



Kein Hing Muramoto (Vietnam) Co. Ltd.



Kein Hing International Berhad (616056-T)
(Incorporated in Malaysia under the Companies Act, 1965)





Kein Hing International Berhad

Vision

To be A-Class company of the same category in a broad bandwidth.

Mission

We specialize in manufacturing of tight tolerances metal forming parts. Kein Hing has one of the most comprehensive combinations of manufacturing capabilities ranging from Prototype, Dies Designing, Metal Stamping, CNC Machined (Induction Hardening) Parts, Precision Fine Grinding and Super-finishing to production in quantities.

Contents

P. 02	Corporate Information
P. 03	Corporate Structure
P. 04	Profile of Board of Directors
P. 08	Chairman's Statement
P. 12	Statement on Corporate Governance
P. 19	Audit Committee Report
P. 24	Statement on Internal Control
P. 26	Statement on Directors' Responsibilities in Relations to The Financial Statements
FINANCIAL STATEMENTS	
P. 27	Directors' Report
P. 30	Statement by Directors
P. 30	Statutory Declaration
P. 31	Report of the Auditors
P. 32	Balance Sheets
P. 33	Income Statements
P. 34	Statement of Changes in Equity
P. 35	Cash Flow Statements
P. 38	Notes to the Financial Statements
P. 64	Analysis of Shareholdings
P. 67	List of Properties
P. 68	Notice of Annual General Meeting
P. 74	Statement Accompanying Notice of Annual General Meeting
	Form of Proxy
	Enclosed

Corporate Information

BOARD OF DIRECTORS

Y.A.M. Tengku Syarif Temenggong Perlis
Dato' Seri Diraja Syed Amir Abidin Jamalullail
Yap Toon Choy
Shingo Muramoto
Yong Elaine
Liew Choon Fong
Swee Soo Mang
Darsan Singh a/l Balwant Singh
Yap Chai Huat
Dato' Hairuddin Bin Mohamed

AUDIT COMMITTEE

Swee Soo Mang (Chairman)
Yap Toon Choy
Liew Choon Fong
Darsan Singh a/l Balwant Singh
Yap Chai Huat

COMPANY SECRETARY

Ng Yim Kong (LS 0008343)

REGISTERED OFFICE

Lot 1863, Jalan Kolej
43300 Seri Kembangan
Selangor Darul Ehsan
Tel : 03 – 8942 4650
Fax : 03 – 8948 9261
Website : www.keinhing.com

AUDITORS

Messrs. KPMG
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : 03 – 2095 3388
Fax : 03 – 2095 0371

SOLICITORS

Messrs. Darshan Chong & Co.
No.1, Jalan Perkasa 8
Taman Maluri, Cheras
55100 Kuala Lumpur
Tel : 03 – 9284 4694
Fax : 03 – 9284 6895

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Public Bank Berhad

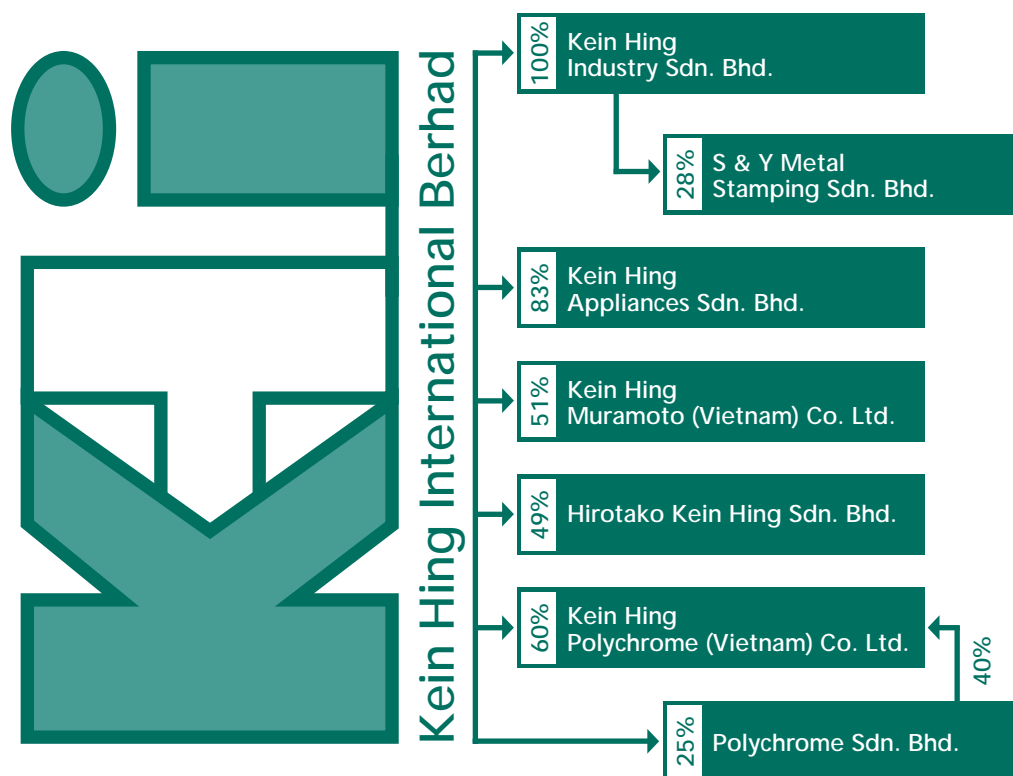
REGISTRAR

Epsilon Registration Services Sdn Bhd
312, 3rd Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03 – 7803 1126
Fax : 03 – 7806 1261

STOCK EXCHANGE LISTING

Second Board of
Bursa Malaysia Securities Berhad

Corporate Structure



Company	Principal activities
SUBSIDIARIES	
Kein Hing Industry Sdn Bhd (KHI)	Sheet metal forming, precision machining and components assembly
Kein Hing Appliances Sdn Bhd (KHA)	Trading in electrical and electronic products, and home appliances
Kein Hing Muramoto (Vietnam) Co. Ltd. (KHMV)	Sheet metal forming, precision machining and components assembly
Kein Hing Polychrome (Vietnam) Co. Ltd (KHPV)	Electroplating and Surface finishing
ASSOCIATED COMPANIES	
Hirotako Kein Hing Sdn Bhd (HKH)	Car components manufacturer
Polychrome Sdn Bhd (PSB)	Electroplating and Surface finishing
ASSOCIATED COMPANY OF KHI	
S & Y Metal Stamping Sdn Bhd (S&Y)	Precision metal stamping

Profile of Board of Directors

Y.A.M Tengku Syarif Temenggong Perlis
Dato' Seri Diraja Syed Amir Abidin Jamalullail (Y.A.M Tengku Syarif), 56,
Non-Independent Non-Executive Chairman

Y.A.M Tengku Syarif, a Malaysian, was appointed to the Board of Directors of Kein Hing International Berhad (KHIB) on 9 August 2004. He obtained a Diploma in Automobile Engineering from Exeter College, England in 1970.

He began his career with Cycle & Carriage Bintang Berhad, an automobile sales company as an Engineer in workshop production, spare parts and sales of specialised vehicles. In 1981, he joined Maju Ria Sdn Bhd, a company specialising in defence equipment as a Director. Thereafter, he was Chairman and Director of Taylors College, Subang Jaya, Selangor Darul Ehsan. In 1987, he was also made the Chairman of Garden International School.

At present, he sits on the Board of Directors of several other private limited companies. He does not have any family relationships with any Director and/or substantial shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

He is currently a member of the Remuneration Committee and Nomination Committee of KHIB.

Yap Toon Choy, 50,
Group Managing Director

Yap Toon Choy, a Malaysian, was appointed to the Board of Directors of KHIB on 9 August 2004. He obtained a Bachelor of Science degree cum laude majoring in Mechanical Engineering from Washington State University, USA in 1980.

In 1981, he became a Director of Kein Hing Industry Sdn Bhd (KHI) and was subsequently appointed as the Managing Director in 1983. Since his involvement in 1981, he has envisioned that the metal stamping/forming industry would form the basic foundation of any developed country and this has spurred his dedication in this industry. Over the years in KHI, he gained twenty (20) years of experience in the metal stamping/ forming industry, he is the driving force of the Group and is actively involved in valuable experience and technical know-how especially through dealings with his Japanese counterparts. With approximately various key aspects of the Group's management.

He currently sits on the Board of Directors of several other private limited companies. Yap Toon Choy is the spouse of Yong Elaine, who is a Director and substantial shareholder of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

He is currently a member of the Audit Committee and Remuneration Committee of KHIB.

Profile of Board of Directors (cont'd)

Shingo Muramoto, 59,
Non-Independent Non-Executive Director

Shingo Muramoto, a Japanese, was appointed to the Board of Directors of KHIB on 1 April 2005. He began his career with IBM Corp. Tokyo, Japan in Marketing Department in 1970. He has held various position throughout the twenty (20) years with IBM Corp. Tokyo, Japan. His last position held is IT Manager before he left IBM Corp. Tokyo, Japan in 1990. Thereafter, he joined Muramoto Group in its headquarter in Kobe, Japan and was appointed Director. In the year 2000, he was appointed as Managing Director of the Muramoto Group.

His vast experience and supreme business acumen has contributed to the future and growth of the KHIB Group, whilst Muramoto Group is one of the KHIB major customers and Strategic Partner in every aspect of ventures and operations.

At present, he sits on the Board of Directors of several other private limited companies. He does not have any family relationship with any Director and/or substantial shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

Yong Elaine, 47,
Executive Director

Yong Elaine, a Singaporean, was appointed to the Board of Directors of KHIB on 9 August 2004. She obtained a Bachelor of Arts degree in Business Administration majoring in Banking and Finance from Washington State University, USA in 1981.

During her stay in the USA, she has participated in the provision of management counseling services to the business community in Washington State, USA. She started her career in 1982 as an administrative executive trainee at Wing On Life Assurance (H.K.) Pte Ltd in Singapore.

She currently sits on the Board of Directors of several other private limited companies. Yong Elaine is the spouse of Yap Toon Choy, who is the Group Managing Director and substantial shareholder of KHIB. She does not have any conflict of interest with KHIB. She has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

Liew Choon Fong, 38,
Executive Director

Liew Choon Fong, a Malaysian, was appointed to the Board of Directors of KHIB on 9 August 2004. She obtained a Bachelor of Arts (Honours) degree majoring in Economics from Universiti Malaya, Kuala Lumpur in 1992.

She joined KHI as Information Technology Executive in June 1992 and rose to the rank and was later promoted Information Technology General Manager. She has more than ten (10) years of experience and knowledge in information technology and has contributed towards the implementation of the information technology system of the Group over the years.

She does not have any family relationship with any Director and/or substantial shareholders of KHIB. She does not have any conflict of interest with KHIB. She has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

She is currently a member of the Audit Committee of KHIB.

Profile of Board of Directors (cont'd)

Darsan Singh a/l Balwant Singh, 51,
Independent Non-Executive Director

Darsan Singh a/l Balwant Singh, a Malaysian, was appointed to the Board of Directors of KHIB on 9 August 2004. He obtained a Bachelor of Law (Honours) degree from the University of Buckingham, United Kingdom in 1980 and went on to complete his bar at Grays Inn, London, United Kingdom. He was called to the Bar of England and Wales, United Kingdom in 1981 and was admitted to the Malaysian Bar the following year.

He began his career in Balwant Singh & Co in 1982 and later joined Othman Hashim, Chen & Co in 1985. He has been an active practicing lawyer in various areas such as corporate and commercial, conveyancing and litigation. In 1987, he set up Darshan, Chong & Co and is currently the senior partner of the firm.

At present, he sits on the Board of Directors of several other private limited companies. He does not have any family relationships with any Director and/or substantial shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

He is currently the Chairman of both the Nomination Committee and Remuneration Committee, and a member of the Audit Committee of KHIB.

Swee Soo Mang, 54,
Independent Non-Executive Director

Swee Soo Mang, a Malaysian, was appointed to the Board of Directors of KHIB on 9 August 2004. He obtained a Diploma in Accounting from the London Chamber of Commerce Institution in 1973.

He began his career with Chau & Folk as in 1971. He then joined Hong Leong Management Co. Sdn Bhd in 1976 and subsequently joined Hong Leong Leasing Sdn Bhd as a Marketing Executive. Between 1980 and 1990, he was attached to Supreme Leasing Sdn Bhd and later left as a Senior Business Manager. In 1990, he joined MBF Finance Berhad as a Senior Manager of the Credit Department in its headquarters and was later promoted to General Manager. He left MBF Finance Berhad in 1998 and is presently a financial adviser and corporate financial adviser to various private commercial firms.

At present, he sits on the Board of Directors of several other private limited companies. He does not have any family relationship with any Director and/or substantial shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

He is currently the Chairman of the Audit Committee of KHIB.

Profile of Board of Directors (cont'd)

Yap Chai Huat, 50,
Independent Non-Executive Director

Yap Chai Huat, a Malaysian, was appointed to the Board of Directors of KHIB on 31 March 2006. He is a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and a fellow member of the Malaysian Institute of Taxation. He is currently involved in the audit, taxation and corporate advisory business of Leslie Yap & Co., a sole proprietorship that he set up in 1985.

He sits on the Board of Directors of several other private limited companies. He does not have any family relationship with any Director and/or substantial shareholders of KHIB. He does not have any conflict of interest with KHIB. He has never been convicted for any offence within the past ten (10) years.

He is also a member of the Audit Committee and Nomination Committee of KHIB.

Dato' Hairuddin Bin Mohamed, 56,
Independent Non-Executive Director

Dato' Hairuddin Bin Mohamed, a Malaysian, was appointed to the Board of Directors of KHIB on 22 June 2006. He obtained a Bachelor in Social Science (Hons) degree from University Sains Malaysia in 1980.

He began his career in the Criminal Investigation Department (CID) of the Royal Malaysian Police Force (RMPF) in 1970, and subsequently transferred to the Traffic Branch in Kuala Lumpur, of which he progressively promoted until he left for Kota Tinggi to become a OCPD in 1981, and subsequently transferred to Segamat in 1984.

In 1989, he moved to Commercial Crime Investigation Department (CCID) working from the headquarter in Bukit Aman, and later he was promoted to become OCCI of Sarawak. From 1996 onwards, he has worked as the Assistant Director of Management, Deputy Director Management, Chief Police Officer Kedah, TKP of National Anti Drug Agency, until his retirement as the Director of Commercial Crime Investigation Department. He has wide ranging experience in fraud detection and commercial crime investigation.

He does not have any family relationship with any Director and/or substantial shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past ten (10) years other than traffic offences, if any.

Chairman's Statement

On behalf of the Board of Directors of Kein Hing International Berhad, I am pleased to present to you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30 April 2006.



OPERATING ENVIRONMENT

The financial year under review has been a challenging year. The year 2005 saw the Malaysian economy growing at a slower pace of 5.5% as compared with 7.2% in 2004. The external economic environment comprising escalating oil prices, higher interest rate, and increasing world steel/metal prices have adversely affected the metal forming industry with inevitable squeeze on the industry's margins.

Malaysia is expected to sustain a Gross Domestic Product (GDP) growth of above 5% in 2006 and this would continue to be largely supported by domestic demand and led by the private sector. The Third Industrial Master Plan (IMP3) unveiled recently aims to improve and strengthen the competitiveness of the three economic pillars of the country, namely manufacturing, services and agriculture sectors. The manufacturing sector is projected to grow by 5.6% annually and to constitute 28.5% of GDP by 2020. This together with other Government's initiatives under the Ninth Malaysia Plan would augur well for the long term future of the metal forming industry and would generate further business opportunities for the Group.



FINANCIAL REVIEW

For the financial year ended 30 April 2006, our Group revenue grew by 38.2% to RM 125.9 million compared to RM 91.1 million recorded in the previous year.

Group profit after tax and minority interest (PAT) was significantly lower at RM 1.9 million which represented a decrease of 76.1% over the previous year's PAT of RM 8.0 million. Our operating results were significantly impacted by higher cost of raw material, discontinuation of several products, loss of business from one key customer and associated costs incurred on new ventures and products which are expected to generate future revenue.

Chairman's Statement (cont'd)



Total assets increased by 5.5% to RM 94.9 million from RM 89.9 million of the preceding year.

The underlying business fundamentals remain sound and the Group is continuing with various ongoing value added measures to increase productivity, generate greater operational efficiency, improve its product range and upgrading its industry's technology and diversifying its customer base both locally and abroad.

CORPORATE DEVELOPMENT

The Group's strategy is to strengthen its core business by organic growth and acquisition, with the aim of placing it in a better position to face the challenges ahead. In this regard, the Company has during the financial year set up a 60% owned subsidiary in Hanoi, Vietnam and invested in a 25% associated company locally, namely Kein Hing Polychrome (Vietnam) Co. Ltd. and Polychrome Sdn. Bhd. respectively.

Both the new ventures complement our metal forming business and will enable us to become a truly integrated metal stamped parts producer. The Group foresees that the acquisition of the electroplating companies will result in an overall improvement in the quality and services provided to its customers.

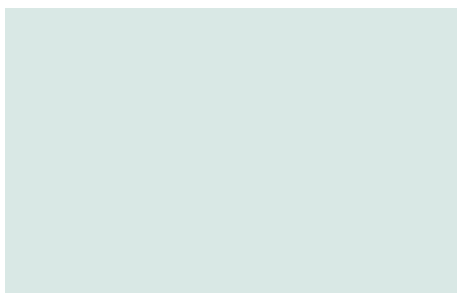
BUSINESS OUTLOOK AND PROSPECTS

The Group foresees the competitive and challenging business trend for the local metal forming industry to continue into next financial year. The Group had since early 2002 anticipated the trend and has taken various measures to negate any adverse effect on the Group.

The Group believes that the handful of market players in the local industry who are able to withstand the current challenges and take concrete steps to innovate themselves will dominate the local metal forming industry in the near future. Going into the next financial year, the stability of oil and steel/metal prices is somewhat critical to the overall health of the industry in Malaysia. The strategies of overseas expansion, increasing overall export percentage of our products and diversification into the automotive component sector have all been carried out over the last few years, and they will enable us to further grow our business and to improve our long term profitability.

Whilst Group's strength remains predominantly in the fabrication and manufacturing of semi finished products, it is high time for the Group to seek ways to mitigate certain weaknesses present in the industry and to be less reliant on its Multi National Corporation customers.

Thereon, capitalizing on its core expertise which span more than two (2) decade in producing home appliances parts, the Group has now embarked on a new chapter, a new beginning. I would like to take this opportunity to present to you the "ZENNE" gas cooker range, the first of various finished products in our pipeline for the consumer market. The initial target is aimed at both the domestic market as well as overseas market, specifically in Middle East and South East Asia countries. The gas cookers were designed by our In-house designer team led by a Japanese engineer who has more than 40 years of experience and it incorporates various advanced safety features, superb fuel efficiency and



Chairman's Statement (cont'd)

excellent overall design. The Group expects the gas cooker segment will contribute significantly to its bottom line in the near future.

Furthermore, Kein Hing Muramoto (Vietnam) Co. Ltd. ("KHMV"), a joint venture with the Muramoto Group, is performing relatively well and is expected to contribute positively to the Group for the next financial year. Its sales volume has increased, with the factory production area and capacity doubling in size since the financial year under review.

Looking ahead, the prospects for business growth in the medium term continue to be good. The Group will continue to actively look out for opportunities to participate in the impending consolidation of the local metal forming industry under the IMP3 and to further expand its business overseas, which will include forming strategic alliances, mergers and acquisitions to complement or increase its involvement in the core business. Consequently, these strategic initiatives when successfully implemented will bring greater value to our shareholders over time.

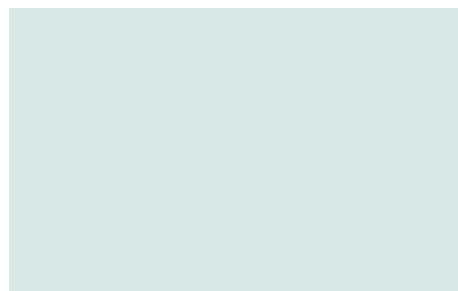
DIVIDENDS

The Group remains committed to pursue a dividend policy in striking a balance between the Company's need to preserve cash for funding its future growth while ensuring an adequate cash yield for shareholders. After taking into account the capital funding requirements, the Board has proposed a first and final tax-exempt dividend of 1 sen per share for the financial year ended 30 April 2006 for the approval of shareholders at the forthcoming Annual General Meeting.

SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

We remain committed to our responsibility as a corporate citizen and have always seek ways to contribute back to society and the community. In the year under review, financial contribution and community support have been extended to numerous schools in the Seri Kembangan area, namely SJK (C) Serdang Baru 1, SMK Seri Kembangan and SJK (T) Serdang, which involved beautification, maintenance and upgrading of school facilities. We will continue to focus on helping the education needs of the community and hope to play a much bigger role in the future.

Following the success of Child Care Center (CCC) for our employees, the CCC has been further upgraded and now extended to pre-school education child care. On 1 May 2006, the CCC was officially open to the community of Seri Kembangan and renamed "Tadika Keluarga Harmoni & Indah"



Chairman's Statement (cont'd)



The Group, through Environment Management Department (EMD) of Kein Hing Industry Sdn. Bhd., had implemented various environmental friendly systems and safety programs in all its operating factories. Environmental issues and work safety measures have always been given high priority attention throughout the Group.

ACKNOWLEDGEMENT

During the financial year ended 30 April 2006, we bid farewell to our Director, Mr. Tan Teik Soon who resigned on 31 March 2006, and on behalf of the Board, I would like to thank him for his contributions.

I would also like to welcome Mr. Yap Chai Huat and Dato' Hairuddin Bin Mohamed who joined the Board on 31 March 2006 and 22 June 2006 respectively. With their wealth of experience, I am confident that they will provide invaluable support to the Group.

On behalf of the Board, I would like to convey my thanks and appreciation to all the directors, management and employees of the Group for their strong commitment and contribution towards the continued success of our Group. I would also like to take this opportunity to thank our shareholders, customers, business associates, partners and the relevant governmental authorities for their continuing support to the Group.

Tengku Syarif Temenggong Perlis
Dato' Seri Diraja Syed Amir Abidin Jamalullail
Chairman



Statement on Corporate Governance

1. MANAGEMENT WITH INTEGRITY, TRANSPARENCY AND ACCOUNTABILITY

The Board of Kein Hing International Berhad (KHIB) remained fully committed in maintaining high standards of corporate governance throughout KHIB and its subsidiary companies (the Group). The Group believes in the fundamental of corporate governance in discharging its responsibility and promoting corporate accountability with the ultimate objective of enhancing shareholders' value. The Board has adopted, as far as practicable, the key Principles and Best Practices of the Malaysian Code on Corporate Governance (the Code).

As such, the Board strives to adopt the underlying principles of the Code based on the practice of substance over form. In preparing this report, the Board has considered the manner in which it has applied the Principles of the Code and Best Practices.

2. DIRECTORS

The Board Balance and Responsibility

The Board comprises nine (9) members, of which three (3) are Executive Directors and six (6) are Non-Executive Directors. Four (4) out of the six (6) Non-Executive Directors are Independent. This is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) which states that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. All Independent Non-Executive Directors are independent of management and free of any relationship that could interfere with their exercise of independent judgement.

The Directors have wide exposure such as in accountancy, banking, law, marketing, R&D, enforcement and business and together they bring along a wealth of experience and expertise which is vital to determine an objective outlook of the Group. The profile of each Director is set out on pages 4 and 7 of this Annual Report. The Board is satisfied that no individual or group of individuals dominates the Board's decision-making process.

Both the Non-Executive Chairman and the Managing Director have distinct and separate roles. The Non-Executive Chairman is responsible for effective operation and performance of the Board whilst the Managing Director is responsible for the Management of the Group.

With the right mix of size, experience, knowledge and expertise, the Board provided the means for effective management and direction, which are vital for the strategic success of the Group.

The four (4) Independent Non-Executive Directors fulfill an important role in corporate accountability as they furnish a balanced and independent view to the Board, particularly on issues pertaining to shareholders, stakeholders and various communities in which the Group operates.

The Board recognises the need to appoint a Senior Independent Non-Executive Director, as prescribed under the Best Practices of the Code. As such, Mr. Swee Soo Mang has been appointed Senior Independent Non-Executive Director to facilitate effective communication with other members and shareholders.

Certain responsibilities of the Board have been delegated to three (3) committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, which operate within clearly defined terms of reference and finally reports to the Boards. Ultimately, the decisions and responsibilities will be assumed by the Board.

Apart from statutory, strategic, policy, investment, performance and control responsibilities, the Board has a pivotal role in adopting the Corporate Governance in the Group, which include strategic directions and review of key initiatives and decisions of the Group.

The Board conducts regular meetings for full financial and business reviews and discussions.

Statement on Corporate Governance (cont'd)

The Board met five (5) times during the financial year ended 30 April 2006 and details of the Directors' attendance are as appended below:-

Directors	Number of meetings Attended
Y.A.M Tengku Syarif	4/5
Yap Toon Choy	5/5
Yong Elaine	5/5
Liew Choon Fong	5/5
Shingo Muramoto	4/5
Swee Soo Mang	5/5
Darshan Singh a/l Balwant Singh	5/5
Tan Teik Soon#	3/5
Yap Chai Huat*	0/0
Shigeaki Sugiyama##	0/1

Resigned on 31 March 2006

Resigned on 15 July 2005

* Appointed on 31 March 2006

Supply of information

Reports and Board papers on operational, financial and corporate issues as well as minutes of Board and Committees' meetings are circulated in advance to all Board Members prior to the meetings. Sufficient time is provided to enable the Directors to review and to obtain further information. Further details or supplementary information may be provided when the needs arise.

All the Directors have direct access to the advice and services of Senior Management and the Company Secretary in carrying out their duties. Independent professional advice can be sought if circumstances necessitate it, and with the consent of the Board.

Directors' Training

All Directors have attended the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities. The Directors will continue to undergo other relevant training programme to further enhance their skill and knowledge where relevant, especially the requirement to attend Continuing Education Programme (CEP) recommended by Bursa Securities.

In compliance with the revised Listing Requirement of Bursa Securities on continuous training for Directors, the Board of Directors also attended a briefing on the new accounting standards and reporting updates by Mr. Loong Ding Tong, the Financial Controller of the Group. The Directors are continually updated by the Company Secretary on new issues of Practice Notes relating to changes/amendments to the Listing Requirements of Bursa Securities and the relevant authorities, where applicable.

Statement on Corporate Governance (cont'd)

Appointment to the Board

In line with the best practices of the Code, a Nomination Committee was set up on 6 December 2004 and is entrusted with the following responsibilities:-

The functions of the Nomination Committee include:-

- review and recommend to the Board the optimal size of the Board.
- review and recommend the required mix of skills, experience and other attributes, including core competencies of all the Directors.
- consider candidates for directorship proposed by the Group Managing Directors, by other senior executive, Directors or shareholders, in making its recommendation.
- assess the transparency of procedures for proposing new nominees to the Board and committees of the Board.
- assess the effectiveness of the Board as a whole and the contribution made by each individual Director and Committee member.

The Nomination Committee comprises three (3) Non-Executive Directors, majority of whom are Independent Directors. The members of Nomination Committee are as follows:-

Nomination Committee Members	Directorship
Darsan Singh a/l Balwant Singh (Chairman)	Independent Non-Executive Director
Y.A.M Tengku Syarif	Non-Independent Non-Executive Chairman
Swee Soo Mang*	Independent Non-Executive Director
Yap Chai Huat#	Independent Non-Executive Director

* Resigned on 22 June 2006

Appointed 22 June 2006

Re-election of Directors

In accordance with Articles of Association of the Company, one-third (1/3) of the Directors are required by rotation to submit themselves for re-election by shareholders at every Annual General Meeting (AGM).

All Directors are required to submit themselves for re-election by shareholders at the AGM, at least once for every three (3) years to comply with the Code.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election.

3) DIRECTORS' REMUNERATION

In compliance with the Code, a Remuneration Committee was set-up on 6 December 2004 and is entrusted with the following responsibilities:-

- a) Recommend to the Board the remuneration packages for the Executive and Non-Executive Directors.
- b) Assist the Board in assessing the responsibility and commitment undertaken by the Board membership.
- c) Assist the Board in ensuring the remuneration packages for the Directors reflect the responsibility and commitment of the Directors concerned.

Statement on Corporate Governance (cont'd)

The members of the Committee, which comprise a majority of Non-Executive Directors, are as follows:

Member	Directorship
Darsan Singh a/l Balwant Singh (Chairman)	Independent Non-Executive Director
Y.A.M Tengku Syarif	Non-Independent Non-Executive Chairman
Yap Toon Choy	Group Managing Director

Details of the remuneration for the Directors of the Company for the financial year ended 30 April 2006 are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Fees	-	-
Emoluments	971	-
Benefit-in-kind	101	-

The number of Directors of the Company whose total remuneration falls within the following Bands:-

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	-
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	1	-
RM750,001 to RM800,000	1	-

4. SHAREHOLDERS

The Board acknowledges the importance of accountability and timely communication with its shareholders and stakeholders.

The annual reports and quarterly announcements remain the principal form of communication providing shareholders with an overview of the Group's activities and performance. The AGM provides the principal platform for dialogue and avenue for direct interaction between shareholders and investor of which they have the opportunity to raise questions on operations, financial and other major developments affecting the Group. The Board encourages active participation by the shareholders at General Meeting or to raise questions pertaining to the operations or financials of the Group. Alternatively, shareholders can seek additional information through the Group's website: www.keinhing.com.

5. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and fair assessment of the Group financial performance and to ensure that due care and reasonable steps taken in regards to the compliance of the applicable accounting standards in all material aspect. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting.

A statement by the Directors of their responsibilities for preparing the financial statements is set out under the Statement on Directors' Responsibility on page 26 of this Annual Report.

Statement on Corporate Governance (cont'd)

Internal Control

The Board recognises their responsibilities for overall internal control of the Group including but not limited to financial, operation, compliance and risk management. Adherence to the Code will be observed. The Statement of Internal Control are furnished on pages 24 and 25 of this Annual Report.

Relationship with Auditors

Through the Audit Committee, the Group has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

6. OTHERS

Utilisation of proceeds

The total gross proceeds raised by the Company from its floatation exercise have been fully utilised in the following manner as at the end of financial year under review:-

	Proposed Utilisation RM'000	Utilised RM'000
Working capital	3,070	3,497
Listing expenses	2,000	1,573*
Total proceeds	5,070	5,070

* The sum of RM1.573 million represents the actual amount of listing expenses incurred. The unutilised amount of RM0.427 million has been re-allocated to the Group's working capital requirement.

Material Contracts

During the financial year under review, there were no material contracts, including those related to loans, entered into by the Company and/or subsidiary companies, which involved Directors' and substantial shareholders' interests.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Group, Directors or Management by the relevant regulatory bodies.

Revaluation Policy of Landed Properties

The revaluation policy of the Group in relation to its landed properties is set out in Note 1 (d) to the Financials Statements on pages 38 and 39 of this Annual Report.

American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the company did not sponsor any ADR or GDR programme.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year under review.

Option, Warrants or Convertible Securities

No option, warrants or convertible securities were issued during the financial year under review.

Non-Audit Fees

There were no Non-Audit Fees paid to the External Auditors during the financial year under review.

Statement on Corporate Governance (cont'd)

Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

Details of the Group's RRPTs made during the financial year ended 30 April 2006 pursuant to the shareholders' mandate obtained by the Company at the Second Annual General Meeting held on 6 October 2005 are as follows:-

No.	Types of RRPTs	Relationship with the Company	Names of Related Parties (Interested Director, Substantial Shareholder and person connected to them)	Aggregate Value of the RRPTs during the financial year ended 30 April 2006 (RM)
1.	Kein Hing Sdn Bhd ("KHI") rented apartments, residential premises and factory space from T.C. Yap Holdings Sdn. Bhd. ("TCY Holdings").	TCY Holdings is a person connected to Yap Toon Choy and Yong Elaine, Directors and Substantial Shareholders of the Company	Yap Toon Choy and Yong Elaine	238,650
2.	KHI rented the factory to Hirotako Kein Hing Sdn. Bhd. ("HKH").	HKH is a person connected to Yap Toon Choy, Director and Substantial Shareholder of the Company	Yap Toon Choy and Yong Elaine	24,000
3.	KHI rented premises to Microtechno Precision (M) Sdn. Bhd. ("MPSB").	MPSB is a person connected to Yap Toon Choy, Director and Substantial Shareholder of the Company and Shigeaki Sugiyama, Director and Shareholder of the Company *	Yap Toon Choy, Shigeaki Sugiyama and Yong Elaine	180,000
4.	KHI purchased home appliances and electronics products Kein Hing and Appliances Sdn. Bhd. ("KHA").	KHA is a person connected from to Yap Toon Choy, Director Substantial Shareholder of the Company and Liew Choon Fong, Director and Shareholder of the Company	Yap Toon Choy, Liew Choon Fong and Yong Elaine	215,480
5.	KHI sub-contracted tooling and metal stamping work to S & Y Metal Stamping Sdn. Bhd. ("S&Y").	S&Y is a person connected to Yap Toon Choy and Yong Elaine, Directors and Substantial Shareholders of the Company	Yap Toon Choy and Yong Elaine	3,702,721 **
6.	KHI produced automobile components for HKH	HKH is a person connected to Yap Toon Choy, Director and Substantial Shareholder of the Company	Yap Toon Choy and Yong Elaine	11,896,831

Statement on Corporate Governance (cont'd)

No.	Types of RRPTs	Relationship with the Company	Names of Related Parties (Interested Director, Substantial Shareholder and person connected to them)	Aggregate Value of the RRPTs during the financial year ended 30 April 2006 (RM)
7.	KHI produced electrical components for Muramoto Technics (Malaysia) Sdn. Bhd. ("MTM")	MTM is a person connected to Yap Toon Choy, Director and Substantial Shareholder of the Company and Shingo Muramoto, Director and Shareholder of the Company	Yap Toon Choy, Shingo Muramoto and Yong Elaine	31,659,130
8.	KHI received management fees from HKH for the provision of administration services.	HKH is a person connected to Yap Toon Choy, Director and Substantial Shareholder of the Company	Yap Toon Choy and Yong Elaine	120,000
9.	KHI received rental from HKH for the provision of production facilities.	HKH is a person connected to Yap Toon Choy, Director and Substantial Shareholder of the Company	Yap Toon Choy and Yong Elaine	-
10.	KHI rented factory space to MTM.	MTM is a person connected to Yap Toon Choy, Director and Substantial Shareholder of the company and Shingo Muramoto, Director and Shareholder of the Company	Yap Toon Choy, Shingo Muramoto and Yong Elaine	351,000

Note:-

* Mr. Shigeaki Sugiyama had resigned as a Director of the Company on 25 July 2005.

** The amount incurred for the period from 7 October 2005 to 30 April 2006 for exempted transaction pursuant to Paragraph 10.08 subsection 9(b), Part E of the Listing Requirements.

Share Buy-Back

There were no share buy-backs by the Company during the financial year under review.

Variation of Results

There was no material variance between the results for the financial year and the unaudited results previously announced by the Group.

Audit Committee Report

COMPOSITION

The Audit committee comprises the following Directors:-

Members	Designations
Swee Soo Mang (Chairman)	Independent Non-Executive Director
Darshan Singh a/l Balwant Singh	Independent Non-Executive Director
Liew Choon Fong	Executive Director
Yap Toon Choy	Group Managing Director
Yap Chai Huat *	Independent Non-Executive Director
Tan Teik Soon#	Independent Non-Executive Director

* Appointed on 31 March 2006

Resigned on 31 March 2006

TERMS OF REFERENCE OF THE AUDIT COMMITTEE.

1) Appointment/Composition:

- 1.1 The members of the Committee shall be appointed by the Board.
- 1.2 The Audit Committee shall consist of not less than three (3) members of whom:
 - a) a majority shall be Independent Directors;
 - b) at least one (1) member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants,
 - a) he must have at least three (3) years' working experience; and
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - b) he must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
 - c) he must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 1.3 No Alternate Director shall be appointed as a member of the Committee.
- 1.4 A quorum shall be two (2) members and composed of a majority of Independent Directors.

Audit Committee Report (cont'd)

- 1.5 The Chairman of the Committee shall be appointed by the members of the Committee among their number who is an Independent Director.
- 1.6 The Board must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.
- 1.7 The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

2) Meetings:

- 2.1 Meetings shall be held not less than four (4) times in a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee members, the Company's Chairman/CEO or the internal or external Auditors if they consider it necessary.
- 2.2 Meeting will be attended by the members of the Committee and the Company Secretary who shall act as the Secretary, or any representative of the Secretary.
- 2.3 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and external Auditors.

3) Authority:

- 3.1 The Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Committee to discharge its duties.
- 3.2 The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
 - (a) have authority to investigate any matter within its terms of reference;
 - (b) have the resources which are required to perform its duties;
 - (c) have full and unrestricted access to any information pertaining to the Company;
 - (d) have direct communication channels with the external Auditors and person(s) carrying out the internal audit function or activity (if any);
 - (e) be able to obtain independent professional or other advice; and
 - (f) be able to convene meetings with the external Auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

4) Functions and Responsibilities:

The functions and responsibilities of the Committee shall include the following:

- (a) to discuss and liaise with the external Auditors to ensure the smooth implementation of the audit plan, review and forward the evaluation of the system of internal controls and audit report to the Board;

Audit Committee Report (cont'd)

- (b) to review the assistance given by employees of the Group to the external Auditors;
- (c) to review the external Auditor's management letter and management's response;
- (d) to do the following where an internal audit function exists:-
 - to review the adequacy of the scope, functions and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
 - to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (e) to review quarterly report and annual financial statements prior to the approval of the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
- (f) to review any related party transactions and conflict of interest situation that may rise within the Company and the Group including any transaction, procedure or course of conduct that raise questions of management integrity;
- (g) to review and report to the Board any letter of resignation from the external Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's external Auditors are not suitable for re-appointment;
- (h) to make recommendations concerning the appointment of the external Auditors and their remuneration to the Board;

The reports of the Committee and the external and internal Auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

5) Minutes:

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee and the Board of Directors.

6) Audit Committee Report:

The Committee shall ensure that an audit committee report is prepared at the end of each financial year that complies with subparagraph (6.1) and (6.2) below:

- 6.1 The audit committee report shall be clearly set out in the Annual Report of the Company;
- 6.2 The audit committee report shall include the following:
 - (a) the composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
 - (b) the terms of reference of the Committee;
 - (c) the number of Committee meetings held during the financial year end and details of attendance of each member;

Audit Committee Report (cont'd)

- (d) a summary of the activities of the Committee in the discharge of its functions and duties for that financial year of the Company; and
- (e) the existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanism that exist to enable the Committee to discharge its functions effectively.

7) Reporting of Breaches to the Bursa Securities

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Bursa Securities, the Committee shall promptly report such matter to the Bursa Securities.

SUMMARY OF ACTIVITIES

During the year under review, the Committee carried out its duties in accordance with its Terms of Reference. These include:-

- i) Reviewed the quarterly financial result announcements of the Group prior to the Board of Directors' approval and releasing the results to the Bursa Securities.
- ii) Reviewed audited accounts and Annual Report for the financial year ended 30 April 2006.
- iii) Reviewed external auditors' scope of works and plan.
- iv) Reviewed the extent of application and compliance of principles and best practices set out in the Code.
- v) Reviewed the related party transactions of the Company.
- vi) Reviewed the internal audit functions and the recommendations of the internal auditors' findings.

During the financial year ended 30 April 2006, the Audit Committee met six (6) times and the details of the attendance are as follows:-

	Attendance
Swee Soo Mang	6/6
Liew Choon Fong	6/6
Yap Toon Choy	1/6
Darshan Singh a/l Balwant Singh	6/6
Tan Teik Soon#	4/6
Yap Chai Huat*	0/0

Resigned on 31 March 2006

* Appointed on 31 March 2006

Audit Committee Report (cont'd)



INTERNAL AUDIT FUNCTION

The Audit Committee approves the Internal Audit Plan that is developed on risk analysis approach at beginning of each year. The scope of Internal Audit covers the audits of all financial and operational matters including of those of subsidiaries. Other main activities include auditing of:

- Revenue assurance;
- Financial management and operations;
- Marketing and sales activities;
- Security, controls, operations and development information system;
- Network availability, serviceability and quality;
- Support service operations; and
- Local subsidiaries.

The Group does not have an Internal Audit Department. The internal audit function was out-sourced to Messrs BDO Governance Advisory Sdn. Bhd. The Internal Audit reports are submitted to Audit Committee based on a quarterly audit plan as well as additional reports based on special requests by Management.

Additionally, the Internal Auditors works closely with the external auditors to resolve accounting and control issues of the organization as raised by them to ensure that significant issues are appropriately and effectively addressed by the Management personnel concerned.



Statement On Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires the Board of Directors of listed companies to maintain a sound system of internal control so as to safeguard their respective assets and shareholders' interests. The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") also require directors of listed companies to include a statement in their respective annual reports on the state of their internal controls. In pursuance thereof, the Board of Directors ("Board") of Kein Hing International Berhad ("Kein Hing") is pleased to set out below its Statement of Internal Control for Kein Hing and its subsidiary companies ("the Group") which was prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Companies issued by the Bursa Securities Task Force on Internal Control. The Board believes the practice of good corporate governance is an important continuous process and not just a matter to be covered as compliance in its annual report.

RESPONSIBILITY

The Board affirms its responsibility to maintain an adequate system of internal control in the Group. The Board has delegated the responsibility of reviewing the adequacy and integrity of the internal control system to the Audit Committee. However, the Board is aware that such a system cannot totally eliminate risks and thus there can never be an absolute assurance against the Group failing to achieve its objectives or making material losses.

INTERNAL CONTROL ENVIRONMENT AND KEY INTERNAL CONTROL PROCESSES

The current system of internal control in the Group has the following key elements:-

- A Board which retains control over the Group and monitors the Management to ensure that the Group's operations are in accordance with the corporate objectives and strategies.
- The management structure is clearly defined by means of organization charts.
- Financial results are reviewed quarterly by the Audit Committee and the Board.
- Key responsibilities are properly segregated.
- Periodic Board meetings to review business operations, performance and approve significant transactions.
- Periodic management meetings to review matters such as operation, business strategies and human resources development.
- An annual budget is prepared to facilitate monitoring of the Group's financial performance. The actual financial performance is reviewed on a monthly basis against the budget.

INTERNAL AUDIT AND RISK MANAGEMENT FRAMEWORK

The Audit Committee's responsibilities include:-

- To review the adequacy of the scope, functions and resources of the internal audit functions, and that it has the necessary authority to carry out its work.
- To review quarterly report and annual statements prior to the approval of the Board.

At the end of the previous financial year, the Group outsourced its internal audit function to BDO Governance Advisory Sdn Bhd ("BDOGA") to assist the Audit Committee in discharging its duties in all aspect of internal control within the Group. BDOGA provides the Board with reasonable assurance it requires regarding the adequacy and integrity of the system of internal control. BDOGA reviews the Group's internal control system and report to the Audit Committee.

BDOGA completed two internal control reviews on the Group's operation. Internal audit reports have been tabled at the Audit Committee meeting held in September 2005 and June 2006. The opinions on the systems of internal controls in these reviews are SATISFACTORY.

Statement On Internal Control (cont'd)

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the type of business and size of the Group. As such, the Board, in striving for continuous improvement will put in place appropriate actions, when necessary, to further enhance the Group's system of internal control.

CONCLUSION

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Management of the Company continues to take measures to strengthen the internal control environment.



Statement on Directors' Responsibilities in Relations to The Financial Statements

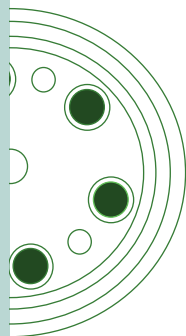
As required by the Companies Act, 1965 ("the Act") and Listing Requirements of Bursa Securities, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Acts.

The Directors have confident that the financial statements for the year ended 30 April 2006 have been prepared in accordance with:-

- Appropriate accounting policies which have been consistently applied;
- Reasonable and prudent judgements and estimates; and
- All applicable accounting standards, which are strictly adhered to.

The Directors are responsible for ensuring that the Group maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that financial statements comply with the Act.

The Board has also assured that reasonable steps in prevention and detection of fraud have been taken to safeguard the assets of the Group.



Directors' Report

for the year ended 30 April 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 April 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	1,918,150	1,500,484

RESERVES AND PROVISIONS

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

DIVIDEND

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 4.0% totalling RM1,980,000 in respect of the year ended 30 April 2005 on 21 November 2005.

The final dividend recommended by the Directors in respect of the year ended 30 April 2006 is 2.0% tax exempt totalling RM990,000.

DIRECTORS OF THE COMPANY

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

Tengku Syarif Temenggong Perlis Dato'
Seri Diraja Syed Amir Abidin Jamalullail
Shingo Muramoto
Yap Toon Choy
Yong Elaine
Liew Choon Fong
Darsan Singh A/L Balwant Singh
Swee Soo Mang
Yap Chai Huat (Appointed on 31 March 2006)
Dato' Hairuddin Bin Mohamed (Appointed on 22 June 2006)
Tan Teik Soon (Resigned on 31 March 2006)

Directors' Report

for the year ended 30 April 2006 (cont'd)

DIRECTORS OF THE COMPANY (cont'd)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.5.2005/ Date of appointment	Bought	Sold	At 30.4.2006
Company				
Direct interest				
Tengku Syarif Temenggong Perlis Dato'				
Seri Diraja Syed Amir Abidin Jamalullail	5,382,200	-	-	5,382,200
Yap Toon Choy	32,841,620	-	-	32,841,620
Yap Chai Huat	88,000	2,000	-	90,000
Yong Elaine	20,400,820	-	-	20,400,820
Liew Choon Fong	363,250	-	-	363,250
Indirect interest*				
Shingo Muramoto	4,134,600	238,000	-	4,372,600

	Legal capital of USD1 each			
	At 1.5.2005	Bought	Sold	At 30.4.2006
Kein Hing Muramoto (Vietnam) Co.,Ltd				
Indirect interest*				
Shingo Muramoto	588,000	245,000	-	833,000

* Deemed interest in shares held by virtue of Section 6A(4)(c) of the Companies Act, 1965

By virtue of their interest in the shares of the Company, the Directors are also deemed interested in the shares of all subsidiaries of the Company to the extent that the Company has an interest.

None of the other Directors holding office at 30 April 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

Directors' Report

for the year ended 30 April 2006 (cont'd)

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take-up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 April 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Signed in accordance with a resolution of the Directors:

.....
Yap Toon Choy

.....
Yong Elaine

Selangor Darul Ehsan,
Date: 17 August 2006

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

In the opinion of the Directors, the financial statements set out on pages 9 to 47 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 April 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....
Yap Toon Choy

.....
Yong Elaine

Selangor Darul Ehsan,
Date: 17 August 2006

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

I, Loong Ding Tong, the officer primarily responsible for the financial management of Kein Hing International Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 47 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 17 August 2006.

.....
Loong Ding Tong

Before me:

Barathan a/l Sinniah @ Chinniah
No. W202
Commissioner for Oaths
Kuala Lumpur

Report of the Auditors to the Members of Kein Hing International Berhad

We have audited the financial statements set out on pages 9 to 47. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 30 April 2006 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 4 to the financial statements and we have considered their financial statements and the auditors' report thereon.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong

Partner
Approval Number: 2613/12/06(J)

Kuala Lumpur,

Date: 17 August 2006



Balance Sheets

at 30 April 2006

	Note	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Property, plant and equipment	2	89,155,568	85,167,396	372,463	-
Intangible assets	3	3,239,097	3,483,854	-	-
Investments in subsidiaries	4	-	-	52,258,293	51,329,850
Investments in associates	5	1,801,105	1,134,930	811,383	310,661
Other investments	6	249,000	621,000	-	-
Current assets					
Inventories	7	13,078,451	15,217,323	-	-
Trade and other receivables	8	18,189,524	22,163,724	26,300	90,496
Tax recoverable		232,826	-	-	-
Cash and cash equivalents	9	5,519,633	12,047,491	146,158	564,676
		37,020,434	49,428,538	172,458	655,172
Current liabilities					
Trade and other payables	10	17,029,852	22,551,087	1,852,118	248,108
Borrowings	11	19,413,291	22,038,560	93,360	-
Taxation		-	97,021	-	-
		36,443,143	44,686,668	1,945,478	248,108
Net current assets/(liabilities)		577,291	4,741,870	(1,773,020)	407,064
		95,022,061	95,149,050	51,669,119	52,047,575
Financed by:					
Capital and reserves					
Share capital	12	49,500,000	49,500,000	49,500,000	49,500,000
Reserves		10,376,212	10,661,741	2,068,059	2,547,575
Shareholders' funds		59,876,212	60,161,741	51,568,059	52,047,575
Minority shareholders' interests	13	2,556,183	1,573,590	-	-
Long term and deferred liabilities					
Amount due to Directors	10	4,677,940	5,245,560	-	-
Borrowings	11	19,866,726	19,619,159	101,060	-
Deferred tax liabilities	14	8,045,000	8,549,000	-	-
		95,022,061	95,149,050	51,669,119	52,047,575

The financial statements were approved and authorised for issue by the Board of Directors on 17 August 2006.

The notes set out on pages 38 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statements

for the year ended 30 April 2006

	Note	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Revenue	15	125,930,532	91,089,670	1,980,000	-
Operating profit/(loss)	15	4,613,770	9,344,700	1,517,904	(119,958)
Interest expense	17	(2,703,931)	(1,687,291)	(16,595)	-
Interest income		53,942	51,306	-	3,103
Share of (loss)/profit of associates		(68,369)	576,335	-	-
Profit/(Loss) before taxation		1,895,412	8,285,050	1,501,309	(116,855)
Tax expense - Subsidiaries	18	(82,558)	(710,286)	(825)	-
- Associates	18	13,822	(21,146)	-	-
Profit/(Loss) after taxation		1,826,676	7,553,618	1,500,484	(116,855)
Minority interest		91,474	469,082	-	-
Net profit/(loss) for the year		1,918,150	8,022,700	1,500,484	(116,855)
Basic earnings per ordinary share (sen)	19	1.94	12.00		
Dividends per ordinary share (sen)	20	1.00	2.00		

The notes set out on pages 38 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Changes in Equity

for the year ended 30 April 2006

Group	Note	Share capital RM	Share premium RM	Translation reserve RM	--Non-distributable-- Distributable (Accumulated loss)/ Retained profits RM	Total RM
At 1 May 2004		1	-	-	(4,562)	(4,561)
Issue of shares	12	49,499,999	4,242,316	-	-	53,742,315
Expenses not recognised in income statement						
- Share issue expenses		-	(1,573,324)	-	-	(1,573,324)
Net profit for the year		-	-	-	8,022,700	8,022,700
Exchange differences on translation of the financial statements of a foreign subsidiary		-	-	(25,389)	-	(25,389)
At 30 April 2005	12	49,500,000	2,668,992	(25,389)	8,018,138	60,161,741
Net profit for the year		-	-	-	1,918,150	1,918,150
Exchange differences on translation of the financial statements of a foreign subsidiary		-	-	(223,679)	-	(223,679)
Dividend paid	20	-	-	-	(1,980,000)	(1,980,000)
At 30 April 2006		49,500,000	2,668,992	(249,068)	7,956,288	59,876,212

Note 12

Company	Note	Non-distributable			Total RM
		Share capital RM	Share premium RM	Accumulated losses RM	
At 1 May 2004		1	-	(4,562)	(4,561)
Issue of shares	12	49,499,999	4,242,316	-	53,742,315
Expenses not recognised in income statement					
- Share issue expenses		-	(1,573,324)	-	(1,573,324)
Net loss for the year		-	-	(116,855)	(116,855)
At 30 April 2005		49,500,000	2,668,992	(121,417)	52,047,575
Net profit for the year		-	-	1,500,484	1,500,484
Dividend paid	20	-	-	(1,980,000)	(1,980,000)
At 30 April 2006		49,500,000	2,668,992	(600,933)	51,568,059

Note 12

The notes set out on pages 38 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statements

for the year ended 30 April 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash flows from operating activities				
Profit/(Loss) before taxation	1,895,412	8,285,050	1,501,309	(116,855)
Adjustments for:				
Allowance for diminution in value of investments in subsidiaries	-	-	252,845	-
Amortisation of land use rights	78,982	83,363	-	-
Depreciation of property, plant and equipment	9,433,984	5,531,210	5,033	-
Dividend income	-	-	(1,980,000)	-
Impairment loss on plant and machinery	250,000	-	-	-
Interest expense	2,703,931	1,687,291	16,595	-
Interest income	(53,942)	(51,306)	-	(3,103)
Loss/(Gain) on disposal of property, plant and equipment	12,329	(55,476)	-	-
Amortisation of negative goodwill of associates	(220,000)	(2,697,419)	-	-
Property, plant and equipment written off	21,875	2,349	-	-
Share of loss/(profit) of associates	68,369	(576,335)	-	-
Unrealised loss on foreign exchange	178,158	-	-	-
Operating profit/(loss) before working capital changes	14,369,098	12,208,727	(204,218)	(119,958)
Changes in working capital:				
Inventories	2,138,872	(517,337)	-	-
Trade and other receivables	3,972,200	(1,962,279)	64,196	(90,496)
Trade and other payables	(5,699,393)	5,402,383	(80,000)	(341,962)
Cash generated from/(used in) operations	14,780,777	15,131,494	(220,022)	(552,416)
Tax paid	(914,405)	(258,975)	(825)	-
Net cash generated from/(used in) operating activities	13,866,372	14,872,519	(220,847)	(552,416)

Cash Flow Statements

for the year ended 30 April 2006 (cont'd)

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Cash flows from investing activities				
Acquisition of shares in associates	(500,722)	(269,080)	(500,722)	(310,661)
Acquisition of other investment	(5,000)	-	-	-
Acquisition of subsidiaries, net of cash acquired	-	836,377	-	(51,329,850)
Dividend received	-	-	1,980,000	-
Acquisition of additional shares in an unquoted subsidiary	-	-	(956,288)	-
Incorporation of a subsidiary	-	-	(225,000)	-
Proceeds from disposal of other investments	377,000	17,680	-	-
Proceeds from disposal of property, plant and equipment	57,914	567,996	-	-
Proceeds from issuance of shares to minority shareholders	1,074,067	-	-	-
Purchase of intangible assets	(1,609)	(3,567,217)	-	-
Purchase of property, plant and equipment (ii)	(6,856,229)	(9,804,289)	(377,496)	-
Interest received	53,942	51,306	-	3,103
Increase in pledged deposits with licensed bank	(14,575)	-	-	-
Net cash used in investing activities	(5,815,212)	(12,167,227)	(79,506)	(51,637,408)
Cash flows from financing activities				
Advances from a subsidiary	-	-	1,684,010	-
Deferred expenditure	-	(987,816)	-	(987,816)
Proceeds from issuance of shares	-	5,070,000	-	53,742,315
Proceeds from term loans	-	1,000,000	280,000	-
Repayment of advance to a Director	(567,620)	-	-	-
Repayments of hire purchase liabilities	(4,623,012)	(3,983,071)	-	-
Repayments of term loans	(2,799,147)	(1,249,128)	(85,580)	-
(Repayment of)/proceeds from other borrowings	(2,200,849)	8,407,474	-	-
Dividends paid	(1,980,000)	-	(1,980,000)	-
Interest paid	(2,703,931)	(1,687,291)	(16,595)	-
Net cash (used in)/generated from financing activities	(14,874,559)	6,570,168	(118,165)	52,754,499

Cash Flow Statements

for the year ended 30 April 2006 (cont'd)

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Exchange differences on translation of the financial statements of foreign operations	(223,679)	-	-	-
Net (decrease)/increase in cash and cash equivalents	(7,047,078)	9,275,460	(418,518)	564,675
Cash and cash equivalents at beginning of year	9,275,461	1	564,676	1
Foreign exchange differences on opening balance	664,440	-	-	-
Cash and cash equivalents at end of year (i)	2,892,823	9,275,461	146,158	564,676

(i) *Cash and cash equivalents*

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

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Cash and bank balances	4,396,762	11,003,231	146,158	564,676
Deposits placed with licensed banks (excluding deposits pledged)	1,022,896	958,860	-	-
Bank overdrafts	(2,526,835)	(2,686,630)	-	-
	2,892,823	9,275,461	146,158	564,676

(ii) *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM14,261,330 (2005 - RM15,999,506) of which RM7,405,101 (2005 - RM6,195,217) was acquired by means of hire purchases.

The notes set out on pages 38 to 63 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investment.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

Freehold land is stated at cost less impairment loss, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

The Group revalues its property comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets are expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the lease period of 99 years. The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Freehold and leasehold buildings	2%
Plant and machinery, electrical installations and factory equipment	7% - 25%
Office equipment, furniture and fittings and renovation	5% - 20%
Motor vehicles	10%-20%

(e) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment loss. [refer Note 1(j)]

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent that negative goodwill relates to expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

Goodwill/Negative goodwill is amortised from the date of initial recognition over its estimated useful life of 10 years.

(ii) *Land use rights*

Land use rights are stated at cost less accumulated depreciation. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right. Amortisation is computed on a straight-line basis over 43 years.

Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Investments

Long term investments other than in subsidiaries and associates, are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investments in subsidiaries and associates are stated at cost in the Company, less impairment loss where applicable.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in first-out (FIFO) method and includes all direct expenditure incurred in bringing the inventories to their present location and condition. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(h) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(i) Cash and cash equivalents

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

(j) Impairment

The carrying amount of assets, other than inventories and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Accounting for hire purchase

Property, plant and equipment held under hire purchase are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining capital payments are treated as liability.

(m) Employee benefits

(i) *Defined contribution plan*

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

(ii) *Short term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(n) Capitalisation of borrowing costs

Borrowing costs incurred on building under construction is capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

(o) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2006	2005
1USD	RM3.65	RM3.80
1SGD	RM2.20	RM2.28
100Yen	RM3.35	RM3.55
1000VND	RM0.23	RM0.24

(q) Revenue

(i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(iii) Dividend income

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

(r) Expenses

(i) Financing costs

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note 1(n), are expensed as incurred. The interest component of hire purchase payments are recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

Notes to the Financial Statements (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Freehold buildings	Leasehold land	Leasehold buildings	and factory equipment	Plant and machinery, electrical installations fittings and renovation	Office equipment, furniture and Motor vehicles	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM
At 1 May 2005	7,591,881	14,817,151	2,039,332	6,611,945	49,019,857	5,096,060	5,003,071	90,179,297
Additions	125,832	601,664	591,220	131,321	10,814,786	1,566,090	430,417	14,261,330
Disposals	-	-	-	-	(216)	(2,260)	(155,857)	(158,333)
Written off	-	-	-	-	(30,069)	(68,671)	-	(98,740)
Exchange differences	-	-	-	(158,326)	(270,644)	(10,818)	672	(439,116)
At 30 April 2006	7,717,713	15,418,815	2,630,552	6,584,940	59,533,714	6,580,401	5,278,303	103,744,438
Accumulated depreciation								
At 1 May 2005	-	179,185	16,295	103,290	4,168,887	444,331	99,913	5,011,901
Charge for the year	-	348,989	24,442	158,690	7,296,930	797,020	807,913	9,433,984
Disposals	-	-	-	-	(106)	(964)	(87,020)	(88,090)
Written off	-	-	-	-	(24,788)	(52,077)	-	(76,865)
Impairment loss for the year	-	-	-	-	250,000	-	-	250,000
Exchange differences	-	-	-	(2,259)	41,257	855	18,087	57,940
Accumulated depreciation	-	528,174	40,737	259,721	11,482,180	1,189,165	838,893	14,338,870
Accumulated impairment losses	-	-	-	-	250,000	-	-	250,000
At 30 April 2006	-	528,174	40,737	259,721	11,732,180	1,189,165	838,893	14,588,870
Net book value								
At 30 April 2006	7,717,713	14,890,641	2,589,815	6,325,219	47,801,534	5,391,236	4,439,410	89,155,568
At 30 April 2005	7,591,881	14,637,966	2,023,037	6,508,655	44,850,970	4,651,729	4,903,158	85,167,396
Depreciation charge for the year ended 30 April 2005	-	179,185	16,295	103,290	4,231,453	458,994	541,993	5,531,210

Notes to the Financial Statements (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Freehold land RM	Freehold building RM	Total RM
Cost			
At 1 May 2005	-	-	-
Additions	125,832	251,664	377,496
At 30 April 2006	125,832	251,664	377,496
Depreciation			
At 1 May 2005	-	-	-
Depreciation charge for the year	-	5,033	5,033
At 30 April 2006	-	5,033	5,033
Net book value			
At 30 April 2006	125,832	246,631	372,463

- a) Certain property, plant and equipment of the Group and of the Company costing RM44,266,655 (2005- RM52,684,005) and RM377,496 (2005- Nil) respectively are charged to banks as security for borrowings (Note 11).
- b) The net book values of property, plant and equipment acquired under hire purchase arrangements are as follows:

	Group 2006 RM	2005 RM
Plant and machinery, electrical installations and factory equipment	14,815,172	11,127,332
Motor vehicles	2,250,595	2,603,582
Office equipment, furniture and fittings and renovation	360,332	-
	17,426,099	13,730,914

Notes to the Financial Statements (cont'd)

3. INTANGIBLE ASSETS

	Group 2006 RM	2005 RM
Land use rights		
Cost		
Opening balance	3,567,217	-
Addition	1,609	3,567,217
Foreign currency translation difference	(171,390)	-
Closing balance	3,397,436	3,567,217
Accumulated amortisation		
Opening balance	83,363	-
Amortisation charge for the year	78,982	83,363
Foreign currency translation difference	(4,006)	-
Closing balance	158,339	83,363
Net book value		
As at 30 April	3,239,097	3,483,854

4. INVESTMENTS IN SUBSIDIARIES

	Company 2006 RM	2005 RM
Unquoted shares, at cost	52,258,293	51,329,850

The principal activities of the subsidiaries, their places of incorporation and the interest of Kein Hing International Berhad are as follows:

Name of company	Principal activities	Country of incorporation	Effective equity interest 2006 %	2005 %
Kein Hing Industry Sdn. Bhd.	Sheet metal forming, precision machining and component assembly	Malaysia	100	100
Kein Hing Appliances Sdn. Bhd.	Trading in electrical and electronics products and home appliances	Malaysia	83	83
Kein Hing Muramoto (Vietnam) Co.,Ltd*	Sheet metal forming, precision machining and assembly of components for electronic, automotive and other industries	Vietnam	51	51
Kein Hing Polychrome (Vietnam) Co.,Ltd#@	Electroplating	Vietnam	70	-

* Audited by a member firm of KPMG International

Consolidated using management accounts

@ Appointment of auditors has not been finalised as the Company was newly incorporated on 24 November 2005

Notes to the Financial Statements (cont'd)

5. INVESTMENTS IN ASSOCIATES

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Unquoted shares, at cost	1,080,463	579,741	811,383	310,661
Share of post-acquisition reserves	500,642	555,189	-	-
Add: Negative goodwill amortised	220,000	-	-	-
	1,801,105	1,134,930	811,383	310,661
Represented by:				
Group's share of net assets other than negative goodwill	2,628,013	2,194,122		
Negative goodwill on acquisition, less amortisation	(839,192)	(1,059,192)		
Goodwill on acquisition	12,284	-		
	1,801,105	1,134,930		

The associates of the Group are as follows:

Name of company	Principal activities	Country of incorporation	Effective equity interest 2006 %	2005 %
Hirotaiko Kein Hing Sdn. Bhd.	Manufacturer of car components	Malaysia	49	49
S&Y Metal Stamping Sdn. Bhd.	Precision metal stamping	Malaysia	28	28
Polychrome Sdn. Bhd.	Electroplating, iron foundries, tinplate makers and smelters	Malaysia	25	-

6. OTHER INVESTMENTS

	Group 2006 RM	2005 RM
At cost:		
Transferable club memberships	274,580	646,580
Less : Allowance for diminution in value of club memberships	(25,580)	(25,580)
	249,000	621,000

The market value of the transferable club memberships is shown in Note 25.

Notes to the Financial Statements (cont'd)

7. INVENTORIES

	Group 2006 RM	2005 RM
At cost:		
Raw materials	5,618,328	6,027,128
Work-in-progress	7,200	5,708,582
Manufactured inventories	636,369	3,481,613
Trading inventories	205,076	-
	6,466,973	15,217,323
At net realisable value:		
Work in progress	4,687,804	-
Manufactured inventories	1,923,674	-
	6,611,478	-
	13,078,451	15,217,323

8. TRADE AND OTHER RECEIVABLES

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Trade receivables	14,965,080	17,673,360	-	-
Less : Allowance for doubtful debts	(275,507)	(282,026)	-	-
	14,689,573	17,391,334	-	-
Other receivables, deposits and prepayments	1,512,469	1,837,316	26,300	90,496
Amount due from associates - trade	1,987,482	2,935,074	-	-
	18,189,524	22,163,724	26,300	90,496

The amount due from associates is unsecured, interest free and is repayable within the next twelve months.

Notes to the Financial Statements (cont'd)

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits placed with licensed banks	1,122,871	1,044,260	-	-
Cash and bank balances	4,396,762	11,003,231	146,158	564,676
	5,519,633	12,047,491	146,158	564,676

Deposits placed with licensed banks of the Group amounting to RM99,975 (2005- RM85,400) are pledged for credit facilities granted to the Group.

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current				
Trade payables	13,691,859	19,108,532	-	-
Other payables and accrued expenses	2,574,189	2,752,231	18,562	98,562
Amount due to a subsidiary - non trade	-	-	1,833,556	149,546
Amount due to an associate - trade	763,804	690,324	-	-
	17,029,852	22,551,087	1,852,118	248,108
Non- current				
Amount due to Directors	4,677,940	5,245,560	-	-

The amount due to Directors is in respect of advances, which are unsecured, interest free and are not repayable within the next twelve months.

The amounts due to a subsidiary and an associate are unsecured, interest free and are repayable within the next twelve months.

Notes to the Financial Statements (cont'd)

11. BORROWINGS

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Current				
Bills payable (secured)	2,868,944	2,402,793	-	-
Bankers' acceptances (secured)	4,985,000	7,652,000	-	-
Bank overdrafts (secured)	2,526,835	2,686,630	-	-
Term loans (secured)	4,195,960	5,551,519	93,360	-
Hire purchase liabilities	4,836,552	3,745,618	-	-
	19,413,291	22,038,560	93,360	-
Non-current				
Term loans (secured)	12,487,639	13,931,227	101,060	-
Hire purchase liabilities	7,379,087	5,687,932	-	-
	19,866,726	19,619,159	101,060	-

Terms and debt repayment schedule

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM
Group					
Secured bills payable					
- variable at 0.7% to 1.5% (2005- 0.7% to 1.5%) above BLR	2,868,944	2,868,944	-	-	-
Secured bankers' acceptances					
- variable at 0.7% to 1.0% (2005 - 0.7% to 1.0%) above the Inter Bank Rate	4,985,000	4,985,000	-	-	-
Secured bank overdrafts					
- variable at 1.0% to 1.5% (2005 - 1.0% to 1.5%) above BLR	2,526,835	2,526,835	-	-	-
Secured term loans					
- fixed at 6.3% to 7.8% (2005 - 6.3% to 7.8%)	1,223,516	1,136,428	87,088	-	-
- variable at 1.0% to 1.8% (2005 - 1.0% to 1.8%) above BLR	15,460,083	3,059,532	3,328,717	6,627,672	2,444,162
Hire purchase liabilities					
- flat at 3.3% to 6.0% (2005 - 3.3% to 6.0%)	12,215,639	4,836,552	4,195,068	3,184,019	-
	39,280,017	19,413,291	7,610,873	9,811,691	2,444,162
Company					
Secured term loans					
- variable at 1% (2005- Nil) above BLR	194,420	93,360	93,360	7,700	-

Notes to the Financial Statements (cont'd)

11. BORROWINGS (cont'd)

Bills payable and bankers' acceptances

Bills payable and bankers' acceptances are secured by fixed charges over the Group's fixed and other assets and are guaranteed by the Company and Directors of the Company.

Bank overdrafts

The bank overdrafts are secured by the following:

- i) fixed charge over the landed properties of the Group;
- ii) corporate guarantee by the Company;
- iii) personal guarantee by Directors of the Company.

Term loans

The term loans are secured by the following:

- i) personal guarantee by Directors of the Company;
- ii) fixed charge over the property, plant and equipment of the Group;
- iii) fixed deposits pledged by the subsidiaries;
- iv) first party second legal charge over the landed property of the Group;
- v) specific debenture covering the fixed charge over the Group's fixed assets;
- vi) guarantee by a related party.

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Payments 2006 RM	Interest 2006 RM	Principal 2006 RM	Payments 2005 RM	Interest 2005 RM	Principal 2005 RM
Less than one year	5,508,680	672,128	4,836,552	4,235,040	489,422	3,745,618
Between one and two year	4,545,936	350,868	4,195,068	3,264,493	375,696	2,888,797
Between two and five year	3,320,898	136,879	3,184,019	2,999,087	199,952	2,799,135
	13,375,514	1,159,875	12,215,639	10,498,620	1,065,070	9,433,550

Notes to the Financial Statements (cont'd)

12. SHARE CAPITAL

	Group and Company 2006 RM	2005 RM
Ordinary shares of RM0.50 each		
Authorised		
Balance at 1 May	50,000,000	100,000
Created during the year	-	49,900,000
Balance at 30 April	50,000,000	50,000,000
Issued and fully paid up		
Balance at 1 May	49,500,000	1
Issued during the year via:		
- Acquisition of subsidiaries	-	45,599,999
- Public issue	-	3,900,000
Balance at 30 April	49,500,000	49,500,000

13. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of the subsidiaries.

It also includes the minority shareholders' interests in Class B ordinary shares of a subsidiary. The Class B ordinary shares rank pari passu in all respects to the other ordinary shares of the subsidiary except that the holder of Class B ordinary shares does not have voting rights in meetings.

Notes to the Financial Statements (cont'd)

14. DEFERRED TAX LIABILITIES

The recognised deferred tax liabilities are as follows:

	Group 2006 RM	2005 RM
Property, plant and equipment	7,900,000	8,400,000
Other taxable temporary differences	222,000	226,000
Provisions	(77,000)	(77,000)
	8,045,000	8,549,000

No deferred tax has been recognised for the following items:

Deductible temporary differences	15,022	2,469
Unabsorbed capital allowances	74,192	54,271
Unutilised tax losses	278,769	1,330,091
	367,983	1,386,831

The following unutilised tax losses expire under foreign tax legislations:

	RM	VND '000
Unutilised tax losses	117,785	515,268

The unutilised tax losses under the foreign tax legislations can be carried forward to off set the taxable profits of subsequent years for up to 5 years from the year in which they were incurred.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

15. OPERATING PROFIT/(LOSS)

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Revenue				
- sale of manufactured goods	124,297,925	89,861,320	-	-
- sale of trading goods	1,632,607	1,228,350	-	-
- dividend income	-	-	1,980,000	-
	125,930,532	91,089,670	1,980,000	-
Cost of manufactured goods	(107,257,179)	(74,761,177)	-	-
Cost of trading goods	(1,482,406)	(1,083,871)	-	-
Gross profit	17,190,947	15,244,622	1,980,000	-
Other operating income	1,153,297	3,419,163	-	-
Distribution costs	(815,547)	(376,856)	-	-
Administration expenses	(12,355,905)	(8,708,947)	(209,251)	(119,958)
Other operating expenses	(559,022)	(233,282)	(252,845)	-
Operating profit/(loss)	4,613,770	9,344,700	1,517,904	(119,958)

Notes to the Financial Statements (cont'd)

15. OPERATING PROFIT/(LOSS) (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Operating profit/(loss) is arrived at after charging:				
Allowance for doubtful debts	-	40,430	-	-
Allowance for diminution in value of investments in subsidiaries	-	-	252,845	-
Auditors' remuneration				
- holding company auditors	60,000	60,000	15,000	15,000
- other auditors	24,793	19,000	-	-
Amortisation of land use rights	78,982	83,363	-	-
Depreciation of property, plant and equipment	9,433,984	5,531,210	5,033	-
Directors' remuneration:				
Fees	-	80,000	-	80,000
Salaries and other emoluments	1,071,760	1,200,000	-	-
Property, plant and equipment written off	21,875	2,349	-	-
Rental of premises	731,489	401,273	-	-
Impairment loss on plant and machinery	250,000	-	-	-
Inventories write down	34,215	-	-	-
Loss on disposal of property, plant and equipment	12,329	-	-	-
Hire of equipment	60,127	30,058	-	-
Unrealised loss on foreign exchange	178,158	-	-	-
and after crediting:				
Gain on disposal of property plant and equipment	-	(55,476)	-	-
Negative goodwill on acquisition	-	(2,697,419)	-	-
Rental income	(555,000)	(478,768)	-	-
Realised foreign exchange gain	(119,582)	(23,715)	-	-
Amortisation of negative goodwill of associates	(220,000)	-	-	-

The estimated monetary value of Directors' benefits-in-kind is RM100,695 (2005 - RM144,500).

16. EMPLOYEE INFORMATION

	Group	
	2006 RM	2005 RM
Staff costs	14,544,568	11,372,110
Defined contribution plan – Employees' Provident Fund	1,374,679	1,159,193
	15,919,247	12,531,303

The number of employees of the Group and of the Company (including Directors) at the end of the year was 694 (2005 - 765) and Nil (2005 - Nil) respectively.

Notes to the Financial Statements (cont'd)

17. INTEREST EXPENSE

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Interest:				
Bank overdrafts	258,202	151,818	-	-
Hire purchase	847,590	539,398	-	-
Term loans	1,292,348	876,682	16,595	-
Others	305,791	119,393	-	-
	2,703,931	1,687,291	16,595	-

18. TAX EXPENSE

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Current tax expense				
- Current	640,000	501,587	-	-
- Prior year	(55,442)	32,699	825	-
Deferred tax expense	584,558	534,286	825	-
- (Reversal)/Origination of temporary differences	(504,000)	176,000	-	-
- Prior year		2,000		
Tax expense on share of (loss)/profit of associates	82,558 (13,822)	710,286 21,146	825 -	- -
	68,736	731,432	825	-

Notes to the Financial Statements (cont'd)

18. TAX EXPENSE (cont'd)

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Reconciliation of tax expense				
Profit/(Loss) before taxation	1,895,412	8,285,050	1,501,309	(116,855)
Income tax using Malaysian tax rates	530,715	2,319,814	420,367	(32,719)
Non deductible expense	655,274	158,625	134,033	32,719
Effect of difference in tax rates of foreign jurisdictions	25,807	168,297	-	-
Non taxable items	(61,600)	(898,115)	-	-
Unrecognised deferred tax assets	45,863	100,594	-	-
Tax exempt income	-	-	(554,400)	-
Tax incentive	(1,058,059)	(1,151,595)	-	-
Tax expense on share of (loss)/profit of associates	(13,822)	21,146	-	-
Other items	-	(20,033)	-	-
(Over)/Under provision in prior year	124,178 (55,442)	698,733 32,699	- 825	- -
Tax expense	68,736	731,432	825	-

19. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM1,918,150 (2005- RM8,022,700) and the weighted average number of ordinary shares outstanding during the year of 99,000,000 (2005-65,350,001).

Weighted average number of ordinary shares

	2006	2005
Issued ordinary shares at beginning of the year	99,000,000	2
Effect of shares issued in August 2004	-	60,799,999
Effect of shares issued in October 2004	-	4,550,000
Weighted average number of ordinary shares	99,000,000	65,350,001

20. DIVIDENDS

The proposed final dividend of 2.0% per share tax exempt totalling RM990,000 has not been accounted for in the financial statements.

The net dividend per ordinary share as disclosed in the Income Statement takes into account the proposed final dividends for the financial year.

Notes to the Financial Statements (cont'd)

21. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

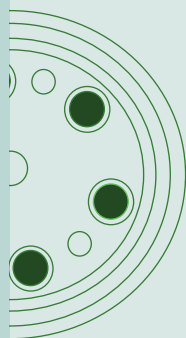
The Group comprises the following main business segments:

Manufacturing	Sheet metal forming, precision machining and component assembly
Trading	Traders in electrical and electronic products and home appliances
Investment holding	Investment holding

Geographical segments

The trading segment is operated solely in Malaysia. The manufacturing segment is operated mainly in Malaysia and Vietnam.

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



Notes to the Financial Statements (cont'd)

21. SEGMENTAL INFORMATION (cont'd)

	Manufacturing		Trading		Investment holding		Adjustment		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Business segments										
Revenue from external customers	124,297,925	89,861,320	1,632,607	1,228,350	-	-	-	-	125,930,532	91,089,670
Inter-segment	-	-	215,480	221,646	-	-	(215,480)	(221,646)	-	-
Total revenue	124,297,925	89,861,320	1,848,087	1,449,996	-	-	(215,480)	(221,646)	125,930,532	91,089,670
Segment result	4,753,119	6,827,313	(152,100)	(63,177)	(462,096)	(116,855)	254,847	-	4,393,770	6,647,281
Unallocated income									220,000	2,697,419
Operating profit									4,613,770	9,344,700
Interest expense									(2,703,931)	(1,687,291)
Interest income									53,942	51,306
Share of (loss)/profit of associates									(68,369)	576,335
Profit before taxation									1,895,412	8,285,050
Tax expense									(68,736)	(731,432)
Minority interests									91,474	469,082
Net profit for the year									1,918,150	8,022,700

Notes to the Financial Statements (cont'd)

21. SEGMENTAL INFORMATION (cont'd)

	Manufacturing		Trading		Investment holding		Adjustment		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Segment assets	127,004,134	135,344,094	510,347	694,615	544,921	655,172	-	341,647	128,059,402	137,035,528
Investment in associates	857,371	857,087	-	-	943,734	277,843	-	-	1,801,105	1,134,930
Unallocated assets									1,604,697	1,665,260
Total assets									131,465,204	139,835,718
Segment liabilities	16,898,465	27,613,540	112,711	111,680	18,562	98,562	114	(27,135)	17,029,852	27,796,647
Unallocated liabilities									52,002,957	50,303,740
Total liabilities									69,032,809	78,100,387
Capital expenditure	13,883,834	15,999,122	-	384	377,496	-	-	-	14,261,330	15,999,506
Impairment loss on plant and machinery	250,000	-	-	-	-	-	-	-	250,000	-
Depreciation and amortisation	9,366,206	5,488,041	62,745	43,169	5,033	-	-	-	9,433,984	5,531,210
Amortisation of land use rights	78,982	83,363	-	-	-	-	-	-	78,982	83,363
Non cash expense other than depreciation and amortisation	68,419	2,349	-	-	-	-	-	-	68,419	2,349

Notes to the Financial Statements (cont'd)

21. SEGMENTAL INFORMATION (cont'd)

	Malaysia		Singapore		Vietnam		Europe	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Geographical segments								
Revenue from external customers by location of customers	107,284,218	84,618,686	4,840,196	2,086,227	6,560,242	695,086	4,495,228	2,001,272
Segment assets by location of assets	111,645,600	120,812,243	-	-	16,413,802	15,881,638	-	-
Capital expenditure by location of assets	10,670,524	8,466,589	-	-	3,590,806	7,532,917	-	-

	Thailand		Others		Adjustment		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Geographical segments								
Revenue from external customers by location of customers	1,967,982	1,334,355	782,666	354,044	-	-	125,930,532	91,089,670
Segment assets by location of assets	-	-	-	-	-	341,647	128,059,402	137,035,528
Capital expenditure by location of assets	-	-	-	-	-	-	14,261,330	15,999,506

Notes to the Financial Statements (cont'd)

22. CONTINGENT LIABILITIES (UNSECURED)

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Corporate guarantee given to a licensed bank for:				
- housing loans granted to staff	500,000	500,000	-	-
- banking facilities granted to a subsidiary	-	-	57,377,737	34,000,000
- banking facilities granted to companies in which certain Directors have interests	114,816	114,816	-	-
	614,816	614,816	57,377,737	34,000,000

23. COMMITMENTS

	Group 2006 RM	2005 RM	Company 2006 RM	2005 RM
Capital commitments:				
Approved and contracted for				
- machinery	-	893,650	-	-
- building	-	288,000	-	288,000
Approved but not contracted for				
- machinery	2,300,000	2,283,250	-	-
	2,300,000	3,464,900	-	288,000

24. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Controlling related party relationships are as follows:

- Its related companies.
- Companies in which certain Directors are deemed to have significant financial interest.

Significant transactions with related parties are as follows:

	2006 RM	2005 RM
Associate		
Hirotaiko Kein Hing Sdn. Bhd.		
Management fees	120,000	80,000
Sales	11,896,831	7,056,820
Rental income	24,000	124,768
Associate		
S&Y Metal Stamping Sdn. Bhd.		
Sub-contract tooling and metal tooling	3,702,721	3,017,139

Notes to the Financial Statements (cont'd)

24. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (cont'd)

	2006 RM	2005 RM
Companies in which the Directors have significant financial interests:		
TC Yap Holdings Sdn. Bhd.		
Rental of premises	238,650	39,200
Muramoto Technics (M) Sdn. Bhd.		
Sales of component	31,659,130	26,056,488
Rental income	351,000	234,000

The above transactions have been entered into in the normal course of business and have been established under negotiated terms.

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group and the Company's activities expose them to a variety of financial risks, including foreign currency exchange, interest rate, credit, liquidity and cash flow risks. The Group and the Company's overall financial risk management objective is to ensure that the Group and the Company create value for the shareholders. Financial risk management is carried out through risk reviews, internal control system and adherence to the Group and the Company's financial risk management policies. The Board regularly reviews these risks and approves such policies that cover the management of these risks.

Foreign currency exchange risk

The Group and the Company are exposed to currency risk as a result of the foreign currency transactions entered into. The Group and the Company do not engage in foreign currency hedging on their foreign currency exposures but the management monitors these exposures on an ongoing basis.

Interest rate risk

The Group and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group and the Company's borrowings and deposits, and is managed through the use of fixed and floating rate debts. The Group and the Company do not use derivative financial instruments to hedge their debt obligations.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group and the Company's associations to business partners with good credit rating. Trade receivables are monitored on an ongoing basis via Group's and the Company's management reporting procedures.

At balance sheet date, there were no significant concentrations of credit risk other than 60% (2005 – 56%) of trade receivables owed by four debtors. The maximum exposure to credit risk is represented by the carrying amount of the receivables presented in the balance sheet.

Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and available funds through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group and the Company aim at maintaining the flexibility in funding by keeping committed credit lines available. In addition, the Group and the Company ensure that the amount of debt maturing in any one year is not beyond the Group and the Company's means to repay and/or refinance.

Notes to the Financial Statements (cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

The following table shows information about the Group's exposure to interest rate risk.

Effective interest rates and repricing analysis

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

Group	Effective interest rate per annum %	Total RM	2006 Within 1 year RM	1 - 5 years RM	After 5 years RM
Financial assets					
Deposits placed with licensed banks	2.6	1,122,871	1,122,871	-	-
Financial liabilities					
Secured bills payable	7.8	2,868,944	2,868,944	-	-
Secured bank overdrafts	7.3	2,526,835	2,526,835	-	-
Secured term loans	7.9	16,683,599	4,195,960	10,043,477	2,444,162
Secured bankers' acceptances	5.0	4,985,000	4,985,000	-	-

Group	Effective interest rate per annum %	Total RM	2005 Within 1 year RM	1 - 5 years RM	After 5 years RM
Financial assets					
Deposits placed with licensed banks	3.0	1,044,260	1,044,260	-	-
Financial liabilities					
Secured bills payable	7.1	2,402,793	2,402,793	-	-
Secured bank overdrafts	7.3	2,686,630	2,686,630	-	-
Secured term loans	7.3	19,482,746	18,259,230	1,222,516	-
Secured bankers' acceptances	4.1	7,652,000	7,652,000	-	-

Fair values

Recognised financial instruments

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

Notes to the Financial Statements (cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at 30 April are shown below:

Group	Carrying amount RM	2006 Fair value RM	2005 Carrying amount RM	Fair value RM
Financial assets				
Transferable club memberships	249,000	286,000	621,000	1,580,500
Financial liabilities				
Secured term loans	16,683,599	16,683,599	19,482,746	19,482,746

The fair value of the secured term loans is deemed to approximate its carrying amounts as there have been no significant changes in the subsidiaries' credit standing.

26. Significant events during the year

- i) On 5 October 2005, the Company acquired 60% of the equity interest in Kein Hing Polychrome (Vietnam) Co. Ltd. for a total purchase consideration of RM225,000 satisfied by cash. The balance of 40% was acquired by Polychrome Sdn Bhd, a 25% owned associate of the Company (Note 5). Hence, the Company effectively holds 70% of the equity interest in Kein Hing Polychrome (Vietnam) Co. Ltd.

The acquisition was accounted for using the acquisition method of accounting. As the subsidiary was newly incorporated, the fair value of assets and liabilities assumed in the acquisition and the cash flow effects are not shown separately.

The effect of the acquisition on the Group's operating results for the year ended 30 April 2006 and on the Group's assets and liabilities as at 30 April 2006 are not significant and not disclosed in the notes to the financial statements.

- ii) On 30 November 2005, Kein Hing Muramoto (Vietnam) Co. Ltd. ("KHMV"), a 51% owned subsidiary, increased its legal capital from USD1,200,000 to USD1,700,000 by way of cash proportionately between the Company and the minority shareholders based on the existing shareholdings. The Company paid USD255,000 to maintain its 51% equity interest in KHMV.

27. Comparative figures

The following comparatives have been reclassified to conform with current year's presentation.

	Group As restated RM	As previously stated RM
Balance sheet		
Amount due to Directors	5,245,560	-
Trade and other payables	22,551,087	27,796,647

Analysis of Shareholdings

Authorised Share Capital	: RM50,000,000.00 (100,000,000 Ordinary Shares of RM0.50 each)
Issued and fully paid-up	: RM49,500,000.00 (99,000,000 Ordinary Shares of RM0.50 each)
Class of Shares	: Ordinary Shares of RM0.50 each
Voting Rights	: One Vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 21 AUGUST 2006

Size of Holdings	No. of Shareholders	No. of Shares	Percentage (%)
1 – 99	4	200	0.00
100 – 1,000	250	207,700	0.21
1,001 – 10,000	906	4,535,200	4.58
10,001 – 100,000	435	13,828,300	13.97
100,001 – 4,949,999 (*)	61	21,803,960	22.02
4,950,000 and above (**)	3	58,624,640	59.22
Total	1,659	99,000,000	100.00

Remark: * Less than 5% of the issued and paid-up share capital

** 5% and above of the issued and paid-up capital

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 21 AUGUST 2006

Directors	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%
1. Tengku Syarif Temenggong Perlis Dato' Seri Diraja Syed Amir Abidin Jamalullail	5,382,200	5.44	-	-
2. Yap Toon Choy	32,841,620	33.17	-	-
3. Shingo Muramoto	-	-	4,372,600*	4.42
4. Yong Elaine	20,400,820	20.61	-	-
5. Liew Choon Fong	363,250	0.37	-	-
6. Swee Soo Mang	-	-	-	-
7. Darsan Singh a/l Balwant Singh	-	-	-	-
8. Yap Chai Huat	90,000	0.09	-	-
9. Dato' Hairuddin Bin Mohamed	-	-	-	-

* Deemed interested by virtue of his interest in Muramoto Asia (S) Pte Ltd pursuant to Section 6A of the Companies Act, 1965.

Analysis of Shareholdings (cont'd)

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 21 AUGUST 2006

No.	Substantial Shareholders	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares	%	No. of Shares	%
1.	Tengku Syarif Temenggong Perlis Dato' Seri Diraja Syed Amir Abidin Jamalullail	5,382,200	5.44	-	-
2.	Yap Toon Choy	32,841,620	33.17	-	-
3.	Yong Elaine	20,400,820	20.61	-	-

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 21 AUGUST 2006

No.	Name	No. of Shares	Percentage (%)
1.	Yap Toon Choy	32,841,620	33.17
2.	Yong Elaine	20,400,820	20.61
3.	Tengku Syarif Temenggong Perlis Dato' Seri Diraja Syed Amir Abidin Jamalullail	5,382,200	5.44
4.	Muramoto Asia Pte Ltd	4,372,600	4.42
5.	Soh Tik Siew	1,487,800	1.50
6.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Lee Chee Siong	1,072,100	1.08
7.	Yee Tien Soon	810,000	0.82
8.	How Sin Son	790,000	0.80
9.	Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Lim Chou Bu	603,000	0.61
10.	Ghan Ah Kooi	547,000	0.55
11.	Chai Kin Loong	521,400	0.53
12.	CIMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Chan Wai Kheong	500,100	0.51
13.	Sim Kooi Wah	488,640	0.49
14.	Wong Fook Sum	420,000	0.42
15.	Yee Ah Ming	410,000	0.41
16.	Tan Thian Joo @ Tan Thian Soo	368,000	0.37

Analysis of Shareholdings (cont'd)

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 21 AUGUST 2006 (cont'd)

No.	Name	No. of Shares	Percentage (%)
17.	Shigeaki Sugiyama	363,250	0.37
18.	Liew Choon Fong	363,250	0.37
19.	Koay Eng Loh	355,000	0.36
20.	Yu Kuan Yeng	320,900	0.32
21.	Ana Low	320,500	0.32
22.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Lim Kim Song	313,000	0.32
23.	Law Tien Seng	300,000	0.30
24.	Chong Mong Yuen	290,000	0.29
25.	Chee Wei Kong	279,000	0.28
26.	Yap Cheong Kit	262,600	0.27
27.	Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Low Kien Feui	243,900	0.25
28.	Yee Tian San	239,000	0.24
29.	Ang Chee Kean	234,800	0.24
30.	Loh Leng Sem	224,000	0.23

List of Properties as at 30 April 2006

Location	Registered/ Beneficial Owner	Existing use/ Description of property	Tenure/ Expiry date	Age of Building years	Land area/ Built-up area sq. m.	Date of last Revaluation/ Acquisition	Net Book Value RM
Lot 2121 Jalan Maktab Off Jalan College 43300 Seri Kembangan Selangor Darul Ehsan	KHIB	Residential; Single storey bungalow house	Freehold	23	488/ 226	01.12.2004	372,463
Lot 1863 and 1864 Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Factory/ Industrial; Single-storey factory with a 3-storey office and factory annexe	Freehold	9	7,891/ 6,116	18-2-2004 (Revalued)	8,425,821
No. 2 and 4, 6 and 8, Jalan Indah 2/16 Taman Universiti Indah 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Factory/ Industrial; 1½ storey terrace factories	Freehold	13	734/ 563	18-2-2004 (Revalued)	751,907
Lot 44, Jalan 6/2 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Factory/Industrial; Single storey semi- detached factory with a 2-storey office annexe	Leasehold expiring on 7-11-2099	10	988/ 795	18-2-2004 (Revalued)	987,574
Lot 33, Jalan 6/2, 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Manufacturing/ Industrial; Single storey factory with 2½ storey office annexe	Leasehold expiring on 10-1-2089	5	4,086/ 2,123	18-2-2004 (Revalued)	3,901,838
Lot 1866 and 1867 Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Factory/ Industrial; 3-storey factory with 4-storey office cum car park block	Freehold	2	8,195/ 8,179	1-12-2004	12,821,737
Tempat Batu 5 Jalan Kuala Lumpur Mukim Bentong Daerah Bentong Pahang Darul Makmur	KHI	Agriculture; Fruit orchard and vacant land	Freehold	N/A	3.4171 Hectares	8-1-2003	236,425
S153, Serdang Jaya 43300 Seri Kembangan Selangor	KHI	Residential; Single storey wooden house	Leasehold expiring on 28-10-2046	21	297.6/ 250	25-2-2003	141,482
Plot C3 Thang Long Industrial Park Dong Anh District Hanoi, Vietnam	KHMY	Factory/ Industrial; Single-storey factory with a 2-storey office annexe	Leasehold expiring on 28-2-2047	2	15,693/ 3,564	1-11-2004	3,292,919
Lot No. 5B, Noi Bai Industrial Zone, Quang Tien, Soc Son District, Hanoi, Vietnam	KHPV	Industrial Vacant land	Leasehold expiring on 25-11-2035	N/A	4999	25-11-2005	591,220

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Factory B, Lot 1863 and 1864, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 18 October 2006 at 10.00 a.m. for the following purposes:-

AGENDA

- | | |
|---|---------------------|
| 1) To receive the Audited Financial Statements for the year ended 30 April 2006 together with the Directors' and Auditors' Reports thereon. | RESOLUTION 1 |
| 2) To approve a First and Final Tax-Exempt Dividend of 2% for the year ended 30 April 2006. | RESOLUTION 2 |
| 3) To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:- | |
| a) Mr. Swee Soo Mang | RESOLUTION 3 |
| b) Mr. Darsan Singh a/l Balwant Singh | RESOLUTION 4 |
| 4) To re-elect the following Directors who are retiring in accordance with Article 84 of the Company's Articles of Association:- | |
| a) Mr. Yap Chai Huat | RESOLUTION 5 |
| b) Dato' Hairuddin Bin Mohamed | RESOLUTION 6 |
| 5) To re-appoint Messrs. KPMG, the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | RESOLUTION 7 |
| 6) SPECIAL BUSINESS:- | |

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

ORDINARY RESOLUTION NO. 1

RESOLUTION 8

- AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed ten percentum (10%) of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Notice of Annual General Meeting (cont'd)

ORDINARY RESOLUTION NO. 2

RESOLUTION 9

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH T.C. YAP HOLDINGS SDN. BHD., HIROTAKO KEIN HING SDN. BHD., MICROTECHNO PRECISION (M) SDN. BHD. AND KEIN HING APPLIANCES SDN. BHD.**

"**THAT** approval be and is hereby given to Khib Group to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with T.C. Yap Holdings Sdn. Bhd., Hirotako Kein Hing Sdn. Bhd., Microtechno Precision (M) Sdn. Bhd. and Kein Hing Appliances Sdn. Bhd. as stated in section 2.3.2 of the Circular to shareholders of the Company dated 26 September 2006, being necessary for the day-to-day operations of Khib Group, subject to the following:-

- the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and is not to the detriment of the minority shareholders and that such transactions are made on an arm's length basis and on normal commercial terms; and
- disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to this shareholders' mandate during the financial year; and
- the authority given shall continue to be in force until:-
 - the conclusion of the Fourth Annual General Meeting ("AGM") of the Company, at which time it will lapse unless, by a resolution passed at the Fourth AGM, the authority is renewed; or
 - the expiration of the period within which the Fourth AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
 - it is revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

THAT the Directors be and are hereby authorised to complete and do all such acts, deeds and things necessary to give effect to the transactions contemplated or authorised by this resolution."

ORDINARY RESOLUTION NO. 3

RESOLUTION 10

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH MURAMOTO TECHNICS (MALAYSIA) SDN. BHD.**

"**THAT** approval be and is hereby given to Khib Group to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with Muramoto Technics (Malaysia) Sdn. Bhd. as stated in section 2.3.2 of the Circular to shareholders of the Company dated 26 September 2006, being necessary for the day-to-day operations of Khib Group, subject to the following:-

- the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and is not to the detriment of the minority shareholders and that such transactions are made on an arm's length basis and on normal commercial terms; and

Notice of Annual General Meeting (cont'd)

- (ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to this shareholders' mandate during the financial year; and
- (iii) the authority given shall continue to be in force until:-
 - (a) the conclusion of the Fourth AGM of the Company, at which time it will lapse unless, by a resolution passed at the Fourth AGM, the authority is renewed; or
 - (b) the expiration of the period within which the Fourth AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
 - (c) it is revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

THAT the Directors be and are hereby authorised to complete and do all such acts, deeds and things necessary to give effect to the transactions contemplated or authorised by this resolution."

ORDINARY RESOLUTION NO. 4

RESOLUTION 11

- **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH KEIN HING MURAMOTO (VIETNAM) CO. LTD.**

"THAT approval be and is hereby given to KHIB Group to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with Kein Hing Muramoto (Vietnam) Co. Ltd. as stated in section 2.3.2 of the Circular to shareholders of the Company dated 26 September 2006, being necessary for the day-to-day operations of KHIB Group, subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and is not to the detriment of the minority shareholders and that such transactions are made on an arm's length basis and on normal commercial terms; and
- (ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to this shareholders' mandate during the financial year; and
- (iii) the authority given shall continue to be in force until:-
 - (a) the conclusion of the Fourth AGM of the Company, at which time it will lapse unless, by a resolution passed at the Fourth AGM, the authority is renewed; or

Notice of Annual General Meeting (cont'd)

(b) the expiration of the period within which the Fourth AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) it is revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

THAT the Directors be and are hereby authorised to complete and do all such acts, deeds and things necessary to give effect to the transactions contemplated or authorised by this resolution."

ORDINARY RESOLUTION NO. 5

RESOLUTION 12

- **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH KEIN HING APPLIANCES SDN. BHD., POLYCHROME SDN. BHD., S & Y METAL STAMPING SDN. BHD. AND MR. YAP TOON CHOY**

"**THAT** approval be and is hereby given to KHIB Group to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with Kein Hing Appliances Sdn. Bhd., Polychrome Sdn. Bhd., S & Y Metal Stamping Sdn. Bhd. and Mr. Yap Toon Choy, the Group Managing Director and Substantial Shareholder of KHIB as stated in section 2.3.2 of the Circular to shareholders of the Company dated 26 September 2006, being necessary for the day-to-day operations of KHIB Group, subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and is not to the detriment of the minority shareholders and that such transactions are made on an arm's length basis and on normal commercial terms; and
- (ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to this shareholders' mandate during the financial year; and
- (iii) the authority given shall continue to be in force until:-
 - (a) the conclusion of the Fourth AGM of the Company, at which time it will lapse unless, by a resolution passed at the Fourth AGM, the authority is renewed; or
 - (b) the expiration of the period within which the Fourth AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) it is revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

THAT the Directors be and are hereby authorised to complete and do all such acts, deeds and things necessary to give effect to the transactions contemplated or authorised by this resolution."

- 7) To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

Notice of Annual General Meeting (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Tax-Exempt Dividend of 2% in respect of the year ended 30 April 2006 will be payable on 21 November 2006 to Depositors registered in the Record of Depositors at the close of business on 23 October 2006.

A Depositor shall qualify for entitlement only in respect of:-

- a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 23 October 2006 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order Of The Board
KEIN HING INTERNATIONAL BERHAD

NG YIM KONG (LS0008343)
Company Secretary

26 September 2006
Selangor Darul Ehsan

Notes:-

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his (her) behalf. A Proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) Proxy, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each Proxy.
3. The Form of Proxy shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
4. The instrument appointing a Proxy must be deposited at the Registered Office of the Company at Lot 1863, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for the Meeting or at any adjournment thereof.

Explanatory Notes on Special Business:-

- a) **Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Resolution 8 under item 6 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

Notice of Annual General Meeting (cont'd)

b) Proposed Renewal of and Additional Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolutions 9 to 12 under item 6 above, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the Company and its subsidiaries which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders ("Proposed Shareholders' Mandate").

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 30 April 2006.



Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election in accordance with Article 79 of the Company's Articles of Association at the Third Annual General Meeting of the Company:-

- | | |
|---------------------------------------|--------------|
| a) Mr. Swee Soo Mang | Resolution 3 |
| b) Mr. Darsan Singh a/l Balwant Singh | Resolution 4 |

The Profile of the Directors who are standing for re-election is set out on page 6 of this Annual Report.

2. Directors who are standing for re-election in accordance with Article 84 of the Company's Articles of Association at the Third Annual General Meeting of the Company:-

- | | |
|--------------------------------|--------------|
| a) Mr. Yap Chai Huat | Resolution 5 |
| b) Dato' Hairuddin Bin Mohamed | Resolution 6 |

The Profile of the Directors who are standing for re-election is set out on page 7 of this Annual Report.

3. Details of attendance of Directors at Board Meetings

There were five (5) Board Meetings held during the financial year ended 30 April 2006 and the details of attendance of the Directors are set out in the Statement on Corporate Governance appearing on page 13 of the Annual Report.

4. Place, date and hour of the Third Annual General Meeting

The Third Annual General Meeting of the Company will be held at Factory B, Lot 1863 and 1864, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 18 October 2006 at 10.00 a.m.



KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)
(Incorporated in Malaysia)

FORM OF PROXY

I/We _____
of _____
being a member of **KEIN HING INTERNATIONAL BERHAD** hereby appoint _____
of _____
or failing whom _____
of _____
or * the Chairman of the meeting as * my/our Proxy(ies) to vote for * me/us and act on * my/our behalf at the Third Annual General Meeting of the Company to be held at Factory B, Lot 1863 and 1864, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 18 October 2006 at 10.00 a.m. and at any adjournment thereof * for/against * the resolution(s) to be proposed thereat.

* My/our Proxy(ies) is(are) to vote as indicated below: -

No.	Resolutions	For	Against
1.	Resolution 1		
2.	Resolution 2		
3.	Resolution 3		
4.	Resolution 4		
5.	Resolution 5		
6.	Resolution 6		
7.	Resolution 7		
8.	Resolution 8		
9.	Resolution 9		
10.	Resolution 10		
11.	Resolution 11		
12.	Resolution 12		

* Strike out whichever not applicable

[Please indicate with (X) in the spaces provided how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion].

Dated this day of 2006

Number of shares held: _____

(Signature/Common Seal of Member)

Notes:-

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his (her) behalf. A Proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) Proxy, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each Proxy.
3. The Form of Proxy shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
4. The instrument appointing a Proxy must be deposited at the Registered Office of the Company at Lot 1863, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for the Meeting or at any adjournment thereof.

Fold this flap for sealing

Then fold here

STAMP

The Company Secretary
KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)
Lot 1863, Jalan Kolej
43300 Seri Kembangan
Selangor Darul Ehsan

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