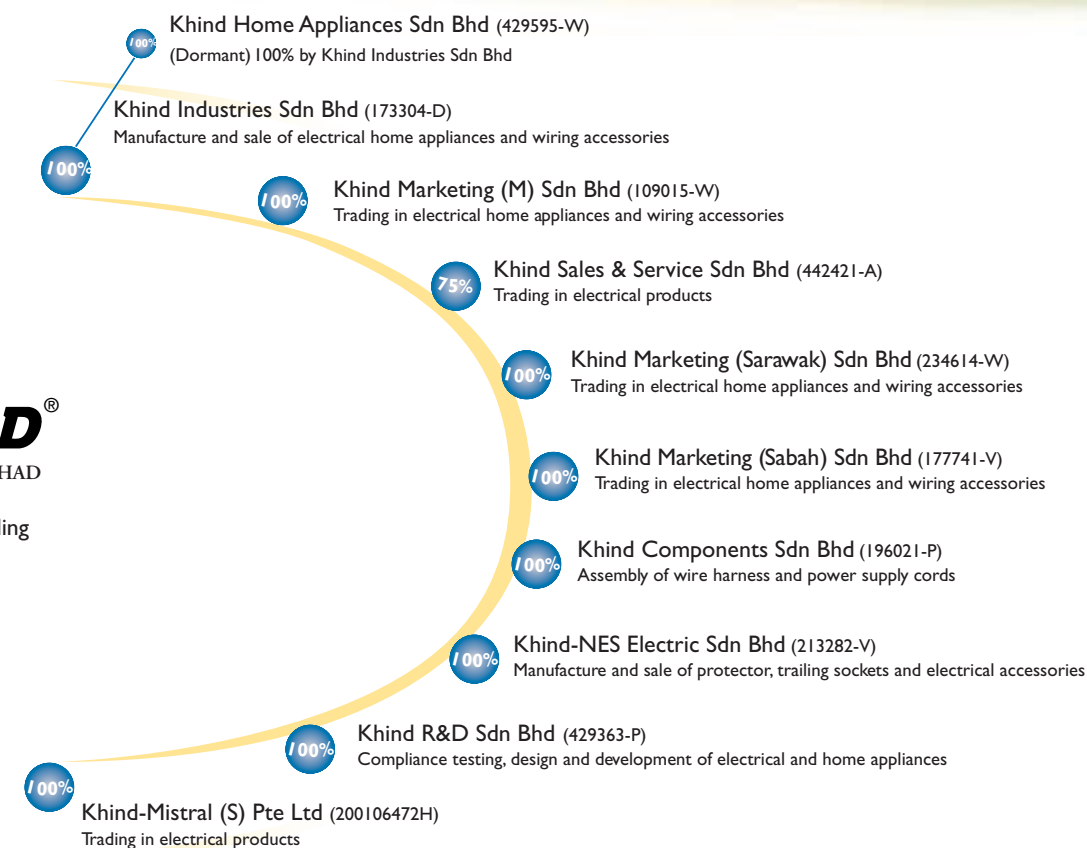


Company structure



Corporate information 2002

- | | | | |
|----------------------|---|---------------------------|--|
| 1. Registered Office | : No. 2, Jalan Perusahaan 2,
Off Jalan Bernam,
45400 Sekinchan,
Selangor Darul Ehsan.
Tel: 603-32411991
Fax: 603-32411500 | 5. Stock Exchange Listing | : Second Board of the
Kuala Lumpur
Stock Exchange |
| 2. Website Address | : www.khind.com | 6. External Auditor | : KPMG
Chartered Accountants
(AF 0758) |
| 3. Registrars | : Malaysian Share Registration
Services Sdn Bhd
7 th Floor, Exchange Square,
Bukit Kewangan,
50200 Kuala Lumpur.
Tel: 603-20268099
Fax: 603-20263736 | 7. Internal Auditor | : Deloitte & Touche
Management Solutions
Sdn Bhd |
| 4. Company Secretary | : Kam Kooi Hua
(MACS 00152) | 8. Solicitors | : Mak Ting & Co
Teh & Lee
Shearn Delamore & Co
K.T.Tan & Co |
| | | 9. Principal Bankers | : Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Public Bank Berhad |

Profile of board of directors

1. MR. CHENG KING FA – aged 64, Malaysian. – Founder / Chairman

Mr. Cheng King Fa is the Founder of the KHIND group, which commenced as a small family business 42 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturer. With more than 30 years experience in the electrical industry, he provides invaluable advice to the Group on production, product research and development.



Mr. Cheng King Fa was appointed Executive Chairman of the Group on 20th April 1998 prior to the Company's listing on the Second Board of the Kuala Lumpur Stock Exchange on 12th August 1998.

Mr. Cheng King Fa is a major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U), the holding company of KHIND. He is also the brother of Dato' Cheng Hup and the father of Mr. Cheng Ping Keat. In 2002, he attended all the six meetings held by the Board.

Mr. Cheng King Fa has no convictions for any offence within the past ten (10) years and has no conflict of interest with KHIND, other than those disclosed in the 2002 financial statements in respect of related party transactions.

Mr. Cheng King Fa has a direct interest of 1,765,087 shares (4.41%) in KHIND and an indirect interest of 20,007,737 shares (50.02%) via Kee Hin Ventures Sdn. Bhd. (429373-U).

2. DATO' CHENG HUP – aged 57, Malaysian. – Managing Director

Dato' Cheng Hup joined the family business in 1963 and was responsible for the overall management, sales and marketing functions. His product knowledge and marketing skills provided the impetus for business expansion within Malaysia and subsequently Singapore.



Dato' Cheng Hup was appointed as Managing Director of KHIND on 20th April 1998 and currently concentrates on the formulation of marketing and sales strategies for the Group.

Dato' Cheng Hup is a Director and a major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U), the holding company of KHIND. He is the brother of Mr. Cheng King Fa and father of Mr. Cheng Ping Loke. In 2002, he attended five of the six meetings held by the Board.

Dato' Cheng Hup has no convictions for any offence within the past ten (10) years and has no conflict of interest with KHIND, other than those disclosed in the 2002 financial statement in respect of related party transactions.

Dato' Cheng Hup has a direct interest of 552,669 shares (1.38%) and a beneficial interest of 960,000 shares (2.40%), which are pledged to Mayfin Nominees (Tempatan) Sdn. Bhd., in KHIND. He also has an indirect interest of 20,007,737 shares (50.02%) via Kee Hin Ventures Sdn. Bhd. (429373-U).

3. MR. CHENG PING KEAT – aged 42, Malaysian. – Executive Director

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. He worked with a Malaysian accounting firm for two years before joining M/s. Carter, Winter & Becker of London for another year of audit exposure. He joined the Khind group in September 1987. In 1996, he obtained his Master of Business Administration from Bath University, U.K.



As Executive Director, he is focused on the manufacturing operations, financial and export management, strategic business planning, future development and mission of the KHIND Group.

Mr. Cheng Ping Keat is a Director and major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U) KHIND's holding company. He is the son of Mr. Cheng King Fa and the only Executive member of the Audit Committee since 10th August 1998.

Mr. Cheng Ping Keat has no convictions for any offence within the past ten (10) years and has no conflict of interest with KHIND, other than those disclosed in the 2002 financial statements in respect of related party transactions. In 2002, he attended all six meetings of the Board.

Mr. Cheng Ping Keat has an indirect interest of 20,007,737 shares (50.02%) via Kee Hin Ventures Sdn. Bhd. (429373-U).

4. MR. CHENG PING LOKE – aged 31, Malaysian. – Non-Independent / Non-Executive Director

Mr. Cheng Ping Loke was appointed a Non-Independent / Non-Executive Director of KHIND on 20th April 1998. He graduated with a Bachelor of Engineering degree (Electrical Engineering) from the University of Southampton, U.K. in 1996. Upon graduation, he served with a couple of Japanese electronics firms before joining KHIND.



Mr. Cheng Ping Loke is the son of Dato' Cheng Hup.

Mr. Cheng Ping Loke has no convictions for any offence within the past ten (10) years and has no conflict of interest with KHIND, other than those disclosed in the 2002 financial statements in respect of related party transactions (if any). In 2002, he attended all the six meetings of the Board.

Mr. Cheng Ping Loke has a direct interest of 13,333 shares (0.03%) in KHIND.

Mr. Cheng Ping Loke will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Seventh (7th) Annual General Meeting.

5. MDM. TAN LAY KUAN @ TAN LAY WAH
 – aged 56, Malaysian.
 – Independent / Non-Executive Director

Mdm. Tan Lay Wah has been an Independent / Non-Executive Director of KHIND since 20th April 1998. She has vast experience 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 products.



Mdm. Tan Lay Wah 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.

Mdm. Tan Lay Wah has been an independent member of the Audit Committee since 10th August 1998 and is also a member of the Nomination and Remuneration Committee formed on 15th November 2001. Mdm. Tan attended all six meetings of the Board in 2002.

Mdm. Tan Lay Wah has a direct interest of 13,333 shares (0.03%) in KHIND.

Mdm. Tan Lay Wah will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Seventh (7th) Annual General Meeting.

6. YB MD. AZMI BIN LOP YUSOF
 – aged 48, Malaysian.
 – Non Independent / Non-Executive Director

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



YB has no family relationship with any Director but is a major shareholder of KHIND. YB 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 (10) years. YB attended five of the six meetings of the Board in 2002.

YB has beneficial interest of 1,583,935 shares (3.96%) and 1,333,339 shares (3.33%) in KHIND - which are pledged to Maju Nominees (Tempatan) Sdn. Bhd. and Mayfin Nominees (Tempatan) Sdn Bhd.

YB will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Seventh (7th) Annual General Meeting.

7. ENCIK NORDIN BIN MOHAMAD DESA
 – aged 47, Malaysian.
 – Independent/Non-Executive Director

Encik Nordin bin Mohamad Desa became an Independent / Non - Executive Director of KHIND on 20th April 1998 and has been the Chairman of its Audit Committee since its inception on 10th August 1998. He graduated with a Bachelor of Science in Electrical and Electronic Engineering degree from the University of Leeds, UK in 1979. He obtained a Master of Business Administration degree from the University of Hull, UK in 1993. Encik Nordin started his career as an Engineer with Jabatan Telekom Malaysia from 1979 to 1985. He then served as a Technical Manager with Ericsson Telecommunication Sdn Bhd from 1985 to 1990. He later became the Engineering Manager of Perkom Sdn. Bhd. and was with the company from 1990 to 1992.



In 1992, Encik Nordin joined 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 management positions in the company and was its Senior General Manager when he left at the end of 2001. Encik Nordin is now an independent business and technology consultant.

Encik Nordin has no family relationship with any Director and /or major shareholder of KHIND, no conflict of interest with KHIND and has no convictions for any offence for the past ten (10) years. He attended all the six meetings of the Board in 2002.

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

8. MR. LEE AH LAN @ LEE KEOK HOOI
 – aged 56, 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 1976 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.



Mr. K.H. Lee is the Group Managing Director of the Hock Sin Leong Group of Companies – a premier home-grown electrical products retailer and has been involved in the group activities since 1975. He is also a member of the Nomination and Remuneration Committee of KHIND.

Mr. K.H. Lee has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past ten (10) years and does not hold any shares in KHIND.

Mr. K.H. Lee does not have any conflict of interest with KHIND, other than that disclosed in the accounts pertaining to related party transactions. He attended all the six meetings of the Board in 2002.

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

9. ENCIK KAMIL BIN DATUK HJ. ABDUL RAHMAN

- aged 54, Malaysian.
- Independent / Non-Executive Director

Encik Kamil A. Rahman was appointed as an Independent / Non-Executive Director of KHIND on 30th 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 15th November 2001. His area of specialisation is in corporate governance and corporate finance.



Encik Kamil A. Rahman 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, a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow of the Institute of Company Secretaries Malaysia.

Encik Kamil A. Rahman is currently the Executive Chairman of Marska Sdn Bhd, an investment holding company with interests in and associated companies dealing in corporate finance consultancy, training & education project management consultancy, and civil & structural construction. His previous positions were as Executive Director of Commerce International Merchant Bankers Berhad and Senior Vice President of Bank of Commerce (M) Berhad. He is also a Director of Pancaran Ikrab Berhad, Global Carriers Berhad, Hotline Furniture Berhad and Magna Prima Berhad. His interest in the development of best practices of corporate governance is through his membership of the Corporate Governance Committee of the Malaysian Association of the Institute of Chartered Secretaries and Administrators.

Encik Kamil A. Rahman 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 (10) years. He attended all the six meetings of the Board in 2002.

Encik Kamil has a beneficial interest of 662,667 shares (1.66%), which are pledged to Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd., in KHIND.



Financial calendar

Date	Events
14 May 2002	Announcement on unaudited results for the First Quarter ended 31 March 2002.
28 May 2002	Sixth Annual General Meeting.
11 June 2002	Extraordinary General Meeting on Ratification and Shareholders' Mandate for Recurrent Related Party Transactions (RRPT).
13 August 2002	Announcement on unaudited results for the Second Quarter ended 30 June 2002.
10 September 2002	Increased investment in one of the wholly owned subsidiary - Khind Industries Sdn Bhd, subscribing for an additional 4,000,000 ordinary shares of RM1 each to reflect the existing operations and assets employed.
26 September 2002	Payment of interim dividend for the financial year ended 31 December 2002.
12 November 2002	Announcement on unaudited results for the Third Quarter ended 30 September 2002.
12 December 2002	Special Board of Directors' Meeting on approval of 2003 Budget and Proposed Employees' Share Option Scheme (ESOS).
13 December 2002	Announcement on Proposed Employees' Share Option Scheme for eligible employees at a date to be determined.
25 February 2003	Announcement on unaudited results for the Fourth Quarter ended 31 December 2002.
18 March 2003	Special Board meeting for verification and approval of submission documents and due diligence review in relation to the Proposed ESOS.
4 April 2003	Announcement on SC's approval for the Proposed ESOS.

Events highlights

Date	Events
13 March 2002	Sirim Best Customer Award 2001.
26 April 2002	Prize Giving Ceremony for Khind “Celebrate & Win Contest”.
5 September 2002	Road Show introducing Mistral Brand products to Kuantan JKR staff and contractors.
20 September 2002	Moon Cake Festival Celebration.
26 September 2002	JKR Electric Division from Melaka visited the manufacturing plant in Sekinchan.
28 September 2002	Road Show introducing Mistral Brand products to Seremban JKR staff and contractors.
7 October 2002	Road Show introducing Mistral Brand products to Ipoh JKR staff and contractors.
11 October 2002	Big 5S Day held at Sekinchan factory to improve the quality of work environment.
12 October 2002	Fishing Competition organised by Kelab Sukan dan Kebajikan Khind.
26-27 October 2002	Annual Company Trip to A’ Famosa Resort, Melaka.
27 October 2002	‘Innovative Excellent Product’ during the Selangor Industry Awards 2002.
1-4 November 2002	KHIND Warehouse Sales in Sekinchan.
8-10 November 2002	KHIND Warehouse Sales in Subang Jaya.
13 November 2002	Road Show introducing Mistral Brand products to Kota Baru JKR staff and contractors.
14 November 2002	Road Show introducing Mistral Brand products to KESRDAR’s contractors.
18 November 2002	Road Show introducing Mistral Brand products to Pulau Pinang JKR staff and contractors.
19 November 2002	Road Show introducing Mistral Brand products to Alor Star JKR staff and contractors.
2 February 2003	Khind Annual Dinner 2002 themed as “De Nite of Colors” held at Khind Hall, Sekinchan.
17 February 2003	Special Award for Innovative Product’ by Ministry of International Trade and Industry (MITI) during the Industrial Excellent Awards 2002.

Statement on corporate governance

The Board of Directors is pleased to report to the shareholders on the manner in which the Group has in its opinion applied the principles of Corporate Governance and the extent of compliance of Best Practices of the Code as set out in the Malaysian Code on Corporate Governance (the Code) pursuant to Paragraph 15.26 of the Listing Requirements of the Kuala Lumpur Stock Exchange (KLSE).

Board of directors

An effective Board leads and controls the Group. Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

During the year, four Ordinary Board Meetings and two Special Board Meetings were held and the attendance record is tabulated below:

DIRECTORS' BOARD MEETINGS IN 2002		
Directors	Total number of meetings	Total number attended by directors
1. Mr. Cheng King Fa	6	6
2. Dato' Cheng Hup	6	5
3. Mr. Cheng Ping Keat	6	6
4. Encik Nordin bin Mohamad Desa	6	6
5. Mdm. Tan Lay Kuan @ Tan Lay Wah	6	6
6. YB Md. Azmi bin Lop Yusof	6	5
7. Mr. Cheng Ping Loke	6	6
8. Mr. Lee Ah Lan @ Lee Keok Hooi	6	6
9. Encik Kamil bin Datuk Hj. Abdul Rahman	6	6

Board composition and balance

The Board currently comprises three Executive Directors and three Independent Non-Executive Directors and three Non-Independent Non-Executive Directors. 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 for the Group.

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.

Supply of information to the board

The Notice and Board papers for every meeting are circulated to all Directors prior to the Board Meetings. The Board and its Committees are supplied with all the necessary information to enable them to discharge their responsibilities properly.

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. The Directors, may at the expense of the Company, obtain independent professional advice and other services to fulfil their duties and specific responsibilities as emunerated in Best Practices Provisions AAI of the Code.

Board committees

The Board delegates certain responsibility to Board Committees, 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 Committees will report to the Board the outcome of their Committee decisions.

a) Audit committee

The details of Audit Committee report is set out in pages 18 to 19 of this annual report.

Statement on corporate governance (continued)

b) Nomination and remuneration committee

The Nomination and Remuneration Committee which was established on 15 November 2001 comprises of two Independent Non-Executive Directors and two Non-Independent Non-Executive Directors.

The Committee is responsible for developing the remuneration policy and remuneration packages of Executive Directors and in recommending to the Board for approval. The remuneration of the Non-Executive Directors will be 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)

Members

Tan Lay Kuan @ Tan Lay Wah (Independent and Non-Executive)

Lee Ah Lan @ Lee Keok Hooi (Non-Independent and Non-Executive)

YB Md. Azmi bin Lop Yusof (Non-Independent and Non-Executive)

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 also assist the Board in reviewing the required mix of skills and experiences of the Non-Executive Directors.

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 years during the Annual General Meeting.

The company's Articles of Association had been amended to embrace the KLSE Listing Requirements where all Directors will now be subjected to re-election by rotation.

Directors' remuneration

The nature and amount of the remuneration structure of Directors of the Group are as follows:

Remuneration & Benefits in Kind						
Directors	Fees (RM)	Salaries (RM)	Bonus (RM)	EPF-Employer Contribution @ 12% (RM)	Benefits-in-Kind (RM)	Grand Total (RM)
Executive Directors	57,000	920,404	75,473	145,368	147,076	1,345,321
Non Executive Directors	18,000	-	-	-	-	18,000
Total	75,000	920,404	75,473	145,368	147,076	1,363,321

	Executive Directors	Non-Executive Directors	Total Number of Directors
(i) <RM50,000	-	6	6
(ii) RM300,000 & above	3	-	3
Total	3	6	9

Shareholders

The Board acknowledges the need to communicate with its Shareholders. All relevant developments of the Group and financial results have been duly announced on a timely basis.

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 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 Executive Directors are present at the press conference to clarify and explain issues raised by the press media.

In addition, the Executive Director 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 KLSE's listed companies information at the KLSE's website as well as the Company's website at www.khind.com.

Accountability and audit

(i) Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's Financial Performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly results and semi-annual return to shareholders.

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

(ii) Statement on internal control

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

(iii) 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 18 to 19 of this Annual Report.

(iv) 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 2002 and of the results of their operations and cash flows for the year ended on that date. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates.

The Board has reviewed and approved the Annual Audited Financial Statements for the financial year ended 31 December 2002 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.

The Directors are also responsible for ensuring that the Company maintains accounting records, registered 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 KLSE.

Best practices statement

Save as stated in the Principle Statement above and the disclosure below the Company has adopted the Best Practices as prescribed in the Malaysian Code of Corporate Governance (MCCG).

- I. MCCG Best Practice AA VII recommends that whether or not the roles of Chairman and Chief Executive are combined, the Board should identify a senior independent non-executive director of a board in the annual report. However, in view of the strong Board Composition and Balance, where the Directors have a good spread of legal, business, financial and technical skills and experiences, the Board of Directors is of the opinion that the appointment of a senior independent non-executive Director to whom concerns may be conveyed is, at the moment, not necessary.

Statement on corporate governance (continued)

Best practices statement (continued)

2. MCCG Best Practice BB III recommends that at least once a year the Audit Committee meets with the external auditor without executive board members present. The External Auditor works with the group financial team in the conduct of the audit with little or no interference from the Executive Director. The Audit Committee considers it beneficial for the Executive Director to be present at all meetings.

Additional compliance information

The following information is provided in compliance with the Kuala Lumpur Stock Exchange (KLSE) 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 13/12/2002, through its Adviser, announced to the KLSE on its proposed establishment of an Employees' Share Option Scheme ("Proposed ESOS") subject to a maximum of ten percent (10%) of the issued and paid up share capital of the Company which is currently in the process.

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

There were no non-audit fees paid and payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2002.

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

There are no 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 preceding two (2) years from the date of this annual report :-

- A Sale and Purchase Agreement dated 23 May 2001 between PDL Holdings Limited ("PDL"), PDL Industries (Asia) Sdn Bhd ("PDLIA"), Kemtron International Holdings Limited ("KIH"), PDL Gyroaire (M) Sdn Bhd ("PDLG"), PDL Mistral (S) Pte Limited ("PDLM") and the Company where PDL, PDLIA, KIH, PDLG and PDLM (collectively "the Vendors") have agreed to sell and the Company has agreed to purchase the Mistral Division of PDLIA which produces a range of fan and the respective trademarks for an aggregate cash consideration of RM4.65 million and S\$150,000 upon the terms and conditions stated therein;
- A Sale and Purchase Agreement dated 1 November 2001 between Khind Marketing (Sabah) Sdn Bhd ("the Vendor") and Moving Beyond Sdn Bhd ("the Purchaser") where the Vendor has agreed to sell and the Purchaser has agreed to purchase all pieces of land together with a building erected thereon held under Country Lease Title No. 215376775 known as Lot No. B22, Fu Guan Industrial Shop Lot, Sabah, Malaysia for a total cash consideration of RM550,000.00 for the Properties upon the terms and conditions stated therein.

10. Revaluation of landed properties

Save as disclosed in Note 1e (Significant Accounting Policies) and Note 2 (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.

II. Recurrent related party transaction

The details of the Recurrent Related Party Transaction (RRPT) are disclosed in Note 29 of the Financial Statement.

Statement on internal control

Introduction

Pursuant to paragraph 15.27(b) of the Kuala Lumpur Stock Exchange (“KLSE”) 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 Company and its subsidiaries (“the Group”) for the financial year ended 31 December 2002, 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 the KLSE.

Internal control

The Board acknowledges its responsibility for maintaining a sound system of internal control, and for reviewing its adequacy and integrity. However, the Board recognises that reviewing of the Group’s systems of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives.

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

- **Control procedures**

The Group is progressively developing and enhancing its group operating policies and procedures to address the changing environment of its business operations and practices. One of the subsidiaries of Khind Holdings Berhad, viz. Khind Industries Sdn Bhd, has been awarded the ISO 9002:1994 certification and the said subsidiary has adopted the ISO 9002:1994 procedures in its operations.

- **Organisational structure and responsibility levels**

The Group has a defined organisational structure that stipulates the reporting functions of business units and employees. Delegation of authority is established which sets out the decisions that need to be taken, and the appropriate authority levels for Management including matters that require Board approval.

- **Reporting and review**

The Group’s Management teams carry out monthly monitoring and review of operational and financial results for all businesses within the Group, including monitoring and reporting thereon, of performance against the operating plans and budgets. The Group’s Management teams communicate on a regular basis with the personnel on any matters that require steps to be taken.

The Group undertakes budgeting process each year to establish plans and targets against which performance is monitored on an ongoing basis. The business objectives and action plans are reviewed regularly in monthly Management meetings throughout the year. In addition, the Group uses its Total Quality Management projects to promote a sustainable organisational culture conducive for all personnel to carry out ‘Continuous Improvement’.

- **Internal audit**

Regular internal audits are carried out by an independent professional services firm to assess the adequacy and integrity of the internal control systems of the business units. The Internal Audit team undertakes internal audit review based on the approved audit plan that is developed after risk assessment and taken into consideration the concerns of management. The Internal Audit Plan is reviewed and approved by the Audit Committee.

The internal audit function advises Audit Committee and 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, which reviews the risk and control issues with Management at its quarterly meetings. The Audit Committee discussed and considered the weaknesses noted in the internal control that have been reported and whether necessary actions are being taken promptly to remedy the weaknesses and if necessary, a need for more extensive monitoring of the system of internal control.

- **Risk management**

The Group’s operations involve management of a wide range of risks. The Board is responsible for identifying business risks and in ensuring the implementation of appropriate systems to manage these risks. The Board delegates these functions to Management who will identify the risks and steps taken to mitigate these risks. Subsequently, the Audit Committee will communicate to the Board, the Management findings and actions taken. In doing so, the Board reviews the adequacy and integrity of the Group’s internal control systems and Management Information System, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The nature of risks means that events may occur which would give rise to unanticipated or unavoidable losses. The Group’s system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, fraud or losses from occurring. It is possible that internal control may be circumvented or overridden. Furthermore, 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 cannot be expected to eliminate all risks.

Audit committee

1. Constitution

On 10 August 1998, the Board of Directors of Khind Holdings Berhad established its Audit Committee. The Terms of Reference of the Audit Committee were revised and approved by the Board of Directors on 14 August 2001 to incorporate the requirements of the Malaysian Code on Corporate Governance (MCCG) of October 2000 and the revamped Kuala Lumpur Stock Exchange (KLSE) Listing Requirements of February 2001.

2. Composition

The Khind Audit Committee (KAC) is made up of four (4) Board members, three (3) of whom are Independent Non-Executive Directors. All members were appointed on the inception date i.e. 10 August 1998 except for the third independent Director, who is a member of the Malaysian Institute of Accountants (MIA) and became a member of KAC on 30 July 2001, to enable Khind to comply with paragraphs 15.02 (1) and 15.10(1) of the revamped KLSE Listing Requirements. The Chairman of the KAC is an independent Director.

3. Internal audit function

Pursuant to the requirements of paragraph 15.16 (3)(e), Messrs. Deloitte & Touche Management Solutions Sdn. Bhd. (474356-X) were appointed Internal Auditors for the Khind group of companies on 15 May 2001. The Internal Auditors were engaged to design a risk-based internal audit plan which will involve various projects approved by the KAC. The Internal Auditors will also monitor and review the effectiveness of the internal control system of the Khind group of companies. Messrs. Deloitte & Touche Management Solutions Sdn. Bhd. have been reappointed as internal auditors service for the financial year ending 31 December 2003.

4. Terms of reference

4.1 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; and
- The Chairman shall be an Independent Non-Executive Director and shall be elected by the Audit Committee.

4.2 Secretary

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

4.3 Objectives

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

4.4 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 response;
- 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; and
- To inform the Board on breaches of KLSE requirements.

4.5 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; and
- Able to obtain independent professional advice, when necessary.

4.6 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; and
- The Chairman shall call for a meeting to discuss any material issue requiring shareholders' attention, if so requested by the external auditors.

5. Members of KAC

The members of KAC who served during the financial year ended 31 December 2002 are: -

Chairman

Encik Nordin bin Mohamad Desa*

Members

Mdm. Tan Lay Kuan @ Tan Lay Wah*

Encik Kamil bin Datuk Haji Abdul Rahman*

Mr. Cheng Ping Keat**

* Independent Non-Executive Directors

** Executive Director

6. Meetings in 2002

During financial year ended 31 December 2002, four Audit Committee Meetings were held. In those meetings, the Group Financial Controller, representatives from KPMG (External Auditors) and Deloitte & Touche Management Solutions Sdn. Bhd. (Internal Auditor) were in attendance.

AUDIT COMMITTEE MEETINGS IN 2002		
Audit Committee Members	Total Number of Meetings	Total Number Attended by Audit Committee Members
1. Encik Nordin bin Mohamad Desa (Chairman - independent member) (Appointed on 10.08.1998)	4	4
2. Mdm. Tan Lay Kuan @ Tan Lay Wah (Independent member) (Appointed on 10.08.1998)	4	4
3. Mr. Cheng Ping Keat (Executive member) (Appointed on 10.08.1998)	4	4
4. Encik Kamil bin Datuk Hj. Abdul Rahman (Independent member) (Appointed on 30.07.2001)	4	4

7. Activities

The following activities were carried out by the KAC during the financial year ended 31 December 2002.

- a) Conducted the regular quarterly meetings to review the quarterly results;
- b) Reviewed and approved the 2002 Audit Plan for the Khind group of companies;
- c) Reviewed and deliberated on the quarterly progress reports from the internal auditors;
- d) Discussions with the internal auditors to monitor and assess effectiveness of internal controls system on areas audited;
- e) Discussed annual draft financial statements with external and internal auditors and their recommendations and findings for implementation by the Finance Department; and
- f) Visited East Malaysia subsidiaries and reviewed their operations.