

Celebrating **50** years of achievements

annual report • laporan tahunan 2011

Celebrating **50** Years
1961-2011

1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

Celebrating **50** Years
1961-2011

KHIND HOLDINGS BERHAD (380310-D)

Manufacturer & Marketer for

KHIND *mistral* **ARISTON**
A World Brand...From Malaysia Australian heritage... since 1968

KHIND HOLDINGS BERHAD (380310-D)



KHIND
A World Brand...From Malaysia
KHIND HOLDINGS BERHAD
(380310-D)

Phases/Faces
Celebrating 50 Years of Relationships

In 1961, a humble electrical trading business was started by our Founder Chairman Cheng King Fa in Sekinchan, Kuala Selangor. 50 years on, Khind Holdings Berhad is today a leading domestic and growing global player in the consumer electrical appliances and industrial electrical business. For all those associated with the Company's achievements, this year's Annual Report has commemorated some of the wonderful moments that feted this important milestone...



annual report • laporan tahunan
2011



Celebrating **50** Years
1961-2011

1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011





"THE FACES OF KHIND'S FAMILY AROUND THE WORLD"

Celebrating **50** Years
1961-2011



The Pillars of Strength



Chairman and Founder
Cheng King Fa

Group Chief Executive Officer
Cheng Ping Keat

The KHIND family



- | | | |
|--------------------|----------------------|--------------------|
| 1. Cheng Ping Keat | 7. Tan Beng Kwee | 13. Jeffrey Khor |
| 2. Victor Leong | 8. Chong Yen Hong | 14. Chan Tuck Kwai |
| 3. Boh Boon Chiang | 9. Adil Jimmy Mistry | 15. Daniel Wong |
| 4. Tan Cha Boo | 10. Khoo Guan Kiat | 16. Chan Keng Sun |
| 5. Aida Mok | 11. Robert Ooi | |
| 6. Chong Kok Leong | 12. Chang Kok Soi | |





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Chairman and Group Chief Executive Officer Joint Statement

**Dear Shareholders,
2011 was a milestone for Khind Holdings Berhad and its group of companies as it celebrated its 50th Anniversary. Your Board takes pleasure in presenting the Company's performance for the year ended 31 December 2011**

Malaysia's growth moderates in light of global uncertainty

Malaysia was not spared the spillover effect of the ongoing global economic uncertainty in 2011. With the United States grappling with its ever growing deficit, the European Community's (EC) sovereign debt crisis, and unforeseen natural disasters in the form of an earthquake and tsunami that hit Japan – countries were affected in one way or another.

Despite the global challenges, Malaysia still managed to record a growth rate of 5.1 per cent for 2011 (2010: 7.2% - Source Bank Negara Malaysia [BNM]). The country also continued to enjoy a trade surplus, as its exports were RM60.7 billion versus imports of RM52.4 billion (source: MIDA 2011 report). Meanwhile, inflation remained at a manageable level of 3.0 to 3.2 per cent in 2011 driven mostly by higher food and transport prices, and larger public expenditure programmes.

Consumer Electrical Appliances Sector performance in 2011

Against a backdrop of global economic challenges and softer domestic growth, the consumer electrical appliances sector fared slightly better than the previous year.

The manufacturing sector also remained the country's key driver of growth, contributing some 27.5% of gross domestic product (GDP) and employed approximately 3.5 million people, representing some 28.7% of the nation's total workforce.

In terms of sector contribution, the electronics and electrical (E&E) industry continued to lead the way with some RM20.0

billion in approved investments in 2011. This was almost a 50% increase over the RM13.3 billion approved in 2010.

This served as the backdrop for the Khind Group's performance in 2011.

2011 performance

The Group registered revenue of RM241.85 million for the period ended 31 December 2011 representing a 23.4% increase over the previous corresponding year of RM196.03 million. The higher revenue performance was mainly attributable to the inclusion of the Group's newly-acquired industrial electrical businesses located in Singapore, Hong Kong and Guangzhou that added approximately RM50.0 million to its top line.

On the profit before tax front, the Group recorded a 15.7% decrease to RM10.75 million for the year ended 31 December 2011 as compared with RM12.75 million for the previous year. The lower profit before tax was caused by higher raw material costs that impacted overall margins; less than positive performance of the Group's Middle East export markets due to the on-going political instability in that region, especially in key markets such as Libya and Yemen where the Company exported to; and higher selling costs and a softer domestic consumer market.

The Group's domestic performance continued to be a key contributor to overall performance, turning in almost 68% of total group revenue performance, while approximately 32% came from international sales.

Operations review

Managing costs continued unabated in a more challenging

business environment. The Group remained vigilant of the impact of rising raw material costs to ensure that it did not impinge on the margins earned. Costs for raw materials such as plastics and packaging had risen by almost 20% in 2011.

Notwithstanding, the Company remained steadfast in ensuring that additional costs were not passed down to the consumer. Cost savings programmes that were implemented in previous financial years continued to be observed across all operational aspects within the Group. Consistently positive reinforcement of the Group's mantra of managing costs to ensure better margins meant that all operational and manufacturing procedures were reviewed regularly to strip unwanted costs out of the entire value chain within the Group - from manufacturing, to administration to marketing to distribution.

Continuing the emphasis of enhancing throughput within the group, the Company invested in more efficiency and productivity measures. Some of these included: the strengthening of its human resource information technology (IT) management systems that helped to deliver greater performance-metrics and data that helped senior management maximize resources and allocations for personnel in the group.

Additionally, the Group invested in providing team building modules for external vendors to help them understand and enhance their ability to function in a coordinated fashion with Khind. The aim was to ensure that this vital group of partners within the Company's value chain was adequately trained not only on the latest product offerings, but also to improve their teamwork skills.

Marketing Review

For the year under review, Khind had spent a sum of approximately RM9.8 million in various marketing and promotions-based activities to help strengthen brand and product recall for its two main brands – Khind and Mistral. The investment was spread across areas such as: media

advertising, participation in selected roadshows, co-partner trade dealer programmes and incentive schemes to help motivate the Company's trade partners to sell more products.

Additionally, the Group also invested in brand-recognition activities such as corporate advertising on billboards located along prominent highways, and bus panel advertising that highlighted its 50th Anniversary.

On the international front, the Group continued to deepen its presence in key export markets. Some of the Group's efforts were placed in a holding pattern especially for many of the markets in the Middle East region still undergoing political instability. For many of these markets, business had been drastically impacted as the nations sought to grapple with uncertain socio-economic realities brought on by political winds of change.

Nevertheless, loyal support from the Group's long-serving trade business partners meant that Khind would be uniquely positioned to re-capture lost market share once the political situation regains normalcy. The belief is that the instability will soon manifest a more conducive climate for many business investors. The Group is hopeful that the Middle East region will return as a key contributor to overall export revenues.

Becoming a more Global Company - Seizing New Opportunities

With ever more fluid business conditions affecting the consumer appliances industry as the years go by, Khind is aware that to remain in business it had to adapt to stay relevant. As such, acquisitions such as the cluster of industrial electrical businesses have added depth to the Company's skills and offering to a wider base of users.

However, it also recognized the need to establish a larger regional footprint in the premium end of the consumer electrical appliances business. To this end, Khind is expected to undertake in 2012 a key strategic acquisition

in the region that will allow it to be a more complete player within the consumer electrical appliances sector – from one just offering quality affordable brands to a Company that is also able to provide high-end brands that cater to a more affluent consumer. Discussions are expected to be concluded in the first quarter of 2012.

2011 - Celebrating 50 Years of continued success

This year's Annual Report is dedicated to the Company's 50th Anniversary. Despite the less than positive business environment, the Company and its subsidiaries moved ahead with various internal and external activities to commemorate its founding, and to also celebrate the many contributions of individuals and groups - who helped Khind arrive at its 50th year of doing business.

Note of Appreciation

The Board wishes to place on record its appreciation to employees, business partners, shareholders, business associates and regulatory authorities - who have helped the Company arrive at the 50th year of being in business. The Company's ability to prudently navigate through five decades of commerce, while overcoming various trade and financial challenges is certainly one which everyone connected with the Group can be humbled and proud of. Your Board certainly looks forward to many more years of continued longevity in the business.

CHENG KING FA
CHAIRMAN

CHENG PING KEAT
GROUP CHIEF EXECUTIVE OFFICER (CEO)

"Phases/Faces - Celebrating 50 Years of Relationships" - a Special Dedication



In 1961, a humble electrical trading business was started by our Founder Chairman Cheng King Fa in Sekinchan, Kuala Selangor. 50 years on, Khind Holdings Berhad is today a leading domestic and growing global player in the consumer electrical appliances and industrial electrical business. For all those associated with the Company's achievements, this year's Annual Report commemorate some of the wonderful moments that feted this important milestone.

Giving back to society was one of the core legs of the Group's 50th Anniversary initiatives. On 20 July 2011, Khind launched and distributed an electrical safety booklet called "Mistral Boy" to primary school students. The aim of the educational booklet was to educate the younger generation on the importance of electrical safety, power generation and environmental protection - with a view of preventing mishaps due to wrong usage of electrical appliances. A total of 60,000 copies of the booklet have since been printed and distributed to various schools around the country.

Another significant contribution was the construction of a recycling centre in Sekinchan, Selangor. The Ground Breaking Ceremony was officiated by Yang Berhormat Tan Sri Dato' Seri Abdul Khalid Ibrahim, the Chief Minister of Selangor on 26 September 2011. The cost of approximately RM200,000 to build the recycling centre was borne by the Khind Group. The recycling centre was later handed to the Tzu Chi Foundation, an internationally-recognized non-governmental organisation (NGO) to manage as an educational centre for recycling activities.

In addition, Khind participated in local charity projects organized by the Kechara Soup Kitchen and the Tzu Chi Foundation. Employees of the Khind Group also visited



a cerebral palsy children's home in Kuching Sarawak; and various old folk's homes and orphanages.

In the area of promoting the arts and culture, Khind supported and was one of the proud sponsors for Hands Percussion and e-Major Symphony - two well-known performing troupes.

Employees from Khind Group subsidiaries similarly contributed in various ways in their communities - local and overseas. In Hong Kong, staff members visited an old folk's home and donated hot pads to keep elderly citizens warm during winter. Likewise in Singapore, staff members from Khind Electrical distributed groceries and food to families of low-income groups before Chinese New Year.

Rounding off the celebrations was a grand dinner held on September 17 2011. The dinner was graced by the Honourable Minister of International Trade and Industry (MITI) Yang Berhormat Dato' Sri Mustapa bin Mohamed who commended Khind and its group of subsidiaries for making Malaysia well-known domestically and globally. At the dinner, long-service awards were also handed out to the Company's Founder Chairman Cheng King Fa and two other pioneer staff members. A Coffee Table Book titled "Phases/Faces - Celebrating 50 Years of Relationships" was also officially unveiled. The book was a narrative and pictorial story about the many enduring relationships the Company had forged over the last five decades.



Corporate Structure



A World Brand...From Malaysia

KHIND HOLDINGS BERHAD (380310-D)



Corporate Information

Registered Office :

Level 18, The Gardens North Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Tel: 603-2264 8888
Fax: 603-2282 2733

Website Address :

www.khind.com / www.khind.com.my / www.khind.ae
www.mistral.com.my / www.mistral.com.sg
www.khindalliances.com
www.khind-systems.com / www.khindee.com
www.relitespecialty.com / www.swisher.com
www.khindelectrical.com.hk / www.khindelectrical.com.cn

Email Address :

khb@khindmistral.com

Share Registrars :

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

Company Secretaries :

Kuan Hui Fang (MIA 16876)
Tan Ai Peng (MAICSA 7018419)

Stock Exchange Securities :

Main Market of Bursa Malaysia Securities Berhad
Stock Code : 7062

External Auditors :

KPMG Chartered Accountants (AF 0758)

Internal Auditors :

BDO Governance Advisory Sdn Bhd

Principal Bankers:

Citibank Berhad
DBS Bank Ltd
EON Bank Berhad
Hong Leong Bank Berhad
Kuwait Finance House (M) Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank Limited
United Overseas Bank (M) Berhad

Solicitors :

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

Profile of Board of Directors



1. Cheng King Fa
2. Cheng Ping Keat
3. Kamil bin Datuk Hj. Abdul Rahman
4. Wong Chin Mun
5. Lee Ah Lan @ Lee Keok Hooi
6. Md. Azmi bin Lop Yusof

MR. CHENG KING FA - Malaysian - Founder/Chairman

Mr. Cheng King Fa, aged 73, is the Founder of the KHIND group, which commenced as a small family business 50 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturer. With 50 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 has no convictions for any offence within the past ten years and has no conflict of interest with KHIND. In 2011, he attended four of the five meetings held by the Board. He is the father of Mr. Cheng Ping Keat.

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

Mr. Cheng Ping Keat, aged 51, was appointed as the Executive Director of KHIND on 20 April 1998. He graduated with a Bachelor of Commerce degree from the University of Melbourne, Australia in 1984. Post graduation, he had a short stint in audit, accountancy and receivership, both locally and abroad. He joined the KHIND group in September 1987. In 1996, he obtained his Master of Business Administration from Bath University, U.K.

He was appointed and designated as the Group Chief Executive Officer of the KHIND Group on 18 November 2003. He is now responsible for the overall strategic planning and operations relating to manufacturing, marketing, financial, export management and brand building for the KHIND Group.

He has no convictions for any offence within the past ten years and has no conflict of interest with KHIND. In 2011, he attended all five meetings of the Board. He is the son of Mr Cheng King Fa.

**EN. KAMIL BIN DATUK HJ.
ABDUL RAHMAN**
- Malaysian
- Senior Independent
Non-Executive Director
- Chairman of Audit Committee
- Member of Nomination and
Remuneration Committee

En. Kamil bin Datuk Hj. Abdul Rahman, aged 63, was appointed as an Independent Non-Executive Director of KHIND on 30 July 2001. At the same time, he became an independent member of the KHIND Audit Committee. His area of specialization is in corporate governance, corporate finance and risk management.

He was appointed as the Chairman of the Audit Committee on 5 August 2008 and as the Senior Independent Director on 31 March 2009. He is also a member of the Nomination and Remuneration Committee.

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

His previous senior positions were as Senior Vice President of the Bank of Commerce (M) Berhad and as Executive Director of Commerce International Merchant Bankers Berhad. He is also a Director of Global Carriers Berhad, *Bukit Katil Resources Berhad, *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 five meetings of the Board in 2011.

**EN. MD. AZMI BIN
LOP YUSOF**
- Malaysian
- Independent
Non-Executive Director
- Member of Nomination and
Remuneration Committee

En. Md. Azmi bin Lop Yusof, aged 57, was appointed as a Non-independent Non-Executive Director of KHIND on 20 April 1998. He obtained a Diploma in Agriculture from Kolej Pertanian Malaysia in 1975 and graduated with a degree in Agricultural Business from Louisiana State University, USA in 1979. He is a former State Assemblyman for Terengganu and also sits on the board of some private limited companies.

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

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 five meetings of the Board in 2011.

**MR. LEE AH LAN @
LEE KEOK HOOI**
- Malaysian
- Non-Independent
Non-Executive Director
- Member of the
Audit Committee
- Member of the Nomination
and Remuneration Committee

Mr. Lee Keok Hooi, aged 65, was appointed as a Non-independent Non-Executive Director of KHIND on 26 March 1999. He is also a member of the Nomination and Remuneration Committee of KHIND.

Mr. Lee holds a Bachelor of Commerce degree in Accounting from the University of Western Australia and is a Chartered Accountant (Malaysia) and a CPA (Australia).

He has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past ten years and does not hold any shares in KHIND. He attended three of the five meetings of the Board in 2011.

He does not have any conflict of interest with KHIND.

MR. WONG CHIN MUN

- Malaysian
- Independent
- Non-Executive Director
- Chairman of the Nomination and Remuneration Committee
- Member of the Audit Committee

Mr. Wong Chin Mun, aged 67, was appointed as an Independent Non-Executive Director of KHIND on 19 July 2010. He holds degrees in Bachelor of Business (Secretarial Administration) and (Accounting) from Curtin University of Western Australia and has a Teacher's Certificate from the Ministry of Education, Malaysia. He is a Fellow of the Australian Society of Certified Practising Accountants (FCPA) & Associate of Malaysian Institute of Accountants.

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

He is currently the Chairman of Vistage Malaysia Sdn. Bhd., which has the rights for the Vistage System from Vistage International Inc., USA, aimed at assisting chief executive officers and entrepreneurs of small, medium enterprise to proactively manage change and grow their businesses. He joined Nylex Malaysia Berhad ("Nylex") as Financial Controller/Company Secretary in January 1976 and became the first local General Manager/Director of Nylex in 1980. He was promoted to the position of Managing Director in 1985 and when he left at the end of June 1994 to found Vistage Malaysia, he was appointed and served as non-executive Deputy Chairman of the Nylex Malaysia Group of Companies up to October 1999.

Accredited as a Vistage Chair/Coach in USA in 1994, today he still coaches about 20 CEOs and Business Owners,

He is currently the Independent Non-Executive Director of Sunway Holdings Berhad and Chairman of its Remuneration Committee as well as a Member of the Audit and Nomination Committees. He was appointed to the National Branding Taskforce

of the Ministry of Trade and Industry since 2006 and also served on the Technical Evaluation Panel for the Annual Prime Minister's Award. He has served on the Board of Trustees of Scientex Foundation since 2008 and was a Member of the Board of Trustees of the Malaysian Rubber Export Promotion Council from 2000 to 2002. He was elected as a Council Member for next two years with Federation of Malaysian Manufacturers in November 2011.

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. He attended all five meetings of the Board in 2011

He does not have any conflict of interest with KHIND.

Statement on Corporate Governance

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

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

BOARD OF DIRECTORS

BOARD COMPOSITION AND BALANCE

The Board currently comprises six (6) members, of whom two (2) are of Executive capacity and three (3) out of four (4) Non-Executive Directors are independent. This is in compliance with the Paragraph 15.02 of the Listing Requirements of Bursa Securities, that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. All Independent Non-Executive Directors are independent of management and free of any relationship that could interfere with the exercise of their independent judgment.

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

In totality, the Directors share a wide exposure in the legal, business, financial and technical fields. This blend of knowledge and experience is vital to determine an objective outlook of the Group. A brief profile of each Director is set out in pages 14 to 17 of the Annual Report.

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

BOARD MEETINGS

During the year, four (4) Ordinary Board Meeting and one (1) Special Board Meeting were held and the attendance record of the Board members is reflected as follows:-

DIRECTORS' BOARD MEETINGS IN YEAR 2011

Directors	Total Number of Meetings Attended by Directors
1. Mr. Cheng King Fa	4/5
2. Mr. Cheng Ping Keat	5/5
3. En. Kamil bin Datuk Hj. Abdul Rahman	5/5
4. Mr. Lee Ah Lan @ Lee Keok Hooi	3/5
5. Mr. Wong Chin Mun	5/5
6. En. Md. Azmi bin Lop Yusof	5/5

Statement on Corporate Governance (Continued)

SUPPLY OF INFORMATION TO THE BOARD

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

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

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

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

BOARD COMMITTEES

The Board delegates certain responsibility to Board Committees which operate within clear defined terms of reference. They are mainly the Audit Committee and the Nomination and Remuneration Committee. Prior to the establishment of these committees, their functions were assumed by the Board as a whole. The Chairman of the two (2) 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 28 to 29 of this annual report.

b) **Nomination and Remuneration Committee**

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

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

The Committee is also responsible to make appropriate recommendations to the Board on matters of renewal, extension, retirement, appointment and re-appointment of directors as well as review annually the mix of skills experience and competencies of the Board. The Committee is finalising the process of assessment on the effectiveness of the Board, the committee members and contribution of each individual director, including Independent Non-Executive Directors, as well as the Chief Executive Officer (CEO). This process also includes developing a job description and limits to management responsibility for directors including CEO.

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

Chairman

Wong Chin Mun

(Independent Non-Executive Director)

Members

Lee Ah Lan @ Lee Keok Hooi

(Non-Independent Non-Executive Director)

Md. Azmi bin Lop Yusof

(Independent Non-Executive Director)

Kamil bin Datuk Hj. Abdul Rahman

(Senior Independent Non-Executive Director)

Statement on Corporate Governance (Continued)

DIRECTORS' TRAINING

All Directors have completed the Mandatory Accreditation Programme required by Bursa Malaysia Securities Berhad.

Pursuant to Paragraph 15.08(2), the Directors will continue to attend other relevant training programs either on their own arrangement or organized by the Company, covering the area of finance, management and leadership to equip themselves with the essential skills and knowledge to run the Company effectively.

During the financial year, the Directors attended the following courses:-

- a) Update on Malaysia Economy & the Government Transformation Programme;
- b) Audit Committee Forum - Winning Practices and What Works Best;
- c) National Budget Discussion;
- d) Highlights of 2012 Budget and Its Implication on Business.

RE-ELECTION OF DIRECTORS

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

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

DIRECTORS' REMUNERATION

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

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

Directors' Remuneration & Benefit-in-Kind

Directors	Fees RM	Salaries and allowances RM	Bonus RM	EPF- Employer Contribution @ 15% RM	Benefit-in- Kind RM	Grand Total RM
Executive Directors	-	1,210,815	423,400	234,275	130,509	1,998,999
Non-Executive Directors	179,000	20,000	-	-	12,000	211,000
TOTAL	179,000	1,230,815	423,400	234,275	142,509	2,209,999

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

Statement on Corporate Governance (Continued)

DIRECTORS' REMUNERATION (continued)

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

Remuneration Bands	Number of Directors		Total
	Executive	Non-Executive	
Up to RM50,000	-	1	1
RM50,001 - RM100,000	-	3	3
RM700,001 – RM750,000	1	-	1
RM1,250,001 to RM1,300,000	1	-	1
Total	2	4	6

RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

THE ANNUAL GENERAL MEETING (“AGM”)

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

DIALOGUE BETWEEN COMPANIES AND INVESTORS

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

Statement on Corporate Governance (Continued)

ACCOUNTABILITY AND AUDIT (Continued)

Statement of Internal Control

The Group's Statement of Internal Control is set out in page 27 of this Annual Report.

Relationship with the Auditors

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

A full Audit Committee report enumerating its role in relation to the Auditors is set out in pages 28 to 29 of this Annual Report.

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

The Directors are required by the Companies Act, 1965 to ensure that the financial statements prepared for the financial year give a true and fair view of the state of affair of the Company and the Group as at 31 December 2011 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 2011 and collectively and individually accept full responsibility for the accuracy of the information given and confirmed that after making reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any statement of information therein misleading.

The Directors consider that in preparing the financial statements:

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

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

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

Statement of Compliance with the Best Practices of the Code

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

Corporate Social Responsibility

The Group acknowledges its accountability towards our stakeholders. In line with this, the Group endeavors to undertake various Corporate Responsibility Initiatives that will contribute to sustainable development.

A full Corporate Social Responsibility report is set out in pages 24 to 26 of this Annual Report.

Statement on Corporate Governance (Continued)

ADDITIONAL COMPLIANCE INFORMATION

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

- 1. Utilisation of proceeds**
There were no corporate proposals announced at the date of this annual report.
- 2. Share Buybacks**
During the financial year, there were no share buybacks by the Company.
- 3. Option, Warrants or Convertible Securities**
There were no options, warrants or convertible securities issued by the Company during the financial year.
- 4. Depository Receipt Programme**
During the financial year, the Company did not sponsor any Depository Receipt Programmes.
- 5. Sanctions / Penalties**
There were no sanctions and/or penalties (that were made public) imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.
- 6. Non-audit fees**
The non-audit fees paid and payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2011 was Ringgit Malaysia Twelve Thousand (RM12,000) only.
- 7. Profits estimates, forecast or projection**
There was no material variance between the results of the financial year and the unaudited results previously released by the Company. The Company did not release any profit estimate, forecast or projection during the financial year.
- 8. Profit guarantee**
No profit guarantee had been given by the Company during the current financial year.
- 9. Material Contract**
There were no material contracts entered into by the Company or its subsidiaries involving Directors or major shareholders' interests during the financial year.
- 10. Employee Share Scheme**
There was no Employee Share Scheme in existence during the financial year 2011.
- 11. Recurrent Related Party Transaction ("RRPT")**
The Group had made full disclosures on the Related Party Transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of business of the Company and its subsidiaries. The details set in the Recurrent Party Transaction are disclosed in Note 30 of the financial statements.

Statement on Corporate Responsibility

CORPORATE RESPONSIBILITY (CR) has been defined by Bursa Malaysia CSR Framework as open and transparent business practices, based on the ethical values and respect for employees, communities and the environment. Khind Holdings Berhad's CR activities focus on four main areas: community, education, workplace and environment. CR is about delivering benefits to our local community, employees, stakeholders, shareholders and global environment via our business operators.

The Company has drawn up a CR Action Plan for three years - 2011 to 2013 in which all its subsidiaries will contribute 2% of their annual profits towards a CR Budget which will be used solely in four areas: relief of poverty, advancement of education, advancement of community-based projects and environmental protection.

In 2011, the Company and its subsidiaries had undertaken the following CR activities:

1. Education

Launch of "Mistral Boy" Electrical Safety Comic Book

On 20th July 2011, the Company launched "Mistral Boy" - a comic book with the aim to educate the younger generation on the importance of electrical safety and reduction of carbon footprint. The books were distributed to primary schools initially through the schools of children attended by Khind's employees as a way of promoting the safe use of electricity among young children. From July to December 2011, Khind distributed "Mistral Boy" to more than 160 primary schools. Khind will continue this project for the next two years by giving back to schools through various channels.



Statement on Corporate Responsibility (Continued)

2. Environmental protection

With increased emphasis on environmental protection, the Group constructed a recycling center in Sekinchan and donated it to the Tzu Chi Foundation (TZF), an international non-governmental organization (NGO) to run as an educational centre for recycling activities. On 26 September 2011, Yang Berhormat Tan Sri Dato' Seri Abdul Khalid Ibrahim, the Chief Minister of Selangor officiated a ground breaking ceremony of the centre. The recycling centre was completed and handed over to Tzu Chi Foundation in early December 2011. Currently, there are more than 30 TZF volunteers that manage the recycling centre weekly.



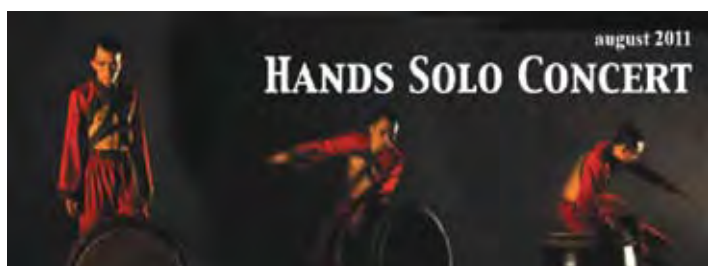
3. Promotion of Arts and Culture

The Company identified the creative use of local arts and culture to create a platform to incorporate ways of real-life practical experiences into education. Khind was a proud sponsor for Hands Percussion and E-Major Symphony - two well-known performing arts troupes. In February 2011, E-Major Symphony staged a sensational musical concert called "Lawuita" that helped to nurture the young generation to become competent and responsible members of society. Similarly, Hands Percussion produced some contemporary percussion music performances that helped provide better understanding of different cultures in 2011. These included: "Knocking", "Hands Gamelan", "Souls in Love". With the help of the sponsorship, Khind was able to help inspire youth develop an interest in performing arts and culture.

4. Local community services

In line with our Group Vision statement "Caring for Society", Khind encourages all subsidiaries to care for their communities wherever they operate.

In Malaysia, Khind staff members participated in Kechara Soup Kitchen which provides free vegetarian meals to poor and homeless people within the Klang Valley area. Also, the managers and executives joined monthly visits organised by Tzu Chi Foundation to bathe and groom handicapped and mentally-challenged children in Klang. In addition, Khind donated home appliances to "House of Joy" Orphanage after a fire broke out in one of its homes in December 2011. Staff members in Sekinchan visited orphanages and old folks' homes and donated daily necessities and new clothes during festivals. In East Malaysia, staff members of Khind-Mistral (Borneo) donated special toys to Wishes Land Cerebral Palsy home in Kuching.



Regionally, Khind also contributed RM30,000 flood relief to the Thai Government for reconstruction of schools after the major floods in Thailand in 2011. In Hong Kong, the Group's members visited and provided hot pads to old folk's homes during winter; while Khind Singapore visited low income families and donated daily necessities during the last Chinese lunar New Year celebrations.

Statement on Corporate Responsibility (Continued)



5. Work place

Khind recognised that its employees represented the greatest assets within the organisation. As such, internal CR-led activities to uplift and upgrade staff skills and talents, the following activities were rolled-out:

a) Training and education assistance programme

Khind allocated 3% of its annual basic payroll into an annual training budget to enhance the skills and knowledge for employees. Khind also offered education assistance schemes to encourage staff to pursue further academic studies.

b) Tabung Amal

A general fund established by Khind to provide financial assistance to needy employees working at its manufacturing plant in Sekinchan.

c) Safety and health programme

Every year, Khind Safety and Health Committee organises various events such as health checks for employees, blood donation drives for the National Blood Bank, annual training of operating forklift drivers, fire evacuation drills, correct usage of fire extinguishers, safety audits and other similar practices to ensure appropriate occupational safety measures are practised.

d) Employee volunteerism

To encourage employees to volunteer, Khind granted all employees a maximum of three (3) work days per year to participate in external CR activities which are approved by the Company.

e) Sports and social club

The Khind Sports Club committee organised various outdoor trips and recreational sports for employees to participate and foster better inter-departmental working relationships.

Statement on Internal Control

INTRODUCTION

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

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

BOARD RESPONSIBILITY

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

- Safeguard assets of the Group and shareholders' interest;
- On-going identification, evaluation and management of risks affecting the Group;
- Compliance with regulatory requirements; and
- Operational results are closely monitored and substantial variances are promptly explained.

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

KEY INTERNAL CONTROL PROCESS

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

- **Term of reference**
Clear definition of the terms of reference, i.e. functions, authorities and responsibilities of the various committees of the Board of Directors has been established.
- **Control procedures**
Operating Procedures Manuals that set out the policies, procedures and practices are adopted by all companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.
- **Organisational structure and accountability levels**
The Group has a defined organisational structure with clear lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

The Board relies on the Group Chief Executive Officer with relevant industry experience to run and manage the operations and business of the Group.

- **Reporting and review**
The Group's management team carries out monthly monitoring and review of financial results and forecasts for all businesses within the Group. Actual results are then compared with budgeted results and any significant matter is brought forward for the Board's consideration and decision.
- **Internal audit**
The Board has outsourced the internal audit functions to BDO Governance Advisory Sdn Bhd ("BDO GA"), with the primary objective of assisting the Board in reviewing the adequacy and integrity of the Group's system of internal controls to manage the risks areas faced by the Group. The audit findings, recommendations for improvement and status of actions taken by the management to address the issues were reported to the Audit Committee. The annual cost incurred for the internal audit function is RM54,000.

The scope of work undertaken by BDOGA during the financial year 2011 is as below:

- Developed an Internal Audit Plan for 2011 to support and executed internal control reviews;
- Conducted four (4) Internal Control Reviews ("ICRs") for the year covering areas of sales to receipt, customer management, project management and inventory management for Khind-Mistral (M) Sdn Bhd, Khind Customer Service Sdn Bhd, Khind Electrical (Malaysia) Sdn Bhd, Khind Systems (Singapore) Pte Ltd and Khind Electrical & Environmental (Singapore) Pte Ltd respectively; and
- Presented audit findings to the Audit Committee of KHIND during the quarterly meeting.

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

The Board is of the view that the system of internal controls is satisfactory and has not resulted in any material losses, contingencies or uncertainties for the financial year under review. The Group will continue to take the necessary measures to strengthen its internal controls.

Audit Committee Report

1. Members and Meetings

En. Kamil bin Datuk Hj. Abdul Rahman, the Senior Independent Director of the Company, is the Chairman of the Khind Audit Committee ("KAC").

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

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

Members	Total Number of Meetings Attended by Directors
Independent Non-Executive	
Kamil bin Datuk Hj. Abdul Rahman (Chairman)	4/4
Wong Chin Mun	4/4
Non-Independent Non -Executive	
Lee Ah Lan @ Lee Keok Hooi	3/4

2. Terms of Reference

2.1 Composition

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

2.2 Secretary

The secretary of the KAC shall be the Company Secretary.

2.3 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.

2.4 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 on 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, 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, 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.

Audit Committee Report (Continued)

2. Terms of Reference (continued)

2.5 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.

2.6 Meetings

- The KAC shall meet at least four (4) times a year;
- The Group Financial Controller and representatives of both external and internal auditors shall be invited to attend the meetings;
- The quorum for the KAC meetings shall be the presence of a majority of non-executive members;
- The Chairman shall call for a meeting to discuss any material issue requiring shareholders' attention, if so requested by the external auditors;
- The KAC shall meet with the external auditors, without executive board members, at least twice a year.

3. Internal Audit Function

The internal audit function is outsourced to BDO Governance Advisory Sdn Bhd. Our Internal Auditors have developed an annual audit plan to support and execute internal control reviews. The internal audit function includes the conduct of follow-up reviews on the status of implementation of recommendations agreed by Management in the earlier audits and the conduct of four (4) internal control reviews for 2011. The Internal Auditors would present an internal audit report to the KAC on a quarterly basis or when required. The Internal Auditors would also provide feedback to the Board of Directors, KAC and Senior Management in respect of corporate governance issues in the course of their internal audit reviews.

During the financial year ended 31 December 2011, the Internal Auditors have carried out reviews on the following business processes:-

- Sales and customer management of the Customer Services Division;
- Project management i.e. progress billings, subcontractor costs, costing and project monitoring; and
- Sales to receipt cycle and inventory management of the newly acquired business entities.

The total cost incurred for outsourcing of the internal audit function of the Group during the financial year ended 31 December 2011 amounted to RM54,000

4. Activities of the Committee

In 2011, 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 2010 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 Memorandum.

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

The KAC regularly reviews the status of fraud risk, risk management, safety and health activities, legal cases, related party transactions and all relevant financial and tax issues to ensure due compliance with the rules and regulations of various authorities.

Five-year Financial Highlights

In RM'000	Year Ended 31 December				
	2007	2008	2009	2010	2011
Revenue	159,680	185,361	183,601	196,025	241,850
Profit before tax	4,537	8,571	11,218	12,748	10,748
Profit for the year	4,196	7,637	8,061	8,318	7,867
Profit attributable to owners	4,240	7,660	8,061	8,318	7,867
Total equity attributable to owners	61,151	67,614	71,583	76,496	82,002
Total assets	117,197	126,889	125,625	150,950	179,627
Total borrowings	30,276	26,717	24,900	40,017	50,275
Basic earnings per share (sen)	10.58	19.12	20.12	20.76	19.64
Net assets per share (RM)	1.53	1.69	1.79	1.91	2.05
Return on equity attributable to owners	6.9%	11.3%	11.3%	10.9%	9.6%
Return on total assets	3.6%	6.0%	6.4%	5.5%	4.4%
Debt equity ratio	0.5	0.4	0.3	0.5	0.6