

**KEIN HING**  
**INTERNATIONAL** (616056-T)  
(Incorporated in Malaysia under Companies Act. 1965)

Pursuing  
**Greater Values**

Annual Report  
**2015**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Darsan Singh A/L Balwant Singh**  
(Chairman)

**Yap Toon Choy**

**Shingo Muramoto**

**Yong Elaine**

**Swee Soo Mang**  
(Senior Independent Director)

**Gan Chee Tsong**



## AUDIT COMMITTEE

Swee Soo Mang (Chairman)  
Darsan Singh a/l Balwant Singh  
Gan Chee Tsong

## NOMINATING COMMITTEE

Darsan Singh a/l Balwant Singh (Chairman)  
Swee Soo Mang (Senior Independent Director)  
Gan Chee Tsong

## REMUNERATION COMMITTEE

Darsan Singh a/l Balwant Singh (Chairman)  
Swee Soo Mang (Senior Independent Director)  
Yap Toon Choy

## COMPANY SECRETARY

Ng Yim Kong (LS 0009297)

## REGISTERED OFFICE

Lot 1863, Jalan Kolej,  
43300 Seri Kembangan,  
Selangor Darul Ehsan.  
Tel : 03 - 8942 4650  
Fax : 03 - 8948 9261  
E-mail : [irkhib@keinhing.com](mailto:irkhib@keinhing.com)  
Website : [www.keinhing.com](http://www.keinhing.com)

## AUDITORS

Messrs KPMG  
Level 10, KPMG Tower,  
8, First Avenue,  
Bandar Utama,  
47800 Petaling Jaya,  
Selangor Darul Ehsan.  
Tel : 03 - 7721 3388  
Fax : 03 - 7721 3399

## 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

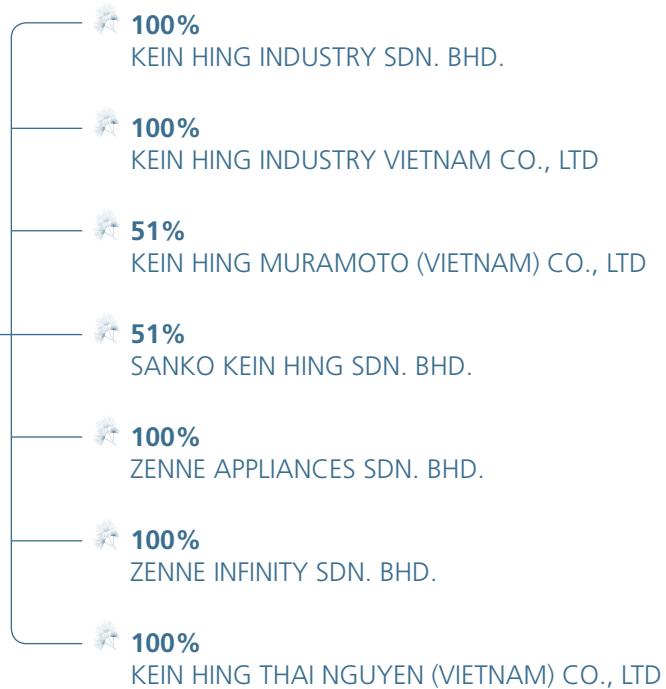
Tricor Investor Services Sdn. Bhd.  
Unit 32-01, Level 32,  
Tower A, Vertical Business Suite,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur,  
Malaysia.

Tel : 03 - 2783 9299  
Fax : 03 - 2783 9222

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
("Bursa Securities")  
Stock Name : Keinhin  
Stock Code : 7199

# CORPORATE STRUCTURE



Company	Principal Activities
<b>Subsidiaries</b>	
Kein Hing Industry Sdn. Bhd.	Sheet metal forming, precision machining, component assembly and manufacture and sale of gas appliances
Kein Hing Industry Vietnam Co., Ltd	Sheet metal forming, precision machining, manufacturing and fabrication of tools and dies and assembly of components
Kein Hing Muramoto (Vietnam) Co., Ltd	Sheet metal forming, precision machining and assembly of components for electronics, automotive and other industries
Sanko Kein Hing Sdn. Bhd.	Precision machining of electronics and electrical industries components
Zenne Appliances Sdn. Bhd.	Trading and distribution of gas appliances
Zenne Infinity Sdn. Bhd.	Trading in electrical and electronics products, home appliances and gas appliances
Kein Hing Thai Nguyen (Vietnam) Co., Ltd	Sheet metal forming, precision machining, manufacturing and fabrication of tools and dies and assembly of components

# PROFILE OF BOARD OF DIRECTORS

## DARSAN SINGH A/L BALWANT SINGH 61 • INDEPENDENT NON-EXECUTIVE CHAIRMAN



Darsan Singh a/l Balwant Singh, a Malaysian, was appointed to the Board of Directors of Kein Hing International Berhad ("KHIB") on 9 August 2004. On 18 January 2008, he was appointed as Chairman of KHIB. 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 which was his father's practice 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 the Board of Directors and the Chairman of both the Nomination Committee and the Remuneration Committee, and a member of the Audit Committee of KHIB.

## YAP TOON CHOY 59 • 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 the 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 valuable experience and technical knowhow especially through dealings with his Japanese counterparts. With approximately thirty (30) years of experience in the metal stamping/ forming industry, he is the driving force of the Group and is actively involved in 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 an Executive Director and major shareholder of KHIB. Save for the recurrent related party transactions disclosed in the Circular to Shareholders dated 5 October 2015, 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 of KHIB.

# PROFILE OF BOARD OF DIRECTORS

## SHINGO MURAMOTO

68 • NON-INDEPENDENT NON-EXECUTIVE DIRECTOR



Shingo Muramoto, a Japanese, was appointed to the Board of Directors of KHIB on 1 April 2005. He obtained a degree in Bachelor of Economy from the Kounan University Osaka, Japan. He began his career with IBM Corp. Tokyo, Japan in Marketing Department in 1970. He has held various positions throughout the twenty (20) years with IBM Corp. Tokyo, Japan. His last position held was IT Manager before he left IBM Corp. Tokyo, Japan in 1990. Thereafter, he joined the Muramoto Group in its headquarter in Kobe, Japan and was appointed Director. In the year 2000, he was appointed as the 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 the Muramoto Group is one of KHIB's major customers and Strategic Partner in every aspect of ventures and operations.

He does not have any family relationship with any Director and/or substantial shareholders of KHIB. Save for his previous position as Managing Director of the Muramoto Group from which he has resigned on 30 March 2014, 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

56 • 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 the 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 Managing Director and major shareholder of KHIB. Save for the recurrent related party transactions disclosed in the Circular to Shareholders dated 5 October 2015, 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.

# PROFILE OF BOARD OF DIRECTORS

## SWEE SOO MANG

63 • SENIOR 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 Chan & Folk 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. He does not have any family relationship with any Director and/or 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 the Chairman of the Audit Committee and a member of both the Nominating Committee and Remuneration Committee of KHIB.

## GAN CHEE TSONG

40 • INDEPENDENT NON-EXECUTIVE DIRECTOR

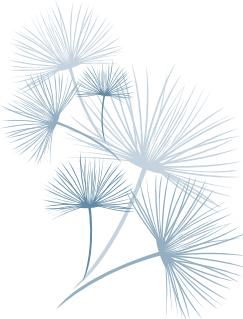


Gan Chee Tsong, a Malaysian, was appointed to the Board of Directors of KHIB on 26 July 2007. He obtained a Bachelor of Commerce degree with distinction majoring in Accounting and Finance from Curtin University of Technology in 1998. He is also a member of the Malaysian Institute of Accountants.

He began his career with Yeng & Co., an audit firm, in 1999, as an audit assistant and progressively promoted to Audit Senior until he left in 2003. Later in the same year, he joined another audit firm, Moores Stephen as Audit Senior. In 2004, he joined Tenco Berhad as an Accountant. He founded GCT Management Services Sdn. Bhd. in 2010, of which he remains the managing partner and has since serviced a wide spectrum of clients in various industries.

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 a member of the Audit Committee and Nominating Committee of KHIB.



## Dear Valued Shareholders,

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 2015.



### OPERATING ENVIRONMENT

World Bank, in its latest Global Economic Prospects report dated 20 May 2015 has indicated a downshift in 2015 global growth to about 2.8% from last year's forecast of 3.4%, mainly adverse effect from developing countries whilst growth in developed countries remain relatively intact. This development comes at the backdrop of monetary tightening in the United States as well as quantitative easing in the Euro zone and Japanese economies, which entails broad based appreciation in U.S. dollar and exerting pressure on capital flow to developing countries. This seemingly moderate recovery of the global economy was further exacerbated by downward pressure and volatility in the raw material and commodity costs – which are mostly the mainstay of developing countries. Alas, the worst affected countries, however, are oil producing economies such as Malaysia, which had seen tremendous strain on its fiscal, exchange rate and inflationary pressure, throttling any hope of growth potential from its drastically depressed currency.

Despite the global uncertainties, Bank Negara Malaysia remained positive on the Malaysian economy forecasted to be in the region of 4.5% to 5.5% (Source: Bank Negara Malaysia Annual Report 2014), supported by a resilient domestic demand amid lower oil prices and stable labour market condition, even though private consumption is expected to moderate as household adjust to the Goods and Services Tax (GST). Exports will continue to benefit from the recovery in the advanced economies and from a severely depressed currency. Going forward, the Malaysian economy is therefore expected to remain on a somewhat steady path.

# CHAIRMAN'S STATEMENT



## FINANCIAL REVIEW

The Group achieved remarkable revenue of RM193.6 million for the financial year ended 30 April 2015 as compared to RM159.8 million reported last year, representing a growth in sales by RM33.8 million or 21%. The significant improvement in revenue was mainly attributed to the increase in sales orders for components of flat panel television, automotive parts and printers' components from the customers in Malaysia and Vietnam respectively. Against the above backdrop, the Group attained Profit Attributable to Owners of the Company ("Net Profit") of RM3.8 million, an improvement of RM2.7 million or 228% as compared to previous year's Net Profit of RM1.1 million. Despite the initial costs and expenses incurred for new items of both existing and new customers during the financial year under review, the Group managed to achieve higher Net Profit mainly attributed to stronger customers' demand.

In tandem with the improved profitability of the businesses operating in Malaysia and Vietnam respectively, the financial position of the Group as at 30 April 2015 strengthened with Equity Attributable to Owners of the Company amounting to RM91 million which is translated into Net Assets per share of RM0.92.

## BUSINESS OUTLOOK AND PROSPECTS

Despite the challenges, our Group remains steadfastly committed to focus on its core business of metal forming, exploring further overseas expansion as well as downstream related diversification. Since last financial year, the Group's rebranding and restructuring of its Zenne gas cooker marketing and distribution division together with the growth in revenue particularly from the business operating in Vietnam which is expanding rapidly, had positively contributed to the Group results. The fact that the Group was able to perform better than some of our industry peers reaffirmed the Group's resilience in coping with adversity and the fundamental strength of its business model.

During the financial year under review, the Group through its wholly-owned subsidiary company, Kein Hing Industry Vietnam Co., Ltd ("KHIV"), has embarked on the construction of a single storey factory with a 3-storeys office and warehouse annexed to the industrial land under long term lease and located at the Industrial and Service Park Hai Phong, Vietnam ("KHIV Factory"). The KHIV factory under construction with a total built-up of approximately 80,000 square feet will cater for the future expansion plans of the Group core business operating in Vietnam.

Barring unforeseen circumstances, the Board expects the performance of our Group to remain satisfactory for the financial year ending 30 April 2016.



## DIVIDENDS

The Board has proposed a First and Final Single Tier Dividend of 2% for the financial year ended 30 April 2015 amounting to RM990,000.00 subject to the approval of shareholders at the forthcoming Twelfth (12th) Annual General Meeting to be held on Thursday, 29 October 2015.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to convey my appreciation to all the Directors, Management and employees 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 government authorities for their continuing support of our Group.

**Darsan Singh a/l Balwant Singh**  
Chairman

18 September 2015  
Seri Kembangan

# CORPORATE SOCIAL RESPONSIBILITIES

The Board, whilst pursuing the business objectives of growth in enhancing shareholder value, is also cognizant of its corporate social responsibilities ("CSR") and the importance of the contribution it can make in respect thereof, particularly towards improving the workplace, the community it operates in and the environment.

The Group is constantly reviewing its workplace and policies to provide a conducive working environment and ensure proper development and utilization of its human resources. Personal development is important and employees are encouraged to improve their knowledge through attendance at relevant seminars and workshops, the cost of which are fully subsidized by the Group.

In the year under review, programs such as landscaping activities, donation drives for various schools and NGO, blood donations campaigns, science projects and seminar, as well as various health checks were scheduled throughout the year.

The Group, through "Tadika Keluarga Harmoni & Indah", its very own version of Child Care Centre ("CCC") facility has been serving the employees of the Group as well as the Seri Kembangan community in early childhood education and development for more than a decade now. Currently, the CCC comprises fifteen (15) qualified teachers and helpers and has a total of seventy (70) children.

In recognition of our dedication to quality education in young children, we were featured as the role model company under the "Establishment of Child Care Centre at the Work Place" Best Business Practice launched by United Nation International Children's Emergency Fund ("UNICEF") in collaboration with the Companies Commission of Malaysia ("SSM"). A program that includes best practices articles, promotional video as well as accompanying tool kit to kick start and inspire other likeminded organisations to initiate early childhood education and care centre and put children's wellbeing as one of their cornerstone objectives. For more information, please refer to [http://www.unicef.org/malaysia/media\\_child\\_care\\_centres\\_in\\_the\\_workplace.html](http://www.unicef.org/malaysia/media_child_care_centres_in_the_workplace.html)



The Group, through its Environment Management Department (EMD), has continued to facilitate and monitor various environmental friendly systems that had been put in place and actively disseminates safety information in all its operating factories. As the Group places growing importance on environmental and safety issues in the company's culture, its impact on improved factories and operating environment had exceeded a lot more than just quantifiable numbers. Our Experience has alluded to the fact that CSR activities can indeed be leveraged to bring about a deep sense of belonging, inspire loyalty and ultimately align individuals and society objectives with our corporate goals.

## Conclusion

The Group shall consistently support and encourage all its employees and relevant stakeholders to seek noble means for contributing to societies and help shape a caring community. The Group views its CSR initiatives as an ongoing commitment towards creation of a sustainable development, while instilling a moral, ethical and economically just society.

# STATEMENT ON CORPORATE GOVERNANCE

## 1. MANAGEMENT WITH INTEGRITY, TRANSPARENCY AND ACCOUNTABILITY

The Board is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group. The Board has always been vigilant of the fiduciary duties entrusted upon the Board as a principle guide in discharging its duties.

The Board recognises the importance of good corporate governance and supports the principles and recommendations promulgated in the Malaysian Code on Corporate Governance 2012 ("the Code") to enhance business prosperity and maximise shareholder value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in the Code to the best interest of the shareholders of the Company. As such, the Board plays a primary role in ensuring that good corporate governance is being practised.

Below is a statement and description in general pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") on how the Group has applied the principles and recommendations as laid out in the Code throughout the current financial year.

## 2. DIRECTORS

### **The Board**

The Company is led by a proactive Board with a mix of management and entrepreneurial skills, supported by Independent Directors who bring to the Board their different fields of training and expertise. The profile of each Director is set out on pages 4 to 6 of this Annual Report. The Board is satisfied that no individual or group of individuals dominates the Board's decision-making process.

The Board is entrusted with the responsibility of setting the goals and the direction as well as strategies that are sustainable for the Group. It also oversees the conduct of the Group's businesses, ensuring various control systems are in place as well as regularly evaluating such systems to ensure its integrity. The controls are necessary to mitigate the risks associated with the businesses of the Group.

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

In order to efficiently manage, the Board meets on a quarterly basis or as when required. During the financial year under review, five (5) Board meetings were held while all the Directors have complied with the requirements in respect of board meeting attendance as provided in the Bursa Malaysia Securities Berhad ("Bursa Securities") requirement.

The Board collectively reviews and considers all corporate proposals prior to their implementation. Corporate proposals are put to vote after careful deliberation. The Chairman of the meeting shall have a second or casting vote in the event of a tie in votes for or against any particular proposal.

The Board is updated on Group's affairs at Board meetings. The Directors are encouraged to obtain information on the Group's activities by consultation with senior management at any time. This is to ensure and enable the Board members to discharge their duties and responsibilities competently and in an informed manner.

### **Board Charter**

The Board has adopted a Board Charter to observe the standards of corporate governance and clarifies, amongst others, the roles and responsibilities of the Board. The Board Charter is subject to review by the Board annually to ensure that it remains consistent with the Board's objectives and responsibilities. The updated Board Charter is made accessible at the Group's website [www.keinhing.com](http://www.keinhing.com).

# STATEMENT ON CORPORATE GOVERNANCE

## 2. DIRECTORS (CONT'D)

### Code of Conduct

The Company has adopted a Code of Conduct for Directors relating to ethical practices, which is incorporated into the Board Charter. A separate set of Code of Ethical Practices relating to Group's operations was formulated for staff and employees and both of which can be found from the Company's website at [www.keinhing.com](http://www.keinhing.com).

### The Board Balance

The Board comprises six (6) members, of which two (2) are Executive Directors, three (3) of the four (4) Non-Executive Directors are Independent. This is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities, where 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 judgment.

Both the Independent Non-Executive Chairman and the Managing Director have distinct and separate roles. The Independent Non-Executive Chairman is responsible for effective operation and performance of the Board, ensuring the integrity and effectiveness of the governance process of the Board and act as facilitator at the meeting whilst the Managing Director is responsible for the management of the Group, making and implementing operational and corporate decision as well as developing, coordinating and implementing business and corporate strategies.

The distinct and separate roles of the Chairman and Managing Director with a clear division of responsibilities ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

The three (3) Independent Non-Executive Directors fulfill an important role in corporate accountability as they furnish balanced and independent view to the Board, particularly on issues pertaining to shareholders, stakeholders and various communities in which the Group operates.

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

The Board conducts regular meetings for full financial and business reviews and discussions. All pertinent issues discussed at the Board Meetings in arriving at the decision and conclusions are properly recorded by the Company Secretary. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the participation and satisfactory attendance record of the Directors at the Board Meeting. The Board members are required to notify the Board prior to their acceptance of new directorships in other companies with indication of time that will be spent on the new appointment.

The Board met five (5) times during the financial year ended 30 April 2015 and details of the Directors' attendance are as appended below:

Directors	Number of Meeting Attended
Darsan Singh a/l Balwant Singh	5/5
Shingo Muramoto	4/5
Yap Toon Choy	5/5
Yong Elaine	5/5
Swee Soo Mang	5/5
Gan Chee Tsong	5/5

# STATEMENT ON CORPORATE GOVERNANCE

## 2. DIRECTORS (CONT'D)

### **Sustainability**

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

### **Supply of Information**

Reports and Board papers on operational, financial and corporate issues as well as minutes of Board 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.

The Company Secretary plays an advisory role to the Board by providing appropriate advice and relevant services to ensure that all applicable rules and regulation are complied with. The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest of securities, disclosure of any conflict of interest in transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. Deliberation during the Board and Board Committees' meetings were properly minuted and documented by the Company Secretary.

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 and they have been notified and encouraged to undergo various training programmes on a continuous basis to further enhance their skills and knowledge to assist them in discharging their duties and to keep abreast with the latest development in the marketplace. The board has undertaken an assessment on the training needs of each director in order to cater to their specific requirement and skillset.

During the financial year ended 30 April 2015, all the directors have attended at least one training programme. Amongst the training programme and seminars attended by the Directors during the financial year ended 30 April 2015 were as follows:-

- The Board's Role in Management and Internal Control on 26 September 2014.

### **Appointment to the Board**

All new nominees to the Board are reviewed and vetted by the Nominating Committee before a recommendation is made to the Board for appointment.

### **Nominating Committee**

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

The functions and activities of the Nominating Committee during the year include:

- review and recommend to the Board the optimal size of the Board, structure and ideal composition, including succession planning;
- review and recommend the requisite mix of skills, diversities (including gender diversity), experience and other attributes, including core competencies of all the Directors;

# STATEMENT ON CORPORATE GOVERNANCE

## 2. DIRECTORS (CONT'D)

### Nominating Committee (Cont'd)

- consider and ensure that key management personnel have certain enabling attributes such as leadership, essential experience, integrity, assuring competency and sufficient time to effectively discharge their roles and accountabilities as the case may be.
- consider candidates for directorship proposed by the Group Managing Director, other senior executives, Directors or shareholders, in making its recommendation;
- recommend to the Board, Directors to fill the seats on Board Committees.
- assess the transparency of procedures for proposing new nominees to the Board and committees of the Board; and
- assess the effectiveness of the Board as a whole and the contribution made by each board committees and individual Directors.
- determine annually whether or not a Director is Executive, Non-Executive or Independent.
- recommend to the Board for continuation (or not) in service of executive director who are due for retirement by rotation.

The Nominating Committee met twice during the financial year with full attendance of the committee members.

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

Nominating Committee Members	Directorship
Darsan Singh a/l Balwant Singh (Chairman)	Independent Non-Executive Director
Swee Soo Mang	Senior Independent Non-Executive Director
Gan Chee Tsong	Independent Non-Executive Director

The Board has via the Nominating Committee conducted an evaluation of the performance of the Director for the year under review, and reviewed and assessed the size of the Board, required mix of skills, experience, performance and contribution of Directors; effectiveness of the Board as a whole; independence of Independent Directors and training courses required by the Directors. Following the evaluation, the Board concluded that the Board as a whole and its committee were effective with the necessary skills, experience and qualification and is satisfied with the current composition and performance of the Board.

The Board has no specific policy on setting targets on female candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. With the current composition which comprised of one (1) female director, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. The Nominating Committee will however, take steps to ensure that suitable female candidates be considered as part of its recruitment exercise.

### 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 Articles of Association of KHIB.

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

# STATEMENT ON CORPORATE GOVERNANCE

## 2. DIRECTORS (CONT'D)

### Tenure of Independent Director

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall justify and secure shareholders' approval on a year to year basis.

Mr. Darsan Singh a/l Balwant Singh ("Mr. Darsan") and Mr. Swee Soo Mang ("Mr. Swee") are both Independent Directors who have served in the Board since 9 August 2004. As both Mr. Darsan and Mr. Swee are two (2) of the three (3) members of the Nominating Committee, the Board of Directors has instead assessed and evaluated all facts and circumstances which will be considered in determining their independence.

Based on its evaluation, the Board of Directors is satisfied that both Mr. Darsan and Mr. Swee have satisfactorily demonstrated that they are independent from the management and free from any business or other relationships with the Group that could materially affect or interfere with the exercise of objective and unbiased judgement to act in the best interest of the Group.

The Board had resolved to retain the aforementioned directors as Independent Directors and the shareholders' approval will be sought at the forthcoming AGM of the Company based on the following justification:

- i. They fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities and therefore would be able to offer impartial judgment and unfettered advice to the board.
- ii. They have vast experience in their respective industries which could provide the Board with a diverse set of experience, skill and independent assessment.
- iii. They devoted sufficient time and attention to their responsibilities as independent directors of the Company.
- iv. They understand the workings of the Group's business in a comprehensive manner.
- v. They have exercised due care during their tenure as an independent directors of the Company and carried out their duties in the best interest of the Company and Shareholders of the Company.

### Annual Assessment of Independence

The Board had conducted an assessment of the level of independence of the three (3) Independent Non-Executive Directors of the company and is generally satisfied with the level of independence demonstrated by them and their ability to act impartially as well as in the best interest of the Group.

## 3. DIRECTORS' REMUNERATION

The Directors' remuneration packages are reviewed and recommended to the Board for approval.

### Remuneration Committee

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.

The remuneration of the Executive Directors consists of basic salary and other emoluments. Any salary review will take into account the market rates and the performance of the individual and the Group. The Non-Executive Directors' annual fees reflected their expected roles and responsibilities. In addition, Non-Executive Directors are paid a meeting allowance for each meeting they attended.

# STATEMENT ON CORPORATE GOVERNANCE

## 3. DIRECTORS' REMUNERATION (CONT'D)

### Remuneration Committee (Cont'd)

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

Remuneration Committee Members	Directorship
Darsan Singh a/l Balwant Singh (Chairman)	Independent Non-Executive Director
Swee Soo Mang	Senior Independent Non-Executive Director
Yap Toon Choy	Group Managing Director

During the financial year 2015, the Remuneration Committee had performed its duty to assess the remuneration package of its Executive Director and proposed the remuneration of Executive Director to the Board for consideration.

Details of the remuneration for the Directors of the Company for the financial year ended 30 April 2015 are as follows:

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Fees	-	100
Emoluments	1,437	18
Employees Provident Funds	114	-
Benefit-in-kind	88	-

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

Range or Remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	-	3
RM200,001 to RM250,000	1	1
RM1,200,001 to RM1,250,000	1	-

## 4. SHAREHOLDERS AND COMMUNICATION POLICY

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.

Another key avenue of communication with its shareholders is the Company's Annual General Meeting. It provides an informative platform for shareholders to engage directly with the Company's Directors. Notice of Annual General Meeting will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed. The resolutions will generally carry out by show of hand, except for Related Party Transaction, if any (wherein poll will be conducted) and unless otherwise demanded by the shareholders in accordance with the Articles of Association of the Company.

At each annual general meeting, the Directors of the Company would be present at the meetings to answer any questions that the shareholders may ask. The Chairman of the meeting provided time for the shareholders to ask questions for each agenda in the notice of the annual general meeting. The external auditors were also present at the annual general meeting to answer any questions that the shareholders may ask. The shareholders are also encouraged to meet with the Directors after the meeting while they are welcome to communicate with the other shareholders, proxies and corporate representatives.

Alternatively, shareholders can seek additional information through the Group's website: [www.keinhing.com](http://www.keinhing.com) or [www.zenne.com.my](http://www.zenne.com.my).

# STATEMENT ON CORPORATE GOVERNANCE

## 4. SHAREHOLDERS AND COMMUNICATION POLICY (CONT'D)

### **Poll Voting**

The Board is encouraged to put substantive resolutions to vote by way of poll at the general meetings. The Chairman will inform the shareholders of their right to demand for a poll vote at the commencement of a general meeting.

Generally, resolutions will be carried out by show of hands, except for related party transaction wherein poll will be conducted as required by the Listing Requirement or as demanded by the shareholders in accordance with the Articles of Association of the Company. All resolutions put forth at the Eleventh AGM held on 29 October 2014 were voted by a show of hands.

### **Corporate Disclosure Policy**

The Board values the importance of transparency and consistency in communication with all the stakeholders, while taking into account of critical commercial confidentiality and regulatory considerations. Pursuant to this objective, a formal corporate disclosure policy together with whistleblowing policy have been established and adopted.

## 5. ACCOUNTABILITY AND AUDIT

### **Financial Reporting**

The Board is responsible to 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.

A statement by the Directors of their responsibilities for preparing the financial statements is set out under the Statement on Directors' Responsibility on page 28 of this Annual Report.

### **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 Risk Management and Internal Control are furnished on pages 25 to 27 of this Annual Report.

The internal audit function is outsourced and the fees paid to the internal audit firm for the financial year ended 30 April 2015 was RM25,250.

### **Risk Management**

The Board carries out its responsibilities in relation to managing the Company's risk in a systematic and methodical manner. This includes risk assessment evaluation and the setting up of a risk management framework to monitor risks on a regular basis including recovery and reviewing the risk management report prepared by the Risk Management Working Committee which comprises all Head of Departments as members. The Risk Management Working Committee report is first reviewed by the Audit Committee and presented to the Board by the Risk Management Coordinator.

### **Relationship with Auditors**

Through the Audit Committee, the Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. The Audit Committee undertakes to meet the external auditors without the presence of Executive Directors or management at least once a year. The external auditors have confirmed, at an Audit Committee meeting that they are independent throughout the conduct of their audit engagement in accordance with terms of relevant professional and regulatory requirements.

## 5. ACCOUNTABILITY AND AUDIT (CONT'D)

### Corporate Social Responsibilities

The Board of Directors of the Company, whilst pursuing the business objectives of growth in enhancing shareholder value, is also cognizant of the fact that it is an integral part of the society in which it operates. Hence, Corporate Social Responsibilities ("CSR") and community welfare activities have since been integrated into the Group's broad culture. Details of CSR activities have been set out in page 10 of this Annual Report.

## 6. OTHERS

### Utilisation of proceeds

There are no corporate proposals announced at the date of this Annual Report.

### 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 major shareholders' interests.

### Profit Guarantee

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

### Options or Convertible Securities

No options or convertible securities were issued during the financial year under review.

### Non-Audit Fees

Non-audit fees paid by the Group to the external auditors for the financial year ended 30 April 2015 was RM15,000.00 for verifying the Statement on Risk Management and Internal Control and other reporting.

### Depository Receipt Programme

During the financial year under review, the Company did not sponsor any Depository Receipt Programme.

### Sanctions and/or penalties

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by any relevant regulatory bodies during the financial year.

## 6. OTHERS (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 2015 pursuant to the shareholders' mandate obtained by the Company at the Eleventh AGM held on 29 October 2014 are as follows:

No.	Nature of Recurrent Related Party Transaction	Related Parties	Names of Related Parties (Interested Director, Major Shareholder and Person Connected)	Aggregate value of the RRPTs during the financial year ended 30 April 2015 (RM)
1.	KHI produced metal components and tooling mould for Muramoto Technics (Malaysia) Sdn. Bhd. ("MTM").	MTM is a person connected to Yap Toon Choy, Director and Major Shareholder of the Company and Shingo Muramoto, Director and Shareholder of the Company	Yap Toon Choy, Shingo Muramoto, Yong Elaine and Muramoto Asia Pte. Ltd. ("Muramoto Singapore")	33,086,965
2.	KHI rented part of the factory space located at the following address to MTM:- Lot 1863 and Lot 1864, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan.	MTM is a person connected to Yap Toon Choy, Director and Major Shareholder of the Company and Shingo Muramoto, a Director and Shareholder of the Company	Yap Toon Choy, Shingo Muramoto, Yong Elaine and Muramoto Singapore	108,000
3.	KHI rented the premises and factory space located at the following addresses from T.C. Yap Holdings Sdn. Bhd. ("TCY Holdings"):- a) 1, 3, 5, 7, 9, 11, 11A, 15A, 17 & 19, Jalan Indah, 2/16, Taman Universiti Indah, 43300 Seri Kembangan, Selangor Darul Ehsan; and b) No.12-2, Block R2, Seksyen 6, Pangsapuri Mutiara Serdang, 43300 Serdang Raya, Selangor Darul Ehsan.	TCY Holdings is a person connected to Yap Toon Choy and Yong Elaine, a Directors and Major Shareholder of the Company	Yap Toon Choy and Yong Elaine	214,425

# STATEMENT ON CORPORATE GOVERNANCE

## 6. OTHERS (CONT'D)

No.	Nature of Recurrent Related Party Transaction	Related Parties	Names of Related Parties (Interested Director, Major Shareholder and Person Connected)	Aggregate value of the RRPTs during the financial year ended 30 April 2015 (RM)
4.	<p>KHI rented five (5) apartment units and the premises located at the following addresses from Mr. Yap Toon Choy for the use by its employees and shop office purposes respectively:-</p> <p>a) Units No. C2-2, C3-2, C4-2, C5-2 and C6-2, Excelsa Apartments, Jalan Indah 1/9, Taman Universiti Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.</p> <p>b) No. 13, Jalan Besar, Susur 1, 43300 Seri Kembangan, Selangor Darul Ehsan.</p>	<p>Yap Toon Choy is a Director and Major Shareholder of the Company and a person connected to Yong Elaine, a Director and Major Shareholder of the Company</p>	<p>Yap Toon Choy and Yong Elaine</p>	132,000
5.	KHI produced metal components and tooling mould for Kein Hing Muramoto (Vietnam) Co. Ltd. ("KHMV").	KHMV is a person connected to Yap Toon Choy, Director and Major Shareholder of the Company and Shingo Muramoto, a Director and Shareholder of the Company	<p>Yap Toon Choy, Shingo Muramoto, Yong Elaine and Muramoto Singapore</p>	3,454,590
6.	ZA sold gas appliances to Muramoto Singapore.	Muramoto Singapore is a person connected to Shingo Muramoto, a Director and Shareholder of the Company	<p>Shingo Muramoto and Muramoto Singapore</p>	71,450
7.	KHMV produced metal components and tooling mould for KHI.	KHMV is a person connected to Yap Toon Choy, Director and Major Shareholder of the Company and Shingo Muramoto, a Director and Shareholder of the Company	<p>Yap Toon Choy, Shingo Muramoto, Yong Elaine and Muramoto Singapore</p>	585,235

# STATEMENT ON CORPORATE GOVERNANCE

## 6. OTHERS (CONT'D)

No.	Nature of Recurrent Related Party Transaction	Related Parties	Names of Related Parties (Interested Director, Major Shareholder and Person Connected)	Aggregate value of the RRPTs during the financial year ended 30 April 2015 (RM)
8.	KHI rented two (2) units of the premises located at the following addresses from Kam Loong Mining Sdn. Bhd. ("Kam Loong") for production and warehouse purposes:- a) Lot 1861A & 1861B, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan. b) Lot 1861C, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan.	Kam Loong is a Major Shareholder of the Company	Kam Loong	216,000

### 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 KHIB.

# AUDIT COMMITTEE REPORT

## COMPOSITION

The Audit Committee comprises the following Directors:

Audit Committee Members	Directorship
Swee Soo Mang (Chairman)	Senior Independent Non-Executive Director
Darsan Singh a/l Balwant Singh	Independent Non-Executive Director
Gan Chee Tsong	Independent Non-Executive Director

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Objective

The Audit Committee shall:

- a) assist the Board of Directors in fulfilling its fiduciary responsibilities relating to accounting and reporting practices of the Company and the Group;
- b) oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors including reviewing their audit plans;
- c) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authorities and responsibilities including meeting the external auditors at least twice a year, without the presence of the executive directors and management;
- d) determine the adequacy of the Group's administrative, operating and accounting controls; and
- e) assist the Board of Directors in implementing the objectives outlined in the Risk Management Policy, reviewing and updating the existing risk profile and status of completion of action plans.

### Members

- a) The Audit Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise not less than three (3) members, all of whom shall be Independent Directors.
- b) At least one (1) member of the Audit 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, he must have at least three (3) years' working experience and:
    - he must have passed the examinations specified in Part I of the 1st 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 1st Schedule of the Accountants Act 1967; or
    - fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- c) No Alternate Director shall be appointed as a member of the Audit Committee.
- d) The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.
- e) The Board of Directors shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.
- f) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

## Authority

The Audit Committee shall, whenever necessary and reasonable for its performance and in accordance with a procedure to be determined by the Board of Directors and at the Company's cost:

- a) have authority to investigate any matter within its terms of reference;
- b) have 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 advice or other advice; and
- f) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

## Functions

In discharging its functions, the Audit Committee shall review the following and report the same to the Board of Directors of the Company:

- i. with the external auditors, the audit plan;
- ii. with the external auditors, his evaluation of the system of internal controls;
- iii. with the external auditors, his audit report;
- iv. with the risk management coordinator, the quarterly risk management report;
- v. the assistance given by the employees of the Group to the external auditors;
- vi. the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- vii. 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;
- viii. the quarterly results and yearend financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements;
- ix. any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- x. any letter of resignation from the external auditors of the Company;
- xi. whether there is reason (supported by grounds) to believe that the Group's external auditors are not suitable for reappointment; and
- xii. identify and evaluate of new strategic risks including corporate matters (for example, regulatory, business development) and key operational risks.
  - a) recommend the nomination of a person or persons as external auditors;
  - b) prepare an Audit Committee Report at the end of each financial year;
  - c) report promptly to Bursa Securities where the Audit Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Listing Requirements; and
  - d) any other functions as may be agreed to by the Audit Committee and the Board of Directors.

## Attendance and Meeting

- a) The quorum of the Audit Committee shall be two (2) of whom the majority of members present shall be Independent Directors.
- b) Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the management, employees, other Directors and representatives of the external auditors to be present at meetings of the Audit Committee.

# AUDIT COMMITTEE REPORT

## Attendance and Meeting (Cont'd)

c) The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any Audit Committee member, the Company's Managing Director, or the internal or external auditors.

## Minutes

Minutes of each Audit Committee meeting are to be prepared and sent to its members. The Secretary shall also circulate the minutes of meetings of the Audit Committee to all members of the Board of Directors.

## Secretary

The Company Secretary or his assistant shall be the Secretary of the Audit Committee.

## 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 announcements of the quarterly financial results of the Group prior to the Board of Directors' approval and released the results to Bursa Securities.
- ii) Reviewed audited financial statements and Annual Report for the financial year ended 30 April 2015.
- iii) Reviewed external auditors' scope of work and audit plan.
- iv) Reviewed the extent of application and compliance of Principles and Recommendation set out in the Malaysian Code of Corporate Governance 2012.
- v) Reviewed related party transactions of the Group.
- vi) Reviewed the internal audit functions and the recommendations of the internal auditors' findings.
- vii) Reviewed the quarterly risk management report.
- viii) Meeting with the External Auditors without the presence of Executive Directors and Management.

During the financial year ended 30 April 2015, the Audit Committee met five (5) times and the details of the attendance are as follows:

	Attendance
Swee Soo Mang	5/5
Darsan Singh a/l Balwant Singh	5/5
Gan Chee Tsong	5/5

## Internal Audit function

The Company outsourced its internal audit function to an independent consulting firm which reports directly to the Audit Committee. The internal Auditors carried out regular and systematic reviews on the areas of operations in accordance with the audit plan and to ensure efficacy and effectiveness of the system of internal control as well as compliance with relevant laws and regulations. A risk-based methodology is adopted to evaluate and focus its work mainly on key processes and principle risk areas of the operating units.

During the financial year under review, the internal audit covered operation of delivery and warehousing, purchasing (packaging materials), control and custody of property, plant and equipment (measuring equipment), information technology policy (software license compliance) and review of recurrent related party transactions on a half-yearly basis.

In the year under review, the internal audits conducted did not reveal any material weakness which would require disclosure in the annual report.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance 2012 ("Code") requires the Board of Directors of listed companies to maintain a sound system of internal control to safeguard shareholders' investment and their assets. Under the provisions of the Bursa Malaysia Securities Berhad's Listing Requirements, paragraph 15.26(b) Directors of listed companies are required to produce a statement on the state of the Companies' internal control in their Annual report. In this regards, the Board of Directors ("Board") of Kein Hing International Berhad ("KHIB") is pleased to set out below its statement on risk management and internal control for KHIB and its subsidiaries ("Group").

## BOARD'S RESPONSIBILITIES

The Board recognises the importance of sound risk management practices and internal controls to safeguard shareholders' investments and the Company's assets. The Board acknowledges its responsibility and is committed in maintaining the Company's risk management and system of internal control as well as reviewing its adequacy, integrity and effectiveness.

There are inherent limitations in any system of internal control and the system is designed to manage and mitigate the impact rather than completely eliminate the risks that may impact the achievement of the Company's business objectives. Therefore, the system of internal control can only provide reasonable but no absolute assurance against material misstatement or loss.

## INTERNAL AUDIT FUNCTION

The Group's internal audit function was outsourced to an internal audit firm, which is independent of the day to-day operations of the Group whilst reporting directly to the Audit Committee. This, in turn, aids the Audit Committee in discharging its duties with respect to the adequacy and integrity of the Group's internal control systems.

The internal audit reviewed the Group's system of internal controls in a systematic and cyclic basis and on selected functions and tabled the results of their review at the Audit Committee meetings on a quarterly basis.

During the financial year under review, the internal audit covered operation of delivery and warehousing, purchasing (packaging materials), control and custody of property, plant and equipment (measuring equipment), information technology policy (software license compliance) and review of recurrent related party transactions on a half-yearly basis.

Any areas for improvement identified during the course of the internal audit were brought to the attention of the Audit Committee. Four (4) internal audit and risk management reports were tabled at the Audit Committee meetings held during the financial year under review. The internal audit reports were also forwarded to and discussed with the Management concerned for attention and necessary action, with the status of actions taken and reported back to the Audit Committee and the Board.

## RISK MANAGEMENT FRAMEWORK

The Board ensures that there is an ongoing process of identifying, evaluating and managing significant risks faced by the Group throughout the financial year. The Board and Management has identified potential risk areas, reviewed current risk level, evaluated likelihood and its impact on the Group businesses and explored all possible countermeasures to manage and control these risks.

The Board has received ongoing reports and assurance from the Management that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. In addressing the potential risks faced by the Group, the Board has considered:

- the impact and extent of risks facing the Group;
- the categories of risks which may be very significant, major, moderate or minor
- the likelihood of the risks concerned materialising;
- the Group's ability to reduce the risks that may materialise and their impact on the business; and
- the cost of operating particular controls relative to the benefit thereby obtained in managing and the related risks.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RISK MANAGEMENT FRAMEWORK (CONT'D)

During the financial year, the Management had compiled and evaluated the risk profiles for each of the departments in accordance with their inherent business risk factors, its corresponding ratings and any subsequent counter-measures required. These risk profiles had been progressively presented to the Audit and Risk Management Committee for review. In addition, the Board had received reasonable assurance from the Managing Director and Financial Controller that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, which is based on the risk management and internal control system of the Company.

## KEY ELEMENTS OF INTERNAL CONTROLS

The key elements of the Group's existing system of internal controls are described below:

- **Organisational Structure**  
The Board has in place an organisation structure with well-defined delegation of responsibilities and accountabilities within the Group's senior management. The roles and responsibilities, appropriate authority limits and approval procedures are established in order to enhance the internal control system of the Group's various operations.
- **Board Committees**  
Board Committees such as Audit Committee, Nominating Committee and Remuneration Committee are established with formal terms of references clearly outlining their functions and duties delegated by the Board. The Audit Committee meets at least four (4) times a year and reviews the effectiveness of the Group's system of internal control and risk management. The Committee meets with the internal auditors and external auditors to review their reports whilst assisting the Board to review the effectiveness of the on-going monitoring processes on risk and control matters for areas within their scope.
- **Control Activities**  
The Group continuously reviews and updates its policies, procedures and standards in accordance with changes in the operating environment.
- **Management meetings**  
Regular Management meetings are held to raise issues, discuss, review and monitor the business development and resolve operational and management issues and review financial performances against the budgets for each operating unit and regular visits by the Senior Personnel or Management team to each operating unit as and when necessary.
- **Information and Communication Controls**  
The Group's computerised information systems are streamlined to ensure compliance with hardware and software regulations and guidelines for system integrity, effectiveness and efficiency, whilst the Managing Director acts as the channel of communication between the Board and the Management. The Managing Director is empowered to manage the business of the Group and implement the Board's directive and policies.
- **Ongoing training**  
As and when necessary, provision of staff training and development programs to equip staff with the appropriate knowledge and skills to enable staff to carry out their job functions productively and effectively.
- **Hands on approach**  
Close involvement of the Executive Directors of the Group in its daily operations.
- **Related party transactions monitoring**  
Related party transactions are disclosed, reviewed and monitored by the Audit committee on a periodic basis.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Review of the Statement by External Auditors

The external auditors, Messrs KPMG have reviewed this statement on risk management and internal control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 30 April 2015, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material aspects:

- (a) has not been prepared in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

## CONCLUSION

The Board is of the view that the system of internal control of the Group that has been put in place is adequate and effective. The Board will continue to further improve and enhance its system of internal control and the work processes.

The statement made in accordance with the resolution of the Board of Directors dated 26 August 2015.

# STATEMENT ON DIRECTORS' RESPONSIBILITY

In Relation To The Financial Statements

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

In preparing the financial statements for the year ended 30 April 2015, the Directors have ascertained that:

- appropriate accounting policies have been consistently applied;
- reasonable and prudent judgements and estimates have been made;
- all applicable accounting standards in Malaysia are strictly adhered to; and
- going concern basis is applied.

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

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# DIRECTORS' REPORT

For the year ended 30 April 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 April 2015.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 6 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
Profit for the year attributable to:		
Owners of the Company	3,810,417	3,910,335
Non-controlling interests	1,414,562	-
	<hr/>	<hr/>
	5,224,979	3,910,335

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

## DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single tier ordinary dividend of 1 sen per ordinary share totalling RM990,000, in respect of the financial year ended 30 April 2014 on 20 November 2014.

The first and final single tier ordinary dividend recommended by the Directors in respect of the financial year ended 30 April 2015 is 1 sen per ordinary share totalling RM990,000. This dividend will be recognised in the subsequent financial year upon approval by the shareholders in the forthcoming Annual General Meeting.

## DIRECTORS OF THE COMPANY

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

Yap Toon Choy  
Yong Elaine  
Shingo Muramoto  
Darsan Singh A/L Balwant Singh  
Swee Soo Mang  
Gan Chee Tsong

# DIRECTORS' REPORT

For the year ended 30 April 2015

## DIRECTORS' INTERESTS

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

Company	Number of ordinary shares of RM0.50 each			
	At 1.5.2014	Bought	Sold	At 30.4.2015
<i>Direct interest</i>				
Yap Toon Choy	37,126,520	-	-	37,126,520
Yong Elaine	20,870,070	-	-	20,870,070
<i>Indirect interest</i>				
Shingo Muramoto	4,372,600	-	(4,372,600)	-

	Contributed capital (US Dollars)			
	At 1.5.2014	Addition	Sold	At 30.4.2015
<b>Kein Hing Muramoto (Vietnam) Co., Ltd</b>				
<i>Indirect interest</i>				
Shingo Muramoto	1,078,000	-	(1,078,000)	-

By virtue of their interests in the shares of the Company, Yap Toon Choy and Yong Elaine are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Kein Hing International Berhad has an interest.

None of the other Directors holding office at 30 April 2015 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 companies which traded with certain companies in the Group in the ordinary course of business and rental income receivable from companies in which the Directors have significant financial interests, as disclosed in Note 27 to the financial statements.

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

## ISSUE OF SHARES

There were no changes in the authorised, 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 financial 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 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 financial statements of the Group and of the Company 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 financial performance of the Group and of the Company for the financial year ended 30 April 2015 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.

# DIRECTORS' REPORT

For the year ended 30 April 2015

KEIN HING INTERNATIONAL BERHAD (616056-T) • Annual Report 2015

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## SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 28 to the financial statements.

## AUDITORS

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

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

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**Yap Toon Choy**

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**Yong Elaine**

Selangor Darul Ehsan,

Date: 26 August 2015

# STATEMENTS OF FINANCIAL POSITION

As at 30 April 2015

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KEIN HING INTERNATIONAL BERHAD (616056-T) • Annual Report 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Assets</b>					
Property, plant and equipment	3	<b>91,241,061</b>	83,653,275	-	-
Prepaid lease payments	4	<b>6,477,644</b>	3,980,775	-	-
Investment properties	5	<b>6,340,168</b>	-	-	-
Investments in subsidiaries	6	-	-	<b>61,097,089</b>	59,754,073
Other investments	7	<b>198,586</b>	695,893	-	-
Amount due from a subsidiary	8	-	-	<b>1,354,538</b>	1,055,017
<b>Total non-current assets</b>		<b>104,257,459</b>	88,329,943	<b>62,451,627</b>	60,809,090
Trade and other receivables	8	<b>35,886,301</b>	28,468,272	<b>3,064,920</b>	1,519,652
Inventories	9	<b>24,104,296</b>	18,068,810	-	-
Cash and bank balances	10	<b>11,888,831</b>	16,959,704	<b>127,263</b>	32,763
Assets classified as held for sale	11	-	1,400,000	-	500,722
<b>Total current assets</b>		<b>71,879,428</b>	64,896,786	<b>3,192,183</b>	2,053,137
<b>Total assets</b>		<b>176,136,887</b>	153,226,729	<b>65,643,810</b>	62,862,227
<b>Equity</b>					
Share capital	12	<b>49,500,000</b>	49,500,000	<b>49,500,000</b>	49,500,000
Reserves		<b>41,848,700</b>	37,616,925	<b>15,996,808</b>	13,076,473
<b>Equity attributable to owners of the Company</b>		<b>91,348,700</b>	87,116,925	<b>65,496,808</b>	62,576,473
Non-controlling interests	12	<b>9,867,605</b>	8,001,825	-	-
<b>Total equity</b>		<b>101,216,305</b>	95,118,750	<b>65,496,808</b>	62,576,473
<b>Liabilities</b>					
Loans and borrowings	13	<b>12,651,990</b>	8,972,771	-	-
Trade and other payables	14	<b>1,301,419</b>	1,013,644	-	-
Deferred tax liabilities	15	<b>4,176,350</b>	4,080,752	-	-
<b>Total non-current liabilities</b>		<b>18,129,759</b>	14,067,167	-	-
Loans and borrowings	13	<b>24,900,236</b>	19,611,120	-	-
Trade and other payables	14	<b>31,675,245</b>	23,580,726	<b>145,002</b>	283,754
Current tax liabilities		<b>215,342</b>	848,966	<b>2,000</b>	2,000
<b>Total current liabilities</b>		<b>56,790,823</b>	44,040,812	<b>147,002</b>	285,754
<b>Total liabilities</b>		<b>74,920,582</b>	58,107,979	<b>147,002</b>	285,754
<b>Total equity and liabilities</b>		<b>176,136,887</b>	153,226,729	<b>65,643,810</b>	62,862,227

The notes on pages 39 to 89 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2015

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	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	16	<b>193,634,965</b>	159,812,888	<b>2,600,000</b>	4,050,000
Cost of sales		<b>(157,833,884)</b>	(129,687,114)	-	-
<b>Gross profit</b>		<b>35,801,081</b>	30,125,774	<b>2,600,000</b>	4,050,000
Other income		<b>1,562,828</b>	2,038,443	<b>1,537,380</b>	471
Distribution expenses		<b>(1,732,635)</b>	(2,212,127)	-	-
Administrative expenses		<b>(25,104,283)</b>	(22,855,615)	<b>(386,775)</b>	(301,059)
Other expenses		<b>(1,479,266)</b>	(1,190,123)	-	-
<b>Results from operating activities</b>		<b>9,047,725</b>	5,906,352	<b>3,750,605</b>	3,749,412
Investment income		<b>276,867</b>	308,019	<b>180,492</b>	171,695
Finance costs		<b>(2,260,178)</b>	(1,930,897)	-	-
<b>Operating profit</b>	17	<b>7,064,414</b>	4,283,474	<b>3,931,097</b>	3,921,107
Share of profit of equity-accounted associate, net of tax		-	152,950	-	-
<b>Profit before tax</b>		<b>7,064,414</b>	4,436,424	<b>3,931,097</b>	3,921,107
Income tax expense	19	<b>(1,839,435)</b>	(1,843,492)	<b>(20,762)</b>	(21,659)
<b>Profit for the year</b>		<b>5,224,979</b>	2,592,932	<b>3,910,335</b>	3,899,448
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Share of capital reserve by a non-controlling interest of a subsidiary		<b>114,348</b>	-	-	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		<b>2,167,533</b>	1,432,977	-	-
Fair value of available-for-sale financial assets		<b>2,516</b>	193	-	-
<b>Total comprehensive income for the year</b>		<b>7,509,376</b>	4,026,102	<b>3,910,335</b>	3,899,448
<b>Profit attributable to:</b>					
Owners of the Company		<b>3,810,417</b>	1,159,984	<b>3,910,335</b>	3,899,448
Non-controlling interests		<b>1,414,562</b>	1,432,948	-	-
<b>Profit for the year</b>		<b>5,224,979</b>	2,592,932	<b>3,910,335</b>	3,899,448
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		<b>5,221,775</b>	2,110,828	<b>3,910,335</b>	3,899,448
Non-controlling interests		<b>2,287,601</b>	1,915,274	-	-
<b>Total comprehensive income for the year</b>		<b>7,509,376</b>	4,026,102	<b>3,910,335</b>	3,899,448
Basic earnings per ordinary share (sen):	20	<b>3.85</b>	1.17		
Dividends per ordinary share (sen):	21	<b>1.00</b>	1.00		

The notes on pages 39 to 89 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANCES IN EQUITY

For the year ended 30 April 2015

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Group	Note	Attributable to owners of the Company				Non-controlling interests				Total equity RM
		Share capital RM	Share premium RM	Translation reserve RM	Fair value reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM		
<b>At 1 May 2013</b>		49,500,000	2,668,992	(149,013)	(2,709)	34,005,552	86,022,822	6,062,826	92,085,648	
Foreign currency translation differences for foreign operations		-	-	950,651	-	-	950,651	482,326	1,432,977	
Fair value of available-for-sales financial asset		-	-	-	193	-	193	-	193	
Total other comprehensive income for the year		-	-	950,651	193	-	950,844	482,326	1,433,170	
Profit for the year		-	-	-	-	1,159,984	1,159,984	1,432,948	2,592,932	
Total comprehensive income for the year		-	-	950,651	193	1,159,984	2,110,828	1,915,274	4,026,102	
Acquisition and disposal of non-controlling interests		-	-	-	-	(26,725)	(26,725)	23,725	(3,000)	
Dividends to owners of the Company	22	-	-	-	-	(990,000)	(990,000)	-	(990,000)	
<b>At 30 April 2014</b>		49,500,000	2,668,992	801,638	(2,516)	34,148,811	87,116,925	8,001,825	95,118,750	
49,500,000	2,668,992	801,638	(2,516)	34,148,811	87,116,925	8,001,825	95,118,750			Note 12.5
<b>At 1 May 2014</b>										
Foreign currency translation differences for foreign operations		-	-	1,408,842	-	-	1,408,842	758,691	2,167,533	
Share of capital reserve by a non-controlling interest of a subsidiary		-	-	-	-	-	-	114,348	114,348	
Fair value of available-for-sales financial asset		-	-	-	2,516	-	2,516	-	2,516	
Total other comprehensive income for the year		-	-	1,408,842	2,516	-	1,411,358	873,039	2,284,397	
Profit for the year		-	-	-	3,810,417	3,810,417	1,414,562	5,224,979		
Total comprehensive income for the year		-	-	1,408,842	2,516	3,810,417	5,221,775	2,287,601	7,509,376	
Disposal of a subsidiary company		-	-	-	-	-	-	(421,821)	(421,821)	
Dividends to owners of the Company	22	-	-	-	-	(990,000)	(990,000)	-	(990,000)	
<b>At 30 April 2015</b>		<b>49,500,000</b>	<b>2,668,992</b>	<b>2,210,480</b>	<b>-</b>	<b>36,969,228</b>	<b>91,348,700</b>	<b>9,867,605</b>	<b>101,216,305</b>	
49,500,000	2,668,992	2,210,480	-	36,969,228	91,348,700	9,867,605	101,216,305			Note 12.5
Note 12.1	Note 12.2	Note 12.3	Note 12.4							

The notes on pages 39 to 89 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2015

Company	Note	Non-distributable		Distributable		Total RM
		Share capital RM	Share premium RM	Retained earnings RM		
<b>At 1 May 2013</b>		49,500,000	2,668,992	7,498,033		59,667,025
Profit for the year and total comprehensive income for the year		-	-	3,899,448		3,899,448
Dividends to owners of the Company	21	-	-	(990,000)		(990,000)
<b>At 30 April 2014/1 May 2014</b>		49,500,000	2,668,992	10,407,481		62,576,473
Profit for the year and total comprehensive income for the year		-	-	3,910,335		3,910,335
Dividends to owners of the Company	21	-	-	(990,000)		(990,000)
<b>At 30 April 2015</b>		<b>49,500,000</b>	<b>2,668,992</b>	<b>13,327,816</b>		<b>65,496,808</b>

Note 12.1 Note 12.2

# STATEMENTS OF CASH FLOWS

For the year ended 30 April 2015

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	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash flows from operating activities</b>				
Profit before tax	<b>7,064,414</b>	4,436,424	<b>3,931,097</b>	3,921,107
Adjustments for:				
Amortisation of prepaid lease payments				
- Land use rights	<b>123,966</b>	102,025	-	-
Depreciation of property, plant and equipment	<b>11,287,650</b>	10,979,675	-	-
Dividend income	-	-	<b>(2,600,000)</b>	(4,050,000)
Finance costs	<b>2,260,178</b>	1,930,897	-	-
Gain on disposal of:				
- assets held for sale	-	-	<b>(899,278)</b>	-
- a subsidiary company	-	-	<b>(636,289)</b>	-
Loss on disposal of:				
- property, plant and equipment	<b>130,382</b>	1,642	-	-
- other investment	<b>5,500</b>	-	-	-
Impairment loss on:				
- trade receivables	-	208,773	-	-
- investment in an associate	-	208,697	-	-
Investment income	<b>(276,867)</b>	(308,019)	<b>(180,492)</b>	(171,695)
Property, plant and equipment written off	<b>369,468</b>	164,579	-	-
Share of profit of equity-accounted associate, net of tax	-	(152,950)	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>20,964,691</b>	17,571,743	<b>(384,962)</b>	(300,588)
Changes in working capital:				
Inventories	<b>(6,035,486)</b>	(3,402,127)	-	-
Trade and other receivables	<b>(7,840,029)</b>	(2,799,919)	-	-
Trade and other payables	<b>4,995,497</b>	2,719,292	-	9,000
<b>Cash generated from/(used in) operations</b>	<b>12,084,673</b>	14,088,989	<b>(384,962)</b>	(291,588)
Income tax paid	<b>(2,377,461)</b>	(495,141)	<b>(20,762)</b>	(19,659)
<b>Net cash generated from/(used in) operating activities</b>	<b>9,707,212</b>	13,593,848	<b>(405,724)</b>	(311,247)
<b>Cash flows from investing activities</b>				
Acquisition of:				
- additional shares in a subsidiary	-	-	<b>(2,275,000)</b>	(2,486,200)
- non-controlling interests' share in a subsidiary	-	(3,000)	-	(3,000)
- property, plant and equipment (ii)	<b>(9,956,297)</b>	(6,753,388)	-	-
- investment properties	<b>(4,450,098)</b>	-	-	-
Dividend received	-	50,000	<b>2,600,000</b>	4,050,000
Proceeds from disposal of:				
- a subsidiary company	-	-	<b>1,687,289</b>	-
- assets held for sale	<b>1,400,000</b>	-	<b>1,400,000</b>	-
- other investment	<b>494,500</b>	-	-	-
- property, plant and equipment	<b>197,475</b>	48,005	-	-
Increase in prepaid lease payments	<b>(2,298,434)</b>	-	-	-
Interest received	<b>186,170</b>	222,508	<b>89,795</b>	86,184
Increase in pledged deposits with licensed banks	<b>(3,940)</b>	(3,824)	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(14,430,624)</b>	(6,439,699)	<b>3,502,084</b>	1,646,984

# STATEMENTS OF CASH FLOWS

For the year ended 30 April 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Cash flows from financing activities</b>				
Advances to subsidiaries	-	-	(2,011,860)	(391,928)
Advances from a non-controlling interest in a subsidiary	196,000	-	-	-
Proceeds from term loans	4,817,729	2,650,945	-	-
Repayment of amount due to Directors	(988,724)	(1,237,757)	-	-
Repayment of finance lease liabilities	(2,822,060)	(3,286,492)	-	-
Repayment of term loans	(2,805,971)	(2,176,728)	-	-
(Repayment of)/Proceeds from other borrowings	(1,642,674)	2,552,512	-	-
Dividends paid	(990,000)	(990,000)	(990,000)	(990,000)
Interest paid	(2,082,341)	(1,763,230)	-	-
<b>Net cash used in financing activities</b>	<b>(6,318,041)</b>	<b>(4,250,750)</b>	<b>(3,001,860)</b>	<b>(1,381,928)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,041,453)</b>	<b>2,903,399</b>	<b>94,500</b>	<b>(46,191)</b>
Exchange differences on translation of the financial statements of foreign operations	470,669	57,796	-	-
<b>Cash and cash equivalents at 1 May</b>	<b>10,344,744</b>	<b>7,383,549</b>	<b>32,763</b>	<b>78,954</b>
<b>Cash and cash equivalents at 30 April (i)</b>	<b>(226,040)</b>	<b>10,344,744</b>	<b>127,263</b>	<b>32,763</b>

## Notes to statements of cash flows

### (i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Deposits with licensed banks	10	4,340,330	8,510,253	-	-
Less: Pledged deposits	10	(137,486)	(133,546)	-	-
		<b>4,202,844</b>	<b>8,376,707</b>	<b>-</b>	<b>-</b>
Cash and bank balances	10	7,548,501	8,449,451	127,263	32,763
Bank overdraft	13	(11,977,385)	(6,481,414)	-	-
		<b>(226,040)</b>	<b>10,344,744</b>	<b>127,263</b>	<b>32,763</b>

### (ii) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM20,088,369 (2014: RM8,594,962) of which RM10,132,072 (2014: RM1,841,574) was acquired by means of finance lease and term loan arrangements respectively.

# NOTES TO THE FINANCIAL STATEMENTS

Kein Hing International Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

## **Principal place of business and registered office**

Lot 1863, Jalan Kolej  
43300 Seri Kembangan  
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30 April 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 30 April 2015 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the other Group entities are stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 26 August 2015.

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (Cont'd)***

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- MFRS 15, *Revenue from Contracts with Customers*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments* (2014)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 May 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 May 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14 and Amendments to MFRS 116 and MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 May 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 May 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period or prior period financial statements of the Group and the Company except as mentioned below:

#### ***MFRS 9, Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (CONT'D)

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

### (d) Use of estimates and judgments

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (Cont'd)

#### (ii) Business combinations (Cont'd)

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (vi) Transactions eliminated on consolidation

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

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

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Foreign currency (Cont'd)

#### (i) Foreign currency transactions (Cont'd)

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill arising from business combinations before 1 May 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial instruments (Cont'd)

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### *Financial assets*

###### **(a) Loans and receivables**

Loans and receivables category comprises debt instruments, transferable club investments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

###### **(b) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments and other investments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment (see Note 2(j)(i)).

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial instruments (Cont'd)

#### (iii) Financial guarantee contracts (Cont'd)

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date and in accordance to Note 2(s).

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

The gains or losses on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Property, plant and equipment (Cont'd)

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

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

• Buildings	42.5 - 50 years
• Leasehold land	99 years
• Plant and machinery, electrical installations and factory equipment	4 - 14 years
• Office equipment, furniture and fittings and renovation	5 - 20 years
• Motor vehicles	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Leased assets (Cont'd)

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance in an operating lease is classified as prepaid lease payments.

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.

The land use rights is amortised on a straight-line basis over the lease term, ranged from 43 years to 46 years.

### (f) Investment properties

#### (i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

#### (ii) Reclassification to/from investment property

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

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

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

### (i) Cash and cash equivalents

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

### (j) Impairment

#### (i) Financial assets

All financial assets (except for investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Impairment (Cont'd)

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

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

### (k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

#### (i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

### (l) Employee benefits

#### (i) Short-term employee benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Employee benefits (Cont'd)

#### (i) Short-term employee benefits (Cont'd)

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

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (m) Provisions

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

### (n) Revenue and other income

#### (i) Goods sold

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

#### (ii) Rental income

Rental income is recognised in profit or loss as it accrues.

#### (iii) Dividend income

Dividend income is recognised in profit or loss on the date the Group's or the Company's right to receive payment is established.

#### (iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Borrowing costs (Cont'd)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

### (p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

### (q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### (r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Contingent liabilities

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

### (t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on freehold land		Buildings on leasehold land		Plant and machinery, electrical installations and factory equipment		Office equipment, furniture and fittings and renovation		Motor vehicles		Assets under construction		Total RM
	Freehold land RM	Land RM	Leasehold land RM	Land RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>Cost</b>													
At 1 May 2013	10,774,745	18,027,606	2,031,007	8,625,044	99,142,008	15,700,999	5,190,381	-	-	-	-	159,491,790	
Additions	-	-	-	395,816	6,299,846	1,301,028	598,272	-	-	-	-	8,594,962	
Disposals	-	-	-	-	(297,363)	(20,847)	(225,564)	-	-	-	-	(543,774)	
Write off	-	-	-	-	(1,645,259)	(2,066,322)	-	-	-	-	-	(3,711,581)	
Effect of movements in exchange rates	-	-	-	413,827	1,334,687	73,648	61,312	-	-	-	-	1,883,474	
At 30 April 2014/ 1 May 2014	10,774,745	18,027,606	2,031,007	9,434,687	104,833,919	14,988,506	5,624,401	-	-	-	-	165,714,871	
Additions	-	-	-	478,969	9,048,174	2,587,955	2,726,675	5,246,596	20,088,369	-	-	-	
Disposals	-	-	-	-	(170,900)	(607,414)	(698,677)	-	-	-	-	(1,476,991)	
Write off	-	-	-	-	(331,921)	(927,262)	-	-	-	-	-	(1,259,183)	
Transfer to investment property (Note 5)	(1,890,070)	-	-	-	-	-	-	-	-	-	-	(1,890,070)	
Effect of movements in exchange rates	-	-	-	516,960	1,975,681	104,121	107,287	-	-	-	-	2,704,049	
At 30 April 2015	<b>8,884,675</b>	<b>18,027,606</b>	<b>2,031,007</b>	<b>10,430,616</b>	<b>115,354,953</b>	<b>16,145,906</b>	<b>7,759,686</b>	<b>5,246,596</b>	<b>183,881,045</b>				

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Buildings on freehold land		Buildings on leasehold land		Buildings on leasehold land		Office		Assets under construction		Total RM
	Freehold land	RM	Leasehold land	RM	Leasehold land	RM	Plant and machinery, electrical and factory equipment	RM	furniture and fittings and renovation	RM	Motor vehicles
<b>Depreciation and impairment loss</b>											
At 1 May 2013	-	2,985,409	203,506	1,485,098	62,409,638	6,319,188	924,401	-	74,327,240	-	74,327,240
Accumulated depreciation	-	2,985,409	203,506	1,485,098	62,159,638	6,319,188	924,401	-	74,077,240	-	74,077,240
Accumulated impairment loss	-	-	-	-	250,000	-	-	-	-	-	250,000
Depreciation for the year	-	2,985,409	203,506	1,485,098	62,409,638	6,319,188	924,401	-	74,327,240	-	74,327,240
Disposals	-	379,990	24,443	314,450	8,039,627	1,422,181	798,984	-	10,979,675	-	10,979,675
Write off	-	-	-	-	(248,420)	(20,144)	(225,563)	-	(494,127)	-	(494,127)
Effect of movements in exchange rates	-	-	-	61,759	(1,546,147)	(2,000,855)	-	-	(3,547,002)	-	(3,547,002)
Accumulated depreciation	-	3,365,399	227,949	1,861,307	69,061,637	5,761,025	1,534,279	-	81,811,596	-	81,811,596
Accumulated impairment loss	-	-	-	-	250,000	-	-	-	-	-	250,000
At 30 April 2014/ 1 May 2014	-	3,365,399	227,949	1,861,307	69,311,637	5,761,025	1,534,279	-	82,061,596	-	82,061,596

# NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Buildings on freehold land		Buildings on leasehold land		Buildings on leasehold land		Plant and machinery, electrical installations and factory equipment		Office equipment, furniture and fittings and renovation		Motor vehicles		Assets under construction		Total RM		
	Freehold land	RM	Leasehold land	RM	Leasehold land	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>Depreciation and impairment loss (Cont'd)</b>																	
At 1 May 2014			227,949	1,861,307	69,061,637		5,761,025	1,534,279									81,811,596
Accumulated depreciation	-	3,365,399				-	250,000		-								250,000
Accumulated impairment loss	-	3,365,399	227,949	1,861,307	69,311,637	5,761,025	1,534,279										82,061,596
382,941	382,941	24,427	385,921	7,971,954	1,594,018	928,389											11,287,650
Depreciation for the year	-	-	-	-	(167,000)	(596,511)	(385,623)										(1,149,134)
Disposals	-	-	-	-	(247,612)	(642,103)	-										(889,715)
Write off	-	-	-	-													-
Effect of movements in exchange rates	-	-	106,638	1,068,584	89,708	64,657											1,329,587
Accumulated depreciation at 30 April 2015	-	3,748,340	252,376	2,353,866	77,937,563	6,206,137	2,141,702										92,639,984
<b>Carrying amounts</b>																	
At 1 May 2013		10,774,745	15,042,197	1,827,501	7,139,946	36,732,370	9,381,811	4,265,980									85,164,550
At 30 April 2014/ 1 May 2014		10,774,745	14,662,207	1,803,058	7,573,380	35,522,282	9,227,481	4,090,122									83,653,275
At 30 April 2015		8,884,675	14,279,266	1,778,631	8,076,750	37,417,390	9,939,769	5,617,984	5,246,596	91,241,061							

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### 3.1 *Property, plant and equipment on finance lease arrangements*

Carrying amounts of property, plant and equipments under finance lease arrangements are as follows:

	Group	
	2015 RM	2014 RM
Plant and machinery, electrical installations and factory equipment	8,810,722	5,590,668
Motor vehicles	2,808,045	1,225,385
	<b>11,618,767</b>	<b>6,816,053</b>

### 3.2 *Security*

Certain property, plant and equipment of the Group amounting to RM41,645,483 (2014: RM39,808,239) are charged to banks as security for loans and borrowings (Note 13).

## 4. PREPAID LEASE PAYMENTS

	Group Land use rights RM
<b>Cost</b>	
At 1 May 2013	4,257,176
Effect of movements in exchange rates	323,213
At 30 April 2014/1 May 2014	4,580,389
Additions	2,298,434
Effect of movements in exchange rates	378,235
At 30 April 2015	<b>7,257,058</b>
<b>Accumulated amortisation</b>	
At 1 May 2013	461,892
Charge for the year	102,025
Effect of movements in exchange rates	35,697
At 30 April 2014/1 May 2014	599,614
Charge for the year	123,966
Effect of movements in exchange rates	55,834
At 30 April 2015	<b>779,414</b>
<b>Carrying amount</b>	
At 30 April 2014/1 May 2014	3,980,775
At 30 April 2015	<b>6,477,644</b>

Certain prepaid lease payments of the Group amounting to RM4,198,363 (2014: RM1,769,684) are charged to banks as security for loans and borrowings (Note 13).

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INVESTMENT PROPERTIES

Group	Freehold land RM	Building under construction RM	Total RM
<b>At cost</b>			
At 1 May 2014	-	-	-
Additions	-	4,450,098	4,450,098
Transfer from property, plant and equipment (Note 3)	1,890,070	-	1,890,070
At 30 April 2015	<b>1,890,070</b>	<b>4,450,098</b>	<b>6,340,168</b>
<b>Accumulated depreciation</b>			
At 1 May 2014/ 30 April 2015	-	-	-
<b>Carrying amounts</b>			
At 1 May 2014	-	-	-
At 30 April 2015	<b>1,890,070</b>	<b>4,450,098</b>	<b>6,340,168</b>

Investment properties of the Group are charged to a financial institution as security for loans and borrowings (Note 13). Borrowing costs for qualifying asset which is under construction amounting to RM5,614 (2014: RM Nil) are capitalised.

## 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM	2014 RM
At cost:		
Unquoted shares	<b>61,559,844</b>	60,335,844
Less: Impairment loss	<b>(581,771)</b>	(581,771)
	<b>60,978,073</b>	59,754,073
Advances to a subsidiary treated as quasi-investment	<b>119,016</b>	-
	<b>61,097,089</b>	59,754,073

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2015 %	2014 %
Kein Hing Industry Sdn. Bhd.	Malaysia	Sheet metal forming, precision machining, component assembly and manufacture and sale of gas appliances	100	100
Kein Hing Muramoto (Vietnam) Co., Ltd* ("KHMV")	Vietnam	Sheet metal forming, precision machining and assembly of components for electronic, automotive and other industries	51	51

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (Cont'd):

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2015 %	2014 %
Zenne Infinity Sdn. Bhd.#	Malaysia	Trading in electrical and electronics products, home appliances and gas appliances	100	100
Zenne Appliances Sdn. Bhd.#	Malaysia	Trading and distribution of gas appliances	100	100
Sanko Kein Hing Sdn. Bhd.#	Malaysia	Precision machining of electronics and electrical industries' components	51	51
Kein Hing Polychrome (Vietnam) Co., Ltd#@	Vietnam	Dormant	-	80
Kein Hing Industry Vietnam Co., Ltd*	Vietnam	Sheet metal forming, precision machining, manufacturing and fabrication of tools and dies and assembly of components	100	100
Kein Hing Thai Nguyen (Vietnam) Co., Ltd*^	Vietnam	Sheet metal forming, precision machining, manufacturing and fabrication of tools and dies and assembly of components	100	-

\* Audited by other member firms of KPMG International

# Audited by other firms of auditors

@ Kein Hing Polychrome (Vietnam) Co., Ltd was dissolved by its shareholders on a voluntary basis on 25 November 2014

^ On 11 November 2014, the Company had incorporated a wholly-owned subsidiary namely Kein Hing Thai Nguyen (Vietnam) Co., Ltd in Vietnam and its contributed capital was RM2,275,000 as at 30 April 2015.

### 6.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	KHMV RM	Other subsidiaries with immaterial NCI RM	Total RM
<b>2015</b>			
NCI percentage of ownership interest and voting interest		49%	
Carrying amount of NCI	10,660,705	(793,100)	9,867,605
Profit/(Loss) allocated to NCI	1,675,913	(261,351)	1,414,562
<b>2014</b>			
NCI percentage of ownership interest and voting interest		49%	
Carrying amount of NCI	8,220,530	(221,829)	7,998,701
Profit/(Loss) allocated to NCI	1,846,286	(415,667)	1,430,619

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

### 6.1 Non-controlling interest in subsidiaries (Cont'd)

	2015 RM	2014 RM
<b>Summarised financial information before intra-group elimination</b>		
<b>As at 30 April</b>		
Non-current assets	<b>22,512,887</b>	20,811,345
Current assets	<b>15,968,081</b>	10,946,013
Non-current liabilities	<b>(3,094,890)</b>	(3,213,026)
Current liabilities	<b>(13,629,537)</b>	(11,767,740)
Net assets	<b>21,756,541</b>	16,776,592
<b>Year ended 30 April</b>		
Revenue	<b>55,325,277</b>	43,767,154
Profit for the year	<b>3,420,231</b>	3,767,931
Total comprehensive income	<b>3,420,231</b>	3,767,931
Cash flows from operating activities	<b>3,368,489</b>	6,048,566
Cash flows from investing activities	<b>(3,270,786)</b>	(6,445,032)
Cash flows from financing activities	<b>(599,993)</b>	1,218,228
Exchange differences on translation of the financial statements of foreign operations	<b>41,645</b>	(276,399)
Net (decrease)/increase in cash and bank balances	<b>(460,645)</b>	545,363
Dividends paid to NCI	<b>-</b>	-

## 7. OTHER INVESTMENTS

Group	Transferable club memberships RM	Other investment RM	Total RM
<b>2015</b>			
Others, at cost	<b>224,166</b>	-	<b>224,166</b>
Less: Impairment loss	<b>(25,580)</b>	-	<b>(25,580)</b>
	<b>198,586</b>	-	<b>198,586</b>
<b>2014</b>			
Available-for-sale financial assets, at fair value	-	497,484	497,484
Others, at cost	223,989	-	223,989
Less: Impairment loss	(25,580)	-	(25,580)
	<b>198,409</b>	<b>497,484</b>	<b>695,893</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 8. TRADE AND OTHER RECEIVABLES

	Note	2015 RM	Group		Company			
			2014 RM	2014 RM	2015 RM	2014 RM		
<b>Non-current</b>								
<b>Non-trade</b>								
Amounts due from subsidiaries	8.1	-	-	-	<b>1,354,538</b>	1,055,017		
<b>Current</b>								
<b>Trade</b>								
Trade receivables		<b>26,606,302</b>	21,311,488	-	-	-		
Less: Impairment loss		<b>(95,478)</b>	(304,251)	-	-	-		
		<b>26,510,824</b>	21,007,237	-	-	-		
Amount due from related parties	8.2	<b>4,457,125</b>	2,150,488	-	-	-		
		<b>30,967,949</b>	23,157,725	-	-	-		
<b>Non-trade</b>								
Amounts due from subsidiaries	8.1	-	-	-	<b>3,063,620</b>	1,518,352		
Amount due from a related party	8.3	<b>9,000</b>	9,000	-	-	-		
Prepaid finance lease payments		<b>511,539</b>	386,898	-	-	-		
Other prepayments		<b>793,271</b>	650,709	-	-	-		
Refundable deposits		<b>917,469</b>	378,969	-	-	-		
Staff loan		<b>70,932</b>	83,487	-	-	-		
Other receivables	8.4	<b>2,616,141</b>	3,801,484	<b>1,300</b>	1,300	1,300		
		<b>4,918,352</b>	5,310,547	<b>3,064,920</b>	1,519,652	1,519,652		
		<b>35,886,301</b>	28,468,272	<b>3,064,920</b>	1,519,652	1,519,652		

### 8.1 Amounts due from subsidiaries

Included in the amounts due from subsidiaries is the non-trade receivable due from a subsidiary consisting of unsecured advances/loan granted to a subsidiary in accordance with seven (7) (2014: 6) separate loan agreements which earn interest at fixed rate of 3% (2014: 3%) per annum and are repayable by way of 10 quarterly instalments with the first instalment payment due and payable on 1 July 2012, 1 January 2013, 1 January 2014, 1 January 2015, 1 July 2015, 30 June 2015 and 1 July 2016 respectively and the subsequent instalments payable at successive intervals of 3 months.

### 8.2 Amount due from related parties

The trade receivable due from related parties are unsecured, interest free and subject to the normal trade terms of 30 days (2014: 30 days).

### 8.3 Amount due from a related party

The non-trade amount due from a related party represents rental receivable as disclosed in Note 27 to the financial statements.

### 8.4 Other receivables

Other receivables of the Group included the following:-

- i) Prepaid tooling costs of RM624,386 (2014: RM1,307,709) which will be recovered from certain customers.
- ii) Progress payment of RM1,475,430 (2014: RM1,362,886) made to a third party in relation to the acquisition of a land use right.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. INVENTORIES

	Group	
	2015 RM	2014 RM
At cost:		
Raw materials	<b>12,016,819</b>	7,930,279
Work-in-progress	<b>4,796,669</b>	4,507,762
Manufactured inventories	<b>6,292,348</b>	4,585,142
Trading inventories	<b>998,460</b>	1,045,627
	<b>24,104,296</b>	18,068,810
Recognised in profit or loss:		
Inventories recognised as cost of sales	<b>157,833,884</b>	129,687,114
Write-down to net realisable value	<b>70,413</b>	20,624
Reversal of write-down	-	147,237

The write-down and reversal are included in cost of sales.

## 10. CASH AND BANK BALANCES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposits placed with licensed banks	<b>4,340,330</b>	8,510,253	-	-
Cash and bank balances	<b>7,548,501</b>	8,449,451	<b>127,263</b>	32,763
	<b>11,888,831</b>	16,959,704	<b>127,263</b>	32,763

Included in deposits placed with licensed banks of the Group is RM137,486 (2014: RM133,546) pledged for a bank facility granted to a subsidiary (Note 13).

## 11. ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Carrying amount of assets held for sale	-	1,400,000	-	500,722

On 29 April 2014, the Company had entered into an agreement to dispose of its entire equity interest of 400,000 ordinary shares representing 25% effective ownership interest in Polychrome Sdn. Bhd. ("PSB") to the existing individual substantial shareholder and directors of PSB for a total cash consideration of RM1,400,000. The disposal was completed on 25 November 2014.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. SHARE CAPITAL AND RESERVES

### 12.1 Share capital

	Group and Company			
	Amount 2015 RM	Number of shares 2015	Amount 2014 RM	Number of shares 2014
<b>Authorised:</b>				
Ordinary shares of RM0.50 each	<b>50,000,000</b>	<b>100,000,000</b>	50,000,000	100,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM0.50 each	<b>49,500,000</b>	<b>99,000,000</b>	49,500,000	99,000,000

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

### 12.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

### 12.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

### 12.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

### 12.5 Non-controlling interests

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

The movements in each category of reserves are disclosed in the statement of changes in equity.

## 13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, refer to Note 23.

	Group	
	2015 RM	2014 RM
<b>Non-current</b>		
Secured term loans	<b>8,210,477</b>	6,441,278
Unsecured term loans	<b>88,646</b>	256,193
Finance lease liabilities	<b>4,352,867</b>	2,275,300
Balance carried forward	<b>12,651,990</b>	8,972,771

# NOTES TO THE FINANCIAL STATEMENTS

## 13. LOANS AND BORROWINGS (CONT'D)

	Group	2015	2014
	RM	RM	RM
Balance brought forward		<b>12,651,990</b>	8,972,771
<b>Current</b>			
Secured bankers' acceptance		<b>2,119,000</b>	-
Unsecured bankers' acceptance		-	4,895,000
Secured bills payable		<b>4,382,116</b>	3,248,790
Secured bank overdrafts		<b>8,308,032</b>	4,823,183
Unsecured bank overdrafts		<b>3,669,353</b>	1,658,231
Secured term loans		<b>3,060,434</b>	2,671,789
Unsecured term loans		<b>247,368</b>	225,907
Finance lease liabilities		<b>3,113,933</b>	2,088,220
		<b>24,900,236</b>	19,611,120
		<b>37,552,226</b>	28,583,891

The loans and borrowings are denominated in Ringgit Malaysia except for certain secured term loans and secured bills payable amounting to RM7,832,754 (2014: RM6,995,881) and RM1,377,152 (2014: RM1,155,117) which are denominated in US Dollar and Vietnam Dong respectively.

### 13.1 Unsecured bankers' acceptance, bank overdrafts and term loans

Bankers' acceptance, bank overdrafts and term loans are supported by a corporate guarantee issued by the Company.

### 13.2 Security

The secured bankers' acceptance are secured by the following:

- (i) fixed charge over certain landed properties of the Group (Note 3);
- (ii) corporate guarantee by the Company.

The secured bills payable are secured by the following:

- (i) standby letter of credit from a bank at the request of a subsidiary; and
- (ii) a specific debenture covering the fixed charge over certain property, plant and equipment of the Group (Note 3).

The secured bank overdrafts are secured by the following:

- (i) fixed charge over certain landed properties of the Group (Note 3);
- (ii) fixed charge over certain landed properties of a company in which certain Directors of the Company have substantial financial interests; and
- (iii) corporate guarantee by the Company.

The secured term loans are secured by the following:

- (i) fixed charge over certain landed properties of the Group (Note 3);
- (ii) certain fixed deposits pledged by a subsidiary (Note 10);
- (iii) specific debenture covering the fixed charge over certain property, plant and equipment of the Group (Note 3); and
- (iv) corporate guarantee by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. LOANS AND BORROWINGS (CONT'D)

### 13.3 Significant covenants

The main covenants of the term loan facilities of the Group and of the Company are as follows:

- (i) the Group shall notify the bank of the occurrence of any event of default or any other occurrence which might adversely affect the Group's ability to fully perform the obligation;
- (ii) the Group shall submit its financial statements and/or audited financial statements within 6 months of the financial year end; and
- (iii) the Group shall not without prior written consent of the bank allow any change in majority shareholders or the majority shareholder's shareholdings.

### 13.4 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2015 RM	Present value of minimum lease payments 2015 RM		Future minimum lease payments 2014 RM	Present value of minimum lease payments 2014 RM	
		Interest 2015 RM	Interest 2014 RM		Interest 2014 RM	Interest 2014 RM
		Interest 2015 RM	Interest 2014 RM		Interest 2014 RM	Interest 2014 RM
Less than one year	<b>3,486,692</b>	<b>372,759</b>	<b>3,113,933</b>	2,292,267	204,047	2,088,220
Between one and two years	<b>2,617,925</b>	<b>199,067</b>	<b>2,418,858</b>	1,431,596	96,353	1,335,243
Between two and five years	<b>2,020,951</b>	<b>86,942</b>	<b>1,934,009</b>	977,360	37,303	940,057
	<b>8,125,568</b>	<b>658,768</b>	<b>7,466,800</b>	4,701,223	337,703	4,363,520

## 14. TRADE AND OTHER PAYABLES

	Note	Group		Company		
		2015 RM	2014 RM	2015 RM	2014 RM	
<b>Non-current</b>						
<b>Non-trade</b>						
Amount due to a non-controlling interest of subsidiary	14.1	<b>1,301,419</b>	1,013,644	-	-	
<b>Current</b>						
<b>Trade</b>						
Trade payables		<b>19,587,982</b>	14,566,017	-	-	
<b>Non-trade</b>						
Amount due to Directors	14.2	-	988,724	-	-	
Other payables		<b>3,756,375</b>	1,590,651	-	-	
Accruals		<b>6,991,919</b>	4,976,526	<b>145,002</b>	145,002	
Amount due to a non-controlling interest of a subsidiary	14.1	<b>1,338,969</b>	1,458,808	-	-	
Amount due to a subsidiary	14.3	-	-	-	138,752	
<b>Total current liabilities</b>		<b>12,087,263</b>	9,014,709	<b>145,002</b>	283,754	
<b>Total</b>		<b>31,675,245</b>	23,580,726	<b>145,002</b>	283,754	
		<b>32,976,664</b>	24,594,370	<b>145,002</b>	283,754	

# NOTES TO THE FINANCIAL STATEMENTS

## 14. TRADE AND OTHER PAYABLES (CONT'D)

### 14.1 Amount due to a non-controlling interest of a subsidiary

The non-trade amount due to a non-controlling interest of a subsidiary consist of unsecured advances which bears interest at the rate of 3% (2014: 3%) per annum and is repayable by way of 10 quarterly instalments with the first instalment payment due and payable on 1 July 2012, 1 January 2013, 1 January 2014, 1 January 2015, 1 July 2015, 30 June 2015 and 1 July 2016 respectively and the subsequent instalments payable at successive intervals of 3 months.

### 14.2 Amount due to Directors

Non-trade payable due to Directors was in respect of advances, which were unsecured, interest-free and restructured in term of repayment on 1 May 2010 to repay in 4 years' time. During the year, repayment was completed.

### 14.3 Amount due to a subsidiary

The amount due to a subsidiary is unsecured, non-trade in nature, interest free and is repayable on demand.

## 15. DEFERRED TAX LIABILITIES

### Recognised deferred tax liabilities/(assets)

Deferred tax liabilities/(assets) are attributable to the following:

	Group	2015	2014
	RM	RM	RM
Property, plant and equipment	4,179,542	4,132,780	
Other temporary differences	(3,192)	(52,028)	
Net tax liabilities	<u>4,176,350</u>	4,080,752	

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	2015	2014
	RM	RM	RM
Unabsorbed capital allowances	3,800,000	2,925,000	
Unutilised tax losses carry-forward	159,000	1,070,000	
	<u>3,959,000</u>	3,995,000	
@ 25%	<u>989,750</u>	998,750	

The unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in the financial statements because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sales of goods				
- manufactured products	<b>169,205,700</b>	140,734,559	-	-
- moulds	<b>7,505,878</b>	4,894,612	-	-
- trading products	<b>8,795,707</b>	6,956,990	-	-
Sales of scraps	<b>8,127,680</b>	7,226,727	-	-
Dividends	-	-	<b>2,600,000</b>	4,050,000
	<b>193,634,965</b>	159,812,888	<b>2,600,000</b>	4,050,000

## 17. OPERATING PROFIT

	Note	2015 RM	Group	2014 RM	Company	2015 RM	2014 RM
<b>Operating profit is arrived at after charging:</b>							
Amortisation of prepaid lease payments	4	123,966		102,025		-	-
Auditors' remuneration							
- Statutory audit							
KPMG		100,000		100,000		30,000	30,000
Overseas affiliates of KPMG		66,224		52,164		-	-
Other auditors		13,700		27,320		-	-
- Other services							
KPMG		15,000		15,000		15,000	15,000
Bad debts written off		16,409		1,930		-	-
Depreciation on property, plant and equipment	3	11,287,650		10,979,675		-	-
Finance costs on:							
- Bank overdrafts		687,380		579,089		-	-
- Finance lease		339,170		284,219		-	-
- Term loans		1,033,400		929,922		-	-
- Bills payable		48,490		38,862		-	-
- Bankers' acceptance		151,738		98,805		-	-
<b>Operating profit is arrived at after charging:</b>							
Impairment loss on trade receivables	8	-		208,773		-	-
Impairment loss on investment in an associate	6	-		208,697		-	-
Loss on disposal of other investment	7	5,500		-		-	-
Loss on disposal of property, plant and equipment	3	130,382		1,642		-	-
Property, plant and equipment written off	3	369,468		164,579		-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 17. OPERATING PROFIT (CONT'D)

	Note	Group 2015 RM	2014 RM	Company 2015 RM	Company 2014 RM
<b>Operating profit is arrived at after charging (Cont'd):</b>					
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Funds		1,579,935	1,654,557	-	-
- Wages, salaries and others		32,204,364	27,886,166	118,000	118,800
Rental expense for premises		1,423,736	1,570,267	-	-
Realised foreign exchange loss		535,275	149,447	-	-
Write down of inventories	9	70,413	20,624	-	-
<b>and after crediting:</b>					
Dividend income from:					
- An associate		-	-	-	50,000
- Subsidiaries		-	-	2,600,000	4,000,000
Gain on disposal of:					
- a subsidiary company		-	-	636,289	-
- assets held for sale	11	-	-	899,278	-
Realised foreign exchange gain		1,176,094	1,285,093	1,813	471
Rental income from premises		72,000	108,000	-	-
Reversal of write down of inventories	9	-	147,237	-	-
Investment income from:					
- Deposits with licensed banks		267,280	290,108	130	-
- Staff loan		1,067	1,340	-	-
- Foreign currency current account		799	1,171	-	-
- Other investments		7,721	15,400	-	-
- Amount due from subsidiaries		-	-	180,362	171,695

## 18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

		Group 2015 RM	2014 RM	Company 2015 RM	Company 2014 RM
<b>Directors</b>					
Short-term employee benefits					
- Fees		100,000	100,000	100,000	100,000
- Remuneration		1,455,600	1,242,200	18,000	18,800
- Contributions to Employees' Provident Fund		113,760	101,880	-	-
- Others (including estimated monetary value of benefits-in-kind)		87,837	97,654	-	-
Total		1,757,197	1,541,734	118,000	118,800

# NOTES TO THE FINANCIAL STATEMENTS

## 18. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

Key management personnel are defined as those having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel comprise primarily all the Directors of the Group.

## 19. INCOME TAX EXPENSE

### *Recognised in profit or loss*

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total income tax expense	1,839,435	1,843,492	20,762	21,659

Major components of income tax expense include:

#### **Current tax expense**

- Malaysian income tax	1,166,868	1,054,666	22,000	22,000
- Foreign income tax	640,590	721,318	-	-
- (Over)/Under provision in prior year	(63,621)	178,254	(1,238)	(341)
	<b>1,743,837</b>	1,954,238	<b>20,762</b>	21,659

#### **Deferred tax expense**

Reversal and origination of temporary differences	77,684	(202,580)	-	-
Under provision in prior year	17,914	91,834	-	-
	<b>95,598</b>	(110,746)	-	-
Total income tax expense	<b>1,839,435</b>	1,843,492	<b>20,762</b>	21,659

#### *Reconciliation of tax expense*

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit for the year	<b>5,224,979</b>	2,592,932	<b>3,910,335</b>	3,899,448
Total income tax expense	<b>1,839,435</b>	1,843,492	<b>20,762</b>	21,659
Profit excluding tax	<b>7,064,414</b>	4,436,424	<b>3,931,097</b>	3,921,107
Income tax using Malaysian tax rate of 25% (2014: 25%)	<b>1,766,103</b>	1,109,106	<b>982,774</b>	980,277
Effect of difference in tax rates of foreign jurisdictions	(417,959)	(466,128)	-	-
Non-deductible expenses	<b>545,998</b>	532,914	<b>95,792</b>	54,223
Changes in unrecognised temporary differences	(9,000)	435,750	-	-
Tax expense on share of results in associates	-	(38,238)	-	-
Non-taxable income	-	-	<b>(406,566)</b>	-
Tax exempt income	-	-	<b>(650,000)</b>	(1,012,500)
	<b>1,885,142</b>	1,573,404	<b>22,000</b>	22,000
Under/(Over) provision in prior year				
- income tax expense	<b>(63,621)</b>	178,254	<b>(1,238)</b>	(341)
- deferred tax expense	<b>17,914</b>	91,834	-	-
	<b>1,839,435</b>	1,843,492	<b>20,762</b>	21,659

# NOTES TO THE FINANCIAL STATEMENTS

## 20. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 April 2015 was based on the profit attributable to the owners of the Company and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2015 RM	2014 RM
Profit for the year attributable to owners of the Company	<u>3,810,417</u>	1,159,984
<hr/>		
	Group	
	2015	2014
Weighted average number of ordinary shares at 30 April	<u>99,0000,000</u>	99,000,000
<hr/>		
	Group	
	2015 Sen	2014 Sen
Basic earnings per ordinary share	<u>3.85</u>	1.17

### Diluted earnings per ordinary share

There is no dilution in earnings per ordinary share as there is no potential diluted ordinary share.

## 21. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM	Date of payment
<b>2015</b>			
Final 2014 ordinary, single tier	1.0	<u>990,000</u>	20 November 2014
<b>2014</b>			
Final 2013 ordinary, tax exempted	1.0	<u>990,000</u>	20 November 2013

After the end of the reporting period, the following dividend was proposed by the Board of Directors. This dividend will be recognised in the subsequent financial year upon approval by the shareholders at a general meeting.

	Sen per share	Total amount RM
<hr/>		
Final 2015 ordinary, single tier	1.0	<u>990,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 22. OPERATING SEGMENTS

The Group has three (3) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Board of Directors (the decision makers) review internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Manufacturing *Sheet metal forming, precision machining, component assembly and manufacture and sale of gas appliances*

Trading *Trading in electrical and electronic products, home appliances and gas appliances*

Investment holding *Investment holding*

Inter-segment pricing is determined based on negotiated terms. The accounting policies of the reportable segments are the same as described in Note 2(r).

Performance is measured based on segment profit before tax, finance costs and interest income, as included in the internal management reports that are reviewed by the Group's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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, corporate assets and expenses and tax assets and liabilities.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. OPERATING SEGMENTS (CONT'D)

Group	Manufacturing			Trading			Investment holding			Total 2014 RM
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	
<b>Segment profit/(loss)</b>	<b>8,543,818</b>	<b>7,145,128</b>	<b>594,990</b>		<b>46,233</b>	<b>1,150,602</b>	<b>(250,588)</b>	<b>10,289,410</b>		<b>6,940,773</b>
<i>Included in the measure of segment profit/(loss) are:</i>										
Revenue from external customers	<b>184,839,258</b>	<b>152,855,898</b>	<b>8,795,707</b>		<b>6,956,990</b>		-	-	<b>193,634,965</b>	<b>159,812,888</b>
Inter-segment revenue	<b>8,525,251</b>	<b>5,855,337</b>	<b>403,256</b>		<b>462,803</b>		-	-	<b>8,928,507</b>	<b>6,318,140</b>
Finance costs	<b>(2,438,078)</b>	<b>(2,091,620)</b>	<b>(2,462)</b>		<b>(10,972)</b>		-	-	<b>(2,440,540)</b>	<b>(2,102,592)</b>
Investment income	<b>276,737</b>	<b>308,019</b>	-		<b>180,492</b>		<b>171,695</b>		<b>457,229</b>	<b>479,714</b>
Share of net results in an associate	-	<b>152,950</b>	-		-		-	-	-	<b>152,950</b>
<b>Segment assets</b>	<b>197,722,629</b>	<b>174,527,186</b>	<b>3,260,540</b>		<b>2,534,207</b>		<b>128,563</b>		<b>534,785</b>	<b>201,111,732</b>
<b>Segment liabilities</b>	<b>76,521,525</b>	<b>58,830,348</b>	<b>720,909</b>		<b>760,563</b>		<b>147,002</b>		<b>147,002</b>	<b>77,389,436</b>
<i>Included in the measure of segment liabilities are:</i>										
Capital expenditure	<b>19,895,770</b>	<b>10,487,394</b>	<b>526,647</b>		<b>28,668</b>		-	-	<b>20,422,417</b>	<b>10,516,062</b>
Depreciation	<b>11,413,493</b>	<b>11,035,326</b>	<b>168,040</b>		<b>196,534</b>		-	-	<b>11,581,533</b>	<b>11,231,860</b>
Amortisation of prepaid lease payments	<b>123,966</b>	<b>102,025</b>	-		-		-	-	<b>123,966</b>	<b>102,025</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 22. OPERATING SEGMENTS (CONT'D)

### Reconciliations of reportable segment revenues, profit before tax, assets and liabilities

#### *Reconciliation of consolidated revenues*

	Group	2015	2014
	RM	RM	RM
Total revenue for reportable segments	202,563,472	166,131,028	
Elimination of inter-segment revenue	(8,928,507)	(6,318,140)	
Consolidated revenue	<u>193,634,965</u>	<u>159,812,888</u>	

#### *Reconciliation of consolidated profit before tax*

Total profit for reportable segments	10,289,410	6,940,773
Investment income	276,867	308,019
Finance costs	(2,260,178)	(1,930,897)
Consolidation adjustments	(1,241,685)	(881,471)
Consolidated profit before tax	<u>7,064,414</u>	<u>4,436,424</u>

#### *Reconciliation of consolidated total assets*

Total assets for reportable segments	201,111,732	177,596,178
Consolidation adjustments	(24,974,845)	(24,369,449)
Consolidated total assets	<u>176,136,887</u>	<u>153,226,729</u>

#### *Reconciliation of consolidated total liabilities*

Total liabilities for reportable segments	77,389,436	59,737,913
Consolidation adjustments	(2,468,854)	(1,629,934)
Consolidated total liabilities	<u>74,920,582</u>	<u>58,107,979</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 22. OPERATING SEGMENTS (CONT'D)

### Geographical segments

The manufacturing segment of the Group operates in Vietnam apart from its home country, Malaysia.

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

	Malaysia RM	Vietnam RM	Japan RM	Europe RM	Hong Kong RM	Thailand RM	Others RM	Adjustment RM	Consolidated RM
<b>2015</b>									
<b>Geographical segments</b>									
Revenue from external customers by location of customers	129,386,509	62,746,175	716,063	1,634,663	2,591,006	2,155,599	3,333,457	(8,928,507)	193,634,965
Segment assets by location of assets	150,950,904	50,160,828	-	-	-	-	-	(24,974,845)	176,136,887
<b>2014</b>									
<b>Geographical segments</b>									
Revenue from external customers by location of customers	104,505,991	48,487,537	2,442,508	3,204,505	2,220,693	2,537,334	2,732,460	(6,318,140)	159,812,888
Segment assets by location of assets	138,641,449	38,954,729	-	-	-	-	-	(24,369,449)	153,226,729

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS

### 23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R/ (FL) RM
<b>2015</b>		
<b>Financial assets</b>		
<b>Group</b>		
Other investments	198,586	198,586
Trade and other receivables	34,581,491	34,581,491
Cash and bank balances	11,888,831	11,888,831
	<b>46,668,908</b>	<b>46,668,908</b>
<b>Company</b>		
Amount due from subsidiaries	4,418,158	4,418,158
Cash and bank balances	127,263	127,263
	<b>4,545,421</b>	<b>4,545,421</b>
<b>Financial liabilities</b>		
<b>Group</b>		
Loans and borrowings	(37,552,226)	(37,552,226)
Trade and other payables	(32,976,664)	(32,976,664)
	<b>(70,528,890)</b>	<b>(70,528,890)</b>
<b>Company</b>		
Trade and other payables	(145,002)	(145,002)
	Carrying amount RM	L&R/ (FL) RM
		AFS RM
<b>2014</b>		
<b>Financial assets</b>		
<b>Group</b>		
Other investments	695,893	198,409
Trade and other receivables	27,430,665	27,430,665
Cash and bank balances	16,959,704	16,959,704
	<b>45,086,262</b>	<b>497,484</b>
<b>Company</b>		
Amount due from subsidiaries	2,573,369	2,573,369
Cash and bank balances	32,763	32,763
	<b>2,606,132</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R/ (FL) RM	AFS RM
<b>2014</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(28,583,891)	(28,583,891)	-
Trade and other payables	(24,594,370)	(24,594,370)	-
	(53,178,261)	(53,178,261)	-
<b>Company</b>			
Amount due to a subsidiary	(138,752)	(138,752)	-
Trade and other payables	(145,002)	(145,002)	-
	(283,754)	(283,754)	-

### 23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Net gains/(losses) on:				
Available-for-sale financial assets	<b>2,516</b>	193	-	-
Loans and receivables	<b>276,867</b>	308,019	<b>180,492</b>	171,695
Financial liabilities measured at amortised cost	<b>(2,260,178)</b>	(1,930,897)	-	-
	<b>(1,980,795)</b>	(1,622,685)	<b>180,492</b>	171,695

### 23.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, other investments and deposits with licensed banks and approved financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

#### 23.4.1 Receivables

##### ***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group associations to business partners with good credit rating.

##### ***Exposure to credit risk, credit quality and collateral***

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts of receivables in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are business partners and customers with high creditworthiness that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade and other receivables (excluding prepaid lease payments and other prepayments) as at the end of the reporting period by geographic region was:

	<b>Group</b>	
	<b>2015</b> <b>RM</b>	<b>2014</b> <b>RM</b>
Malaysia	<b>21,265,827</b>	17,920,224
Vietnam	<b>11,518,456</b>	8,566,317
Europe	<b>567,546</b>	103,277
Japan	<b>167,386</b>	90,673
Hong Kong	<b>236,520</b>	104,333
Others	<b>825,756</b>	645,841
	<b>34,581,491</b>	27,430,665

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.4 Credit risk (Cont'd)

#### 23.4.1 Receivables (Cont'd)

##### *Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

Group	Note	Gross RM	Individual impairment RM	Net RM
<b>2015</b>				
Not past due		<b>30,859,284</b>	-	<b>30,859,284</b>
Past due 0 – 30 days		<b>98,850</b>	-	<b>98,850</b>
Past due 31 – 120 days		<b>9,815</b>	-	<b>9,815</b>
Past due more than 120 days	8	<b>95,478</b>	<b>(95,478)</b>	-
		<b>31,063,427</b>	<b>(95,478)</b>	<b>30,967,949</b>
<b>2014</b>				
Not past due		22,841,016	-	22,841,016
Past due 0 – 30 days		286,158	-	286,158
Past due 31 – 120 days		10,778	-	10,778
Past due more than 120 days	8	324,024	(304,251)	19,773
		<b>23,461,976</b>	<b>(304,251)</b>	<b>23,157,725</b>

The allowance for impairment losses of trade receivables as at the end of the reporting period was:

	Group	
	2015 RM	2014 RM
At 1 May	<b>304,251</b>	104,214
Impairment loss recognised	-	208,773
Impairment loss written off	<b>(208,773)</b>	(8,736)
At 30 April	<b>95,478</b>	304,251

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.4 Credit risk (Cont'd)

#### 23.4.2 Other investments

##### *Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group had invested in transferable club memberships. The maximum exposure to credit risk is represented by the carrying amounts of these investments in the statement of financial position.

##### *Impairment losses*

An impairment loss in respect of certain transferable club membership of RM25,580 (2014 : RM25,580) has been recognised in the previous years and as at the end of the reporting period.

#### 23.4.3 Inter company loans and advances

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured interest bearing loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts of intercompany balances in the statement of financial position.

##### *Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. Shareholder's loans are on schedule based on the Loan Agreements.

#### 23.4.4 Bank balances and deposits with licensed banks and other financial assets

##### *Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's cash and cash equivalents are deposited with licensed banks and approved financial institutions with high creditworthiness.

##### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations in respect of these deposits.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.4 Credit risk (Cont'd)

#### 23.4.5 Financial guarantees

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks and other financial institutions in respect of banking and finance lease facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of subsidiaries and repayments made by the subsidiaries.

##### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM28,222,579 (2014: RM20,317,044) representing the outstanding banking and finance lease facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

### 23.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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's and Company's means to repay and/or refinance.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.5 Liquidity risk (Cont'd)

#### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities and other liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate per annum	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<b>2015</b>							
Secured bankers' acceptance	2,119,000	5.1%	2,134,502	2,134,502	-	-	-
Secured bills payable	4,382,116	5.6% - 6.0%	4,382,116	4,382,116	-	-	-
Secured bank overdrafts	8,308,032	7.0% - 7.9%	8,308,032	8,308,032	-	-	-
Unsecured bank overdrafts	3,669,353	7.9%	3,669,353	3,669,353	-	-	-
Secured term loans	11,270,911	5.2% - 9.5%	12,933,957	3,879,687	3,401,660	5,104,212	548,398
Unsecured term loans	336,014	7.4%	354,687	258,036	96,651	-	-
Finance lease liabilities	7,466,800	3.4%	8,125,568	3,486,692	2,617,925	2,020,951	-
Amount due to a non-controlling interest of a subsidiary	2,640,388	3.0%	2,879,081	1,433,758	788,029	657,294	-
Trade and other payables	30,336,276	-	30,336,276	30,336,276	-	-	-
	<b>70,528,890</b>		<b>73,123,572</b>	<b>57,888,452</b>	<b>6,904,265</b>	<b>7,782,457</b>	<b>548,398</b>
<b>2014</b>							
Secured bills payable	3,248,790	5.6% - 6.0%	3,295,981	3,295,981	-	-	-
Unsecured bankers' acceptance	4,895,000	4.7%	4,930,266	4,930,266	-	-	-
Secured bank overdrafts	4,823,183	6.8% - 7.6%	4,823,183	4,823,183	-	-	-
Unsecured bank overdrafts	1,658,231	7.1% - 7.6%	1,658,231	1,658,231	-	-	-
Secured term loans	9,113,067	6.0% - 15.0%	10,546,791	3,362,951	2,711,626	3,688,735	783,478
Unsecured term loans	482,100	7.1%	524,557	258,040	258,040	8,478	-
Finance lease liabilities	4,363,520	3.2%	4,701,223	2,292,267	1,431,596	977,360	-
Amount due to Directors	988,724	-	988,724	988,724	-	-	-
Amount due to a non-controlling interest of a subsidiary	2,472,452	3.0%	2,652,557	1,537,408	613,743	501,406	-
Trade and other payables	21,133,194	-	21,133,194	21,133,194	-	-	-
	<b>53,178,261</b>		<b>55,254,707</b>	<b>44,280,245</b>	<b>5,015,005</b>	<b>5,175,979</b>	<b>783,478</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.5 Liquidity risk (Cont'd)

#### *Maturity analysis (Cont'd)*

	Carrying amount RM	Contractual interest rate per annum	Contractual cash flows RM	Under 1 year RM
<b>Company</b>				
<b>2015</b>				
Trade and other payables				
	<b>145,002</b>		<b>145,002</b>	<b>145,002</b>
<b>2014</b>				
Amount due to a subsidiary	138,752	-	138,752	138,752
Trade and other payables	145,002	-	145,002	145,002
	<b>283,754</b>		<b>283,754</b>	<b>283,754</b>

### 23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's and the Company's financial position or cash flows.

#### 23.6.1 Currency risk

The Group and the Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD).

##### *Risk management objectives, policies and processes for managing the risk*

The Group and the Company does not engage in foreign currency hedging on its foreign currency exposures but the management monitors these exposures on an ongoing basis to ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances. The Group and the Company also set up USD bank accounts as a natural hedge against any fluctuation in USD.

The Group and the Company are also exposed to foreign currency risk in respect of their investment in foreign subsidiaries. The Group and the Company does not hedge this exposure by having foreign currency borrowings but keeps this policy under review and will take necessary action to minimise the exposure of the risk.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.6 Market risk (Cont'd)

#### 23.6.1 Currency risk (Cont'd)

##### *Exposure to foreign currency risk*

The Group's and the Company's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	Denominated in USD		Denominated in USD	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade and other receivables	<b>10,576,613</b>	7,457,788	-	-
Cash and bank balances	<b>4,583,900</b>	6,740,478	<b>18,647</b>	6,063
Trade and other payables	<b>(7,832,754)</b>	(3,947,407)	-	-
Loans and borrowings	<b>(6,996,868)</b>	(6,995,881)	-	-
<b>Net exposure in the statement of financial position</b>	<b>330,891</b>	3,254,978	<b>18,647</b>	6,063

##### *Currency risk sensitivity analysis*

A 10% (2014: 10%) strengthening of Ringgit Malaysia against USD at the end of the reporting period would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignore any impact of forecasted sales and purchases.

	Group		Company	
	Profit or loss		Profit or loss	
	2015 RM	2014 RM	2015 RM	2014 RM
USD	<b>(33,089)</b>	(325,498)	<b>(1,865)</b>	(606)

A 10% (2014: 10%) weakening of Ringgit Malaysia against USD at the end of reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The exposure to currency risk other than USD is not material and hence, sensitivity analysis is not presented.

#### 23.6.2 Interest rate risk

The Group's and Company's income and operating cash flows are independent of changes in market interest rates. Interest rate exposure arises from the Group's and the Company's borrowings and deposits, and is managed through the use of fixed and floating rate borrowings.

##### *Risk management objectives, policies and processes for managing the risk*

The Group and the Company do not use derivative financial instruments to hedge their borrowings obligations.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.6 Market risk (Cont'd)

#### 23.6.2 Interest rate risk (Cont'd)

##### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	2015 RM	2014 RM
<b>Group</b>		
<b>Fixed rate instruments</b>		
Financial assets	4,340,330	8,510,253
Financial liabilities	<b>(10,107,188)</b>	<b>(6,835,972)</b>
	<b>(5,766,858)</b>	<b>1,674,281</b>
<b>Floating rate instruments</b>		
Financial liabilities	<b>(30,085,426)</b>	<b>(24,220,372)</b>

##### *Interest rate risk sensitivity analysis*

##### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

##### *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

<b>Group</b>	<b>Profit or loss</b>			
	<b>100 bp increase 2015 RM</b>	<b>100 bp decrease 2015 RM</b>	<b>100 bp increase 2014 RM</b>	<b>100 bp decrease 2014 RM</b>
	<b>Floating rate instruments</b>	<b>(300,854)</b>	300,854	(242,204)

### 23.7 Fair value information

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings approximate fair values due to the relatively short term nature of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

It was not practicable to estimate the fair value of the Group's transferable club memberships due to the lack of availability of reliable fair value and the fair value cannot be reliably measured.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.7 Fair value information (Cont'd)

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group 2015	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
	Financial liabilities			Financial assets				
Amount due to a non-controlling interest	-	-	-	-	-	2,640,338	2,640,338	2,640,338
Secured term loans	-	-	-	-	-	11,270,911	11,270,911	11,270,911
Unsecured term loans	-	-	-	-	-	336,014	336,014	336,014
Finance lease liabilities	-	-	-	-	-	7,466,800	7,466,800	7,466,800
	-	-	-	-	-	21,714,063	21,714,063	21,714,063
<b>2014</b>								
Financial liabilities								
Amount due to a non-controlling interest	-	-	-	-	-	-	-	-
Secured term loans	-	-	-	-	-	2,472,452	2,472,452	2,472,452
Unsecured term loans	-	-	-	-	-	9,113,067	9,113,067	9,113,067
Finance lease liabilities	-	-	-	-	-	482,100	482,100	482,100
	-	-	-	-	-	4,363,520	4,363,520	4,363,520
	-	-	-	-	-	16,431,139	16,431,139	16,431,139
Financial assets								
Other investments	-	497,484	-	-	-	-	497,484	497,484

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.7 Fair value information (Cont'd)

#### **Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### **Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### **Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

##### *Derivatives*

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

##### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

#### **Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: no transfer in either directions).

#### **Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

##### *Other investments*

The fair values of financial assets that are not quoted in an active market are determined by reference to their closing estimated valuation derived from market quotations at the end of the reporting period.

##### *Non-derivative financial liabilities*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. FINANCIAL INSTRUMENTS (CONT'D)

### 23.7 Fair value information (Cont'd)

#### *Interest rates used to determine fair value*

In respect of long term borrowings in variable interest rates, the carrying amounts approximate fair value as they are re-priced to market interest rates for liabilities with similar risk profiles.

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	Group	
	2015 %	2014 %
Amount due to a non-controlling interest of a subsidiary	7.60	7.60

## 24. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that is at 1.0 time or below.

	Note	Group	
		2015 RM	2014 RM
Total loans and borrowings	13	37,552,226	28,583,891
Less: Cash and bank balances	10	(11,888,831)	(16,959,704)
Net debt		25,663,395	11,624,187
 Total equity		 101,216,305	 95,118,750
 Debt-to-equity ratio		 0.25	 0.12

There was no change in the Group's approach to capital management during the financial year.

## 25. CAPITAL COMMITMENTS

	Group	
	2015 RM	2014 RM
<b>Capital expenditure commitments</b>		
<b>Property, plant and equipment</b>		
Approved and contracted for	9,704,647	1,516,584
Approved but not contracted for	648,000	586,800
	<b>10,352,647</b>	<b>2,103,384</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 26. CONTINGENT LIABILITIES

	Company	
	2015 RM	2014 RM
Corporate guarantee given to licensed banks for:		
- banking facilities granted to subsidiaries	<b>28,222,579</b>	20,317,044

## 27. RELATED PARTIES

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. Key management personnel comprise primarily all the Directors of the Group.

### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation, are shown below:

	Transactions amount for the year ended 30 April	
	2015 RM	2014 RM
<b>Group</b>		
<b>Companies in which the Directors have significant financial interests</b>		
TC Yap Holdings Sdn. Bhd.		
Rental expense for premises	<b>214,425</b>	214,425
Muramoto Technics (M) Sdn. Bhd.		
Sales of metal components and tooling mould	<b>33,086,965</b>	12,203,848
Rental income	<b>108,000</b>	108,000
Muramoto Asia Pte. Ltd.		
Sales of gas appliances	<b>71,450</b>	147,754

# NOTES TO THE FINANCIAL STATEMENTS

## 27. RELATED PARTIES (CONT'D)

### Significant related party transactions (Cont'd)

Group	Companies in which a major shareholder has significant financial interests	Transactions amount for the year ended 30 April	
		2015 RM	2014 RM
Kam Loong Mining Sdn. Bhd.			
Rental expense for premises		216,000	216,000
Key management personnel of the Company			
Yap Toon Choy			
Rental expense for premises		132,000	132,000

The balances related to the above transactions are shown in Notes 8 and 14.

The Directors of the Company are of the opinion that all the above transactions have been entered into in the normal course of business and have been established under negotiated terms.

## 28. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 29 April 2014, the Company had entered into an agreement to dispose of its entire equity interest of 400,000 ordinary shares representing 25% effective ownership interest in Polychrome Sdn. Bhd. ("PSB") to the existing individual substantial shareholder and directors of PSB for a total cash consideration of RM1,400,000. The disposal was completed on 25 November 2014 (Note 11).
- (b) On 24 November 2014, Kein Hing Industry Sdn. Bhd. ("KHI"), a wholly-owned subsidiary of the Company, had awarded a construction contract to a third party main contractor for the proposed construction of a factory on the freehold industrial land located at Lot 5038, Jalan Perindustrian HP4, Hicom Pegoh Industrial Park, Pegoh, 78000 Alor Gajah, Melaka owned by KHI for a total construction of approximately RM6,100,000. The intended use of the factory upon completion can be for own use and/or rent out (refer to Note 5).
- (c) On 4 December 2014, the Company injected USD700,000 or equivalent to approximately RM2,275,000 into Kein Hing Thai Nguyen (Vietnam) Co., Ltd ("KHTV"), a wholly-owned subsidiary of the Company (refer to Note 6) as part of KHTV's Contributed Capital. Subsequently, on 6 February 2015, KHTV entered into a Land Lease Agreement with a third party to acquire a vacant industrial land in Vietnam measuring approximately 17,900 square meters at a cash consideration of VND13,699,944,000 or equivalent to approximately RM2,298,000 (refer to Note 4).
- (d) On 23 January 2015, Kein Hing Industry Vietnam Co., Ltd ("KHIV"), a wholly-owned subsidiary of the Company awarded a construction contract to a third-party main contractor in Vietnam for the proposed construction of a single storey factory with a 3-storeys office and warehouse annexed on the industrial land located at Lot No. IN1-7A, VSIP Hai Phong Township, Industrial and Service Park, Thuy Nguyen District, Dinh Vu- Cat Hai Economic Zone, Hai Phong, Vietnam owned by KHIV for a total construction of USD 2,930,192 or approximately RM10,000,000 (the "Proposed Construction") (refer to Note 3). The Proposed Construction with a total built-up of approximately 80,000 square feet will cater for the future expansion plans of KHIB Group in Vietnam particularly the business of metal stamping, precision machining, assembly of components and fabrication of tools and dies.

# NOTES TO THE FINANCIAL STATEMENTS

## 29. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 30 April 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group	
	2015 RM	2014 RM
Total retained earnings of the Company and its subsidiaries		
- realised	<b>49,642,709</b>	43,141,806
- unrealised	<b>(6,603,982)</b>	(5,621,373)
	<b>43,038,727</b>	37,520,433
Less: Consolidated adjustments	<b>(6,069,499)</b>	(3,371,622)
Total retained earnings	<b>36,969,228</b>	34,148,811

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

# 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 33 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 30 April 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 89 to the financial statements have been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

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**Yap Toon Choy**

Selangor Darul Ehsan,  
Date: 26 August 2015

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**Yong Elaine**

# STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Kok Mun Choon, 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 33 to 89 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 26 August 2015.

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**Kok Mun Choon**

Before me:

# INDEPENDENT AUDITORS' REPORT

To the members of Kein Hing International Berhad (Company No. 616056-T)  
(Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kein Hing International Berhad, which comprise the statements of financial position as at 30 April 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 88.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 April 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT

To the members of Kein Hing International Berhad (Company No. 616056-T)  
(Incorporated in Malaysia)

KEIN HING INTERNATIONAL BERHAD (616056-T) • Annual Report 2015

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## OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 on page 89 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## OTHER MATTERS

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

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### KPMG

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya,  
Date: 26 August 2015

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### Chan Kam Chiew

Approval Number: 2055/06/16(J)  
Chartered Accountant

# LIST OF PROPERTIES

As at 30 April 2015

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 Kolej 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Residential; Single storey bungalow house	Freehold	32	488/ 226	1-12-2004	327,863
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	18	7,891/ 7,900	18-2-2004 (Revalued)	9,478,746
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	22	734/ 563	18-2-2004 (Revalued)	645,684
Lot 44, Jalan 6/2 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Factory/ Industrial; Single storey semidetached factory with a 2-storey office annexe	Leasehold expiring on 7-11-2099	19	988/ 795	18-2-2004 (Revalued)	724,176
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	14	4,086/ 2,123	18-2-2004 (Revalued)	3,279,409
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	11	8,195/ 8,179	1-12-2004	11,308,255
Lot 7896, 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, Off Jalan Raya 5 Jalan 3/1, Serdang Jaya 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Residential; Single storey wooden house	Leasehold expiring on 28-10-2046	30	297.6/ 250	25-2-2003	114,481

# LIST OF PROPERTIES

As at 30 April 2015

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 1840 Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Warehouse/ Industrial; Single-storey warehouse cum car park block	Freehold	7	4,300/ 1,230	1-7-2008	1,166,962
Lot 5038 Jalan Perindustrian HP4 Hicom Pegoh Industrial Park Pegoh 78000 Alor Gajah Melaka	KHI	Investment property (Factory/ Industrial); Single-storey factory with a single-storey office annexe	Freehold	Under construction	16,776/ 5,290	21-6-2011	6,340,168
Plot C3 Thang Long Industrial Park Dong Anh District Hanoi, Vietnam	KHMV	Factory/ Industrial; Single-storey factory with a 2-storey office annexe	Leasehold expiring on 28-2-2047	11	15,693/ 5,093	1-11-2004	7,413,266
No. 109, Street No. 12 VSIP Hai Phong Thuy Nguyen District Dinh Vu-Cat Hai Industrial Zone Hai Phong, Vietnam	KHIV	Factory/ Industrial; Single-storey factory with a 3-storey office and warehouse annexe	Leasehold expiring on 7-6-2058	Under construction	8,800/ 8,488	31-7-2012	7,765,306
Plot No. CN8-2 Diem Thuy Industrial Park Diem Thuy Commune Phuc Binh District Thai Nguyen, Vietnam	KHTV	Industrial land	Leasehold expiring on 5-12-2064	N/A	17,900	6-2-2015	2,282,989

# ANALYSIS OF SHAREHOLDINGS

As at 7 September 2015

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

No. of Size of Holdings	No. of Shareholders	Shares	Percentage (%)
1 – 99	8	240	0.70
100 – 1,000	266	192,880	0.19
1,001 – 10,000	536	2,721,250	2.75
10,001 – 100,000	292	10,094,400	10.20
100,001 – 4,949,999 (*)	40	17,328,540	17.50
4,950,000 and above (**)	3	68,662,690	69.36
<b>Total</b>	<b>1,145</b>	<b>99,000,000</b>	<b>100.00</b>

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

Directors	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%
1. Yap Toon Choy	37,154,620	37.53	20,870,070(a)	21.08
2. Shingo Muramoto	-	-	-	-
3. Yong Elaine	20,870,070	21.08	37,154,620 (b)	37.53
4. Swee Soo Mang	-	-	-	-
5. Darsan Singh a/l Balwant Singh	-	-	-	-
6. Gan Chee Tsong	-	-	-	-

- (a) Deemed interest by virtue of being the spouse of Yong Elaine, a major shareholder of KHB and pursuant to Section 134(12)(c) of the Act.
- (b) Deemed interest by virtue of being the spouse of Yap Toon Choy, a major shareholder of KHB and pursuant to Section 134(12)(c) of the Act.

# ANALYSIS OF SHAREHOLDINGS

As at 7 September 2015

## SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No. Substantial Shareholders	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%
1. Yap Toon Choy	37,154,620	37.53	20,870,070(a)	21.08
2. Yong Elaine	20,870,070	21.08	37,154,620(b)	37.53
3. Kam Loong Mining Sdn. Bhd.	10,638,000	10.75	-	-
4. Yap Ah Fatt	20,000	0.02	10,638,000(c)	10.75
5. Foo Khen Ling	1,100,000	1.11	10,638,000(c)	10.75

- (a) Deemed interest by virtue of being the spouse of Yong Elaine, a major shareholder of KHB and pursuant to Section 134(12)(c) of the Act.
- (b) Deemed interest by virtue of being the spouse of Yap Toon Choy, a major shareholder of KHB and pursuant to Section 134(12)(c) of the Act.
- (c) Deemed interest by virtue of his/her direct interest in Kam Loong Mining Sdn. Bhd. pursuant to Section 6A of the Act.

## LIST OF TOP THIRTY (30) SHAREHOLDERS

No. Shareholders	No. of Shares	Percentage %
1. Yap Toon Choy	37,154,620	37.53
2. Yong Elaine	20,870,070	21.08
3. Kam Loong Mining Sdn. Bhd.	10,638,000	10.75
4. Muramoto Asia Pte. Ltd.	4,372,600	4.42
5. Soh Tik Siew	1,487,800	1.50
6. Foo Khen Ling	1,100,000	1.11
7. Maybank Nominees (Asing) Sdn Bhd - Exempt An for DBS Bank Limited (Client A/C)	810,000	0.82
8. Lee Hong Hai	680,900	0.69
9. Ghan Ah Kooi	668,300	0.68
10. Yee Tien Soon	635,000	0.64
11. Uob Kay Hian Nominees (Asing) Sdn Bhd - Exempt An For UOB Kay Hian Pte Ltd (Client A/C )	610,000	0.62
12. Teh Ah Lian	606,000	0.61
13. Wong Fook Sum	490,000	0.49
14. Ana Low	420,500	0.42
15. Chan Weng Pooi	319,000	0.32

# ANALYSIS OF SHAREHOLDINGS

As at 7 September 2015

No. Shareholders	No. of Shares	Percentage %
16. CIMSEC Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Ng Geok Wah (B BRKLANG-CL)	316,800	0.32
17. RHB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Chai Kin Loong (MTK)	316,400	0.32
18. Gan Siew Kee	301,800	0.30
19. Hlb Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong Kie Yung	293,100	0.30
20. Yap Cheong Kit	261,600	0.26
21. Ooi Cheng Huat @ Ooi Peng Huat	260,500	0.26
22. HLIB Nominees (Tempatan) Sdn Bhd - Exempt An For Wong Kwong Miao	251,400	0.25
23. Lim Tau San	200,000	0.20
24. Tong Sun Sun	200,000	0.20
25. Lee Boon Koon	197,000	0.20
26. Yap Siew Lee	196,000	0.20
27. Ooi Cheng Huat @ Ooi Peng Huat	191,000	0.19
28. Maybank Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Tan Cheoh Leong (STF)	185,000	0.19
29. Tan Amoi	179,900	0.18
30. Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Ng Wing Hong	170,900	0.17

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twelfth 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 Thursday, 29 October 2015 at 10.00 a.m. for the following purposes:-

## AGENDA

1) To receive the Audited Financial Statements for the year ended 30 April 2015 together with the Directors' and Auditors' Reports thereon.	<b>Please refer to Note B on this Agenda</b>
2) To approve the payment of the Directors' Fees for the year ended 30 April 2015.	<b>RESOLUTION 1</b>
3) To approve a First and Final Single Tier Dividend of 2% for the year ended 30 April 2015.	<b>RESOLUTION 2</b>
4) To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:-	
(a) Mr. Darsan Singh A/L Bawant Singh	<b>RESOLUTION 3</b>
(b) Mr. Shingo Muramoto	<b>RESOLUTION 4</b>
5) To re-appoint Messrs. KPMG, the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration.	<b>RESOLUTION 5</b>
6) <b>SPECIAL BUSINESS:-</b>	

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

### ORDINARY RESOLUTION NO. 1

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

**RESOLUTION 6**

**"THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities."

# NOTICE OF ANNUAL GENERAL MEETING

## ORDINARY RESOLUTION NO. 2

- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH T.C. YAP HOLDINGS SDN. BHD. AND MR. YAP TOON CHOY

## RESOLUTION 7

**"THAT** approval be and is hereby given to the Kein Hing International Berhad ("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. and Mr. Yap Toon Choy, the Group Managing Director and Major Shareholder of KHIB as stated in section 2.3.3 of the Circular to shareholders of the Company dated 5 October 2015 being necessary for the day-to-day operations of the 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 Thirteenth Annual General Meeting ("AGM") of the Company, at which time it will lapse unless, by a resolution passed at the Thirteenth AGM, the authority is renewed; or
  - (b) the expiration of the period within which the Thirteenth 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."

# NOTICE OF ANNUAL GENERAL MEETING

## ORDINARY RESOLUTION NO. 3

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH KAM LOONG MINING SDN. BHD.**

## RESOLUTION 8

**"THAT** approval be and is hereby given to the KHIB Group to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with Kam Loong Mining Sdn. Bhd., the Major Shareholder of KHIB as stated in section 2.3.3 of the Circular to shareholders of the Company dated 5 October 2015, being necessary for the day-to-day operations of the 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 Thirteenth AGM of the Company, at which time it will lapse unless, by a resolution passed at the Thirteenth AGM, the authority is renewed; or
  - (b) the expiration of the period within which the Thirteenth 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."

# NOTICE OF ANNUAL GENERAL MEETING

## ORDINARY RESOLUTION NO. 4

- PROPOSED SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

## RESOLUTION 9

**"THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to purchase and/or to hold up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the best interest of the Company and an amount not exceeding the retained profits and share premium reserves of the Company, be allocated by the Company for the Proposed Share Buy-Back. The audited retained profits and share premium reserves of the Company stood at RM13,327,816 and RM2,668,992 respectively as at 30 April 2015.

**AND THAT** upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to cancel such shares or retain such shares as the Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Securities or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three.

**AND FURTHER THAT** the Directors of the Company be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

## ORDINARY RESOLUTION NO. 5

- AUTHORITY FOR MR. DARSAN SINGH A/L BALWANT SINGH TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

## RESOLUTION 10

**"THAT** authority be and is hereby given to Mr. Darsan Singh a/l Balwant Singh who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

# NOTICE OF ANNUAL GENERAL MEETING

## ORDINARY RESOLUTION NO. 6

- **AUTHORITY FOR MR. SWEE SOO MANG TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

## RESOLUTION 11

**“THAT** authority be and is hereby given to Mr. Swee Soo Mang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012.”

- 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 DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT** a First and Final Single Tier Dividend of 2% in respect of the year ended 30 April 2015 will be payable on 20 November 2015, to Depositors registered in the Record of Depositors at the close of business on 2 November 2015.

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 2 November 2015 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 (LS0009297)**

Company Secretary

5 October 2015

Selangor Darul Ehsan

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:-

### A. Appointment of Proxy

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.
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. A Proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The completed instrument of proxy once deposited will not preclude the member from attending and voting in person at the General Meeting should the Member subsequently wish to do so.
6. 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.
7. 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.

### B. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the members/shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

## 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 6 under item 6 of the Agenda, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up capital of the Company for the time being 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.

The general mandate sought to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Eleventh Annual General Meeting held on 29 October 2014. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment or projects, working capital and/or acquisitions.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Eleventh Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes on Special Business (Cont'd): -

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

The proposed Resolution 7 and 8 under item 6 of the Agenda, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature provided that such transactions are in the ordinary course of business and undertaken at arm's 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 without 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 dispatched together with the Annual Report of the Company for the financial year ended 30 April 2015.

### (c) Proposed Shareholders' Mandate for Share Buy-Back

The proposed Resolution 9 under item 6 of the Agenda, is to seek the authority for the Company to purchase and/or hold up to 10% of the total issued and paid-up share capital of the Company listed on Bursa Malaysia Securities Berhad. For further information on the Proposed Shareholders' Mandate for Share Buy-Back, please refer to the Circular to Shareholders dated 5 October 2015 enclosed together with the Company's 2015 Annual Report.

### (d) Authority to continue to act as an Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012

Mr. Darsan Singh a/l Balwant Singh has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and has met the definition of "independent director" as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board has recommended that he should continue to act as an Independent Non-Executive Director of the Company.

### (e) Authority to continue to act as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012

Mr. Swee Soo Mang has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and has met the definition of "independent director" as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board has recommended that he should continue to act as an Independent Non-Executive Director of the Company.

## GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 October 2015. Only a depositor whose name appears on the Record of Depositors as at 22 October 2015 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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 Twelfth 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 Thursday, 29 October 2015 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 – To approve payment of Directors' Fees		
2.	Resolution 2 – To approve First and Final Single Tier Dividend of 2%		
3.	Resolution 3 – To re-elect Mr. Darsan Singh A/L Balwant Singh as Director		
4.	Resolution 4 – To re-elect Mr. Shingo Muramoto as Director		
5.	Resolution 5 – To re-appoint Messrs KPMG as Auditors and to authorise the Board of Directors to fix their remuneration		
6.	Resolution 6 – To authorise the issuance and allotment of shares pursuant to Section 132D of the Companies Act, 1965		
7.	Resolution 7 – To approve renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT") with T.C. Yap Holdings Sdn Bhd and Mr Yap Toon Choy		
8.	Resolution 8 – To approve renewal of shareholders' mandate for RRPT with Kam Loong Mining Sdn Bhd		
9.	Resolution 9 – To approve the renewal of authority for the purchase of its own shares by the Company		
10.	Resolution 10 – Authority for Mr Darsan Singh a/l Balwant Singh to continue in office as Independent Non-Executive Director		
11.	Resolution 11 – Authority for Mr Swee Soo Mang to continue in office as Independent Non-Executive Director		

\* *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 \_\_\_\_\_ 2015

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.
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. A Proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The completed instrument of proxy once deposited will not preclude the member from attending and voting in person at the General Meeting should the Member subsequently wish to do so.
6. 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.
7. 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 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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**Kein Hing International Berhad (616056-T)**

Lot 1863, Jalan Kolej, 43300 Seri Kembangan  
Selangor Darul Ehsan, Malaysia.

[www.keinhing.com](http://www.keinhing.com)