Directors' report for the year ended 31 December 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

Principal activities

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Equity holders of the Company	7,660	1,126
Minority Interest	(23)	-
	7,637	1,126

Reserves and provisions

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

Dividends

Since the end of the previous financi0al year, the Company paid an interim dividend of 5.0% less tax 26% totalling RM1,482,000 (3.7% net per ordinary shares) in respect of the year ended 31 December 2008 on 21 November 2008.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

Directors of the Company

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

Cheng King Fa
Cheng Ping Keat
Nordin Bin Mohamad Desa (retired 29 .5.2008)
Tan Lay Kuan @ Tan Lay Wah
Md Azmi Bin Lop Yusof
Lee Ah Lan @ Lee Keok Hooi
Kamil Bin Datuk Haji Abdul Rahman

Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2008	**Bought**	**Sold**	**At 31.12.2008**
Cheng King Fa:				
Interest in the Company:				
– own	979,967	-	-	979,967
– others*	768,758	1,378,000	-	2,146,758
Deemed interest in the Company				
– own	17,908,837	-	(17,908,837)	-
Cheng Ping Keat:				
Interest in the Company:				
– own	2,302,720	-	(1,195,000)	1,107,720
– others**	1,556,559	-	-	1,556,559
Deemed interest in the Company:				
– own	17,908,837	-	(2,200,000)	15,708,837
Md Azmi Bin Lop Yusof:				
Interest in the Company:				
– own	1,469,974	-	-	1,469,974
Tan Lay Kuan @ Tan Lay Wah:				
Interest in the Company:				
– own	13,333	-	-	13,333
– others***	242,667	-	-	242,667

	Number of options over ordinary shares of RM1 each				
	At 1.1.2008	**Granted**	**Lapsed**	**Exercised**	**At 31.12.2008**
Company					
Cheng King Fa:					
– own	150,000	-	(150,000)	-	-
Cheng Ping Keat:					
– own	150,000	-	(150,000)	-	-

* Cheng Yoke Leng, Cheng Yoke Kan and Lew Kuan Hwa are the daughters and spouse of Cheng King Fa. In accordance with Section 134(12)(c) of the Companies Act, 1965, the deemed interests of Cheng Yoke Leng, Cheng Yoke Kan and Lew Kuan Hwa in the shares of the Company shall be treated as the interests of Cheng King Fa.

Directors' report for the year ended 31 December 2008 (Con't)

Directors' interests (continued)

** Koh Guat Kuan is the spouse of Cheng Ping Keat. In accordance with Section 134(12)(c) of the Companies Act, 1965, the deemed interests of Koh Guat Kuan in the shares of the Company shall be treated as the interests of Cheng Ping Keat.

*** Cheing Boon Ngoun @ Chean Puan In is the spouse of Tan Lay Kuan @ Tan Lay Wah. In accordance with Section 134(12)(c) of the Companies Act, 1965, the deemed interests of Cheing Boon Ngoun @ Chean Puan In in the shares of the Company shall be treated as the interests of Tan Lay Kuan @ Tan Lay Wah.

By virtue of his interests in the shares of the Company, Cheng Ping Keat is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Khind Holdings Berhad has an interest.

None of the other Directors holding office at 31 December 2008 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than a Director who has significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

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

Issue of shares and debentures

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

Options granted over unissued shares

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

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

The salient features of the ESOS scheme are as follows:

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

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

Options granted over unissued shares (continued)

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

iii) The option is personal to the grantee and is non-assignable.

iv) The option price shall, at the discretion of the ESOS committee, be determined based on a discount of not more than 10% from the five (5)-day weighted average market price of the ordinary shares of the Company as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days preceding the date of offer or the par value of the shares, whichever is the higher.

v) The options granted may be exercised at any time within a period of five (5) years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.

vi) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.

vii) The new shares to be allotted upon the exercise of any option shall upon allotment rank pari passu in all respects with the then existing shares except that the new shares allotted under the Scheme shall not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of the new shares.

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

The ESOS expired on 27 June 2008.

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

		Number of options over ordinary shares of RM1 each				
Date of offer	**Exercise price**	**At 1.1.2008**	**Granted**	**Lapsed**	**Exercised**	**At 31.12.2008**
7.7.2003	RM1.00	2,099,000	-	(2,099,000)	-	-
19.5.2004	RM1.00	183,000	-	(183,000)	-	-
		2,282,000	-	(2,282,000)	-	-

Directors' report for the year ended 31 December 2008 (Con't)

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

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

CHENG KING FA
CHAIRMAN

CHENG PING KEAT
GROUP CHIEF EXECUTIVE OFFICER (CEO)

Kuala Lumpur, Malaysia

Date: 30 March 2009

Balance Sheets at 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Assets					
Property, plant and equipment	3	20,462	18,957	160	220
Intangible assets	4	2,129	2,251	204	303
Prepaid lease payments	5	4,956	4,531	-	-
Investment property	6	-	1,600	-	-
Investments in subsidiaries	7	-	-	29,709	28,897
Other investments	8	25	97	6	78
Deferred tax assets	9	1,661	845	662	25
Total non-current assets		29,233	28,281	30,741	29,523
Receivables, deposits and prepayments	10	41,667	45,529	24,812	25,142
Inventories	11	40,472	31,691	-	-
Current tax assets		1,218	1,947	599	985
Assets classified as held for sale	12	2,180	-	-	-
Cash and cash equivalents	13	12,119	9,749	2,459	379
Total current assets		97,656	88,916	27,870	26,506
Total assets		126,889	117,197	58,611	56,029
Equity					
Share capital		40,059	40,059	40,059	40,059
Translation reserve		(56)	(341)	-	-
Retained earnings		27,611	21,433	10,226	10,582
Total equity attributable to equity holders of the Company		67,614	61,151	50,285	50,641
Minority interest		15	38	-	-
Total equity	14	67,629	61,189	50,285	50,641
Liabilities					
Loans and borrowings	15	3,586	1,544	-	-
Deferred tax liabilities	9	1,052	1,698	-	-
Total non-current liabilities		4,638	3,242	-	-
Current tax liabilities		830	273	-	-
Payables and accruals	17	30,661	23,761	8,326	5,388
Loans and borrowings	15	23,131	28,732	-	-
Total current liabilities		54,622	52,766	8,326	5,388
Total liabilities		59,260	56,008	8,326	5,388
Total equity and liabilities		126,889	117,197	58,611	56,029

The notes on 35 to 67 are an integral part of these financial statements.

Income Statements
for the year ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Continuing operations					
Revenue	18	185,361	159,680	6,260	5,051
Cost of goods sold		(131,324)	(117,480)	-	-
Gross profit		54,037	42,200	6,260	5,051
Other income		1,327	810	-	15
Distribution expenses		(24,946)	(19,946)	-	-
Administrative expenses		(20,151)	(16,675)	(5,696)	(4,708)
Other operating expenses		(69)	(138)	-	-
Operating profit		10,198	6,251	564	358
Interest income		86	34	-	2
Finance costs		(1,713)	(1,748)	-	-
Profit before tax	19	8,571	4,537	564	360
Tax expense	21	(934)	(341)	562	(268)
Profit for the year		7,637	4,196	1,126	92
Attributable to:					
Equity holders of the Company		7,660	4,240	1,126	92
Minority interest		(23)	(44)	-	-
Profit for the year		7,637	4,196	1,126	92
Basic earnings per ordinary share (sen):	22	19.12	10.58		

The notes on 35 to 67 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2008

		----- *Attributable to equity holders of the Company* -----					
		---- *Non-distributable* ----		*Distributable*			
Group	**Note**	**Share capital RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Minority interest RM'000**	**Total equity RM'000**
At 1 January 2007		40,059	(44)	17,193	57,208	571	57,779
Foreign exchange translation differences		-	(297)	-	(297)	-	(297)
Profit for the year		-	-	4,240	4,240	(44)	4,196
Total recognised income and expense for the year		40,059	(341)	21,433	61,151	527	61,678
Acquisition of minority interest	28	-	-	-	-	(489)	(489)
At 31 December 2007/1 January 2008		40,059	(341)	21,433	61,151	38	61,189
Foreign exchange translation differences		-	285	-	285	-	285
Profit for the year		-	-	7,660	7,660	(23)	7,637
Total recognised income and expense for the year		40,059	(56)	29,093	69,096	15	69,111
Dividends to shareholders	23	-	-	(1,482)	(1,482)	-	(1,482)
At 31 December 2008		40,059	(56)	27,611	67,614	15	67,629

Statement of Changes in Equity
for the year ended 31 December 2008

Company	**Note**	***Non - distributable*** **Share capital RM'000**	***Distributable*** **Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2007		40,059	10,490	50,549
Profit for the year		-	92	92
At 31 December 2007/1 January 2008		40,059	10,582	50,641
				-
Profit for the year		-	1,126	1,126
Dividends to shareholders	23	-	(1,482)	(1,482)
At 31 December 2008		40,059	10,226	50,285

The notes on 35 to 67 are an integral part of these financial statements.

Cash flow Statements
for the year ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash flows from operating activities					
Profit before tax		8,571	4,537	564	360
Adjustments for:-					
Allowance for diminution in value		72	-	72	-
Amortisation of of prepaid lease payments	5	70	69	-	-
Amortisation of intangible assets	4	122	122	99	99
Change in fair value of investment property		(359)	-	-	-
Depreciation of property, plant and equipment	3	1,665	2,049	77	71
Finance costs		1,713	1,748	-	-
Loss on disposal of other investments		-	1	-	-
(Gain)/Loss on disposal of property, plant and equipment		(88)	(84)	2	-
Interest income		(86)	(34)	-	(2)
Property, plant and equipment written off		-	10	-	-
Operating profit before changes in working capital		11,680	8,418	814	528
Changes in working capital:					
Inventories		(8,669)	(6,103)	-	-
Payables and accruals		6,753	6,976	455	394
Receivables, deposits and prepayments		4,354	(5,348)	445	325
Cash generated from operations		14,118	3,943	1,714	1,247
Tax refunded		362	371	311	-
Tax paid		(1,427)	(978)	-	(540)
Net cash generated from operating activities		13,053	3,336	2,025	707
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(2,784)	(1,085)	(21)	(37)
Acquisition of leasehold land	5	(495)	-	-	-
Acquisition of minority interest	28	-	(1,010)	-	-
Increase in investment in subsidiary		-	-	(812)	(4,010)
Interest received		86	34	-	2
Increase in deposits pledged with licensed banks	13	(15)	(1,510)	-	-
Proceeds from disposal of property, plant and equipment		110	355	2	3
Proceeds from disposal of other investments		-	2	-	-
Repayment by subsidiaries		-	-	886	3,433
Net cash (used in)/generated from investing activities		(3,098)	(3,214)	55	(609)

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash flows from financing activities					
Dividend paid to shareholders of the Company	23	(1,482)	-	-	-
Interest paid		(1,713)	(1,748)	-	-
Repayment of bank borrowings		(2,932)	(231)	-	-
Repayment of hire purchase liabilities		(257)	(211)	-	-
Net cash used in financing activities		(6,384)	(2,190)	-	-
Net increase/(decrease) in cash and cash equivalents		3,571	(2,068)	2,080	98
Effect of exchange rate fluctuations on cash held		(223)	(287)	-	-
Cash and cash equivalents at 1 January	(i)	6,188	8,543	379	281
Cash and cash equivalents at 31 December	(i)	9,536	6,188	2,459	379

i) *Cash and cash equivalents*

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

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash and bank balances	13	8,593	7,888	2,459	379
Deposits with licensed banks	13	3,526	1,861	-	-
Bank overdraft repayable on demand - secured	15	(520)	-	-	-
Bank overdraft repayable on demand - unsecured	15	(538)	(2,051)	-	-
		11,061	7,698	2,459	379
Less: Deposits pledged	13	(1,525)	(1,510)	-	-
		9,536	6,188	2,459	379

ii) *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM3,405,000 (2007 - RM1,574,000), of which RM621,000 (2007 - RM489,000) were acquired by means of hire purchase plans.

The notes on 35 to 67 are an integral part of these financial statements.

Notes to the Financial Statements

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

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries. The financial statements of the Company as at and for the year ended 31 December 2008 do not include other entities.

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 7.

The financial statements were approved by the Board of Directors on 30 March 2009.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, *Insurance Contracts*	1 January 2010
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
FRS 8, *Operating Segment*	1 July 2009
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010

Notes to the Financial Statements (Con't)

1. **Basis of preparation (continued)**

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010 except for FRS 4 and IC Interpretation 9 which are not applicable to the Group and the Company.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. Other than the implication as discussed below, the initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

FRS 8, Operating Segment

FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information by geographical segments (see Note 24). Under FRS 8, the Group will present segment information based on internal management report.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment property and assets held for sale as explained in their respective accounting policy notes.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amount recognised in the financial statements other than those disclosed in the following notes:-

- *Note 6 - valuation of investment property*
- *Note 9 - recognition of unutilised tax losses and capital allowances*
- *Note 26 - contingencies*

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Minority interest

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

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

(iv) Transactions eliminated on consolidation

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

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

Notes to the Financial Statements (Con't)

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

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

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

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements.

(ii) Reclassification to investment property

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

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Subsequent costs

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

(iv) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction and building-in-progress are not depreciated until the assets are ready for their intended use.

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

• Freehold properties	50 years
• Office and factory buildings	50 years
• Plant and machinery	5 – 10 years
• Tools and moulds	5 – 10 years
• Furniture, fittings and office equipment	3 – 10 years
• Motor vehicles	5 years
• Renovations	5 – 10 years

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

(d) Leased assets

(i) Finance lease

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

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

Notes to the Financial Statements (Con't)

2. Significant accounting policies (continued)

(d) Leased assets (continued)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classifies as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

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

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and is measured at cost less any accumulated impairment losses.

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

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

(ii) Patents and trademarks

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

(iii) Subsequent expenditure

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

(iv) Amortisation

Goodwill with indefinite useful lives is tested for impairment annually and whenever there is an indication that they may be impaired. Amortisation of patent and trademarks is charged to the income statements on a straight-line basis over a period of ten (10) years.

2. Significant accounting policies (continued)

(f) Investments

Investments in equity securities

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

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

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

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

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

a) the recognition of an asset on the day it is received by the entity, and

b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Investment properties

(i) Investment property carried at fair value

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

Investment property are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

(ii) Reclassification to / from investment property

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

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

Notes to the Financial Statements (Con't)

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio.

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

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

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

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 6.

(h) Inventories

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

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

(i) Receivables

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

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

Receivables are not held for the purpose of trading.

(j) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

(k) Cash and cash equivalents

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

2. Significant accounting policies (continued)

(l) Impairment of assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

(m) Loans and borrowings

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

(n) Employee benefits

(i) Short-term employee benefits

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

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

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

(ii) Share-based payment transactions

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

Notes to the Financial Statements (Con't)

2. Significant accounting policies (continued)

(o) Provisions

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

(p) Contingent liabilities

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

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

(q) Payables

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

(r) Revenue recognition

(i) Goods sold

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

(ii) Rental income

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

(iii) Dividend income

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

(iv) Management fees

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

(s) Interest income and borrowing costs

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

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

2. Significant accounting policies (continued)

(t) Tax expense

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

Unutilised reinvestment allowance is treated as tax base of assets and is recognised as a reduction of tax expense as and when it is utilised.

(u) Earnings per share

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

(v) Segment reporting

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

Notes to the Financial Statements (Con't)

3. Property, plant and equipment

Group	Note	Freehold properties RM'000	Office and factory buildings RM'000	Plant and machinery RM'000	Tools and moulds RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost									
At 1 January 2007		6,742	11,943	5,329	10,879	6,233	2,684	1,724	45,534
Additions		-	-	1	414	528	594	37	1,574
Disposals		-	-	(318)	(198)	(552)	(420)	-	(1,488)
Write off		-	-	(256)	(53)	(272)	-	-	(581)
Effect of movements in exchange rates		-	-	-	-	(13)	-	-	(13)
At 31 December 2007/ 1 January 2008		6,742	11,943	4,756	11,042	5,924	2,858	1,761	45,026
Additions		-	1,631	245	694	454	264	117	3,405
Disposals		-	-	(90)	(145)	(74)	(42)	-	(351)
Transfer to assets held for sale	12	-	-	-	-	-	-	(641)	(641)
Effect of movements in exchange rates		-	-	-	-	10	4	4	18
At 31 December 2008		6,742	13,574	4,911	11,591	6,314	3,084	1,241	47,457
Depreciation									
At 1 January 2007		757	2,546	4,828	9,944	4,452	2,103	1,181	25,811
Depreciation for the year	19	112	272	177	445	552	317	174	2,049
Disposals		-	-	(308)	(198)	(290)	(421)	-	(1,217)
Write off		-	-	(256)	(53)	(262)	-	-	(571)
Effect of movements in exchange rates		-	-	-	-	(3)	-	-	(3)
At 31 December 2007, 1 January 2008		869	2,818	4,441	10,138	4,449	1,999	1,355	26,069
Depreciation for the year	19	112	253	141	261	585	292	21	1,665
Disposals		-	-	(90)	(136)	(61)	(42)	-	(329)
Transfer to assets held for sale	12	-	-	-	-	-	-	(420)	(420)
Effect of movements in exchange rates		-	-	-	-	5	1	4	10
At 31 December 2008		981	3,071	4,492	10,263	4,978	2,250	960	26,995
Carrying amounts									
At 1 January 2007		5,985	9,397	501	935	1,781	581	543	19,723
At 31 December 2007/ 1 January 2008		5,873	9,125	315	904	1,475	859	406	18,957
At 31 December 2008		5,761	10,503	419	1,328	1,336	834	281	20,462

3. Property, plant and equipment (continued)

Company	Furniture, fittings and office equipment RM'000	Renovations RM'000	Total RM'000
Cost			
At 1 January 2007	241	111	352
Additions	37	-	37
Disposals	(4)	-	(4)
At 31 December 2007/1 January 2008	274	111	385
Additions	21	-	21
Disposals	(8)	-	(8)
At 31 December 2008	287	111	398
Depreciation			
At 1 January 2007:			
Accumulated depreciation	67	28	95
Depreciation for the year	49	22	71
Disposals	(1)	-	(1)
At 31 December 2007/1 January 2008	115	50	165
Depreciation for the year	55	22	77
Disposals	(4)	-	(4)
At 31 December 2008	166	72	238
Carrying amounts			
At 1 January 2007	174	83	257
At 31 December 2007/1 January 2008	159	61	220
At 31 December 2008	121	39	160

Title deeds to the freehold properties with a carrying amount of RM5,257,000 (2007 - RM5,370,000) belonging to two (2) (2007 - two (2)) subsidiaries are in the process of being registered in the names of these companies.

Notes to the Financial Statements (Con't)

3. Property, plant and equipment (continued)

Security

At 31 December 2008, freehold properties and office buildings of the Group with a carrying amount of RM2,171,000 and RM3,129,000 (2007 – RM5,370,000 and RM1,548,000) respectively have been pledged as securities for the bank facilities granted to the Group (refer Note 15).

Assets under hire purchase

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with a carrying amount of RM1,413,000 (2007 – RM918,000).

4. Intangible assets

Group	Note	Goodwill RM'000	Patents and trademarks RM'000	Total RM'000
Cost				
At 1 January 2007		1,433	1,100	2,533
Acquisition of minority interest	28	521	-	521
At 31 December 2007/1 January 2008/31 December 2008		1,954	1,100	3,054
Amortisation				
At 1 January 2007:				
Accumulated amortisation		-	681	681
Amortisation for the year	19	-	122	122
At 31 December 2007/1 January 2008:				
Accumulated amortisation		-	803	803
Amortisation for the year	19	-	122	122
At 31 December 2008:				
Accumulated amortisation		-	925	925
Carrying amounts				
At 1 January 2007		1,433	419	1,852
At 31 December 2007/1 January 2008		1,954	297	2,251
At 31 December 2008		1,954	175	2,129

Goodwill of RM1,954,000 (2007 - RM1,954,000) represents the unamortised balance of goodwill arising from consolidation of Khind-Mistral Industries Sdn. Bhd. and Khind Marketing (M) Sdn. Bhd. and the additional goodwill from acquisition of additional 25% equity interest in Khind-Mistral (M) Sdn. Bhd. in 2007.

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

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

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

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

4. Intangible assets (continued)

Company	Note	Patents and trademarks RM'000	Total RM'000
Cost			
At 1 January/31 December 2007/ 31 December 2008		1,000	1,000
Amortisation			
At 1 January 2007:			
Accumulated amortisation		598	598
Amortisation for the year	19	99	99
At 31 December 2007/1 January 2008:			
Accumulated amortisation		697	697
Amortisation for the year	19	99	99
At 31 December 2008:			
Accumulated amortisation		796	796
Carrying amounts			
At 1 January 2007		402	402
At 31 December 2007/1 January 2008		303	303
At 31 December 2008		204	204

5. Prepaid lease payments

Group	Note	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost				
At 1 January 2007/31 December 2007/ 1 January 2008		1,690	3,240	4,930
Additions		-	495	495
At 31 December 2008		1690	3,735	5,425
Amortisation				
At 1 January 2007		196	134	330
Amortisation for the year	19	34	35	69
At 31 December 2007/1 January 2008		230	169	399
Amortisation for the year	19	34	36	70
At 31 December 2008		264	205	469
Carrying amounts				
At 1 January 2007		1,494	3,106	4,600
At 31 December 2007/1 January 2008		1,460	3,071	4,531
At 31 December 2008		1,426	3,530	4,956

Title deeds to the leasehold land with a carrying amount of RM696,000 (2007 – RM206,000) belonging to two (2) (2007 – one (1) subsidiaries are in the process of being registered in the names of these companies.

Security

Leasehold land of the Group amounting to RM1,627,000 (2007 – RM1,666,000) has been pledged as security for term loan facilities granted to the Group (refer Note 15).

Notes to the Financial Statements (Con't)

6. Investment property

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
At 1 January		1,600	1,600	-	-
Change in fair value	19	359	-	-	-
Transfer to assets held for sale	12	(1,959)	-	-	-
At 31 December		-	1,600	-	-
Included in the above are:					
Leasehold property with unexpired lease period of more than 50 years		-	1,600	-	-

During the year, the Group revised the fair value based on independent valuer's report. In the previous year, the fair value of the investment property is determined by considering the aggregate of the estimated cash flows expected to be received from renting out the property using yield rate of 8% per annum.

The following are recognised in the income statement in respect of investment property:

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Rental income	141	138	-	-
Direct operating expenses:				
- income generating investment properties	(5)	(5)	-	-

7. Investments in subsidiaries

	Company 2008 RM'000	Company 2007 RM'000
At cost:		
Unquoted shares	29,709	28,897

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2008 %	Effective ownership interest 2007 %
Khind Industries Sdn. Bhd.	Temporarily ceased operations	Malaysia	100	100
Khind Marketing (M) Sdn. Bhd. ^	Providing general repair and rework services and renting of commercial properties	Malaysia	100	100
Khind-Mistral (Sabah) Sdn. Bhd.	Renting of commercial properties and motor vehicles	Malaysia	100	100
Khind-Mistral (Borneo) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Khind Components Sdn. Bhd.	Temporarily ceased operations	Malaysia	100	100
Khind-Mistral Industries Sdn. Bhd.	Manufacture and sale of electrical home appliances and wiring accessories	Malaysia	100	100
Khind-Mistral (M) Sdn. Bhd.	Trading in electrical products	Malaysia	100	100
Khind Technology Centre Sdn. Bhd.	Temporarily ceased operations	Malaysia	100	100
Khind Home Appliances Sdn. Bhd.**	Temporarily ceased operations	Malaysia	50	50
Mistral (Singapore) Pte. Ltd.*	Trading in electrical products	Singapore	100	100
Khind Middle East FZE * #	Trading in home appliances	Dubai	100	100
Indesico (M) Sdn. Bhd.	Trading in electrical home appliances	Malaysia	100	-

* Not audited by KPMG.

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

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

On 4 February 2009, Khind Marketing (M) Sdn. Bhd. has changed its name to Khind Customer Service Sdn. Bhd.

^ During the year, the Company subscribed an additional 300,000 ordinary shares of SGD1 each in Mistral (Singapore) Pte Ltd ("MSPL") for a total consideration of RM712,000. The Company also acquired 2 ordinary shares of RM1 each in Indesico (M) Sdn. Bhd. ("IMSB") for a total consideration of RM2. Subsequently, the Company subscribed an additional 99,998 ordinary shares of RM1 each in IMSB for a total cash consideration of RM99,998.

Notes to the Financial Statements (Con't)

8. Other investments

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Non-current				
At cost:				
Quoted shares in Malaysia	97	97	78	78
Less: Allowance for diminution in value	(72)	-	(72)	-
	25	97	6	78
Market value:				
Quoted shares in Malaysia	43	65	6	23

Details of disposed investments stated at cost are as follows:

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Proceeds from disposal	-	2	-	-
Carrying amount of investments disposed	-	3	-	-
Loss on disposal of investments	-	(1)	-	-

9. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2008 RM'000	Assets 2007 RM'000	Liabilities 2008 RM'000	Liabilities 2007 RM'000	Net 2008 RM'000	Net 2007 RM'000
Property, plant and equipment	-	-	(1,744)	(1,748)	(1,744)	(1,748)
Investment property	-	-	(115)	(49)	(115)	(49)
Tax loss carry-forwards	259	-	-	-	259	-
Unutilised capital allowances carry-forwards	65	46	-	-	65	46
Provisions	2,247	898	-	-	2,247	898
Other items	-	-	(103)	-	(103)	-
Tax assets/(liabilities)	2,571	944	(1,962)	(1,797)	609	(853)
Set off of tax	(910)	(99)	910	99	-	-
Net tax assets/(liabilities)	1,661	845	(1,052)	(1,698)	609	(853)
Company						
Property, plant and equipment	-	-	(23)	(21)	(23)	(21)
Tax loss carry-forwards	352	-	-	-	352	-
Unutilised capital allowances carry-forwards	62	46	-	-	62	46
Provisions	271	-	-	-	271	-
Tax assets/(liabilities)	685	46	(23)	(21)	662	25
Set off of tax	(23)	(21)	23	21	-	-
Net tax assets	662	25	-	-	662	25

9. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group		Company	
	2008 **RM'000**	**2007** **RM'000**	**2008** **RM'000**	**2007** **RM'000**
Deductible temporary differences	(585)	(1,375)	-	-
Tax loss carry-forwards	(412)	(1,442)	-	-
Unutilised capital allowances carry - forwards	(7)	-	-	-
	(1,004)	(2,817)	-	-
Tax at 25% (2007:26%)	251	732	-	-

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

10. Receivables, deposits and prepayments

		Group		Company	
	Note	**2008** **RM'000**	**2007** **RM'000**	**2008** **RM'000**	**2007** **RM'000**
Current					
Trade					
Trade receivables		35,546	39,111	-	-
Less: Allowance for doubtful debts		(1,206)	(1,927)	-	-
	10.1	34,340	37,184	-	-
Non-trade					
Other receivables		7,687	7,610	5	500
Less: Allowance for doubtful debts		(1,236)	(1,011)	-	-
	10.2	6,451	6,599	5	500
Amount due from subsidiaries	10.3	-	-	24,570	24,455
Deposits		294	344	-	-
Prepayments	10.4	582	1,402	237	187
		7,327	8,345	24,812	25,142
		41,667	45,529	24,812	25,142

10.1 Trade receivables

All trade receivables are denominated in the functional currency, which is in Ringgit Malaysia ("RM"). During the year, bad debts of RM528,000 (2007 - RM58,000) was written off against allowance for doubtful debts.

10.2 Other receivables

Included in other receivables is an amount of RM6,080,000 (2007 – RM5,602,000) being advances paid for the purchases of inventories.

10.3 Amount due from subsidiaries

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

10.5 Prepayments

Prepayments are stated at cost less an allowance for doubtful debts of RM267,000 (2007 – RM 267,000).

Notes to the Financial Statements (Con't)

11. Inventories

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Raw materials	3,086	3,770	-	-
Work-in-progress	311	576	-	-
Manufactured inventories	37,075	27,345	-	-
	40,472	31,691	-	-

The write-down of inventories and reversal of write-down of inventories to net realisable value amounted to RM306,000 and RM105,000 (2007 – RM44,000 and RM512,000) respectively. The write-down and reversal are included in cost of sales.

12. Assets classified as held for sale

On 25 September 2008, a subsidiary has accepted an offer from a third party to purchase its investment property together with its property, plant and equipment for RM2,180,000. The sale and purchase agreement has been entered into on 11 March 2009.

At 31 December 2008, the assets held for sale are as follow:

	Note	Group 2008 RM'000
Property, plant and equipment		
Cost	3	641
Accumulated depreciation	3	(420)
		221
Investment property	6	1,959
		2,180

13. Cash and cash equivalents

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Deposits are placed with licensed banks	3,526	1,861	-	-
Cash and bank balances	8,593	7,888	2,459	379
	12,119	9,749	2,459	379

13.1 Deposits placed with licensed banks pledged for bank facilities

Included in the deposits placed with licensed banks is RM1,525,000 (2007 – RM 1,510,000) of the Group pledged for bank facilities granted to subsidiaries (refer Note 15).

14. Share capital and reserves

Share capital

	Group and Company			
	Amount 2008 RM'000	Number of shares 2008 '000	Amount 2007 RM'000	Number of shares 2007 '000
Authorised:				
Ordinary shares of RM1 each	50,000	50,000	50,000	50,000
Issued and fully paid:				
Ordinary shares of RM1 each	40,059	40,059	40,059	40,059

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

Translation reserve

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

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2008 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2008 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. Loans and borrowings

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current				
Secured term loans	2,946	1,179	-	-
Hire purchase liabilities	640	365	-	-
	3,586	1,544	-	-
Current				
Secured term loans	497	356	-	-
Secured bank overdrafts	520	-	-	-
Unsecured bank overdrafts	538	2,051	-	-
Secured bankers' acceptances	8,412	2,786	-	-
Unsecured bankers' acceptances	11,307	23,328	-	-
Hire purchase liabilities	302	211	-	-
Unsecured trust receipts	1,555	-	-	-
	23,131	28,732	-	-
	26,717	30,276	-	-

Security

The secured term loans are secured by way of:

i) fixed charges over the Group's long term leasehold land (refer Note 5), freehold properties (refer Note 3), office building (refer Note 3); and

ii) corporate guarantee from the Company.

Notes to the Financial Statements (Con't)

15. Loans and borrowings (continued)

Security (continued)

The secured bankers' acceptances are secured by way of:

i) pledged over certain deposits placed with licensed banks of the Group (refer Note 13); and
ii) corporate guarantee from the Company.

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

Unsecured bank overdrafts , bankers' acceptances and trust receipts are supported by negative pledge executed by a subsidiary and guaranteed by the Company.

Significant covenants for the term loans

The following are the significant covenants for the term loans applicable to the Group:

i) not to create or permit to exist any security over the leasehold land, office building and freehold properties; and

ii) not to allow any change in the majority shareholders or the majority shareholders' shareholdings without the prior consents of the lenders.

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2008						
Secured term loans						
- fixed	2012	420	180	180	60	-
- variable	2013 to 2018	3,023	317	417	1,048	1,241
Secured bank overdrafts	2009	520	520	-	-	-
Unsecured bank overdrafts	2009	538	538	-	-	-
Secured bankers' acceptances	2009	8,412	8,412	-	-	-
Unsecured bankers' acceptances	2009	11,307	11,307	-	-	-
Unsecured trust receipts	2009	1,555	1,555	-	-	-
Hire purchase liabilities	2009 to 2011	942	302	294	346	-
		26,717	23,131	891	1,454	1,241
2007						
Secured term loans						
- fixed	2012	600	180	180	240	-
- variable	2013	935	176	191	396	172
Unsecured bank overdrafts	2008	2,051	2,051	-	-	-
Secured bankers' acceptance	2008	2,786	2,786	-	-	-
Unsecured bankers' acceptances	2008	23,328	23,328	-	-	-
Hire purchase liabilities	2008 to 2011	576	211	185	180	-
		30,276	28,732	556	816	172

15. Loans and borrowings (continued)

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Minimum lease payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000	Minimum lease payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000
Less than one year	351	49	302	244	33	211
Between one and five years	690	50	640	394	29	365
	1,041	99	942	638	62	576

16. Employee benefits

Share-based payments

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

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

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

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

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

	Exercise price 2008 RM	Number of options 2008 '000	Exercise price 2007 RM	Number of options 2007 '000
Outstanding at 1 January	1.00	2,282	1.00	2,411
Exercised during the year	1.00	-	1.00	-
Lapsed during the year	1.00	(2,282)	1.00	(129)
Outstanding at 31 December	-	-	1.00	2,282
Exercisable at 31 December	-	-	1.00	2,282

The ESOS expired on 27 June 2008.

Notes to the Financial Statements (Con't)

17. Payables and accruals

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Trade					
Trade payables	17.1	15,424	13,019	-	-
Non-trade					
Amount due to subsidiaries	17.2	-	-	5,689	4,689
Amount due to a related party	17.3	-	250	-	-
Other payables		9,609	6,560	2,637	699
Accrued expenses		5,628	3,932	-	-
		15,237	10,742	8,326	5,388
		30,661	23,761	8,326	5,388

17.1 Trade payables

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

17.2 Amount due to subsidiaries

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

17.3 Amount due to a related party

In the previous year, amount due to a related party was in respect of advances, which were unsecured, interest free and repayable on demand.

18. Revenue

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Sales	185,220	159,542	-	-
Management fees	-	-	3,294	3,051
Rental income from investment property	141	138	-	-
Dividends	-	-	2,966	2,000
	185,361	159,680	6,260	5,051

19. Profit before tax

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Profit before tax is arrived at after charging:					
Allowance for diminution in value		72	-	72	-
Allowance for doubtful debts		753	1,322	-	-
Amortisation on intangible assets	4	122	122	99	99
Amortisation of prepaid lease payments	5	70	69	-	-
Auditors' remuneration:					
- Audit services					
Auditors of the Company		119	111	20	20
Other auditors		27	29	-	-
Depreciation on property, plant and equipment	3	1,665	2,049	77	71
Interest expense on:					
- Bank overdrafts		48	67	-	-
- Loans		186	181	-	-
- Other borrowings		1,479	1,500	-	-
Loss on disposal of other investments		-	1	-	-
Loss on disposal of property, plant and equipment		-	-	2	-
Personnel expenses (including key management personnel) :					
- Contributions to Employees' Provident Fund		2,178	1,799	415	254
- Wages, salaries and others		21,493	17,483	3,883	3,188
Property, plant and equipment written off		-	10	-	-
Rental of premises		429	306	90	113
Foreign exchange loss					
- realised		9	94	8	4
- unrealised		-	3	-	-
Write-down of inventories	11	306	44	-	-
and after crediting:					
Change in fair value of investment property	6	359	-	-	-
Dividend income from subsidiaries (unquoted)		-	-	2,966	2,000
Foreign exchange gain					
- realised		495	-	-	-
- unrealised		11	-	-	-
Gain on disposal of property, plant and equipment		88	84	-	-
Inter-company management fees		-	-	3,294	3,051
Rental income		348	237	-	-
Reversal of allowance for doubtful debts		721	65	-	-
Reversal of write-down of inventories	11	105	512	-	-

Notes to the Financial Statements (Con't)

20. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors:				
- Remuneration	1,518	1,490	1,246	1,171
- Fees	90	78	90	60
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	218	287	218	287
	1,826	1,855	1,554	1,518

21. Tax expense

Recognised in the income statements

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax expense				
Malaysian - current year	1,752	561	-	195
- prior year	378	(152)	75	83
Overseas - current year	217	81	-	-
	2,347	490	75	278
Deferred tax expense				
Reversal of temporary differences	(789)	(204)	(482)	(10)
(Over)/under provided in prior years	(624)	55	(155)	-
Total tax expense	934	341	(562)	268

21. Tax expense (continued)

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Reconciliation of tax expense				
Profit for the year	7,637	4,196	1,126	92
Total tax expense	934	341	(562)	268
Profit excluding tax	8,571	4,537	564	360
Tax at Malaysian tax rate of 26% (2007 – 27%)	2,228	1,225	147	97
Effect of lower tax rates*	(158)	(98)	-	-
Effect of deferred tax assets recognised	(481)	(13)	-	-
Non-deductible expenses	733	602	117	86
Tax exempt income	(393)	(433)	(771)	-
Tax incentives	(1,018)	(818)	-	-
Other items	269	(27)	25	2
	1,180	438	(482)	185
(Over)/Under provided in prior years	(246)	(97)	(80)	83
	934	341	(562)	268

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Tax savings arising from tax losses				
Tax savings arising from utilisation of current year tax losses	65	74	-	-

21. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM7,660,000 (2007 - RM4,240,000) and the weighted average number of ordinary shares outstanding during the year of 40,059,000 (2007 - 40,059,000).

In the previous year, the diluted earnings per share was not shown as the exercise price of options under ESOS was higher than the Company's share price at the balance sheet date.

Notes to the Financial Statements (Con't)

23. Dividend

Dividend recognised in the current year by the Company is:

2008	Sen per share (net of tax)	Total amount RM'000	Date of payment
Interim 2008 ordinary	3.7	1,482	21 November 2008

24. Segment reporting

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

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

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

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

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

Geographical segments

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

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

	Malaysia		Outside Malaysia *		Eliminations		Total	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Geographical segments by location of customers								
Total external revenue	134,600	115,151	50,761	44,529	-	-	185,361	159,680
Inter-segment revenue	41,359	54,124	21,798	23,825	(63,157)	(77,949)	-	-
Total segment revenue	175,959	169,275	72,559	68,354	(63,157)	(77,949)	185,361	159,680
Segment result	6,769	4,196	3,429	2,055	-	-	10,198	6,251
Interest expense							(1,713)	(1,748)
Interest income							86	34
Tax expense							(934)	(341)
Profit for the year							7,637	4,196

* Primarily to Asia and Middle East regions.

24. Segment reporting (continued)

	Malaysia		Outside Malaysia *		Total	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Geographical segments by location of customers						
Segment assets	105,732	93,277	18,278	21,128	124,010	114,405
Unallocated assets					2,879	2,792
Total assets					126,889	117,197
Segment liabilities	52,865	50,362	4,513	3,675	57,378	54,037
Unallocated liabilities					1,882	1,971
Total liabilities					59,260	56,008
Capital expenditure	2,254	1,554	1,646	20	3,900	1,574
Depreciation and amortisation	1,789	2,171	68	69	1,857	2,240
Non-cash expenses other than depreciation and amortisation	1,131	792	-	72	1,131	864

* Primarily to Asia and Middle East regions.

25. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates and interest rates. The Board and management reviews and agrees policies for managing each of these and they are summarised below.

Credit risk

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

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

Interest rate risk

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

Notes to the Financial Statements (Con't)

25. Financial instruments (continued)

Effective interest rates and repricing analysis

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

Group	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
2008									
Floating rate instruments									
Deposits with licensed banks	13	3.04	3,526	3,526	-	-	-	-	-
Fixed rate instruments									
Secured term loans	15	8.50	420	180	180	60	-	-	-
Hire purchase liabilities	15	6.14	942	302	294	180	121	45	-
Floating rate instruments									
Secured term loans	15	4.91	3,023	3,023	-	-	-	-	-
Secured bank overdrafts	15	7.75	520	520	-	-	-	-	-
Unsecured bank overdrafts	15	8.00	538	538	-	-	-	-	-
Secured bankers' acceptances	15	4.94	8,412	8,412	-	-	-	-	-
Unsecured bankers' acceptances	15	4.44	11,307	11,307	-	-	-	-	-
Unsecured Trust receipts	15	5.25	1,555	1,555	-	-	-	-	-
			26,717	25,837	474	240	121	45	-
2007									
Floating rate instruments									
Deposits with licensed banks	13	3.06	1,861	1,861	-	-	-	-	-
Fixed rate instruments									
Secured term loans	15	8.50	600	180	180	180	60	-	-
Hire purchase liabilities	15	6.65	576	211	185	78	64	38	-
Floating rate instruments									
Secured term loans	15	7.91	935	935	-	-	-	-	-
Unsecured bank overdrafts	15	8.25	2,051	2,051	-	-	-	-	-
Secured bankers' acceptances	15	5.09	2,786	2,786	-	-	-	-	-
Unsecured bankers' acceptances	15	5.15	23,328	23,328	-	-	-	-	-
			30,276	29,491	365	258	124	38	-

25. Financial instruments (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Ringgit Malaysia. Approximately 27% (2007 - 28%) of the Group's sales are from export market and 30% (2007 - 27%) of the Group purchases are sourced from overseas. Most of the foreign currency transactions are denominated in US Dollars, except for 4% (2007 - 4%) of the foreign currency transactions are denominated in other foreign currencies. The Group does not hedge this exposure to the US dollars. The transactions in other foreign currencies are insignificant. The Group ascertains that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

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

Fair values

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

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

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

		2008		2007	
Group	**Note**	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Quoted shares - long term	8	25	43	97	65
Secured term loans	15	3,443	3,407	1,535	1,481
Hire purchase liabilities	15	942	946	576	624
Company					
Quoted shares - long term	8	6	6	78	23

Estimation of fair values

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

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

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

	2008	**2007**
Secured term loans	3.78% - 7.50%	7.76% - 8.50%
Hire purchase liabilities	3.60% - 4.31%	3.50% - 4.40%

Notes to the Financial Statements (Con't)

26. Contingencies

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

Contingent liabilities not considered remote

Litigation - unsecured

i) A third party has filed a claim on 21 April 2000 against two subsidiaries of the Company alleging that the subsidiaries of the Company have manufactured, imported and distributed the electrical plugs fitted with its trademark without its authority. On 24 November 2008, the High Court has dismissed the third party's claim. On 22 December 2008, the third party filed an appeal to the Court of Appeal against the decision of the High Court. The Court of Appeal has yet to fix a hearing date for the appeal.

ii) A third party has filed a claim on 15 June 2007 against a subsidiary claiming for damages of RM2,000,000 and mandatory injunctions to compel the same subsidiary to deliver the tools which are in the same subsidiary's possession. This case is now fixed for case management on 8 April 2009.

iii) Certain shareholders of Kee Hin Ventures Sdn. Bhd. ("KHV"), which is the substantial shareholder of the Company have served a petition on 29 May 2008 against the Company claiming among others:-

(a) an order to reinstate Petitioners' nominees to the Board of Directors of the Company;
(b) an order restraining the exercise of the voting rights attached to the shares of the Company held among others by KHV; and
(c) an order restraining the act on or putting into effect of any resolution passed by the Company's Annual General Meeting on 29 May 2008 or any similar resolution passed at any meeting of the Company.

The Petitioners have filed for applications to amend the Petition and for Erinford injunction. The applications are now fixed for hearing on 31 March 2009.

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

	Company	
	2008 **RM'000**	**2007** **RM'000**
Guarantee - unsecured		
Guarantees and contingencies relating to borrowings of subsidiaries	57,338	64,977

27. Related parties

Identity of related parties

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

Group	2008 RM'000	2007 RM'000
Sales of goods to a company in which a Director, Lee Ah Lan @ Lee Keok Hooi, has financial interest:		
- HSL Electrical & Electronics Sdn. Bhd.	(1,833)	(2,933)
Purchase of goods from a company in which a Director, Lee Ah Lan @ Lee Keok Hooi, has financial interest:		
- E & E Sales & Services Sdn. Bhd.	45	-
Company		
Subsidiaries		
- Management fees	(3,294)	(3,051)
- Rental expense	90	113

Balances with related parties and subsidiaries at balance sheet date are disclosed in Note 10 and 17 to the financial statements. These transactions have been entered into in the normal course of business and have been established under negotiated terms.

28. Acquisition of minority interest

In the previous year, the Group acquired 25% equity interest in Khind Mistral (M) Sdn. Bhd., increasing its ownership from 75% to 100% for a cash consideration of RM1,010,000. The carrying amount of Khind Mistral (M) Sdn. Bhd.'s net assets in the consolidated financial statements on the date of the acquisition was RM1,955,000. The Group recognised a decrease in minority interests of RM489,000 and additional goodwill of RM521,000 (refer Note 4).

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

In the opinion of the Directors, the financial statements set out on 30 to 67 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

CHENG KING FA
FOUNDER/CHAIRMAN

CHENG PING KEAT
GROUP CHIEF EXECUTIVE OFFICER (CEO)

Kuala Lumpur, Malaysia

Date: 30 March 2009

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

I, **Cheng Ping Keat**, the Director primarily responsible for the financial management of Khind Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on 30 to 67 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared	)	
by the above named	)	**CHENG PING KEAT**
CHENG PING KEAT	)	
in Kuala Lumpur on 30 March 2009.	)	

Before me:

P. THURIRAJOO
No. W438
Commission for Oaths
Kuala Lumpur

Independent Auditors' Report
to the members of Khind Holdings Berhad

We have audited the financial statements of Khind Holdings Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 67.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

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

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

CHONG DEE SHIANG
Partner
Approval Number: 2782/09/10(J)

Petaling Jaya, Malaysia

Date: 30 March 2009

Statistics on Shareholdings
as at 31 March 2009

SUBSTANTIAL SHAREHOLDERS - Per Register of Substantial Shareholders

	Names of Substantial Shareholders	Direct Interest	Percentage (%)	Indirect Interest	Percentage (%)
1	Kee Hin Ventures Sdn.Bhd. (KHVSB) (429373-U) (note 1)	15,708,837	39.21	-	-
2	Cheng Ping Keat (note 2)	1,107,720	2.76	15,708,837	39.21
3	Great Partner Industries Limited (note 3)	-	-	15,708,837	39.21

Notes:
(1) Includes pledged account of 4,778,100 shares with Amsec Nominees (Tempatan) Sdn.Bhd. via AmBank (M) Berhad.
(2) Mr. Cheng Ping Keat has an indirect interest in KHIND by virtue of his directorship and substantial stake of 51% in KHVSB.
(3) Great Partner Industries Limited (Co.No: 541965) has an indirect interest, by virtue of its substantial stake of 32.5% in KHVSB.

ANALYSIS OF SHAREHOLDINGS

Size Of Shareholdings

Authorised Share Capital	: RM 50,000,000.00
Fully paid and issued shares	: RM 40,059,000.00
Class of Shares	: Ordinary shares of RM 1.00 each
Voting Rights	: 1 vote per Ordinary Share
No. of Shareholders	: 1,186

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of issued capital
Less 100	138	11.64	5,935	0.01
100 - 1,000	138	11.64	93,566	0.23
1,001 - 10,000	786	66.27	2,402,075	6.00
10,001 - 100,000	98	8.26	2,429,720	6.06
100,001 to < 5% of issued shares	24	2.02	19,755,737	49.32
5% and above of issued shares	2	0.17	15,371,967	38.38
TOTAL	**1,186**	**100.00**	**40,059,000**	**100.00**

Statistics on Shareholdings
as at 31 March 2009 (Continued)

THIRTY LARGEST SHAREHOLDERS - per Register of Depositors as at 31 March 2009

Names of Shareholders		No. of Shares held	% of issued capital
1	Kee Hin Ventures Sdn.Bhd.(KHVSB) (429373-U)	10,593,867	26.45
2	Amsec Nominees (Tempatan) Sdn. Bhd.(102918-T) (AmBank (M) Berhad for Kee Hin Ventures Sdn. Bhd.)	4,778,100	11.93
3	Cheng King Fa	1,824,601	4.55
4	Airex Industries Sdn. Bhd. (455346-A)	1,570,667	3.92
5	Imartech Industries Sdn. Bhd. (270026-X)	1,568,000	3.91
6	Koh Guat Kuan	1,556,599	3.89
7	Then Nyong Fah	1,526,900	3.81
8	BI Nominees (Tempatan) Sdn. Bhd. (Pledged A/c for Md. Azmi bin Lop Yusof)	1,469,935	3.67
9	Dato' Cheng Hup	1,357,069	3.39
10	Tan Chin Siea	1,323,200	3.30
11	Cheng Ping Keat	1,107,720	2.76
12	HLB Nominees (Tempatan) Sdn. Bhd. (Pledged A/c for Bakat Impian Sdn. Bhd.)	821,900	2.05
13	Affin Nominees (Tempatan) Sdn. Bhd. (Pledged A/c for Tan Chin Siea)	777,400	1.94
14	AllianceGroup Nominees (Tempatan) Sdn.Bhd.(Pledged A/c for Ong Yoong Nyock)	757,300	1.89
15	Cheng Yoke Leng	657,333	1.64
16	Cheng Yoke Kan	607,000	1.52
17	ABB Nominee (Tempatan) Sdn. Bhd.(37645-P) (Pledged Account for Yayasan Terengganu(1115001178)	400,000	1.00
18	Kee Hin Ventures Sdn. Bhd. (429373-U)	336,870	0.84
19	Koh Eng Thye	317,367	0.80
20	Ong Wah Bing@Kie Tjhan	316,009	0.79
21	Perbadanan Kemajuan Negeri Kedah (ECT 51965)	294,000	0.73
22	HLB Nominees (Tempatan) Sdn. Bhd.(Pledged A/c for TNTT Realty Sdn. Bhd.)	247,000	0.62
23	Yayasan Kelantan Darulnaim (KELENTBIL980)	245,000	0.61
24	Cheing Boon Ngoun @ Chean Puan In	242,667	0.61
25	Mersec Nominee (Tempatan) Sdn. Bhd.(026777-T) (Pledged Account for TNTT Realty Sdn. Bhd.)	241,200	0.60
26	HLB Nominees (Tempatan) Sdn. Bhd.(Pledged A/c for Khor Chai Koan)	190,000	0.47
27	Choah Yoke Moi	94,841	0.24
28	Khind Industries Sdn. Bhd.(173304-D)	90,900	0.23
29	Cheng Kin Yet	78,833	0.20
30	Lee Kim You @ Lee Kim Leng	78,000	0.19
		35,470,278	88.55

Directors' Shareholdings
as at 31 March 2009

Pursuant to Section 134(12)(c) of the Companies Act, 1965, the Directors' shareholdings/interests and their deemed interests via their spouses and children are as follows:-

	Names of Directors	Direct Share-holdings	Percentage %	Indirect Share-holdings	Percentage %	Deemed interest	Percentage %
1.	Mr. Cheng King Fa (note 1)	1,824,601	4.55	-	-	1,304,124	3.26
2.	Mr. Cheng Ping Keat (note 2)	1,107,720	2.76	15,708,837	39.21	1,556,599	3.89
3.	Mdm.Tan Lay Kuan @ Tan Lay Wah (note 3)	13,333	0.03	-	-	242,667	0.61
4.	Mr. Md.Azmi bin Lop Yusof (note 4)	1,469,974	3.67	-	-	-	-
5.	Mr. Lee Ah Lan @ Lee Keok Hooi	-	-	-	-	-	-
6.	Mr. Kamil bin Datuk Hj. Abdul Rahman	-	-	-	-	-	-

Note:

1 Mr. Cheng King Fa has deemed interests in 1,304,124 shares held via his spouse and daughters i.e.a) Lew Kuan Hwa (spouse) - 39,791 shares(0.1%), Cheng Yoke Leng (daughter) - 657,333 shares(1.64%) and Cheng Yoke Kan (daughter) - 607,000 shares (1.52%).

2 Mr. Cheng Ping Keat has an indirect interest in the 15,708,837shares held by Kee Hin Ventures Sdn. Bhd.(429373-U) (KHVSB), by virtue of his substantial stake in KHVSB. He has a deemed interest in 1,556,599 shares (3.89%) held by Koh Guat Kuan (spouse)

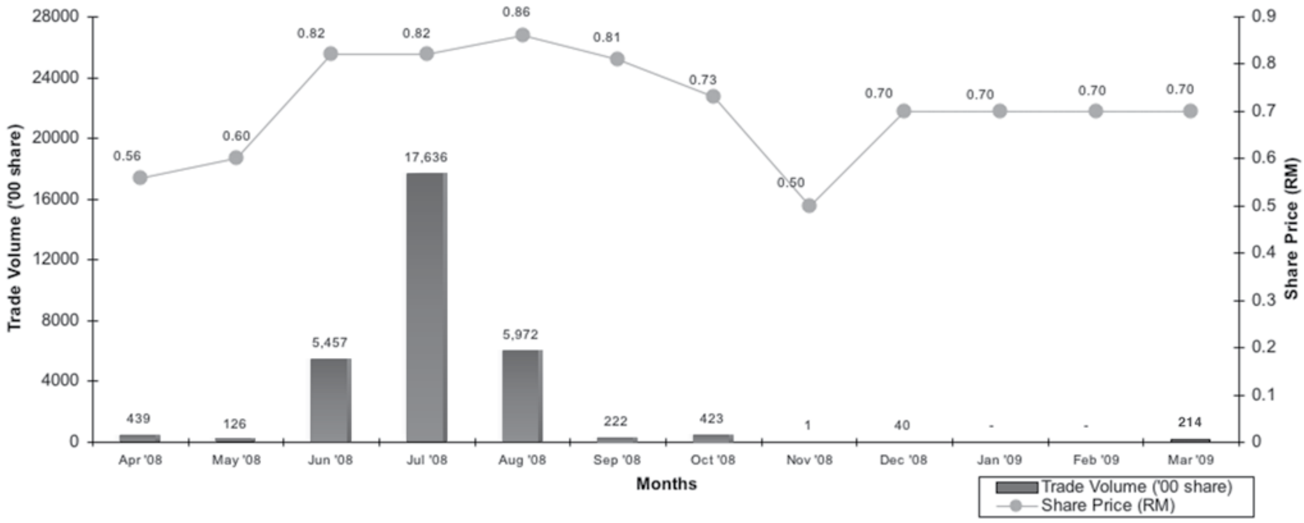
3 Mdm. Tan Lay Kuan @ Tan Lay Wah has a deemed interest in the 242,667 shares (0.61%) held by her spouse viz. Mr. Cheing Boon Ngoun @ Chean Puan In.

4 Mr. Md. Azmi bin Lop Yusof is the beneficial owner for 1,469,935 and 39 shares, which are pledged to and registered in the names of BI Nominees (Tempatan) Sdn.Bhd. and Mayban Nominees (Tempatan) Sdn. Bhd. respectively.

List of Properties Held by the Group
for the year ended 31 December 2008

Location/Address	Built-up (sq. feet)	Tenure	Existing use of Properties	Date of Acquisition/ Completion	Approx. age (months/years)	Net Book Value @ 31.12.2008 (RM'000)
PT124 No. 2, Jalan Perusahaan 2 Off Jalan Bernam 45400 Sekinchan Selangor Darul Ehsan	192,853	Leasehold 99 years expiring on 2102	Factory, warehouse and office for Khind-Mistral Industries Sdn Bhd Khind Components Sdn Bhd and Khind Technology Centre Sdn Bhd	(Land) 24.01.1989 (Building) 15.01.1991 - 01.07.1998	20 years 10- 18 years	10,208
No. 15, Jalan PJS 11/8 Bandar Sunway, (Phrase 13) Mukim of Damansara District of Petaling Selangor Darul Ehsan	7,433	Leasehold 99 years expiring on 2096	Rented Out	26.05.1993	15 - 16 years	2,180
Lot 8243-8245, No. 15-17 Lee Chong Lin Industrial Estate Jalan Pending 93450 Kuching, Sarawak	7,084	Leasehold 60 years expiring on 2045	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	(Lot 8243) 31.03.1993 (Lot 8245) 19.08.1995	15 years 13 years	617
Lot 160, Sublot 2180-2181 Block 3, Piasau Industrial Estate 98000 Miri, Sarawak	8,241	Expiring on 2053	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.09.2004	4 years	809
Lot Pt 2531 held under HS (D) 1854 Pekan Bagan Nakhoda Omar District of Sabak Bernam Selangor	871,200	Leasehold 60 years expiring on 2064	Industrial land presently planted with oil palm	18.11.2008	1 year	494
Lot 3, 4, 5, 6 Mogoputi Industrial Park Kota Kinabalu, Sabah	11,040	Leasehold 99 years expiring on 2097	Office, service centre and warehouse for Khind-Mistral (Borneo) Sdn Bhd	10.08.2000	8 - 9 years	1,714
Plot 120, Bandar Perda held under HS(D) 121 No. PT123, Mukim 7 Daerah Seberang Prai Tengah, Penang	3,670	Freehold	Branch office and service centre for Khind-Mistral (M) Sdn Bhd	05.05.1999	9 - 10 years	480
PT No. 17671 held under HS(D) 142726 No. 2, Jalan Astaka U8/82 Seksyen U8, Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	25,112	Freehold	Office and service centre for Khind-Mistral (M) Sdn Bhd and export office for Khind-Mistral Industries Sdn Bhd	12.03.1999	9 - 10 years	2,171
Lot 64240 No.4 Jalan Astaka U8/82 Seksyen U8, Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	18,621	Freehold	Office for Khind Holdings Berhad and rented out	20.08.2000	8 - 9 years	3,109
Lot MK23-U22556A No. 3, Kaki Bukit Road 1, #03-05 Eunos Technolink Singapore 415935	2,788	Leasehold 60 years expiring on 2056	Office for Mistral (Singapore) Pte Ltd.	23.10.08	1 year	1,617

Investors' Information



PER SHARE INFORMATION

	As at 31 December				
	2008	**2007**	**2006**	**2005**	**2004**
Earning per share (sen)	19.12	10.58	7.13	4.44	9.95
Gross Dividend per share (sen)	5.00	-	3.00	5.00	6.00
Net Dividend per share (sen)	3.70	-	2.16	3.60	4.32
Dividend Pay Out Ratio (%)	19.35	-	30.29	81.08	43.42
Dividend Yield (%)	7.14	-	4.29	8.47	7.59
Net Assets per share (RM)	1.69	1.53	1.44	1.26	1.25

SHARE CAPITAL INFORMATION

Price at 31-03-2009	:	RM0.70	
Market Capitalization at 31-03-2009	:	RM28.04 million	
Share prices	:	Highest	RM4.350 on 10-02-2000
	:	Lowest	RM0.280 on 3-12-2007
Daily Trade Volume	:	Highest	486,600
	:	Lowest	0

Khind Group Offices and Addresses

Khind Holdings Berhad (380310-D)
No. 2, Jalan Astaka U8/82, Seksyen U8,
Bukit Jelutong, 40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: 603-7847 1900 Fax: 603-7845 4560
khb@khindmistral.com

MARKETING HEADQUARTERS

Khind-Mistral (M) Sdn Bhd (442421-A)
No. 2, Jalan Astaka U8/82, Seksyen U8,
Bukit Jelutong, 40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: 603-7847 1900 Fax: 603-7847 6300
enquiry@khindmistral.com

Khind-Mistral Industries Sdn Bhd (213282-V)
No. 2, Jalan Astaka U8/82, Seksyen U8,
Bukit Jelutong, 40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: 603-7847 1900 Fax: 603-7847 0300
export@khindmistral.com

Indesico (M) Sdn Bhd (811092-W)
No. 2, Jalan Astaka U8/82, Seksyen U8,
Bukit Jelutong, 40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: 603-7847 1900 Fax: 603-7847 0300
enquiry@indesico.com.my

OVERSEAS OFFICES

Mistral (Singapore) Pte Ltd (200106472-H)
No. 3, Kaki Bukit Road 1,
#03-05 Eunos Technolink Singapore 415935
Tel: 65-6346 5233 Fax: 65-6346 5560
enquiry@mistral.com.sg

Khind Middle East FZE
P.O.Box 261569, Jebel Ali, Dubai,
United Arab Emirates
Tel: 00971 4 8860492 Fax: 00971 4 8860493
khind@emirates.net.ae

Khind-Mistral Industries Sdn Bhd (213282-V)
(Representative office in P.R.C.)
Room 303, No. 13 Building Mingya Garden,
Hou Long 2 Street,
Foshan Guangdong Province
Tel: +86 757-8333 4980 Fax: +86 757-8399 1493
fskhind@163.com

PENINSULAR MALAYSIA OFFICES

Khind-Mistral (M) Sdn Bhd (442421-A)
Penang
No. 2, Jalan Perda Timur, Bandar Perda, 14000
Bukit Mertajam
Tel: 604-537 2803 Fax: 604-537 0807
604-537 2804 604-548 5991
604-537 1703
bmo@khindmistral.com

Perak
No. 44, Persiaran Bercham Selatan 2,
Taman Desa Kencana
31400 Bercham, Ipoh
Tel: 605-545 6778/ Fax: 605-549 6779/
605-548 2991 605-548 5991
ipo@khindmistral.com

Johor
No. 81, Jalan Ros Merah 2/3, Taman Johor Jaya,
81100 Johor Bahru
Tel: 607-355 8991 Fax: 607-353 8992
jbo@khindmistral.com

Melaka
No. 21, Jalan Melaka Raya 11, Taman Melaka Raya,
75000 Melaka
Tel: 606-281 5717/ Fax: 606-281 5849
606-281 5723
mko@khindmistral.com

Pahang
No. A63, Lorong Setali 2, Air Putih, 25300 Kuantan
Tel: 609-568 9711 Fax: 609-568 9712
kto@khindmistral.com

Kelantan
Lot 2637, Jalan Sultan Yahya Petra,
Kampung Lundang, 15150 Kota Bahru, Kelantan
Tel: 609-744 8900 Fax: 609-744 5900

kbo@khindmistral.com

EAST MALAYSIA OFFICES

Khind-Mistral (Borneo) Sdn Bhd
Kota Kinabalu
Lot 3-6, Mogoputi Industrial Park
Jalan Penampang KM 8, 89500 Penampang
Kota Kinabalu, Sabah
Tel: 6088-718 117 Fax: 6088-716 637

Tawau
TB 4315, Block 31, Lot 2, 3rd Floor of Four Storey Shop
Fajar Complex, Jalan Merdeka 2
91020 Tawau, Sabah
Tel: 6089-763 100 Fax: 6089-763 100
borneo@khindmistral.com

Kuching
No. 15, Lot 8243, Section 64, Lee Chong Lin Industrial Estate,
Jalan Pending, 93450 Kuching Sarawak
Tel: 6082-338 511 Fax: 6082-339 039
borneo@khindmistral.com

Miri
Lot 160, Sub Lot 2180-2181, Block 3,
Piasau Industrial Estate, 98000 Miri, Sarawak
Tel: 6085-662 533 Fax: 6085-654 933
borneo@khindmistral.com

FACTORIES

Khind-Mistral Indutries Sdn Bhd (213282-V)
Khind Components Sdn Bhd (196021-P)
Khind Technology Centre Sdn Bhd (429363-P)
No. 2, Jalan Perusahaan 2, 45400 Sekinchan,
Selangor Darul Ehsan, Malaysia
Tel: 603-3241 1991 Fax: 603-3241 1500
kmi@khindmistral.com

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of KHIND HOLDINGS BERHAD will be convened at Conference Room, Second Floor, No.2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 28 May 2009 at 10.00 a.m. to transact the following matters:-

1. **To receive the Audited Financial Statements for the financial year ended 31 December, 2008 and the Reports of the Directors and Auditors thereon.**

2. **To re-elect the following Directors, who retire by rotation, pursuant to Article 100 of the Company's Articles of Association :-**
   (a) **Mr. Kamil bin Datuk Haji Abdul Rahman** **(Resolution 1)**
   (b) **Mr. Md. Azmi bin Lop Yusof** **(Resolution 2)**

3. **To re-appoint Mr. Cheng King Fa, who retires pursuant to Section 129(6) of the Companies Act, 1965, as a Director of the Company and to hold office until the next Annual General Meeting;** **(Resolution 3)**

4. **To approve Directors' Fees of RM144,000 for financial year ending 31 December, 2009;** **(Resolution 4)**

5. **To re-appoint Messrs. KPMG as Auditors of the Company for the financial year ending 31 December 2009 and to authorize the Directors to fix the Auditors' remuneration.** **(Resolution 5)**

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

6. **Proposed Renewal of the 2008 Shareholders' Mandate and Proposed Approval of the New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with the following Related Party :-**

   Renewal :-
   a) HSL Electrical & Electronic Sdn. Bhd.; **(Resolution 6a)**
   b) E & E Sales & Service Sdn. Bhd; **(Resolution 6b)**
   c) Hupson Industries Sdn. Bhd. **(Resolution 6c)**
   New
   d) HSL Electrical & Electronic Sdn. Bhd.
   (individually referred to as "the Related Party") **(Resolution 6d)**

   "THAT approval be and is hereby given to the Company and its subsidiaries ("**KHIND Group**") to renew and approve all the Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature to be entered into and to give effect to the specified Recurrent Related Party Transactions with the Related Party as stated in Section 2.2 of the Circular to Shareholders dated 29 April 2009, which are necessary for the day to day operations of the Khind Group provided that:-

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

   (ii) disclosure is made in the annual report, a breakdown of the aggregate value of transactions made with "the Related Party" during the financial year with particulars of the type of transactions made and the name of the related party involved in each type of transactions made and their relationship with the Company and that such approval shall continue to be in force until:-
   a) the conclusion of the next annual general meeting of the Company;
   b) the expiration of the period within which the next general meeting is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
   c) revoked or varied by resolution passed by the shareholders in a general meeting;
   whichever occurs first;

Notice of Annual General Meeting (Con't)

(iii) the directors and/or any one of them be and are hereby authorized to complete and do all such acts and things to give effect to the transactions contemplated and/or authorized by this Ordinary Resolution."

Others

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

By Order of the Board

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

Shah Alam, Selangor.
29 April 2009.

Notes:

1. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a Member of the Company.
2. Where a Member appoints more than one (1) proxy, the Member shall specify the proportion of the Member's shareholdings to be represented by each proxy.
3. Where a Member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if such appointer is a corporation, under its common seal, or the hand of its attorney.
5. The instrument appointing a proxy must be deposited with the Share Registrars, PFA Registration Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingakaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory Notes:-

(a) Ordinary Resolution 3, if approved, will authorize the continuity in office of Mr. Cheng King Fa (who is over the age of 70 years) until the next AGM, pursuant to Section 129(6) of the Companies Act, 1965.

(b) Ordinary Resolutions Nos 6a, 6b and 6c on the Proposed Renewal of the 2008 Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

(c) Ordinary Resolution No. 6d on the Proposed Approval of the New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

The proposed Ordinary Resolutions 6a, 6b, 6c and 6d, if passed, will empower the Directors from the date of the Thirteenth (13th) Annual General Meeting, to deal with the related party transactions including recurrent related party transactions of a revenue or trading nature which are necessary for its day to day operations. The Recurrent Related Party Transactions are in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 29 April 2009, which was circulated together with the 2008 Annual Report, for further information.

Statement Accompanying

the Notice of Annual General Meeting

STATEMENT ACCOMPANYING THE NOTICE OF THE THIRTEENTH (13TH) ANNUAL GENERAL MEETING OF KHIND HOLDINGS BERHAD. – PURSUANT TO PARAGRAPH 8.28 (2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD.

1. Re-election of Directors

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

Article 100

a) **Mr. Kamil bin Datuk Haji Abdul Rahman**

b) **Mr. Md. Azmi bin Lop Yusof**

The Director, who is seeking re-appointment, pursuant to Section 129(6) of the Companies Act, 1965, is:-

Section 129(6) of Companies Act, 1965

c) **Mr. Cheng King Fa**

Further details of the abovenamed directors, who are all standing for re-election, are set out in the Profile of Directors on pages 6 to 9 of the Annual Report.

2. Details of Attendance of Directors at Board Meetings in 2008

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

3. Particulars of the Thirteenth (13th) Annual General Meeting of the Company

Venue : Conference Room, 2nd Floor, No. 2, Jalan Astaka U8/82, Seksyen U8,
Bukit Jelutong, 40150 Shah Alam, Selangor.
Date : 28 May 2009 (Thursday)
Time : 10.00 a.m.

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

PROXY FORM

NO. OF SHARES HELD

*I/We (full name in capital letters) ______________________________ *NRIC/Company No.______________________

of (full address) ____

being a *member/members of Khind Holdings Berhad, hereby appoint (full name in capital letters) ____ NRIC No.______________________________________

of (full address) ____

or failing *him/her, the *CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Thirteenth (13th) Annual General Meeting of the Company to be held at Conference Room, 2nd Floor, No.2, Jalan Astaka U8/82, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia on Thursday, 28 May 2009 at 10.00 a.m. and at any adjournment thereof.

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

No.	RESOLUTION	FOR	AGAINST
	Ordinary Business		
1.	To re-elect Mr. Kamil bin Datuk Haji Abdul Rahman as Director		
2.	To re-elect Mr. Md. Azmi bin Lop Yusof as Director		
3.	To re-appoint Mr. Cheng King Fa as Director to hold office until the next AGM		
4.	To approve Directors' Fees of RM144,000 for financial year ending 31.12.2009		
5.	To re-appoint Messrs. KPMG as Auditors of the Company for financial year ending 31.12.2009 and to authorize the Directors to fix their remuneration		
6.	**Special Business** **Ordinary Resolutions** To renew 2008 Shareholders' Mandate and Approve New Shareholders' Mandate for Recurrent Related Party Transactions as follows :-		
a.	Renewal HSL Electrical & Electronic Sdn. Bhd.		
b.	E & E Sales & Service Sdn. Bhd.		
c.	Hupson Industries Sdn. Bhd.		
d.	New HSL Electrical & Electronic Sdn. Bhd.		

*Strike out whichever is not applicable
[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Dated this ___________ day of __________________ 2009

____
[Signature/Common Seal of Member(s)]

NOTES:

i. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a Member of the Company.

ii. Where a Member appoints more than one (1) proxy, the Member shall specify the proportion of the Member's shareholdings to be represented by each proxy.

iii. Where a Member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.

iv. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if such appointer is a corporation, under its common seal, or the hand of its attorney.

v. The instrument appointing a proxy must be deposited with the Share Registrars, PFA Registration Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

please fold here

Postage
Stamp

The Share Registrars
PFA Registration Services Sdn. Bhd.
Level 17,
The Gardens North Tower
Mid Valley City,
Lingkaran Syed Putra
59200 Kuala Lumpur

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