

MEMBERS OF THE AUDIT COMMITTEE:

Chairman	-Nordin Bin Mohamad Desa (independent non-executive director)
Member	-Cheng Ping Keat (executive director) -Tan Lay Kuan @ Tan Lay Wah (independent non-executive director) -Kamil Bin Abdul Rahman (independent non-executive director)

1. Constitution

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

2. Composition

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

3. Members of KAC

The members of KAC who served during the financial year ended 31 December 2001 are:-

Chairman

Encik Nordin bin Mohamad Desa* (Appointed on 10.08.1998)

Members

Mdm. Tan Lay Kuan @ Tan Lay Wah* (Appointed on 10.08.1998)

Encik Kamil bin Datuk Haji Abdul Rahman* (Appointed on 30.07.2001)

Mr. Cheng Ping Keat** (Appointed on 10.08.1998)

- non-Executive and independent Directors *
- Executive Director**

4. Meetings in 2001

For financial year ended 31 December 2001, the members attended all the four (4) Audit Committee Meetings held. Encik Kamil bin Datuk Hj. Abdul Rahman who only became a member on 30 July 2001, attended both the meetings held in the second half of 2001. The Group Financial Controller and representatives from KPMG (external auditors) attended all four meetings held. The Internal Auditors, Deloitte & Touche Management Solutions Sdn. Bhd. were also present thereat, from the second half of 2001.

5. Internal Audit Function

Pursuant to the requirements of paragraph 15.16 (3)(e), Messrs. Deloitte & Touche Management Solutions Sdn. Bhd. (474356-X) were appointed Internal Auditors for the Khind group of companies on 15 May 2001. The Internal Auditors were engaged to design a risk-based internal audit plan which will involve various projects approved by the KAC, during its two-year tenure for financial year ended 31 December 2001 and financial year ending 31 December 2002. The Internal Auditors will also monitor and review the effectiveness of the internal control system of the Khind group of companies.

6. Activities

The following activities were carried out by the KAC during the financial year ended 31 December 2001.

- a) conducted the regular quarterly meetings to review the quarterly results;
- b) reviewed and approved the 2001 Audit Plan for the Khind group of companies;

- c) reviewed and deliberated on the quarterly progress reports from the internal auditors;
- d) discussions with the internal auditors to monitor and assess effectiveness of internal controls system on areas audited;
- e) discussed annual draft financial statements with external and internal auditors and their recommendations and findings for implementation by the Finance Department.

7. Terms of Reference (Revised on 14 August 2001)**7.1 Composition**

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

7.2 Secretary

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

7.3 Objectives

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

7.4 Duties and Responsibilities

- To recommend the nomination of person/persons as external auditors and to consider their fees;
- To review and report to the Board – issues pertaining to the termination/resignation of external auditors;
- To report to the Board after review with external auditors on audit plan and report, evaluation of internal control system and Management letters and Management response;
- To review and report to the Board on the adequacy and effectiveness of internal audit functions performed;
- To review and report to the Board on the quarterly results of financial statements, focusing on major accounting policy changes, significant and unusual events, accounting standards and legal requirements and the going concern assumption;
- To review and report to the Board on conflict of interest in related party transactions;
- To inform the Board on breaches of KLSE requirements;

7.5 Powers and Authority

- In the discharge of its duties, the KAC has the following rights:-
- Is authorized to investigate any matter within its terms of reference;
 - Has full and unrestricted access to any information and resources to perform its function;
 - Has direct communication to both internal and external auditors and able to meet in the absence of executive members of KAC;
 - Able to obtain independent professional advice, when necessary.

7.6 Meetings

- The KAC shall meet four (4) times a year;
- The Group Financial Controller and representatives of both external and internal auditors shall be invited to attend the meetings;
- The quorum for the KAC meetings shall be the presence of a majority of independent members;
- The Chairman shall call for a meeting to discuss any material issue requiring shareholders' attention, if so requested by the external auditors.



Identify better ways
to serve our customers



1. MR. CHENG KING FA – aged 63, Malaysian citizen

Mr. Cheng King Fa is the Founder of the KHIND group, which commenced as a small family business 41 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturer. With more than 30 years experience in the electrical industry, he provides invaluable advice to the Group on production, product research and development.



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

He is a major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U), the holding company of KHIND. He is also the brother of Dato' Cheng Hup and the father of Mr. Cheng Ping Keat.

He has never been charged for any criminal offence within the past ten years and has no conflict of interest with KHIND, other than those disclosed in the accounts in respect of related party transactions. He attended all four of the Board of Directors' Meetings held in the financial year.

2. DATO' CHENG HUP – aged 56, Malaysian citizen

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



He was appointed as Managing Director of KHIND on 20 April 1998 and currently concentrates on the formulation of marketing and sales strategies for the Group.

He is a Director and a major shareholder of Kee Hin Ventures Sdn. Bhd. (429373-U), the holding company of KHIND. He is the brother of Mr. Cheng King Fa and father of Mr. Cheng Ping Loke.

He has never been charged for any criminal offence within the past ten years and has no conflict of interest with KHIND, other than that disclosed in the accounts pertaining to related party transactions. Dato' Cheng Hup also attended all four of the Board of Directors Meetings in financial year 2001.

3. MR. CHENG PING KEAT – aged 41, Malaysian citizen

Mr. Cheng Ping Keat was appointed Executive Director of KHIND on 20 April 1998. He graduated with a Bachelor of Commerce Degree from Melbourne University, Australia in 1984. He worked with a Malaysian accounting firm for two years before joining M/s. Carter, Winter & Becker of London for another year of audit exposure. He joined the family business in September 1987. In 1996, he obtained his Master of Business Administration from the Malaysian Institute of Management – Bath University, U.K.



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

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

He has never been charged for any criminal offence within the past ten years and has no conflict of interest with KHIND, other than that disclosed in the accounts in respect of related party transactions. He attended all four of the Board of Directors' Meetings held in the financial year.

4. MR. CHENG PING LOKE – aged 30, Malaysian citizen

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

He is the son of Dato' Cheng Hup.

He has not been charged for any criminal offence within the past ten years and has no conflict of interest with KHIND, other than those disclosed in the accounts (if any) pertaining to related party transactions. He attended all four of the Board of Directors' Meetings in the financial year.



5. MDM. TAN LAY KUAN @ TAN LAY WAH – aged 55, Malaysian citizen

Mdm. Tan Lay Wah has been a non-Executive/Independent Director of KHIND since 20 April 1998. She has vast experience in company secretarial practice and management consultancy and specializes in industrial management, corporate finance and development of manufacturing industries. She is currently Founder/Executive Director of Champion Die-Casting Sdn. Bhd., a company involved in the manufacture and trading of zinc and aluminium high pressure moulded die-casting products.



She has no family relationship with any director and/or major shareholder of KHIND, no conflict of interest with KHIND and has never been charged for any criminal offence within the past ten years.

She has been an independent member of the Audit Committee since 10 August 1998 and is also a member of the Nomination and Remuneration Committee formed on 15 November 2001. Mdm. Tan attended three of the four Board of Directors' Meetings in the financial year.

6. YB MD. AZMI BIN LOP YUSOF – aged 47, Malaysian citizen

YB Md. Azmi bin Lop Yusof was appointed as non-Executive Director of KHIND on 20 April 1998. He obtained a Diploma in Agriculture from Kolej Pertanian Malaysia in 1975 and graduated with a Degree in Agricultural Business from Louisiana State University, USA in 1979. He is a State Assemblyman for Terengganu and also sits on the board of TDM Berhad. YB has no family relationship with any Director but is a major shareholder of KHIND. YB is also a member of the Nomination and Remuneration Committee. He has no conflict of interest with KHIND and has never been charged for any criminal offence within the past ten years. YB attended all four of the Board of Directors' Meetings held in the financial year.



Continually expand in markets
where we are already established



7. ENCIK NORDIN BIN MOHAMAD DESA – aged 46, Malaysian citizen

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



In 1992, Encik Nordin joined Malaysian Technology Development Corporation Sdn. Bhd.- a government-initiated company established to promote technology based industries, provide venture capital and commercialize local R&D. He held several senior management positions in the company and was its Senior General Manager when he left at the end of 2001. Encik Nordin is now an independent business and technology consultant.

Encik Nordin has no family relationship with any Director and /or major shareholder of KHIND, no conflict of interest with KHIND and has never been charged for any criminal offence for the past 10 years. He attended all the Board of Directors' Meetings held in the financial year.

8. MR. LEE AH LAN @ LEE KEOK HOOI – aged 55, Malaysian citizen

Mr. Lee Keok Hooi was appointed as a non-Executive Director of KHIND on 26 March 1999. He graduated from the University of Western Australia in 1976 with a Bachelor of Commerce degree in Accounting. He is an Associate Member of the Australian Society of Certified Practising Accountants and also a Member of the Malaysian Institute of Accountants.



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

He does not have any conflict of interest with KHIND, other than that disclosed in the accounts pertaining to related party transactions. He attended all four of the Board of Directors' Meetings in the financial year.

He has no family relationship with any Director and/or major shareholder of KHIND and has never been charged for any criminal offence within the past ten years and does not hold any shares in KHIND.

9. ENCIK KAMIL BIN DATUK HJ. ABDUL RAHMAN – aged 53, Malaysian citizen

Encik Kamil A. Rahman was appointed an Independent non-Executive Director of KHIND on 30 July 2001. He is the Chairman of the Nomination and Remuneration Committee formed on 15 November 2001 and is a member of the Audit Committee. His area of specialisation is in corporate governance and corporate finance.

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

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

He has no family relationship with any Director or major shareholder of the Company, no conflict of interest with KHIND and has never been charged any criminal offence within the past ten years. He attended his first board meeting as a Director of KHIND on 14 August 2001 and had attended all the two meetings since his appointment during the second half of the financial year.

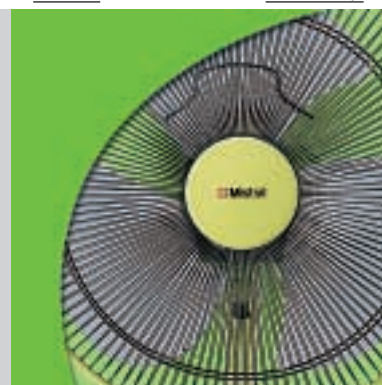


DIRECTORS' REMUNERATION & BENEFITS IN KIND

	Executive Directors	Non Executive Directors	Total Amount (RM)
Directors' fees	9,000	18,000	27,000
Directors' salaries	883,584	-	883,584
Directors' bonus	285,180	-	285,180
(a) Total Directors' Remuneration	1,177,764	18,000	1,195,764
(b) EPF – Employer Contribution @ 12%	141,332	-	141,332
SUB TOTAL:	1,319,096	18,000	1,337,096
(c) Benefits in kind	141,136	-	141,136
GRAND TOTAL:	1,460,232	18,000	1,478,232
		Number of Directors	Total Number of Directors
(i) < RM50,000	-	6	6
(ii) RM50,000 – RM100,000	-	-	-
(iii) RM100,000 – RM150,000	-	-	-
(iv) RM150,000 – RM200,000	-	-	-
(v) RM200,000 – RM250,000	-	-	-
(vi) RM250,000 – RM300,000	-	-	-
(vii) RM300,000 and above	3	-	3
TOTAL:	3	6	9



Acquiring existing,
complementary products
or operations



Caring for our Shareholders • to strive for the interest of all stakeholders through continuous improvement and proactive planning



Launching of 40th Anniversary.



Official roll-out of the 2,000,000th fan by Datuk Ir. Mohd. Annas Haji Mohd Nor.



The 5th AGM in progress on 25/5/2001



The prestigious Malaysia Good Design award for EM 2000



Employees celebrating the roll-out of the 2,000,000th fan.



Corporate Profile :

Back in 1961, Cheng King Fa started a modest business in Sekinchan trading in electrical goods. Driven by his clear vision, the business flourished and in the late seventies, developed to include the manufacture of electrical accessories and lamps. The next decade witnessed Khind's venture into the lucrative export market.

In 1992, Khind's manufacturing plant expanded to include fans and other household appliances and by the turn of the millennium, the Group was distributing audio- visual products and white goods.



Staff went for a picnic at Teluk Batik, Sitiawan Perak.

Caring for our Employees

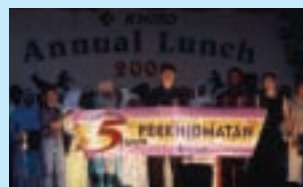
- to provide a conducive working environment for employees' personal development and excellence
- to build a strong team spirit and develop collective accountability towards realization of our common goals



Employees from the Finance & Accounts Department performed the "Miss Khind Universe Pageant" at the annual lunch.



The management team attended the world class strategy workshop on 11-12 May 2001.



Employees who served company between 5 to 25 years received long service awards at the annual lunch.



A culture of integrity built on



Caring for our Customers • *to delight our customers with high quality products and service at a fair price*



1st prize winner
(Pasaraya Ocean Khind Contest.)



Sponsored 1,422 rice cooker for
Malaysia largest Cooking event.

Caring for our Suppliers • *to grow together with our employees, suppliers and customers and to treasure them as our valued partners*



Bangkok / Pattaya Trip



Sarawak dealer visited Khind
factory.



Italy Trip

Today, the Khind Group, which was listed on the KLSE on 12 August 1998, manufactures and distributes world-class electrical home appliances across Malaysia and around the world.

Caring for our Community • *to build our name in the electrical industries both domestically and globally*
• *to be a pride to our nation and society*



Community service by the
Admin Deptment's staffs at
the kindergarden.



Employees of Khind Markerting (M)
Sdn Bhd went to Rumah Charis to
visit the old folks and orphans.



Fire Exhibition by the Fire Bureau to
draw employees' attention on the
importance of safety.



a commitment to quality



The Board of Directors of Khind Holdings Berhad is pleased to present the Annual Report for the financial year ended 31 December 2001.

We are pleased to present a chronicle detailing important corporate milestones and performance for the year 2001. As we move towards 2002, Khind is ever ready to face the challenges ahead with clear expectations and capitalising on opportunities present in its operating environment.

FINANCIALS

The Group achieved increased revenue of RM130.25 million for the year ended 31 December 2001, representing a growth of 11.45 % as compared to 2000. The commendable growth in revenue was largely attributed to the Group venturing into the distribution and sales of big electrical appliances; the rapid sales momentum of our new acquisition, Mistral, since July 2001; and the export market.

However, in the year under review, the Company made a loss before tax of RM1.58 million as compared to a profit before tax of RM5.90 million in the preceding year. The loss was largely due to an erosion of gross margin and increased selling expenses due to higher promotional expenses necessary to protect our domestic market share in a tough trading environment.

DIVIDENDS

I am pleased to inform you that the Board of Directors announced an interim dividend of 6.5 sen gross per share for financial year ending 31 December 2001 and payment was made on 5 October 2001. The total dividend paid amounted to RM1.404 million.

ECONOMY

Despite the global economic slowdown, Malaysia managed to stave off recession by recording a positive gross domestic product (GDP) growth of 0.4% in 2001. This was testimony that Malaysia had the strength and ability to withstand external shocks, supported by strong fundamentals.

The global economic environment received several jolts during the year with rising uncertainties, ranging from the downturn in the global electronics cycle, weak performance of the Japanese economy and the aftershocks of the September 11 attacks in the United States. However, with strong fiscal stimulus expenditure, strengthening domestic demand and gradual recovery of external demand, the Malaysian economy registered a better-than-expected performance.

The manufacturing industry received a double blow with the decline in overall manufacturing production and value added of 6.4% and 5.1% respectively for year 2001. This was mainly due to export-oriented industries, which contracted by 10.2%. On the whole, the manufacturing sector recorded negative growth of 5.1% for 2001.

Despite the relatively depressed economy in 2001, many leading indicators point towards economic recovery in the second half of 2002. The Department of Statistics reported six consecutive months of positive growth since July 2001. We are optimistic that the Malaysian economy should improve in 2002 in line with a gradual recovery in external demand and firmer domestic consumption.

Volatile economic conditions can prove to be a barricade in achieving sustainable economic growth, as could be seen in 2001. The challenge for the Malaysian economy is to mitigate the impact from external shocks by continuing its heritage of strong economic fundamentals. Mobility of capital and labour, supported by flexible macroeconomic policy will help to boost the domestic economy in 2002.

In the domestic manufacturing sector, specifically in the home appliances market, competition is expected to be more intense in 2002. With the increasing number of players in the market and the liberalisation of the global economy, Khind would be facing many challenges. The flooding of made-in-China products was another hurdle for the local market in the last quarter of 2001.

Generally, world trade is expected to recover in 2002. There is a clear indication that major industries are also expected to stabilise, if not grow. We hope that the second half of 2002 would record positive growth, including the manufacturing sector.

OUTLOOK

Year 2002 will be an exciting year for the Group as we have now progressed one level up to meeting consumers' needs from the middle to the upper income group. This was made possible with the acquisition of the Mistral brand. We have now fulfilled our earlier promises of serving a wider base of customers with a better range of home electrical products. In this connection, Khind will be rolling out several new products this year to meet the increasing needs of our existing customers. We will also place greater emphasis on high-growth products in our range of home electrical appliances.

Several strategic steps will be taken to further position Khind in the international market. This includes participation in international trade fairs and the establishment of trade offices in strategic locations around the world. We hope to achieve increasing presence of the 'Khind' brand name in the international market. Looking forward, we strive to provide a more complete and enhanced range of home electrical products and services both in the domestic and international markets.

Looking at the year ahead, we anticipate continuous progress in a more competitive business environment. Khind is optimistic that sound business fundamentals coupled with its industrious workforce, most obstacles can be overcome to improve the Group's 2002 performance.

ACKNOWLEDGEMENT

The Directors and Management of Khind Holdings Berhad would like to thank all our customers, dealers, suppliers, employees and shareholders for their support and continued commitment throughout a challenging year 2001. Given fresh impetus for year 2002, we remain positive on the Group's prospects to meet its financial targets.



Cheng King Fa
Executive Chairman
30th April 2002



Financial Review

For the year ended 31 December 2001, Khind turned in a revenue of RM130.25 million. This represents a growth of 11.45% as compared to RM116.87 previously. The jump in revenue materialises part of the Group's mission to grow inorganically, that is via acquisition of profitable businesses. In 2001, Khind acquired Mistral, which contributed about 5% to the overall turnover of the Group for 2001. Sales from audio visual products and white goods by Khind Sales and Services Sdn Bhd (KSS) and strong export sales further contributed to the Group's turnover.

Loss before tax of RM1.58 million was recorded for the year ended 31 December 2001 as compared to profit before tax of RM5.90 million for the previous year. There was an erosion of profit margin, which was mostly attributed to expenses related to increased marketing activities and financing costs of assets and business acquisitions. With the entrance of new players in the home appliances market, there was an increasing need to better position the 'Khind' brand name in the market. Coupled with the increasing import of China products, domestic players are facing tougher competition in terms of pricing. In this regard, Khind stepped up on its promotional activities and targeted to increase dealer distribution of Khind and Mistral products.

Khind's export sales grew 15.9% to RM21.04 million for the financial year ended 31 7 December 2001 as compared to the previous year. Revenue from export sales contributed 16% to the Group's turnover for 2001. Almost 60% of export sales contribution originated from the Middle East market with the remaining export contribution coming from Europe and the Asia Pacific markets.

Manufacturing operations

To match business growth, Khind plans to expand its manufacturing front to increase production efficiency. In 2001, Khind extended its production line to include two new assembly lines with the aim to undertake additional production capacity.

Some of Khind's production lines are flexible by nature, in that it has a small-volume high-variety production capability. This is to cater to the production of Khind's wide range of home electrical appliances or wiring accessories.

Corporate development

Acquisition: In July 2001, Khind acquired the foreign air moving equipment (AME) brand, Mistral, for a cash consideration of RM4.1 million. Mistral is a well-established brand and has a strong market presence in Malaysia, Singapore and Brunei. Khind recognised the high quality and durability of Mistral fans, acquired it and strategised to reposition Mistral to recapture its former market position. Coupled with Khind's extensive network of sales and services, Khind believe that Mistral is able to complement the group's initiative to grow at a faster pace, specifically in the electrical fan market.

Bonus issues: In October 2001, Khind proposed a bonus issue of 10,000,000 new ordinary shares of RM1.00 each to be credited as fully paid-up on the basis of one new ordinary share for every three existing ordinary shares. This exercise was in line with KLSE's requirement to increase the paid-up share capital of Second Board listed companies to a minimum of RM40.0 million. The bonus issue should be finalised by mid-2002, whereupon Khind's paid-up share capital will increase to RM40.0 million.

Business operations

International trade offices: In November 2001, Khind set up a wholly-owned subsidiary, Khind-Mistral (S) Pte Ltd (KMSG) to spearhead Mistral's operations in Singapore. KMSG was incorporated as the trading, sales and distribution arm for the Mistral and Khind range of electrical fans, home electrical appliances and wiring accessories in Singapore. Mistral has a strong market presence in Singapore and is expected to contribute to the Group's revenue from its line of electrical fans. A trade office was also set up in Dubai to tap its strategic location and potential sales growth. The Middle East market contributes more than 50% to total exports for the Group in 2001. These are testimonies of Khind's continuing efforts to expand its marketing network abroad.

International trade fair: In June 2001, Khind participated for the fifth time in The Hannover Fair, Germany where it displayed a wide range of manufactured products such as electrical fans, rice cookers, table lamps, blenders and rechargeable emergency lights. These trade fairs proved to be effective in increasing awareness of Khind's brand name in the international market. Khind will continue to participate in more trade fairs in year 2002.

Product focus: Khind continues to focus on high growth products such as electrical fans, rice cookers, washing machines, televisions, CD/Radio cassette players, VCD players and emergency lights. These products achieved high sales volume, with growth in sales of more than 40% in 2001 as compared to 2000.

Strategic alliances: Khind believes that business growth will accelerate at a faster pace if it collaborates with strategic partners. For starters, Khind has identified several business partners such as Jaya Jusco and Amway to increase its sales and distribution of its products, mainly home electrical appliances. In line with distribution network expansion plans, Khind will focus on cooperation with major hypermarkets and electrical chain stores.

Awards, Recognitions and Achievements

Khind officially rolled out its second millionth fan at its Sekinchan factory in May 2001, since its initial production of electrical fans in 1993. Prior to the official roll-out of its two millionth fan, Khind also received a certificate from the Department of Electricity and Gas Supply for surpassing the minimum energy efficiency standard required for electrical fans.

Khind is the first fan manufacturer in Malaysia to achieve this certification.



Understanding and keeping
with the changing industry dynamics



Research & Development (R&D)

Khind aspires to improve the various design and manufacturing aspects of its products. In 2001, Khind rolled out more than 300 new models within the existing range of electrical fans, gas cookers, kettles, rice cookers, colour televisions, VCDs, blenders, surge protectors, table lamps and emergency lights. Khind has exciting plans for the coming year as we intend to roll out a range of new products, which will make Khind a more complete provider of home electrical appliances.

With the acquisition of Mistral in July 2001, Khind's R&D team is working to create a brand differentiation for its range of electrical fans. In November 2001, Khind rolled out its young and trendy series of 'Cool' fans, which are available in 'cool' colours such as pastel orange, pastel green and light grey. This stemmed from the realisation that an electrical fan is more than just a practical appliance, but also fills an aesthetic role.

Human Resources

Our employees are our assets and critical to business growth. Continuous human resource development is performed to realize the true potential of our employees. The Group provides ongoing staff training to existing employees and orientation programmes for new employees. With an in-depth understanding of their job functions and product knowledge, employees are able to execute their tasks with greater responsibility. This in turn has enabled the Group to reduce staff turnover.

In year 2001, Khind sponsored a total of 11 university and college students for its industrial training programme. These programmes were initiated with an objective to provide hands-on training for students in the fields of sales, marketing, production and finance.

Community Responsibilities

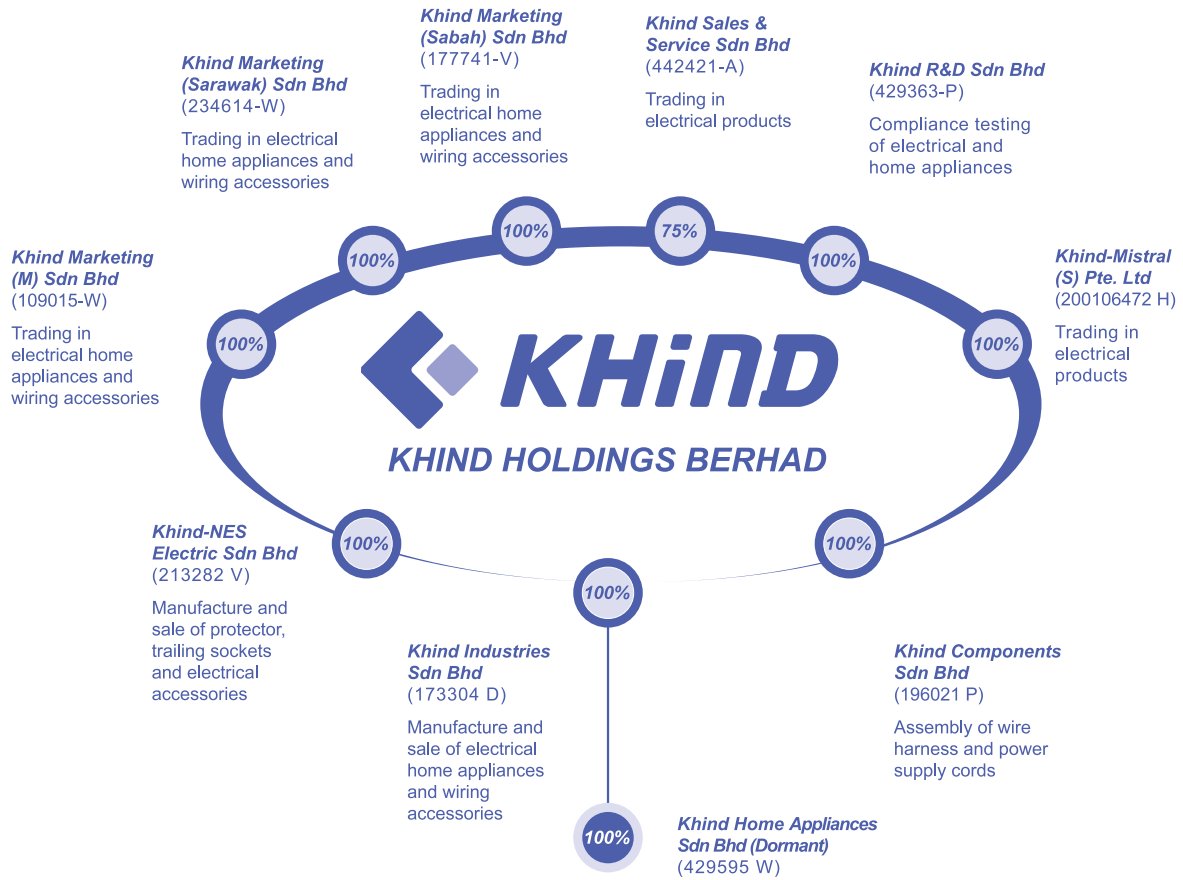
In conjunction with Khind's 40th anniversary celebration, the staff and Management of Khind visited senior citizens and children of Rumah Charis in Puchong in July 2001. The employees of Khind organised a 'gotong-royong' session to clean the home and also helped to repair several electrical items such as rice cookers and gas stoves. Khind also organised several community activities such as the repainting of schools and kindergartens in and around Sekinchan. Other activities include cleaning up the compound of the schools and the repair of faulty electrical items.

In November 2001, Khind Marketing (M) Sdn Bhd sponsored 1,422 rice cookers worth over RM100,000 for a charity cooking event held recently at Jalan Tuanku Abdul Rahman, which also entered the Malaysia Book of Records as the largest porridge cooking session.



Dato' Cheng Hup
Managing Director





Registered Office: No. 2, Jalan Perusahaan 2,
Off Jalan Bernam,
45400 Sekinchan,
Selangor Darul Ehsan.
Tel: 603-3241 1991
Fax: 603-3241 1500

Secretaries: Kam Kooi Hua (MACS 00152)
Goh Soon Siew(MAICSA 0763499)

Stock Exchange Listing: Second Board of the
Kuala Lumpur
Stock Exchange

Website Address: www.khind.com
E-mail Address: khind@tm.net.my

Auditor: KPMG
Public Accountants (AF: 0758)

Internal Auditor: Deloitte & Touche Management
Solutions Sdn Bhd

Registrar: Malaysian Share Registration
Services Sdn. Bhd.
7th Floor, Exchange Square,
Bukit Kewangan, 50200 Kuala
Lumpur.
Tel: 603-2026 8099
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Solicitors: Teh & Lee
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Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
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Public Bank Berhad



DATE	EVENTS
15 May 2001	Release of Q1 unaudited results for the First Quarter ended 31 March 2001.
23 May 2001	Acquisition of the Undertakings of the PDL Group business in relation to the manufacture and sale of MISTRAL fan and other electrical products for Malaysia - completed on 30 June 2001.
25 May 2001	Fifth Annual General Meeting and approval for Amendments to the Memorandum and Articles of Association.
2 July 2001	Acquisition of the Undertakings of the PDL Group Singapore business in relation to the sale of MISTRAL fan and other electrical products in Singapore - completed on 26 October 2001.
14 August 2001	Release of Q2 unaudited results for the Second Quarter ended 30 June 2001
30 October 2001	Announcement on Proposed Bonus Issue of 10,000,000 new ordinary shares of RM1.00 each in Khind to be credited as fully paid-up on the basis of one(1) new Khind share for every three (3) existing Khind shares held at a date to be determined.
6 November 2001	Acquisition of Khind-Mistral (S) Pte Ltd (200106472 H) which was incorporated on 2 October 2001.
15 November 2001	Release of Q3 unaudited results for the Third Quarter ended 30 September 2001.
25 February 2002	Release of Q4 unaudited results for the Fourth Quarter ended 31 December 2001.
8 March 2002	Special Board of Directors' Meeting for Update Verification of Due Diligence Review.
29 March 2002	Extraordinary General Meeting - Shareholders' approval for the Proposed Bonus Issue of 10,000,000 new ordinary shares of RM1.00 each was granted.
3 April 2002	Announcement of Books Closure Date for Proposed Bonus Issue of 10,000,000 new ordinary shares of RM1.00 each on 22 April 2002.

Date	Events
27 & 28 March 2001	An ISO Audit was carried out by SIRIM QAS.
25 March 2001	Khind Badminton Competition was held at Khind Hall, Sekinchan to foster goodwill among the staff.
11 April 2001	A group of 36 students from SM Yoke Kuan, Sekinchan which had been assigned to complete the NIE-STAR Project selected Khind as their local success story and also visited Khind's manufacturing plant.
28 April 2001	All Khind employees participated in the community service activities such as cleaning and repainting certain facilities of schools, kindergardens, associations, etc.
10 May 2001	Khind invited Datuk Ir. Mohd. Annas Haji Mohd. Nor, DG of DEGS to officiate Production Achievement of 2,000,000 fans at Sekinchan.
28 May 2001	A group of 50 students and teachers from SJK (S) Jalan Davidson, Kuala Lumpur paid a visit to the manufacturing plant located in Sekinchan.
13 & 14 June 2001	A stock take was carried out at Mistral Larkin, Johor Bahru prior to takeover exercise.
29 June 2001	Acquisition of Mistral's air moving business by Khind Holdings Berhad.
20 July 2001	25 Sarawak Dealers visited the manufacturing plant in Sekinchan. All visitors were taken on a company tour and also given a product demonstration.
8 August 2001	HAP Plant was relocated from single-storey building (Blk 1) to double-storey building (Blk 2).
21 September 2001	All the employees celebrated Khind's 40th Anniversary at Sekinchan head office cum factory . A speech was given by the Executive Chairman, Mr. KF Cheng during the Employee General Meeting (EGA) while Dato' Cheng Hup given the speech to the Shah Alam Office employees.
27 September 2001	Mr. Bilal from Monarch Co Ltd (Myanmar) visited the manufacturing plant.
16 October 2001	Fire Exhibition conducted by the Fire Bureau to create greater awareness on safety in the work place.
13 November 2001	Khind Sales & Service Sdn Bhd launched the Mistral Cool Series Products at Sheraton Hotel, Subang Jaya, Selangor.
18 November 2001	Khind Marketing (M) participated in "Memasak Sambil Beramal 1422 Aneka Bubur Sempena Bazaar Ramadan 2001" at Jalan Tunku Abdul Rahman, Kuala Lumpur.
20 November 2001	Khind Sports Club organised a Sports Day at SMJK Yoke Kuan, Sekinchan with events such as football, netball, volleyball and sepak takraw.
2 February 2002	A total of 72 employees who have served Khind between 5 years to 25 years received their long service awards at the Khind Annual luncheon held at Khind Hall, Sekinchan.



The Malaysian Code on Corporate Governance (MCCG) aims to set out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework. It was adopted by the Kuala Lumpur Stock Exchange in its new Listing Requirement (KLSE LR) released in February 2001.

The Board and management of Khind supports and has endeavored to implement the principles and best practices of the MCCG as a reflection of our respect and responsibilities towards our shareholders and other stakeholders such as employees, customers, consumers and creditors. It believes good corporate governance will go a long way towards achieving accountability for good corporate performance and thus ensure long-term business prosperity.

Principles Statement

BOARD OF DIRECTORS

As at the date of this statement the Board consists of nine members comprising three executive directors, three independent directors and three non-independent directors. Cheng King Fa, the founder of the business, is the Chairman of the Board. He is a non-independent Executive Chairman.

The directors with their different background and disciplines provide the Board with a wide range of experience and expertise in area such as finance, marketing and operations. The Board fairly reflects the investment of the minority shareholders of the Company.

A brief profile of each director is presented on page 6 to 7 of this annual report.

The Board is scheduled to meet at least four times a year to review the quarterly performance of the group, and other matters such as investment, business plans and directions of the group.

The directors received board papers on matters requiring its consideration before each meeting. All proceeding of the Board are minuted and signed by the Chairman of the meeting. The directors have access to the company secretaries and group financial controller. During the year 2001 the Board met 4 times.

At the 5th Annual General Meeting held on 25 May 2001 the Articles of Association of Khind Holdings Berhad was amended to comply with the latest provisions of KLSE LR. This includes the provision for all directors to submit themselves for re-election at every three years interval. Where necessary the subsidiaries' Articles of Association have similarly been amended.

At its November meeting the Board sets up a Nomination and Remuneration Committee (NRC) to evaluate the performance of its members, the Board and its committees as well as to review and recommend the directors' remuneration.

The composition of the NRC is:

Chairman:

Kamil bin Datuk Haji Abdul Rahman (Independent and Non-Executive)

Member:

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

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

Cheng Ping Keat (Executive)

Details of the directors' remuneration are contained in the financial statement.

SHAREHOLDERS

Khind communicates with its shareholders through the annual report, Annual General Meeting (AGM), KLSE Link and the Company's web site www.khind.com. The AGM is usually held in May and it has been the Company's practice to send Notice of AGM and the annual report to shareholders at least 21 days before the meeting.

As and when requested the executive director meets with fund managers, institutional investors and investment analysts. Press Conferences are held to brief members of the media on key events of the Company.

ACCOUNTABILITY AND AUDIT

The Board, assisted by the Audit Committee, oversees the group financial reporting processes and the quality of its financial reporting. It endeavors to present a balanced and meaningful report on the group's financial performance and prospects through the quarterly reports, annual financial statement, Chairman's statement and managing director's operation review statement.

The Board and the management, acknowledges it has a responsibility to safeguard the assets of the group and prevent and detect fraud and other irregularities. The Audit Committee's report is on page 5 of this annual report.

In discharging this duty the Board has appointed a professional, independent accounting firm as its internal auditors.

The Statement of Internal Control of the group is presented on page 17 of this annual report.

Best Practices Statement

Save as stated in the Principle Statement above and the disclosure below the Company has adopted the Best Practices as prescribed in the MCCG.

1. MCCG Best Practice BB III recommends that at least once a year the Audit Committee meets with the external auditor without executive board members present. The external auditor works with the group financial team in the conduct of the audit with little or no interference from the executive director. The Audit Committee considers it beneficial for the executive director to be present at all meetings.
2. MCCG Best Practice CC I recommends that the Board must maintain an effective communication to communicate effectively with its shareholders, stakeholders and the public generally. Presently there is an informal communication system.

The Board acknowledges its responsibility for maintaining a sound system of internal control, and for reviewing its adequacy and integrity. However, the Board recognises that reviewing of the Group's systems of internal control is a concerted continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. The Group's system of internal control can only provide reasonable but not absolute assurance against material loss.

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

- **Control Procedures**

The Group is currently developing its group operating policies and procedures and is continuously improving its existing control procedures to address the changing environment of its business operations and practices. One of the subsidiaries of Khind Holdings Berhad, Khind Industries Sdn Bhd, is awarded the ISO 9002 certification and the subsidiary is adopting the ISO 9002 procedures in its operations.

- **Organisational structure and responsibility levels**

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

- **Reporting and review**

The Group's management teams carry out monthly monitoring and review of operational and financial results for all businesses within the Group, including monitoring and reporting thereon, of performance against the operating plans and budgets. The Group's management teams communicate regularly to monitor performance.

- **Internal audit**

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

The internal audit function advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The reports are submitted to the Audit Committee, which reviews the risk and control issues with management at its quarterly meetings. The Audit Committee discussed and considered the weaknesses noted in the internal control that have been reported and whether necessary actions are being taken promptly to remedy the weakness and if necessary, a need for more extensive monitoring of the system of internal control. The Internal Audit Reports, coupled with the External Auditors' reports provide reasonable assurance that control procedures are in place, and being followed.

- **Quality control**

The Group emphasises continuous effort in maintaining the quality of its products. A Quality Committee has been established to ensure Khind's products are reliable, safe and have complied with the safety and health regulations and all other legislations in connection with the industry.