



## Corporate Information

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|-------------------------------------|--|----------------------|--|
| 1. Registered Office                | : No. 2, Jalan Perusahaan Dua,<br>Off Jalan Bernam,<br>45400 Sekinchan, Selangor.<br>Tel : 603-32411991<br>Fax : 603-32411500  | 6. External Auditor  | : KPMG<br>Chartered Accountants<br>(AF 0758)   |
| 2. Website Address<br>Email Address | : www.khind.com<br>: khind@tm.net.my   | 7. Internal Auditor  | : Deloitte Enterprise Risk Services<br>Sdn. Bhd.   |
| 3. Registrars                       | : Malaysian Share Registration<br>Services Sdn. Bhd.<br>Level 26, Menara Multi Purpose,<br>Capital Square, No. 8,<br>Jalan Munshi Abdullah,<br>50100 Kuala Lumpur.<br>Tel : 603-27212222<br>Fax : 603-27212530 | 8. Solicitors        | : Mak, Ong & Ng<br>Shearn Delamore & Co<br>K.T. Tan & Co<br>Edward Soo & Co<br>Khor, Anuar & Khong   |
| 4. Company Secretaries              | : Kam Kooi Hua (MACS 00152)<br>Khoo Guan Kiat (MIA 20886)  | 9. Principal Bankers | : Citibank Berhad<br>Hong Leong Bank Berhad<br>HSBC Bank Malaysia Berhad<br>Malayan Banking Berhad<br>Public Bank Berhad<br>Ambank Berhad<br>United Overseas Bank (M) Berhad |
| 5. Stock Exchange Listing           | : Second Board of the Malaysia<br>Securities Exchange Berhad<br>(MSEB)   |                      |  |



**1. MR. CHENG KING FA – 65 years, Malaysian.**  
**- Executive Chairman**

Mr. Cheng King Fa is the Founder of the KHIND group, which commenced as a small family business 43 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturer. With more than 40 years experience in the electrical industry, he provides invaluable advice to the Group on production, marketing, new product research and development.

He was appointed Executive Chairman of the Group on 20th April 1998 prior to the Company's listing on the Second Board of the Malaysia Securities Exchange Berhad on 12th August 1998.

He is a major shareholder of Kee Hin Ventures Sdn. Bhd.(429373-U), the ultimate holding company of KHIND. He is the father of Mr. Cheng Ping Keat. In 2003, he attended all the five meetings held by the Board.

He has no convictions for any offence within the past ten (10) years and has no conflict of interest with KHIND, other than those disclosed in the 2003 financial statements in respect of related party transactions.

Mr. Cheng King Fa has a direct interest in 1,750,420 shares (4.37%) in KHIND and an indirect interest in 20,007,737 shares (49.95%) via Kee Hin Ventures Sdn. Bhd. (429373-U).

*Mr. Cheng King Fa will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Eighth (8th) Annual General Meeting.*



**2. MR. CHENG PING KEAT – 43 years, Malaysian.**  
**- Group Chief Executive Officer**

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

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

marketing, financial, export management and brand building for the KHIND Group.

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

He has no convictions for any offence within the past ten (10) years and has no conflict of interest with KHIND, other than those disclosed in the 2003 financial statements in respect of related party transactions. In 2003, he attended all the five meetings of the Board.

Mr. Cheng Ping Keat has an indirect interest in 20,007,737 shares via Kee Hin Ventures Sdn. Bhd. (429373-U), which owns a 49.95% stake in KHIND.



**3. MDM. TAN LAY KUAN @ TAN LAY WAH – 57 years, Malaysian.**  
**- Independent Director**

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

She has no family relationship with any director and/or major shareholder of KHIND, no conflict of interest with KHIND and has no convictions for any offence within the past ten years.

She has been an independent member of the Audit Committee since 10th August 1998 and is also a member of the Nomination and Remuneration Committee formed on 15th November 2001. Mdm. Tan attended all the five meetings of the Board in 2003.

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



**4. ENCIK MD. AZMI BIN LOP YUSOF – 48 years, Malaysian.**  
**- Non-independent / Non-executive Director**

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

He has no family relationship with any Director but is a major shareholder of KHIND. He is also a member of the Nomination and Remuneration Committee. He has no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all the five meetings of the Board in 2003.

He has beneficial interests in 1,583,935 shares (3.95%) and 1,285,339 shares (3.21%), in KHIND - which are pledged to Maju Nominees (Tempatan) Sdn. Bhd. and Mayfin Nominees (Tempatan) Sdn. Bhd. respectively.



**5. ENCIK NORDIN BIN MOHAMAD DESA – 48 years, Malaysian.  
- Independent Director**

Encik Nordin bin Mohamad Desa became an Independent Non-Executive Director of KHIND on 20th April 1998 and has been the Chairman of the Audit Committee since its inception on 10th August 1998. He graduated with a Bachelor of Science in Electrical and Electronic Engineering degree from the University of Leeds, UK in 1979. He obtained a Master of Business Administration degree from the University of Hull, UK in 1993. He 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, he joined Malaysian Technology Development Corporation Sdn. Bhd.- a government-initiated company established to promote technology based industries, provide venture capital as well as commercialize local R&D. He held several senior managerial positions in the company and was its Senior General Manager when he left at the end of 2001. He is now an independent business and technology consultant.

He has no family relationship with any Director and /or major shareholder of KHIND, no conflict of interest with KHIND and has no convictions for any offence for the past ten (10) years. He attended all the five meetings of the Board in 2003.

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



**6. MR. LEE AH LAN @ LEE KEOK HOOI – 57 years, Malaysian.  
- Non-independent / Non-executive Director**

Mr. Lee Keok Hooi was appointed as a Non-independent /Non-Executive Director of KHIND on 26 March 1999. He graduated from the University of Western Australia in 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 has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past ten (10) years and does not hold any shares in KHIND.

He does not have any conflict of interest with KHIND, other than that disclosed in the 2003 financial statements pertaining to related party transactions. He attended all the five meetings of the Board in 2003.

Mr. Lee Keok Hooi does not have any direct or indirect shareholdings in KHIND.



**7. ENCIK KAMIL BIN DATUK HJ. ABDUL RAHMAN – 55 years, Malaysian.  
- Independent Director**

Encik Kamil A. Rahman was appointed an Independent Non-Executive Director of KHIND on 30 July 2001. At the same time, he became an independent member of the KHIND Audit Committee. He is the Chairman of the Nomination and Remuneration Committee formed on 15 November 2001. His area of specialization is in corporate governance 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, Magna Prima Berhad, WDM Holdings Berhad and Malaysia South Africa Business Council (a company limited by guarantee).

He has no family relationship with any Director and or major shareholder of the Company, no conflict of interest with KHIND and has never been charged for any offence within the past ten (10) years. He attended all the five meetings of the Board in 2003. Encik Kamil does not have any direct or indirect shareholdings in KHIND.

*Encik Kamil will retire pursuant to Article 100 of the Company's Articles of Association and will seek re-election at KHIND's Eighth (8th) Annual General Meeting.*



**8. MR. RACHMAN SASTRA – 62 years, Indonesian  
- Non-Independent / Non-executive Director**

Mr. Rachman Sastra was appointed a Non-Independent Non-Executive Director of KHIND on 18 November 2003. Mr. Rachman Sastra is an experienced and established businessman in Indonesia. He became the sole-distributor for popular Japanese brands of electrical and electronic appliances, dealing mainly in home and gas appliances and telecommunications products since the mid 1960s.

In 1981, Mr. Rachman incorporated a group of companies to accommodate the growth of his sole-distributorships of the branded Japanese electrical and electronic products both in Indonesia and for the export markets.

In the 1990s, he expanded and diversified his businesses in Indonesia and overseas to include the production of electrical accessories, moulds and plastic, property development, fabric dyeing, architecture and a finance company.

He has no family relationship with any Director and or major shareholder of the Company, no conflict of interest with KHIND, other than those disclosed in the 2003 financial statements in respect of related party transactions.

He has no convictions for any offence within the past ten (10) years. Since his appointment to the Board on 18 November 2003, he attained a 100% attendance of the board meetings in 2003.

Mr. Rachman is deemed a substantial shareholder of KHIND, by virtue of his indirect interest in Kee Hin Ventures Sdn. Bhd. (KHVSB) - which is the ultimate holding company with its 49.95% stake in KHIND. He is a director and shareholder of Sony Investments (HK) Limited, which has a 10% stake in KHVSB.

*Mr. Rachman will retire pursuant to Article 107 of the Company's Articles of Association and will seek re-election at KHIND's Eighth (8th) Annual General Meeting.*



**9. MR. SOEKARDI THEDJOISWORO – 40 years, Indonesian.  
- Executive Director**

Mr. Soekardi Thedjoisworo was appointed an Executive Director of KHIND on 18 November 2003. He has about 15 years experience in banking, finance, credit control and auditing. He has held senior positions as a Central Credit Department Head, Finance Controller, Internal Auditor and as General Manager in various financial organizations and businesses in Indonesia.

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

He has no family relationship with any Director and or major shareholder of the Company, no conflict of interest with KHIND and has no convictions for any offence within the past ten (10) years. He attained a 100% attendance for board meetings held in 2003, since his appointment to the Board on 18 November 2003.

Mr. Soekardi does not have any direct or indirect shareholdings in KHIND.

*Mr. Soekardi will retire pursuant to Article 107 of the Company's Articles of Association and will seek re-election at KHIND's Eighth (8th) Annual General Meeting.*



**10. MR. LENBACH SASTRA – 32 years, Indonesian.  
- Alternate Director to Mr. Rachman Sastra  
- Non-independent and non-executive Director**

Mr. Lenbach Sastra was appointed as an Alternate Director to Mr. Rachman Sastra on 3 March 2004.

In 1994, Mr. Lenbach graduated with a MBA from the Washington State University, U.S.A. and has been managing the family businesses since then. He has about 10 years experience in businesses which handle sole-distributorships for established Japanese, French and Asian branded electrical and electronic products and also oversees the manufacture of gas appliances in the family factories in Indonesia.

He is the son of Mr. Rachman Sastra. He has no convictions for any offence within the past ten (10) year, no conflict of interest with Khind, other than those disclosed in the 2003 financial statements in respect of related party transactions. He was only appointed as an Alternate Director in 2004.

Mr. Lenbach is deemed to have an indirect interest in KHIND, via his shareholdings and directorship in Sony Investments (HK) Limited, which has a 10% stake in Kee Hin Ventures Sdn. Bhd. (KHVSB), the ultimate holding company of KHIND.

Date	Event
13 May 2003	Announcement of unaudited results for the First Quarter ended 31 March 2003
30 May 2003	Seventh Annual General Meeting and Extraordinary General Meeting re: Proposed Establishment of Employees' Share Options Scheme ("ESOS")
26 June 2003	Approval-in-principle from the Malaysia Securities Exchange Berhad (MSEB) formerly the Kuala Lumpur Stock Exchange (KLSE) re: additional listing and quotation of such number of new ordinary shares of RM1.00 each to be issued pursuant to the exercise of options granted under the ESOS representing up to 10% of the issued and paid-up share capital of the Company, at any time during the duration of the ESOS.
13 August 2003	Allotment of 5,000 new ordinary shares under ESOS.
19 August 2003	Announcement of unaudited results for the Second Quarter ended 30 June 2003
27 August 2003	Additional 5,000 new shares granted listing and quotation on the MSEB (formerly KLSE)
12 September 2003	Allotment of 54,000 new ordinary shares under ESOS.
24 September 2003	Additional 54,000 new shares granted listing and quotation on the MSEB
30 September 2003	Payment of interim dividend of 5% (net of 28% income tax) for the financial year ended 31 December 2003
28 October 2003	Third (3rd) Nomination and Remuneration Committee Meeting.
18 November 2003	Announcement of unaudited results for the Third Quarter ended 30 September 2003
25 February 2004	Announcement of unaudited results for the Fourth Quarter ended 31 December 2003

## Events Highlights

Date	Events
11 March 2003	Grand 5S Day held at Sekinchan factory to improve the quality of work environment.
22 March 2003	Remote car racing competition organised by Kelab Sukan dan Kebajikan Khind.
16 June 2003	Energy Efficiency Award given by Tenaga Nasional Berhad and Suruhanjaya Tenaga.
26 July 2003	A marathon event organised by Kelab Sukan dan Kebajikan Khind.
05 August 2003	Product launch for Mistral side-by-side refrigerators.
1-3 August 2003	KHIND Warehouse Sales in Sungai Besar, Selangor.
23 August 2003	Traditional games competition organised by Kelab Sukan dan Kebajikan Khind.
08 September 2003	Moon Cake Festival Celebration.
17 October 2003	A community service organised by Kelab Sukan dan Kebajikan Khind at Bagan Beach of Sekinchan.
21 October 2003	A seminar for "Products' Training" was conducted by Khind for Penang dealers.
18 December 2003	Special recognition award from Prime Minister Quality Award 2003 (Private Sector).
11-12 January 2004	Khind Annual Dinner 2003 themed "Hat Nite" held at Genting International Convention Centre, First World Hotel, Genting Highlands.
12 February 2004	National Creativity and Innovation Award by Malaysian Technology Design Centre (MTDC).
13 February 2004	KLSE Corporate Sectoral Award - Second Board - Consumer Product category.

The Board of Directors ("Board") has continued its commitment in maintaining high standards of corporate governance and the effective application of the principles and best practices throughout the Group as a fundamental part of discharging responsibilities, to protect and enhance shareholders' value and the financial performance of the Group.

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

### Board of Directors

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

During the year, four (4) Ordinary Board Meetings and one (1) Special Board Meeting were held and the attendance record is tabulated below:

DIRECTORS' BOARD MEETING IN YEAR 2003		
Directors	Total Number of Meetings	Total Number Attended by Directors
1. Mr. Cheng King Fa	5	5
2. Mr. Cheng Ping Keat	5	5
3. Mr. Soekardi Thedjoisworo (appointed on 18 November 2003)	1	1
4. Encik Nordin bin Mohamad Desa	5	5
5. Mdm. Tan Lay Kuan @ Tan Lay Wah	5	5
6. Encik Md. Azmi bin Lop Yusof	5	5
7. Mr. Lee Ah Lan @ Lee Keok Hooi	5	5
8. Encik Kamil bin Datuk Hj. Abdul Rahman	5	5
9. Mr. Rachman Sastra (appointed on 18 November 2003)	1	1
10. Dato' Cheng Hup (resigned on 28 October 2003)	4	4
11. Mr. Cheng Ping Loke (resigned on 28 October 2003)	4	4
12. Mr. Lenbach Sastra (alternate director to Mr. Rachman Sastra; appointed on 03 March 2004)	-	-

### Board Composition and Balance

The Board currently comprises three (3) Executive Directors, three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. The Board has met with the requirements of the MSEB Listing Requirements and the requirements of the Code for Independent Directors to comprise at least two or one-third, (whichever is higher) of the Board's composition.

In totality, the Directors share a wide exposure in the legal, business, financial and technical fields. This blend of knowledge and experience is vital to determine an objective outlook of the Group. A brief profile of each Director is set out in pages 12 to 14 of the Annual Report.

The Executive Directors are responsible for determining and implementing operational decisions, whilst the Non-Executive Directors complement with their skills and experiences. The role of these independent non-executive Directors is crucial in ensuring that the strategies proposed by the management are fully deliberated and examined.

The Independent Non-Executive Directors fulfil a pivotal role in corporate accountability as they provide unbiased and independent views, advice and judgement on issues pertaining to the shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business.

In accordance with Part 2 AA.VII of the Code, Encik Nordin bin Mohamad Desa has been appointed as the Senior Independent Non-Executive Director.

### Supply of Information to the Board

All Directors are furnished with a comprehensive set of Board papers detailing the agenda for each meeting. Board papers are circulated to all Directors and its committee prior to each Board Meeting. This is to ensure sufficient time is given to enable the Directors to review and consider the agenda items to be deliberated at the Board Meetings. The Board papers include, amongst others quarterly financial reports, year-end financial statements of the Group, annual budget, minutes of meeting of all committees of the Board, and other major operational, financial and legal issues.

Corporate plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions, including key policies and procedures and delegated authority limits are subject to Board approval.

The directors have full and unrestricted access to advice and services of the Company Secretary. The Directors can utilise the professional services when necessary to fulfil their duties and specific responsibilities as enumerated in Best Practices Provisions AAI of the code.

### Board Committees

The Board delegates certain responsibility to Board Committees, mainly the Audit Committee, the Nomination and Remuneration Committee and the ESOS Committee. Prior to the establishment of these committees, their functions were assumed by the Board as a whole. The Chairman of the three (3) Committees will report to the Board the outcome of their Committee decisions.

#### a) Audit Committee

The Audit Committee was appointed by the Board and established on 10 August 1998 to discharge its duty of maintaining a sound system of internal controls and risk management to safeguard shareholders' interest and the Company's assets.

A full Audit Committee report enumerating its membership, its role and its activities during the year is set out in pages 23 to 24 of this annual report.

#### b) Nomination and Remuneration Committee

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

The Committee is responsible for developing a formal and transparent remuneration policy and packages of Executive Directors and in recommending to the Board for approval. The remuneration of the Non-Executive Directors is decided by the entire Board. The Group has complied with the Malaysian Code on Corporate Governance to review the remuneration for Directors such that the Group attracts and retains the right Director mix.

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

##### *Chairman*

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

##### *Members*

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

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

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

#### c) ESOS Committee

The ESOS Committee was established on 13 May 2003 to administer the ESOS of the Group in accordance with its objectives and regulations thereof and to determine the participation, eligibility, option offers and share allocations (based on the performance, length of service, competency and discipline of eligible employees) and to attend to such other matters as may be required. The ESOS Committee meets when necessary.

The composition of the ESOS Committee comprise the following Directors:

##### *Chairman*

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

##### *Members*

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

Cheng Ping Keat (Group Chief Executive Officer)

Dato' Cheng Hup\* (Managing Director)

\* Resigned on 28 October 2003

### Appointments to the Board

It is the responsibility of the Nomination and Remuneration Committee to recommend new appointees to the Board after reviewing their skills, qualifications, experiences and other special qualities. This Committee will also assist the Board in reviewing the required mix of skills and experiences of the Non-Executive Directors.

### Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") conducted by I-Mesdaq Sdn Bhd as required under the Listing Requirements of the MASEB with the exception of newly appointed directors, viz Mr. Soekardi Thedjoisworo, Mr. Rachman Sastra and his alternate director, Mr. Lenbach Sastra who will be attending the MAP training within the stipulated dates by MASEB.

The Directors continue to undergo relevant training programmes to further enhance their knowledge in the latest statutory and/or regulatory requirements on a continuous basis in compliance with Practice Note No. 15/2003 of the MASEB Listing Requirements on the Continuing Education Programme ("CEP") to enable them to discharge their responsibility more effectively.

### Re-Election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to rotation at the Annual General Meeting subsequent to their appointment. The Articles of Association also provide that each of the Directors be subject to re-election by rotation at least once in every three years during Annual General Meeting.

The company's Articles of Association had been amended to embrace the MASEB Listing Requirements where all Directors will now be subjected to re-election by rotation. The Nomination and Remuneration Committee reviews the rotation of the directors.

## Directors' Remuneration

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

Directors' Remuneration & Benefits in Kind						
Directors	Fees RM	Salaries (RM)	Bonus (RM)	EPF-Employer Contribution @12% (RM)	Benefits-in-Kind (RM)	Grand Total
Executive Directors	63,000	908,561	485,987	193,571	140,615	1,791,734
Non Executive Directors	30,000	-	-	-	-	30,000
<b>Total</b>	<b>93,000</b>	<b>908,561</b>	<b>485,987</b>	<b>193,571</b>	<b>140,615</b>	<b>1,821,734</b>

On the recommended disclosure of details of the remuneration of each Director, the Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the "Band Disclosure" made.

The number of Directors whose total remuneration falls into the following bands are tabulated below, as follows:

Remuneration Bands	Number of Directors		Total
	Executive	Non-Executive	
Up to RM50,000	1	6	7
RM450,001 – RM500,000	1	-	1
RM600,001 – RM650,000	1	-	1
RM650,001 – RM700,000	1	-	1
<b>Total</b>	<b>4</b>	<b>6</b>	<b>10</b>

## Relations with Shareholders and Investors

The Board acknowledges the need to communicate with its Shareholders. All relevant developments of the Group and financial results have been duly announced on a timely basis. In addition, regular press releases are made to inform the public on the latest business development.

### The AGM

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

### Dialogue between Company and Investors

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

In addition, the Executive Director meets with fund managers, institutional investors and investment analysts as and when requested.

The shareholders and investors are also able to access the corporate, financial and market information of the Company from the MSEB's listed companies information at the MSEB's website as well as the Company's website at [www.khind.com](http://www.khind.com).

## Accountability and Audit

### Financial Reporting

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

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

### Statement on Internal Control

The Group's Statement on Internal Control is set out in pages 21 to 22 of this Annual Report.

### Relationship with the Auditors

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

A full Audit Committee report enumerating its role in relation to the Auditors is set out in pages 23 to 24 of this Annual Report.

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

The directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date. The Director consider that in presenting the financial statements, the Group has used appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates.

The Board has reviewed and approved the Annual Audited Financial Statements for the financial year ended 31 December 2003 and collectively and individually accept full responsibility for the accuracy of the information given and confirmed that after making reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any statement of information therein misleading.

The Directors consider that in preparing the financial statements:

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

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

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

The Audit Committee and the Board review and approve all statutory accounts before its release to the MSEB.

### Statement of Compliance with the Best Practices of the Code

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

### Additional Compliance Information

The following information is provided in compliance with the Malaysia Securities Exchange Berhad (MSEB) Listing Requirements: -

#### 1. Utilisation of proceeds

There were no corporate proposals announced at the date of this annual report.

#### 2. Share Buybacks

During the financial year, there were no share buybacks by the Company.

#### 3. Options, Warrants or Convertible Securities

The Company had on 01 April 2003, been granted approval by Securities Commission ("SC") on its proposed establishment of an Employees' Share Option Scheme ("Proposed ESOS").

#### 4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the year under review, the Company did not sponsor any ADR or GDR programmes.

#### 5. Sanctions/ Penalties

There were no sanctions and/or penalties (that were made public) imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

#### 6. Non-audit fees

The non-audit fees paid and payable to the external auditors amounted to RM9,576.00 by the Company and its subsidiaries for the financial year ended 31 December 2003.

#### 7. Profits estimates, forecast or projection

There is no variance between the results for the financial year and the unaudited results previously released by the Company. The Company did not release any profit estimate, forecast or projection for the financial year.

#### 8. Profit guarantee

No profit guarantee had been given by the Company in respect of the financial year.

#### 9. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business), which are or may be material which have been entered into by Khind and its subsidiaries, within the preceding two (2) years from the date of this annual report.

#### 10. Revaluation of Landed Properties

Save as disclosed in Note 1e (Significant Accounting Policies) and Note 2 (Property, Plant and Equipment) of the Notes to the Financial Statements, the Company does not adopt a policy on regular revaluation of its landed properties.

#### 11. Recurrent Related Party Transactions (RRPT)

The Company had made full disclosures on the Related Party Transactions which consists of RRPT of a revenue or trading nature and will be seeking a mandate from the shareholders at the forthcoming Annual General Meeting.

The details of the Recurrent Related Party Transaction (RRPT) are disclosed in Note 28 of the Financial Statement.

## Introduction

Pursuant to paragraph 15.27(b) of the Malaysia Securities Exchange Berhad ("MSEB") Listing Requirements, the Board of Directors of Khind Holdings Berhad ("the Company") is pleased to provide the following statement on the state of internal control of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2003, which has been prepared in accordance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia and adopted by the MSEB.

## Board's Responsibilities

The Board acknowledges its responsibilities for maintaining a sound system of internal control, and for reviewing its adequacy and integrity that supports the achievement of Khind Group's strategic goals and business objectives, whilst safeguarding its assets and public capital.

The Board recognises that reviewing of the Group's systems of internal control is rigorous and based on an ongoing process designed to identify the principal risks affecting the Group in achieving the strategic goals and business objectives, and to manage those risks efficiently, effectively and economically.

The system of internal control is designed to manage and control risks rather than eliminate the risks of failure to achieve its business objective. Accordingly, it should be noted that the system of internal control could therefore only provide reasonable and not absolute assurance of effectiveness against the risk of material errors, fraud or losses from occurring.

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

- **Control environment**

The Group has defined an organisation structure which stipulates the reporting functions of business units and employees. Certain business units within the Group are undergoing a process of management restructuring and consolidation to further enhance the monitoring process. The Group has a documented delegation of authority that sets out the decision that needs to be taken and the appropriate levels of authority of management including matters that require Board approval.

The delegations of duties and authorities are appropriate and provide for a balance between empowerment and 'command and control' approach. The Group appoints experienced and professional staff, of the necessary caliber to carry out the defined roles and responsibilities.

- **Control Activities**

The Group is currently developing a comprehensive group operating policies and procedures and also continuously improving its existing control procedures to address the changing business environment. The Group endeavors in formalising and implementing its group operating policies and procedures to all its subsidiaries. The developed policies and procedures are made available to all staff within the Group via intranet.

One of the subsidiaries of Khind Holdings Berhad, Khind Industries Sdn Bhd, was awarded the ISO 9001 certification and is currently employing the ISO 9001 procedures in its operations.

As part of the effort for continuous quality improvement, the Group has also embarked on Total Quality Management (TQM) projects which involved all levels of staff and management in improving the Group's quality of products and enhancing the efficiency of work processes.

A TQM Council has been established as a continuous commitment in ensuring Khind's products are reliable, safe and have complied with the safety and health regulations and all other legislations in connection with the industry.

### *Internal Audit*

The Group's internal audit function is outsourced to an independent professional services firm. The Internal Audit Plan is reviewed and approved by the Audit Committee. The Internal Audit Plan and accordingly, work of the internal audit team is designed based on the analysis of the risks faced by the Group in meeting its business objectives and taken into consideration the concerns of management.

The internal audit function reviews the adequacy and integrity of the internal control systems of the business units, and advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The internal audit reports are submitted to the Audit Committee, which reviews the risk and control issues with management at its quarterly meetings.

The Audit Committee provides necessary support to the internal auditors and management to ensure all major issues highlighted by the internal auditors are deliberated and satisfactorily resolved.

- **Reporting and Review**

The Group has established an ongoing process of monitoring, evaluation and review of its performance. The Group's management teams communicate and perform fortnightly monitoring and review of the operational and financial results for all its business units, including monitoring and reporting of operational and financial performance against the operating plans and budgets. The Group's management teams communicate regularly to monitor performance.

- **Risk Management**

The Group's operations involve management of a wide range of risks. Business risks are being monitored closely by management and discussed during the fortnightly management and operational meetings.

The Group's objectives are supported with strategic plans and budgets, which are developed and discussed during the beginning of the year to establish plans and targets against which performance is monitored on an ongoing basis. The business objectives and action plans are reviewed regularly in fortnightly management meeting throughout the year.

**Conclusion**

The Board is of the view that there is a continuous process in evaluating and managing significant risks and controls faced by the Group. There is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses to the Group for the financial year ended 31 December 2003. Because of the changing circumstances and conditions, the effectiveness of an internal control system may vary over time, hence, the Group continues to take necessary measures to strengthen its internal control system.

The Board of Directors is pleased to present its Audit Committee Report and the activities carried out during the financial year ended 31 December 2003.

## 1. Constitution

On 10 August 1998, the Board set up the Khind Audit Committee (KAC) as a best practice in corporate governance.

## 2. Members and Meetings in 2003

In the year under review, Encik Nordin bin Mohamad Desa is the KAC's Chairman. Encik Nordin is supported by a majority of independent members. Encik Kamil bin Datuk Haji Abdul Rahman is the member with the accounting qualification required under paragraphs 15.02(1) and 15.10(1) of the Malaysia Securities Exchange Berhad (MSEB) Listing Requirements.

The KAC met five (5) times during the financial year. The attendance details and status of members are as follows:-

<i>Name</i>	<i>Attendance</i>
<b>Independent</b>	
Nordin bin Mohamad Desa (Chairman)	5/5 (100%)
Kamil bin Datuk Hj. Abdul Rahman	5/5 (100%)
Tan Lay Kuan @ Tan Lay Wah	5/5 (100%)
<b>Non-Independent</b>	
Cheng Ping Keat	5/5 (100%)

## 3. Terms of Reference

The Terms of Reference for the Committee, remain unchanged since approval by the Board in 1998 and are as follows:-

### 3.1 Composition

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

### 3.2 Secretary

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

### 3.3 Objectives

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

### 3.4 Duties and Responsibilities

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

### 3.5 Powers and Authority

In the discharge of its duties, the KAC has the following rights:-

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

### 3.6 Meetings

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

#### **4. Internal Audit Function**

The internal audit function is currently out-sourced to Messrs. Deloitte Enterprise Risk Sdn. Bhd. Our internal auditors conduct periodic audits on internal control issues relating to systems, standard operating procedures, credit control and risks management, to monitor compliance by the various subsidiaries within the Group. Such audits should provide reasonable assurance that standards are satisfactorily being monitored.

Specific areas of concern are highlighted to the KAC, to ensure recommendations by internal auditors are duly attended to and adhered to by Management within the stipulated time frame.

#### **5. Activities of the Committee**

During the financial year, the KAC held the five (5) meetings scheduled in their 2003 corporate calendar, to review the draft quarterly results announcements, final accounts and its 2002 annual report before recommending the reports for approval by the Board. In 2003, a Group Credit Controller was appointed to set up a group credit control policy and system, to ensure standard credit control procedures are adhered to within the Group.

The external audit plans were presented to the KAC, prior to implementation and the external auditors attended all Committee meetings in 2003.

Reports and findings from the internal auditors were noted and remedial actions by senior management monitored accordingly.

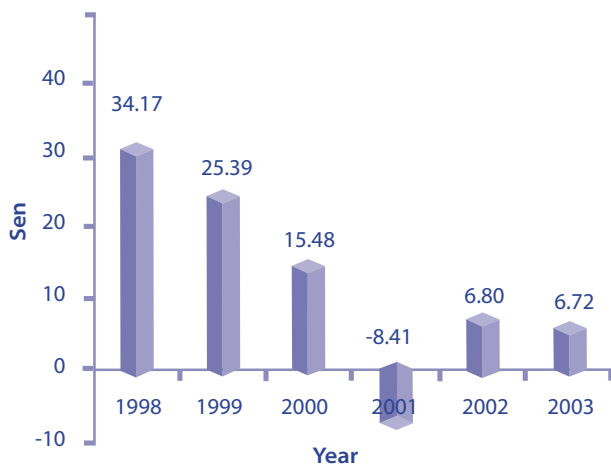
**Profit Before Income Taxation**



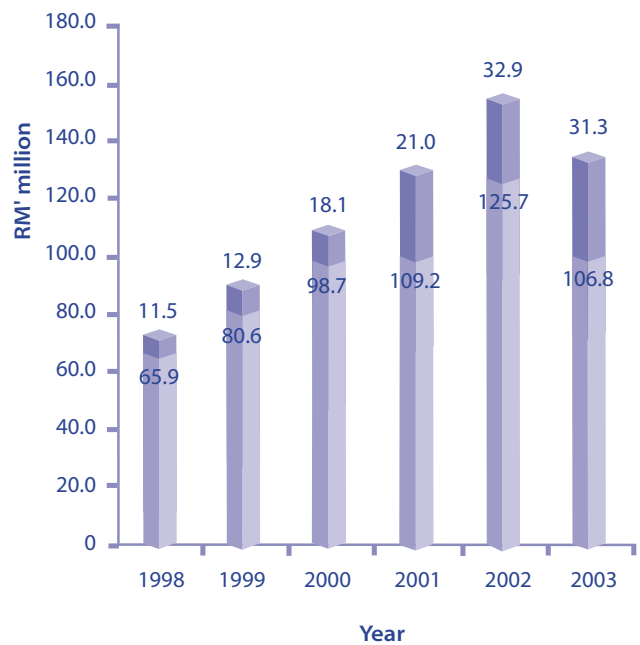
**Shareholders' Funds\***



**Earnings Per Share\*\***



**Group Turnover**



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

\*\* The audited Earnings Per Share for year 2002 was restated due to the adoption of MASB 25. Earnings Per Share for years prior to 2002 were not restated due to the immateriality.