occurs. Below are some instances when a complaint may be lodged against a PLC:

- Misleading/inaccurate/insufficient disclosure of information;
- Failure to disclose material information in financial statements or annual reports;
- Actions/lack of actions detrimental to the interest of shareholders;
- Directors of PLCs;
- Management of PLCs;
- Share Registrar of PLCs; and
- Others (to specify).

Q: What are the procedures to make a complaint?

A: Procedure is very simple. For clarity, it is best to be in written form and directed to the BMSB. You can use any of the following methods to submit your complaints:

- mail the attached Complaint Form to BMSB; or
- fax the Complaint Form to 603-2732 5258

Q: How will BMSB handle the complaint?

A: BMSB will handle the matter promptly and in any event, will contact the complainant not later than 14 days from receipt of the complaint.

### Details of Complainant

Name : .....

NRIC No : .....

CDS No : .....

Address : .....

.....

.....

.....

Telephone No : House : .....

Business : .....

H/Phone : .....

### Details of Public Listed Company

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

### Details of Complaint

Have you tried to resolve this complaint with the relevant Public Listed Company?

YES

NO

If yes, kindly indicate the name of the person contacted and his/her department.

### Type of Complaint

Misleading/inaccurate/insufficient disclosure of information;

Failure to disclose material information in financial statements or annual reports;

Action/lack of actions detrimental to the interest of shareholders;

Directors of PLCs;

Management of PLCs;

Share Registrars of PLCs; and

Others (to specify)

if other, please specify:

MY COMPLAINT IS AS FOLLOWS.

(Please provide: detailed account of the complaints in chronological order.)

You may type additional notes in a separate piece of paper.

Signature :

Date :

For BMSB's use : .....

Ref no : .....

Date Received : .....

Officer in charge : .....

Date of first contact with complaint: .....

Status after 14 days : .....

Resolved

Pending

Details:

.....

.....

.....

Contact Details :

Complaint Bureau

Bursa Malaysia Securities Berhad (BMSB),

Exchange Square, Bukit Kewangan,

50200 Kuala Lumpur, Malaysia

Tel : 603-2034 7000

Fax : 603-2732 5258



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Stamp

Complaint Bureau  
**Bursa Malaysia Securities Berhad**  
Exchange Square, Bukit Kewangan  
50200 Kuala Lumpur, Malaysia

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# Khind Group Offices and Addresses

## Khind Holdings Berhad (380310-D)

No. 2, Jalan Astaka U8/82, Seksyen U8,  
Bukit Jelutong, 40150 Shah Alam,  
Selangor Darul Ehsan, Malaysia  
☎ 603-7847 1900 📠 603-7847 4560  
[khb@khindmistral.com](mailto:khb@khindmistral.com)

## Marketing Headquarters

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

No. 2, Jalan Astaka U8/82, Seksyen U8,  
Bukit Jelutong, 40150 Shah Alam,  
Selangor Darul Ehsan, Malaysia  
☎ 603-7847 1900 📠 603-7845 6300  
[enquiry@khindmistral.com](mailto:enquiry@khindmistral.com)

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

No. 2, Jalan Astaka U8/82, Seksyen U8,  
Bukit Jelutong, 40150 Shah Alam,  
Selangor Darul Ehsan, Malaysia  
☎ 603-7847 1900 📠 603-7845 0300  
[export@khindmistral.com](mailto:export@khindmistral.com)

## Overseas Offices

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

No. 116, Changi Road, #05-02, Singapore 417918  
☎ 65-6346 5122/ 📠 65-6346 5560  
65-6346 5233  
[all.ms@khindmistral.com](mailto:all.ms@khindmistral.com)

### \* Khind Middle East FZE

P.O.Box 261569, Jebel Ali, Dubai,  
United Arab Emirates  
☎ 00971 4 8860492 📠 00971 4 8860493  
[khind@emirates.net.ae](mailto:khind@emirates.net.ae)

### \* Khind-Mistral Industries Sdn Bhd (213282-V) (Representative office in P.R.C.)

Room 303, No. 13 Building Mingya Garden,  
Hou Long 2 Street,  
Foshan Guangdong Province  
☎ +86 757-8333 4980 📠 +86 757-8399 1493  
[fskhind@163.com](mailto:fskhind@163.com)

## Peninsular Malaysia Offices

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

**Penang**  
No. 2, Jalan Perda Timur, Bandar Perda, 14000  
Bukit Mertajam  
☎ 604-537 2803/ 📠 604-537 0807/  
604-537 2804/ 604-548 5991  
604-537 1703  
[bmo@khindmistral.com](mailto:bmo@khindmistral.com)

### **Perak**

No. 44, Persiaran Bercham Selatan 2,  
Taman Desa Kencana,  
31400 Bercham, Ipoh  
☎ 605-545 6778/ 📠 605-549 6779/  
605-548 2991 605-548 5991  
[ipo@khindmistral.com](mailto:ipo@khindmistral.com)

## Johor

No. 81, Jalan Ros Merah 2/3, Taman Johor Jaya,  
81100 Johor Bahru  
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606-281 5723  
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## Factories

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- \* **Khind Components Sdn Bhd (196021-P)**
- \* **Khind Technology Centre Sdn Bhd (429363-P)**  
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Selangor Darul Ehsan, Malaysia  
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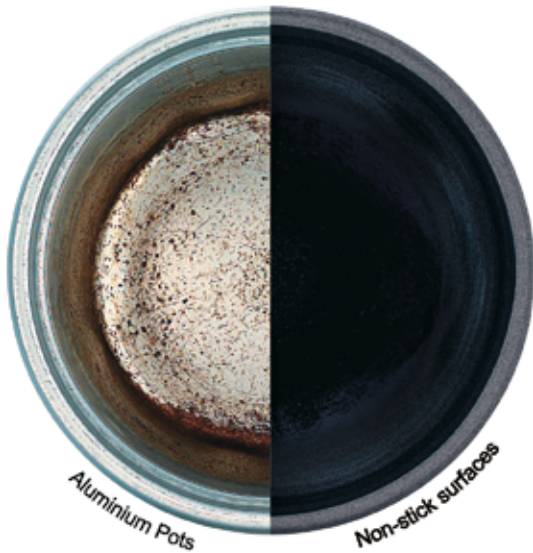
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Aluminium Pots

Non-stick surfaces

# Rice Is Healthy Rice Pots May Not Be

Is your rice as healthy as you think it is?  
Perhaps it's time to take another look at your rice pot.

## Aluminium Pots

A recent study in the US reveals that aluminium pots may undergo chemical reaction with food or water... even under normal heating temperature! The toxins leech into your rice and may accumulate in your body. Worldwide, aluminium has been found in brain cells of Alzheimer's patients. It has yet to be established whether high deposits of aluminium cause Alzheimer's, or vice versa.

## Non-Stick Pots

Non-stick pots are just as bad ~ the surface releases harmful toxins when heated up. It is easily scratched and peeled off.



## Warning From Consumers Association of Penang

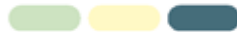
In fact, the Consumers Association of Penang (CAP) recently released a booklet and series of articles exposing the dangers of non-stick pots. It details a laboratory test where birds died after inhaling the fumes from heated non-stick pans. Respiratory disorders, fevers, headaches and cancer have also been linked to non-stick surfaces.

Alarmingly, 90% Malaysians are still using aluminium and non-stick rice pots due to lack of awareness. Your next bowl of rice could be hazardous to health!

## Be Safe! Stainless Steel ~ The Ultimate Choice

Khind ANSHIN Rice Cooker's Inner pot is made from Buffalo Clad; a space-tech stainless steel. Stainless steel doesn't corrode, and is non-chemically reactive. Absolutely SAFE for you and your family!

ANSHIN comes with an ultra sensitive and reliable micro-switch for super temperature control. Take your pick from 3 handy sizes ~ 0.6L (2-3 persons), 1L (4-6 persons), 1.8L (7-8 persons). Available in Green, Yellow or Metallic Grey designs.



**ANSHIN**  
Rice Cooker 安心电饭煲

For peace of mind!

### Frequently Asked Questions

"But I've been eating from my aluminium / non-stick pot for years"

Yes, our bodies are blessed with a natural capability for waste disposal. However, these natural defences vary by the individual and age ~ just because you're healthy, doesn't mean your family is healthy too! For instance, older folks and those with kidney problems are more susceptible. Why take the risk?

"ANSHIN is slightly pricier than other cookers. Is it worth it?"

Good health for you and your loved ones is always worth investing in. Considering the fact that it comes with 10 years warranty, it is a small price to pay.

"If stainless steel pots are so good, why are 90% Malaysians not using it?"

It is mainly due to lack of awareness! Stainless steel is in fact a major cooking trend in the US, Europe and Japan. Across these regions, almost all cooking appliances are made with high-grade stainless steel.

"Khind ANSHIN, Made In Malaysia? Hmm..."

We Malaysians have come a long way! You may be surprised to learn that Khind products are exported to over 50 countries worldwide.

Plus, ANSHIN comes with a neat 10-year Inner Pot warranty, and 3-year Rice Cooker warranty. That's quality assurance for you!