KEIN HING INTERNATIONAL BERHAD (616056-T)
(Incorporated in Malaysia under Companies Act, 1965)

Annual Report 2017

ENHANCING OUR POTENTIAL

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FINANCIAL STATEMENTS

Corporate INFORMATION

BOARD OF DIRECTORS

Darsan Singh a/l Balwant Singh
(Chairman / Independent Non-Executive Director)

Yap Toon Choy
(Group Managing Director)

Shingo Muramoto
(Non-Independent Non-Executive Director)

Yong Elaine
(Executive Director)

Swee Soo Mang
(Senior Independent Non-Executive Director)

Gan Chee Tsong
(Independent Non-Executive Director)

Khor Yew Chye
(Independent Non-Executive Director)
(appointed on 17 March 2017)

AUDIT COMMITTEE

Swee Soo Mang (Chairman)
Darsan Singh a/l Balwant Singh
Gan Chee Tsong
Khor Yew Chye (appointed on 23 June 2017)

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ng Yim Kong (LS 0009297)

REGISTERED OFICE

Lot 1863, Jalan Kolej,
43300 Seri Kembangan,
Selangor Darul Ehsan.
Tel : 03-8948 6820
Fax : 03-8942 6384
E-mail : irkhib@keinhing.com
Website : www.keinhing.com

AUDITORS

Messrs KPMG PLT
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 Jeff Leong, Poon & Wong
B-11-8, Level 11,
Megan Avenue II,
Jalan Yap Kwan Seng,
50450 Kuala Lumpur.
Tel : 03-2203 3388
Fax : 03-2203 3399

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Public Bank Berhad

REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.
Tel : +603-2783 9299
Fax : +603-2783 9222

STOCK EXCHANGE LISTING

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

CORPORATE Structure

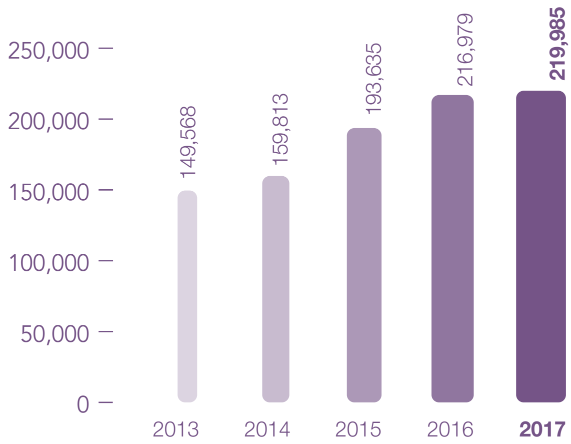
KEIN HING INTERNATIONAL BERHAD (616056-T)
(Incorporated in Malaysia under Companies Act, 1965)

- 100% Kein Hing Industry Sdn. Bhd.
- 100% Kein Hing Industry Vietnam Co., Ltd
- 51% Kein Hing Muramoto (Vietnam) Co., Ltd
- 100% Kein Hing Thai Nguyen (Vietnam) Co., Ltd
- 51% Sanko Kein Hing Sdn. Bhd.
- 100% Zenne Infinity Sdn. Bhd.
- 100% Zenne Appliances Sdn. Bhd.

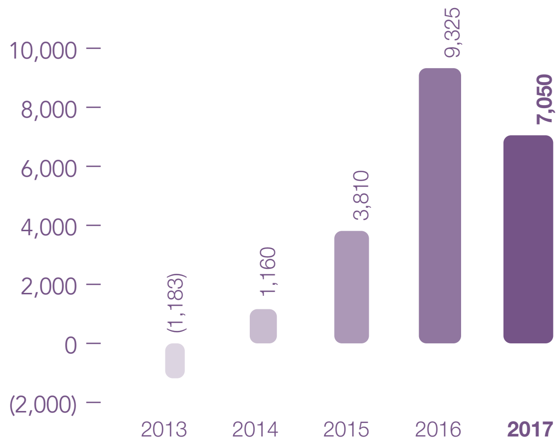
Company	Principal Activities
Subsidiaries	
Kein Hing Industry Sdn. Bhd.	Sheet metal forming, precision machining, component assembly and manufacture and sales of gas appliances
Kein Hing Industry Vietnam Co., Ltd	Sheet metal forming, precision machining, manufacturing and fabrication of tools and dies and assembly of components, and sub-leasing of unused factory and warehouses
Kein Hing Muramoto (Vietnam) Co., Ltd	Sheet metal forming, precision machining and assembly of components for electronic, automotive and other industries
Kein Hing Thai Nguyen (Vietnam) Co., Ltd	Sheet metal forming, precision machining, manufacturing and fabrication of tools and dies and assembly of components
Sanko Kein Hing Sdn. Bhd.	Precision machining of electronics and electrical industries' components
Zenne Infinity Sdn. Bhd.	Trading in electrical and electronics products, home appliances and gas appliances
Zenne Appliances Sdn. Bhd.	Ceased business operation

5-Years FINANCIAL HIGHLIGHTS

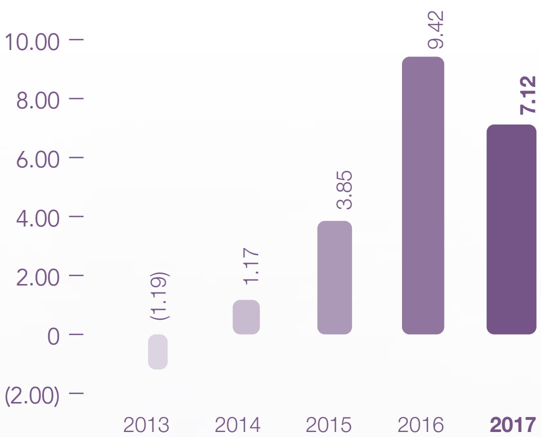
REVENUE (RM'000)



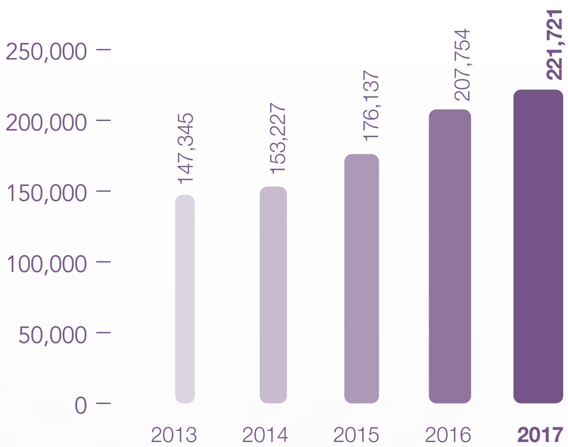
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



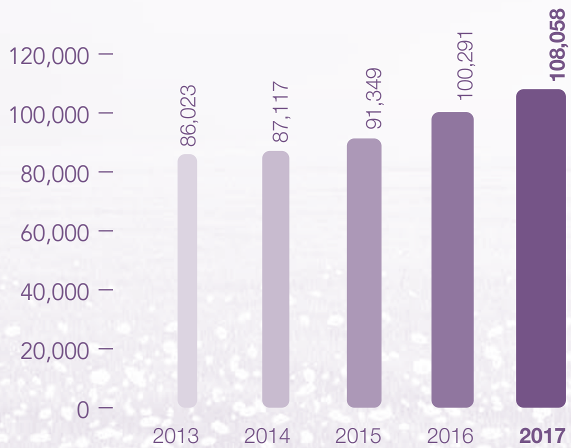
BASIC EARNINGS/(LOSS) PER ORDINARY SHARE (SEN)



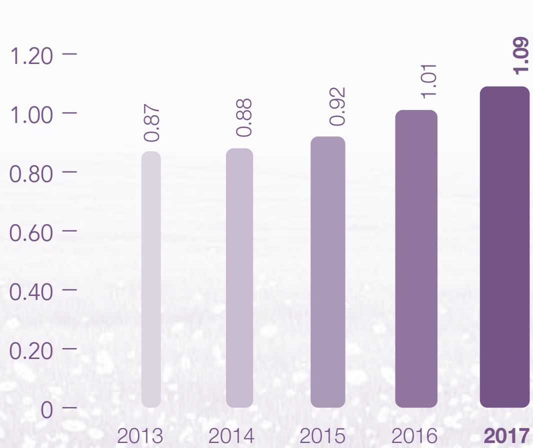
TOTAL ASSETS (RM'000)



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)



PROFILE of the Directors

DARSAN SINGH A/L BALWANT SINGH

Aged 63, Male, Malaysian • Chairman/Independent Non-Executive Director

Darsan Singh a/l Balwant Singh 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 but he does not hold any directorship in other public companies. He does not have any family relationships with any Director and/or major shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

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

YAP TOON CHOY

Aged 61, Male, Malaysian • Group Managing Director

Yap Toon Choy 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 more than 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 but he does not hold any directorship in other public 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 26 August 2016, he does not have any conflict of interest with KHIB. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

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

SHINGO MURAMOTO

Aged 70, Male, Japanese • Non-Independent Non-Executive Director

Shingo Muramoto 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.

At present, he sits on the Board of Directors of several other private limited companies but he does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major 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 five (5) years other than traffic offences, if any.

PROFILE of the Directors

YONG ELAINE

Aged 58, Female, Singaporean • Executive Director

Yong Elaine 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 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 but she does not hold any directorship in other public companies. Yong Elaine is the spouse of Yap Toon Choy, who is the Group Managing Director and major shareholder of KHIB. Save for the recurrent related party transactions disclosed in the Circular to Shareholders dated 26 August 2016, she does not have any conflict of interest with KHIB. She has no conviction for any offence within the past five (5) years other than traffic offences, if any.

SWEE SOO MANG

Aged 65, Male, Malaysian • Senior Independent Non-Executive Director

Swee Soo Mang 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. At present, he sits on the Board of Directors of several other private limited companies but he does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major shareholder of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

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

PROFILE of the Directors

GAN CHEE TSONG

Aged 42, Male, Malaysian • Independent Non-Executive Director

Gan Chee Tsong 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 in 2011, of which he remains the managing partner and has since serviced a wide spectrum of clients in various industries.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

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

KHOR YEW CHYE

Aged 68, Male, Malaysian • Independent Non-Executive Director

Khor Yew Chye was appointed to the Board of Directors of KHIB on 17 March 2017. He obtained a Diploma in Business Administration from Malaysian Association of Productivity-Ohio University.

In 1983, he joined Sime Lease Sdn Bhd as a Manager looking after the business of Industrial Hire Purchase for industrial equipment and motor vehicles. He was subsequently appointed as the Managing Director of Sime Lease (M) Sdn Bhd and Sime Credit (M) Sdn Bhd in 1997. He also managed Hertz Car Rental (another subsidiary of Sime Darby Group) during the period from 2003 to 2007. Effective from 2007, he was repositioned as an Executive Director of BMW Credit Malaysia Sdn Bhd (formerly known as Sime Credit (M) Sdn Bhd) overseeing the business of Industrial Hire Purchase. He retired in 2009 but continued to serve BMW under an Advisory Contract and was tasked to set up the Office of BMW Finance in Singapore catering for financing of industrial and motor vehicle business. The Advisory Contract was ended in 2013.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major shareholders of KHIB. He does not have any conflict of interest with KHIB. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

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

Profile of the KEY SENIOR MANAGEMENT

YAP TOON CHOY

Aged 61, Male, Malaysian • Group Managing Director

Yap Toon Choy serves as Group Managing Director of KHIB since 9 August 2004. He also serves as the Managing Director of KHI, a wholly-owned subsidiary of KHIB since 1983 and the General Director of all the three (3) subsidiary companies incorporated in Vietnam. He gained valuable experience and technical know-how over the past 30 years especially through dealings with his Japanese counterparts.

He is responsible for various key aspects of the KHIB Group management in areas such as engineering, quality assurance, marketing and new product planning, new market opportunities, purchasing, overall co-ordination and implementation of the Group strategies in Malaysia and Vietnam. He provides leadership and vision towards the growth of KHIB Group.

YONG ELAINE

Aged 58, Female, Singaporean • Executive Director

Yong Elaine serves as Executive Director of KHIB since 9 August 2004. She also serves as the Executive Director of KHI since 1984. She has more than 20 years' experience in dealing with various bankers and leasing companies for funding and treasury management. With her finance background and the relevant experience, she has been actively involved in corporate finance of KHIB, core treasury functions in areas of cash management, planning and control, and financing activities of KHI over the past 20 years.

She also oversees the Human Resource Management, amongst others, the implementation of human resource programs and policies, and provision of consulting services relating to the various aspects of human resource development and management for KHI.

KOK MUN CHOON

Aged 46, Male, Malaysian • Financial Controller

Kok Mun Choon was appointed as the Financial Controller of KHI on 2 January 2008. He was admitted as a member of the Association of Chartered Certified Accountants ("ACCA") on 14 November 1998 and has subsequently been awarded ACCA Fellowship on 15 October 2003. He is also a member of the Malaysian Institute of Accountants since 9 June 1999.

He began his career with Moores Rowland, an audit firm in 1995 as an audit assistant and was later promoted to audit senior until he left in 1999. Later in the same year, he joined a public listed company that was principally engaged in food service industry as a Manager of Finance & Accounts and over the years, he was promoted to Senior Manager where he gained vast experience through involvement in various corporate exercises, group reporting, audit and tax. In September 2006, he joined another public listed company which principal activities were to carry on the business of operation, maintenance and management of water treatment facilities as a Senior Manager of Finance & Accounts and was also assigned to assist the consolidation of financial statements and other corporate tasks under the corporate finance division of the holding company.

He does not hold any directorship in public companies and KHIB. He does not have any family relationship with any director and/or major shareholder of KHIB. He also does not have any conflict of interest with KHIB. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

Profile of the KEY SENIOR MANAGEMENT

FUKUI CHIE
Aged 55, Female, Japanese • Senior Manager, Marketing and New Product Planning

Fukui Chie was appointed as Senior Manager of Marketing and New Product Planning of KHI on 1 July 2003. She obtained Associate Degree in Science from the Ohio University in United States. She had since held various positions in sales, new product development, marketing and also export market of Zenne gas cookers. On 6 October 2009, she was also appointed as the director of Sanko Kein Hing Sdn Bhd ("SKH"), a 51%-owned subsidiary company of the Company, where she oversees the overall management and operation of SKH.

Throughout her 14 years with KHI, she coordinates various meetings and discussions between customers and the engineering team for new item development and new businesses. She is also involved in product marketing and export of Zenne brand of gas cookers specifically to Hong Kong. Since October 2009, she is assigned to manage new business related to camera parts and optical components mainly targeted at Japanese customers in both Malaysia and Vietnam.

She does not hold any directorship in public companies and KHIB. She does not have any family relationship with any director and/or major shareholder of KHIB. She also does not have any conflict of interest with KHIB. She has no conviction for any offence within the past five (5) years other than traffic offences, if any.

YOSHIKAZU NODA
Aged 48, Male, Japanese • Senior Manager, Marketing (Vietnam Operation)

Yoshikazu Noda joined KHI as Senior Manager of Sales and Marketing on 28 April 2008. In 1987, he graduated from Minami High School and subsequently he joined the aluminium die cast engineering of Asahi Kosei Co., Ltd in Japan. He was subsequently transferred to Asahi Kosei Malaysia where he was involved in die casting, fabrication of moulds and quality control, and he held the position of General Manager before he left. During his employment with KHI, he assists Marketing to obtain new items and new customers particularly in automotive industries where he is able to achieve sales growth for KHI.

Since 2009, he is assigned to develop new businesses in Vietnam and establish contacts with potential customer particularly Japanese customers who are expanding their manufacturing operation in Vietnam. In this position, he is also responsible to assist the successful implementation of the Group's future expansion plans in Vietnam specifically the business of metal stamping, precision machining, assembly of components and fabrication of tooling.

He does not hold any directorship in public companies and KHIB. He does not have any family relationship with any director and/or major shareholder of KHIB. He also does not have any conflict of interest with KHIB. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

ANA LOW
Aged 48, Female, Malaysian • Senior Manager, Purchasing

Ana Low joined KHI and has been working under Purchasing Department since 19 October 1992. Currently, she is the senior manager who is primarily responsible for sourcing of raw materials, inventory control and supplier management.

With her decades of experience in Purchasing, she is also responsible for the implementation of the policies, standards and procedures particularly on the procurement of raw materials from various sources, local and overseas steel service centers. Throughout her 25 years with KHI, she has been coordinating various meetings and discussions with customers, local and overseas suppliers and the Authorities particularly for the import of steel materials.

She does not hold any directorship in public companies and KHIB. She does not have any family relationship with any director and/or major shareholder of KHIB. She also does not have any conflict of interest with KHIB. She has no conviction for any offence within the past five (5) years other than traffic offences, if any.

Profile of the KEY SENIOR MANAGEMENT

CHYE NYUK FONG
Aged 45, Female, Malaysian • Senior Manager, Production

Chye Nyuk Fong joined KHI on 15 May 2000 and worked under the Production Control Department. She obtained Diploma in Technology (Material Engineering) from TAR College and Bachelor of Science (Physics) from Universiti Putra Malaysia respectively. Currently, she is holding the position as Senior Manager of Production Management Control (PMC) Department under KHI.

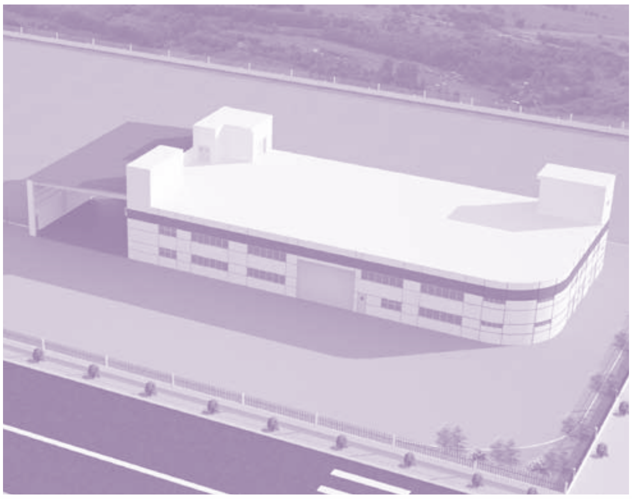
She is primarily responsible for production, material planning and also managing manpower, machines and other resources in the production department. She is also assigned to specifically be in charge of CNC precision machining and together with the engineering team, she is involved in developing new machining methods and engineering processes for KHI.

She does not hold any directorship in public companies and KHIB. She does not have any family relationship with any director and/or major shareholder of KHIB. She also does not have any conflict of interest with KHIB. She has no conviction for any offence within the past five (5) years other than traffic offences, if any.

Chairman's STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Kein Hing International Berhad ("KHIB"), 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 2017.



KHTV

OPERATING ENVIRONMENT

The International Monetary Fund ("IMF") had on 18 April 2017 released its quarterly World Economic Outlook Update, in which it projected the global economy will grow 3.5% in 2017, up from its January 2017 projection of 3.4%. Looking ahead to 2018 and beyond, the IMF forecasts global growth to rise to 3.6% next year and continue to increase marginally, reaching 3.8% by 2022. The IMF attributed the upgrade primarily to buoyant financial markets and a long-awaited cyclical recovery in investment, manufacturing and trade. According to IMF, growth will be led by emerging market and developing economies, projected to rise 4.5% in 2017 and 4.8% in 2018, with advanced economies forecast to grow 2% in each of the next two years. But the IMF also warns that significant downside risks to global growth remain, most notably the rising protectionist policies seen in advanced economies, particularly the U.S. and the UK, which may trigger trade warfare that would lead to higher prices for consumers, lower productivity and therefore, lower overall real income for households. Other downside risks include tightening financial condition in emerging markets, slow productivity growth in some advanced economies, geopolitical tensions and terrorism (Source: World Economic Outlook April 2017)

In Malaysia, Bank Negara Malaysia reported that the Malaysian economy is projected to register a sustained growth of 4.3% - 4.8% in 2017. Domestic demand will continue to be the principal driver of growth, underpinned by private sector activity. On the supply side, all economic sectors are projected to register positive growth in 2017. The services and manufacturing sectors would be the key contributors to overall growth. As the global landscape is set to experience concurrent shifts in policy stance, there could be varying implications for the Malaysian economy. In particular, the prospect of increased protectionism among the major economies would have a dampening effect on global trade. These external risks would be a source of heightened uncertainty for the Malaysian economy and financial system, with implications for sentiments and labour market conditions. In addition, the persistence of earlier domestic headwinds, such as higher cost of living and weak sentiments, could also moderate the growth of domestic demand (Source: Bank Negara Annual Report 2016).

Chairman's STATEMENT

FINANCIAL REVIEW

The Group registered a revenue of RM220.0 million for the financial year ended 30 April 2017, representing a slight growth of RM3.0 million or 1% as compared to a revenue of RM217.0 million recorded last year. The tooling sales achieved last year was exceptionally high following new items awarded by a customer in Vietnam and thus distorting the revenue by approximately RM7.0 million. If excluding this one-off tooling sales of RM7.0 million, the revenue should have increased by RM10.0 million or an adjusted growth of 4.8% year-on-year. The growth in part sales was mainly attributed to stronger customer demand particularly for the parts/metal components used in manufacturing and production of TVs, fridge, printer and automotive industries.

However, the Group reported a lower Profit Attributable to Owners of the Company ("Net Profit") of RM7.1 million for the current financial year under review as compared to that of RM9.3 million achieved last year, representing a decrease in Net Profit of RM2.2 million or -24%. The decrease in Net Profit was mainly due to the distortion caused by the profit arising from the one-off tooling sales last year and also the initial costs associated with the expansion plan for a new factory located at Hai Phong, Vietnam.

With a Net Profit of RM7.1 million, the Group's financial position continues to strengthen year-on-year. The Equity Attributable to Owners of the Company had further increased from RM100.3 million to RM108.1 million as at 30 April 2017 which translates into a Net Assets per share of RM1.09 (2016: RM1.01).

BUSINESS OUTLOOK AND PROSPECTS

Against the above operating environment, the Group revenue is expected to encounter some fluctuation as a result of less predictable customers' demand. In Malaysia, the constraint in labour supply will continue to be a critical issue as it will directly affect manpower and production planning. Nevertheless, the Board of Directors expects that the Group will achieve satisfactory results relative to those companies in the same industry for the financial year ending 30 April 2018.

Chairman's STATEMENT


KHIV

DIVIDENDS

The Board of Directors has proposed a First and Final Single Tier Dividend of 1.5 sen per share for the financial year ended 30 April 2017 amounting to RM1,485,000 which shall be tabled for the approval of shareholders at the forthcoming Fourteenth (14th) Annual General Meeting to be held on Tuesday, 17 October 2017.

The Company has also on 21 July 2017 announced a Proposed Bonus Issue of 9,900,000 new ordinary shares in KHIB ("KHIB Share(s)") ("Bonus Share(s)"), on the basis of one (1) Bonus Share for every ten (10) existing KHIB Shares held on the entitlement date to be determined later. The Proposed Bonus Issue aims to, among others, reward the existing shareholders of the Company for their continuous support and loyalty by enabling them to participate in the equity of the Company in terms of holding additional number of KHIB Shares while maintaining their percentage of equity interest in the Company without incurring any cost. The Proposed Bonus Issue shall be tabled for the approval of shareholders at the forthcoming Extraordinary General Meeting to be also held on Tuesday, 17 October 2017.

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 continued support.

Darsan Singh a/l Balwant Singh
Chairman
17 August 2017
Seri Kembangan

MANAGEMENT DISCUSSION and Analysis

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Company profile

Kein Hing International Berhad ("KHIB") was incorporated in Malaysia on 23 May 2003 under the name of Kein Hing International Sdn Bhd. It was converted to a public limited company on 22 August 2003 and assumed its present name. KHIB shares were listed and quoted on the official list of the Second Board of Bursa Malaysia Securities Berhad on 6 October 2004. Subsequently, KHIB is listed on the Main Market of Bursa Malaysia Securities Berhad following the merger of Main and Second Boards in 2009. KHIB is principally involved in investment holding.

Kein Hing Industry Sdn Bhd ("KHI") is the major and wholly-owned subsidiary of KHIB. KHI was incorporated on 14 March 1981 and in the early years of establishment it produced casings of florescent lamps and air conditioner parts. Over the years, KHI managed to carve a niche in the areas of sheet metal forming, precision machining, component assembly and even design and fabrication of tooling in-house. Notably, KHI was also one of the pioneer local companies to venture into precision cold forging technology. In 2006, KHI has moved a step forward by manufacture and sale of consumer products namely gas appliances under its own brand of "Zenne".

KHIB's long term strategy has always been to identify business opportunities. On 25 August 2004, KHIB contributed 51% of the legal capital of Kein Hing Muramoto (Vietnam) Co., Ltd ("KHMV"), thus making KHMV its first subsidiary company in Vietnam. KHMV which is in substance an expansion and extension of the KHI's core business has utilised the engineering capabilities of KHI to build its business with strong revenue growth in Vietnam over the years.

Vision

The Group aspires to become an "A Class" company of the same category in a broad bandwidth, offering high quality products throughout South East Asia region.

With proven track record, the Group welcome all business partners whether be it customers, suppliers or investors to come together collectively to strive for "A Class" achievement.

Principal activities

The Group's core business segment comprises sheet metal forming, precision machining, component assembly and manufacture and sale of gas appliances which contribute 96% to the Group's revenue. The trading in Zenne gas appliances and other home appliances is another business segment but it is not significant at this point of time. The Group currently focuses more on manufacturing of parts, assembly of components and engineering services. The Group's parts/metal components are mainly used for assembly of products which consist of the following:

Category	Products
Components and devices	Components for television, printer, copier, phone system, camera, etc.
Home appliances	Components for ceiling fan, electric fan, ventilation fan, refrigerator, air-conditioning compressor, gas cooker, etc.
Automotive	Components for air bag, safety belt system, car shock absorber, car body parts, etc.
Electrical	Components for industrial and household circuit breaker
Audio visual	Chassis and frame for audio products

The high precision-machined components and other metal parts manufactured by the Group differ in shape, size, production method and aesthetic appearance. It is targeted at customers mainly in the home appliances, component and device sector and also automotive industry.

MANAGEMENT DISCUSSION and Analysis

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS (CONT'D)

Manufacturing bases

The Group manufacturing bases are located in Malaysia and Vietnam.

In Malaysia, there are basically five (5) factories under KHI which are individually situated within Seri Kembangan, Selangor, with a combined land area of approximately 6 acres. The total workforce in Malaysia is about 600 employees.

The manufacturing bases in Vietnam are situated in 2 locations under two (2) subsidiary companies namely KHMV and Kein Hing Industry Vietnam Co., Ltd ("KHIV") respectively. KHMV factory is located at Thang Long Industrial Park in Hanoi, whereas KHIV factory which is newly built and completed in December 2015 is located at VSIP (Vietnam Singapore Industrial Park) in Hai Phong city. The combined workforce has reached 460 employees and it is expected to increase in the coming years in tandem with customers' demand in Vietnam.

Through Kein Hing Thai Nguyen (Vietnam) Co., Ltd ("KHTV"), the Group has also on 6 February 2015 entered into a Land Lease Agreement with the Authority of Thai Nguyen to acquire a vacant industrial land at Diem Thuy Industrial Park in Thai Nguyen province, Vietnam. The Group's combined industrial land area in Vietnam will eventually reach approximately 12 acres in the near future.

Key markets

The bulk of parts manufactured by the Group are mainly sold to foreign customers based in Malaysia and Vietnam respectively with their country headquarters located in Japan.

The revenue by geographical segments or location of customers is analysed as follows:

(In RM'000)	2017	%	2016	%
Malaysia	**126,340**	**57%**	121,892	56%
Vietnam	**77,964**	**35%**	81,839	38%
America	**4,148**	**2%**	2,276	1%
Europe	**3,376**	**2%**	2,314	1%
Hong Kong	**2,344**	**1%**	3,427	2%
Thailand	**2,154**	**1%**	2,645	1%
Others	**3,659**	**2%**	2,586	1%
Consolidated Total	**219,985**	**100%**	**216,979**	**100%**

The majority of the Group's revenue was contributed by sheet metal forming, precision machining, component assembly and manufacture and sale of gas appliances, which collectively accounted for approximately 96% (2016: 96%) of its revenue in the financial year ended 30 April 2017. The remaining 4% (2016: 4%) of revenue in the financial year ended 30 April 2017 was contributed by trading in Zenne gas cookers and other home appliances.

MANAGEMENT DISCUSSION and Analysis

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS (CONT'D)

Strategies in creating value

As a business entity, the Company main objective is to enhance shareholders' value through organic growth and various strategies in order to provide a sustainable return on investment for the shareholders of the Company.

The Group has set out its long term plans to strengthen its position and broaden its revenue potential through the following:

- overseas expansion particularly in Vietnam with Myanmar as the next potential manufacturing base in the long term;
- expanding its manufacturing capability and engineering services especially for the automotive industry; and
- vertical diversification into end consumer market with its own brand Zenne.

Over the years, the Group has set up three (3) subsidiary companies in Vietnam namely KHMV, KHIV and KHTV with the aim to establish a strong and well-connected manufacturing base in the North of Vietnam, servicing the existing and potential multinational corporations ("MNCs") which are situated within the industrial parks located in Hanoi, Hai Phong City and Thai Nguyen Province. The key project focuses on sheet metal forming, precision machining and component assembly.

In Malaysia, the Group will invest in new machines and technology that can enhance its manufacturing capability and engineering services particularly in the automotive industry. The car parts/accessories segment has been providing tremendous opportunities to the fabricated metal products industry as ASEAN is a key strategic automotive market. Therefore, other than manufacturing of parts for safety belt system, car shock absorber, car body parts and others, KHI has also expanded and manufactured parts for car air bag system since 2016 which it aims to champion these engineering capabilities as part of its future growth strategy in the near future.

The successful relationship with MNCs has also demonstrated the Group's ability to acquire and achieve the necessary standards and quality required by MNCs. This is exemplified by the fact that most of the Group's MNC customers have maintained more than 20 years' relationship with KHI.

The Group has also diversified vertically in order to service end consumer markets through its trading arm, Zenne Infinity Sdn Bhd ("ZI"). Since 2006, KHI has moved one step forward by manufacture and sale of gas appliances under its own brand of Zenne, a brand that is parallel with eco-technology and eco-friendly gas appliances. Since then, Zenne gas cookers has achieved the high standard as specified and recognized by Japan Gas Appliance Inspection Association (JIA). Other than domestic market, ZI marketing team has also penetrated into overseas markets such as Hong Kong, Singapore, Vietnam, Philippines, Myanmar, the Republic of Mauritius and Indonesia.

MANAGEMENT DISCUSSION and Analysis

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS (CONT'D)

5-Years Financial Highlights

Summary of the Group's financial performance for the past five (5) financial years ended 30 April are as follows:

(In RM'000)	2017	2016	2015	2014	2013
Revenue	**219,985**	216,979	193,635	159,813	149,568
Results from operating activities	**14,236**	19,239	9,047	6,059	2,772
Finance income	**270**	131	277	308	353
Finance costs	**(3,916)**	(3,131)	(2,260)	(1,931)	(1,745)
Profit before tax	**10,590**	16,239	7,064	4,436	1,380
Income tax expense	**(2,292)**	(4,488)	(1,839)	(1,843)	(1,214)
Profit for the year	**8,298**	11,751	5,225	2,593	166
Profit/(Loss) attributable to:					
Owners of the Company	**7,050**	9,325	3,810	1,160	(1,183)
Non-controlling interests	**1,248**	2,426	1,415	1,433	1,349
	8,298	11,751	5,225	2,593	166
Earnings per share (sen)	***7.12***	*9.42*	*3.85*	*1.17*	*(1.19)*
Equity attributable to owners of the Company	**108,058**	100,293	91,348	87,117	86,023
Total assets	**221,721**	207,754	176,136	153,227	147,345
Loans and borrowings	**58,544**	56,928	37,552	28,584	27,651
Debt / Equity (%)	**54%**	57%	41%	33%	32%
Net assets per share (RM)	**1.09**	1.01	0.92	0.88	0.87
Dividend per share (sen)	**1.5**	1.0	1.0	1.0	1.0

Share performance

Summary of KHIB's share performance for the financial year ended 30 April 2017 is as follows:

Month	High RM	Low RM	Close RM	Transaction Volume
May 2016	1.010	0.900	0.970	4,710,800
June 2016	1.180	0.865	0.870	18,448,500
July 2016	0.920	0.845	0.860	2,654,800
August 2016	0.865	0.780	0.810	1,010,300
September 2016	0.845	0.780	0.790	1,165,800
October 2016	0.825	0.740	0.740	672,800
November 2016	0.810	0.715	0.740	481,700
December 2016	0.750	0.690	0.690	344,500
January 2017	0.735	0.700	0.730	359,600
February 2017	0.800	0.735	0.780	634,500
March 2017	0.865	0.730	0.740	1,414,600
April 2017	0.765	0.730	0.765	433,800
Year High (RM)				1.180
Year Low (RM)				0.690
Year Close (RM)				0.765
Market Capitalisation as at 30 April 2017 (RM)				75,735,000

MANAGEMENT DISCUSSION and Analysis

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Performance indicators

Summary of the Group's financial performance for the financial year ended 30 April 2017 is as follows:

(In RM'000)	2017	2016	Variance	%
Revenue	219,985	216,979	3,006	1%
Profit before tax ("PBT")	10,590	16,239	(5,649)	-35%
Profit attributable to:				
Owners of the Company	7,050	9,325	(2,275)	-24%
Non-controlling interests	1,248	2,426	(1,178)	-49%
Profit for the year	8,298	11,751	(3,453)	-29%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	27,203	31,307	(4,104)	-13%
GP margin (%)	***22%***	***23%***	***-1%***	***-5%***
EBITDA margin (%)	***12%***	***14%***	***-2%***	***-14%***
PBT margin (%)	***5%***	***7%***	***-2%***	***-36%***
Earnings per share (sen)	***7.12***	***9.42***	***-230%***	***-24%***
Equity attributable to owners of the Company	108,058	100,293	7,765	8%
Total assets	221,721	207,754	13,967	7%
Loans and borrowings	58,544	56,928	1,616	3%
Debt / Equity (%)	***54%***	***57%***	***-3%***	***-5%***
Net assets per share (RM)	***1.09***	***1.01***	***0.08***	***8%***

Revenue

The slight growth in revenue by RM3.0 million or 1% was mainly attributed to the following net effect:

- The distortion in revenue, as a result of one-off tooling sales of approximately RM7.0 million to a customer in Vietnam, in the last financial year.
- The increase in current year sales of parts/components, which recorded a growth of RM10.0 million or 5.3% year-on-year, following the surge in customers' demand particularly the sales of parts/components which were used for production of television, fridge, printer and car parts/accessories in the automotive industry.

Profit before tax & expenses

Despite the increase in revenue, both GP margin and EBITDA margin decreased by 1% and 2% respectively mainly due to:

- the initial costs associated with the expansion plan for the new factory located at Hai Phong, Vietnam such as staff costs and wages for new employees and workers, and also the overhead incurred during setups.
- the increase in labour costs following wage inflation in Vietnam and implementation of minimum wage policy in Malaysia.
- the distortion in gross profit as a result of the profit generated by one-off tooling sales achieved in the last financial year.

Against the above, the Group reported lower PBT of RM10.6 million, a decrease of RM5.6 million or -35% as compared to last financial year and accordingly, the PBT margin also reduced from 7% to 5%.

MANAGEMENT DISCUSSION and Analysis

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

Total assets

The increase in Total Assets by approximately RM14.0 million or 7% was mainly attributed to the investment in capital expenditure. During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM16.2 million, mainly allocated for setting up of new production lines in the new factory located at Hai Phong, Vietnam, and also acquisition of machines for Malaysia operation particularly in the manufacturing of car air bag components. The capital expenditure incurred will enhance both production capacity and engineering capability of the Group in the long term.

The Group's cash and bank balances increased from RM31.7 million as at 30 April 2016 to RM33.4 million as at 30 April 2017. Net cash generated from operating activities was RM20.8 million. The net cash used in investing activities was RM12.1 million, mainly used in acquisition of property, plant and equipment which translated into higher production capacity and engineering capability for both operations in Malaysia and Vietnam (particularly the new factory at Hai Phong). The net cash used in financing activities was RM10.5 million, out of which RM1,485,000 for payment of dividends. The net decrease in cash and cash equivalents was RM0.7 million, and therefore the Group total cash and cash equivalents as at 30 April 2017 reduced to RM26.6 million, comprising deposits with licensed banks of RM8.0 million (after net of pledged deposits of RM0.5 million), cash and bank balances of RM24.9 million and bank overdraft of RM6.3 million.

The Group prudent management always maintains sufficient cash and available funds through an adequate amount of committed credit facilities.

Loans and borrowings

The Group's loans and borrowings (including hire purchase liabilities) was RM58.5 million as at 30 April 2017, slightly increased from RM56.9 million as at 30 April 2016. However, the Group gearing ratio decreased from 0.57 times to 0.54 times following the increase in equity attributable to the owners of the Company.

The Group remains prudent and aims at maintaining the flexibility in funding by keeping committed credit lines available. In addition, the Group ensures that the amount of debt maturing in any one year is not beyond its mean to repay and/or refinance.

Financial position

With the net profit generated by both operations in Malaysia and Vietnam, the Group financial position also strengthened and the equity attributable to owners of the Company stood at RM108 million as at 30 April 2017, which translated into net assets per share of RM1.09.

Known trends and events

In Malaysia, KHI continues to encounter constraints in labour supply mainly due to the difficulties in recruiting both local operators and foreign workers, and this issue is compounded by the imposition of the minimum wage policy in 2016 and also the impending hike in foreign workers' levy to be implemented in 2018. In Vietnam, the wage inflation and competition for skilled labour among manufacturers within industrial zones have also increased the direct labour costs significantly.

The Group has since stepped up its expansion plans in Vietnam in order to counter the constraint in labour supply in Malaysia. With this move, there will be some projects to be transferred from Malaysia to Vietnam operation in the coming years. In Vietnam, the Group also implements various employee benefit schemes such as motorcycle subsidy to retain skilled labour especially those employees with engineering knowledge and experience who will eventually be transformed into a more productive and efficient workforce.

MANAGEMENT DISCUSSION and Analysis

REVIEW OF OPERATING ACTIVITIES

Operating activities

The summary of the Group's revenue by business segment is analysed as follows:

(In RM'000)	2017	%	2016	%
Manufacturing				
- Components and devices	*104,089*	*47%*	*106,187*	*49%*
- Home appliances	*50,694*	*23%*	*50,331*	*23%*
- Automotive	*42,902*	*20%*	*39,339*	*18%*
- Electrical	*6,597*	*3%*	*6,594*	*3%*
- Audio visual	*3,313*	*2%*	*2,234*	*1%*
	207,595	***95%***	**204,685**	***94%***
Trading	**7,664**	*3%*	**8,087**	*4%*
Sales of scrap	**4,726**	*2%*	**4,207**	*2%*
Total Revenue	**219,985**	***100%***	**216,979**	***100%***

The Group is principally involved in, inter alia, sheet metal forming, precision machining and component assembly. The trading in Zenne gas cookers and other home appliances is another business segment which serves as part of the vertical diversification in the long term.

Malaysia Operations

During the financial year under review, the Group had invested and upgraded its plant and equipment/machinery in Malaysia with a total capital expenditure of RM 8.8 million to sustain and improve its operational efficiency as well as to cater for expansion in production capacity and engineering capability in the manufacturing of parts/components especially for car air bag components.

In Malaysia, the Group encountered constraints in labour suppy which directly impacted on the production and manpower planning, and consequently it also increased the direct labour cost. The Group core business in Malaysia is considered labour intensive. Due to the change in demography within Seri Kembangan where the main factories are situated, the Group currently relies on foreign workers from Vietnam, Bangladesh, Myanmar and Nepal to provide the labour required in its production operation. However, the Group encountered difficulties in recruitment of foreign workers and such problem was compounded by the increase in labour costs following the implementation of minimum wage.

The Group has implemented various manufacturing systems with the aim to improve productivity and efficiency as well as to achieve better inventory management such as materials replenishment system, Kanban and other production systems which are modified and/or developed in-house. Through various programs, KHI provided internal and external trainings for employees to enhance their engineering knowledge which in turn it maintains high quality standards as specified by the Group's MNC customers. For human capital development, KHI continued to employ a diversified workforce with various backgrounds, knowledge, skills and experience through flexible remuneration packages, Child Care Center facilities and various staff activities and employee benefits. Therefore, to certain extent, the Group is still able to attract some talents to join and retain the existing pool of experienced employees.

Vietnam Operations

In Vietnam, the Group has expanded with the new factory located at Hai Phong which construction was completed in December 2015 with a total built-up of approximately 97,000 square feet. During the financial year under review, the total capital expenditure incurred was approximately RM6.0 million mainly allocated for setting up of production facilities, plant, machinery and equipment at the new factory. The new factory is expected to grow gradually and contribute positive results to the Group when it reaches the optimal production and sales in the next 2-3 years.

MANAGEMENT DISCUSSION and Analysis

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Status of construction of a new factory

Kein Hing Thai Nguyen (Vietnam) Co., Ltd ("KHTV"), a wholly-owned subsidiary company of KHIB had on 6 February 2015 acquired a vacant industrial land in Vietnam measuring approximately 17,900 square meters. Subsequent to the financial year end, KHTV had on 19 May 2017 awarded a construction contract to a third party main contractor in Vietnam for the construction of a single storey factory at a total construction cost of USD1,222,500 or approximately RM 5.4 million, being the first (1st) phase of the entire project, on the industrial land located at Plot No. CN8-2, Diem Thuy Industrial Park, Diem Thuy Commune, Phuc Binh District, Thai Nguyen, Vietnam ("KHTV Factory Phase 1"). KHTV Factory Phase 1 with a total built-up of approximately 19,000 square feet will cater for the future expansion plan of the Group in Vietnam particularly the business of metal stamping, precision machining and assembly of components. KHTV Factory Phase 1 which is expected to complete in October 2017 will increase approximately 5% of the Group production and warehouse capacity.

ANTICIPATED OR KNOWN RISKS

Competition risk

The Group faces competition from various competitors, which include Malaysian public listed and private companies in its businesses and overseas competitors from Japan, China and Thailand. Nevertheless, the Group is confident of its capability in facing the competition as it has the requisite engineering expertise and know-how and a good track record of meeting the stringent requirements of its quality conscious MNC customers. The Group continuously strives to manufacture quality products, ensure prompt delivery and excellent engineering services, increases its productivity and efficiency through implementation of various manufacturing systems and better inventory management. However, there can be no assurance that the Group will be able to maintain and/or expand its market share in its local and overseas operations.

Investment risk

The Group will invest in new machines and construction of new factories which it believes to be beneficial to its business or is synergistic with the Group current manufacturing operations. Although the Group exercises prudence in its decision-making, there is always the potential risk that the returns from these investments may have longer payback period than expected or long gestation period. Although the Group will mitigate its investment risks by exercising due care in the evaluation of its investments, there can be no assurance that all its future investments will yield positive or immediate returns to the Group and would not have any adverse material effect on its future financial performance.

Dependency on foreign workers risk

The Group core business of sheet metal forming, precision machining, component assembly and manufacture and sale of gas appliances in Malaysia are considered labour intensive. Therefore, the Group believes that its continued success will depend, to some extent, upon the abilities and continued efforts of its existing production workforce which comprises mainly foreign workers. The constraint in labour supply in Malaysia as a consequence of the difficulties in recruiting foreign workers may adversely affect the Group's performance and continuing ability to compete effectively in the industry. Although the Group seeks to mitigate this risk through, inter alia, semi and fully automated operations, outsourcing, training and retention of skilled labour, employee benefits and staff activities, there can be no assurance that this risk will not have a material adverse effect on the Group's business and performance.

MANAGEMENT DISCUSSION and Analysis

FORWARD-LOOKING STATEMENT

Trend and outlook

Generally, the precision metal forming industry is highly competitive and fragmented, having a large number of players servicing different industries such as electrical and electronics, automotive, industrial equipment, machinery and household appliances sectors. Most of the players are well established in the market. Competition is mainly based on price, timely delivery, capacity and capability. The level of competition also depends on the competitiveness of the industries that the stamping players supply to customers.

In Malaysia, the constraint in labour supply will continue to be a critical issue as it directly affects the production and manpower planning. Despite the Group efforts to improve its manufacturing system for higher productivity, more efficiency and better inventory management to optimise costs, such constraints in labour supply may still have severe implication on the Group results.

According to the International Monetary Fund, the Global Growth for 2017 and 2018 is projected to be 3.5% and 3.6% respectively. However, there is a wide dispersion of possible outcomes around the projections, given uncertainty surrounding the policy stance of the current U.S. Administration and its global ramifications. This will have implications for the whole global economy and may pose new threats to the already fragile world economy. Against the above backdrop, the Group may encounter fluctuation in sales as a result of less predictable MNC customers' demand.

Under the trading segment, it will strive to improve the quality of gas cookers and other products under Zenne brand and also provide technical advice to end customers as part of the after sales services. The Zenne marketing team will emphasise on gas cookers and other product development to increase product range as well as customer base in both local and overseas markets going forward.

Basis of preparation

Certain statements in this Management Discussion and Analysis are based on historical data which may not be reflective of the future results and others are forward-looking in nature which is subject to uncertainties and contingencies. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Dividend Policy

The Board of Directors has proposed a first and final single tier dividend of 1.5 sen per share totaling RM1,485,000 in respect of the financial year ended 30 April 2017 (2016: 1.5 sen per share) for the shareholders' approval at the forthcoming Annual General Meeting. The dividend payout ratio is 21% (2016: 16%). The increase in dividend payout ratio is mainly attributed to a lower profit attributable to owners of the Company of RM7.1 million (2016: RM9.3 million).

The Company has not adopted any dividend policy as the Group currently focuses more on expansion particularly in Vietnam as part of its long term strategy to stay competitive in this challenging business environment.

Corporate SOCIAL RESPONSIBILITIES

Whilst pursuing the business objectives of profit and growth in enhancing shareholders' value, the Board is cognizant of the input of the Group's footprint on the society and the environment that it co-exist with, and the need for the Group to practise, preserve and promote activities that will continuously contribute and benefit the economy, environment and society today and in the future. This is the Group's Corporate Social Responsibilities ("CSR").

THE ENVIRONMENT

The Group strives to promote Environmental Conservation activities through resource conservation, recycling, electricity reduction and pollution prevention at the workplace. The Group understands that a sustainable environmental conservation activity greatly requires a community who is fully aware of and consciously taking part in caring for the environment. As championed by Kein Hing Industry Sdn Bhd ("KHI") within the Group, the Safety, Health and Environmental Management System educates and trains the employees to actively participate in environmental conservation activities.

The Group is pleased to report that our main factories in Malaysia and Vietnam have been certified and will continue to be certified with the ISO 14001 Certification for Environmental Management Systems in view of its commitment to the CSR. KHI is also realizing the Green mission through garden factory concept which successfully provides safe haven for the local fauna and enhance the biodiversity balance in nature such as birds, butterflies, beetles, squirrels and monkeys.

SAFETY, HEALTH & ENVIRONMENTAL ("SHE") MANAGEMENT SYSTEM

The Group is proactive in occupational safety, health & environmental ("SHE") management. Today's environmental problems are closely interlinked, planetary in scale and continuously desperate. Occupational safety and health issues such as risks and hazards at workplace are getting more and more attention worldwide. As a manufacturing company, the Group must come together in recognition of these grave challenges. The Group believes that it is the time to conserve the earth for the next generation and build a safe and healthy workplace for a better tomorrow. Therefore, the Group is committed to implement its SHE Management System which forms an integral part of the Group's core business namely metal forming and machining.

Corporate SOCIAL RESPONSIBILITIES

The Group has identified training needs for all personnel whose works face significant risk and create major impact on the environment. Those personnel performing tasks which can cause significant environmental impacts at the workplace have been trained to be competent in handling such risks. The effectiveness of the training has been evaluated with the associated records being retained for future reference and improvement. The Group has successfully promoted "5R" Concept (i.e. Rethink, Reduce, Reuse, Repair and Recycle) to the employees and achieved waste minimization based on the target set at the workplace. This has contributed to reduction of pollution and mitigation of impact to the environment. KHI even encouraged its employees to practice recycling activities at home by giving subsidy.

The Group strives to minimize significant risks to human health at the workplace such as workers injuries, usage of hazardous chemical and other ergonomic concerns that are normally associated with the Group's nature of activities. The Group's ultimate goal of safe workplace policy is to achieve "Zero - Personal Injury". For instance, KHI reduced accident case that involved medical treatment to 12 cases only during the year under review based on 600 employees. KHI also carried out Safe Workplace Awareness Campaign through "Kiken Yochi" Training (Hazard Prediction Training) and Completely Check Completely Find-Out (CCCF) Safety Activity. The Group seriously emphasises on machine safety through briefing and education programs on chemical safe handling, forklift safety, overhead crane and chain hoist safety and press working safety rules.

KHI conducted Chemical Health Risk Assessment (2nd Assessment) in October 2016 as part of the duty to perform an assessment of health risks arising from the use of chemical hazardous to health at the place of work which is prescribed under the Occupational Safety and Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000. The exposure is evaluated by assessing the likelihood of contact of the work units with the hazardous chemicals, how the chemicals are released into the work environment, the method of handling the chemicals, the way the chemicals enter the body, the frequency and duration of exposure and the intensity or magnitude of each exposure. KHI also invested in oil mist extractors in 2016 to control and improve indoor air quality, thus providing a cleaner workplace.

The Group has been actively participating in the key customers' CSR procurement activities in order to supply "green" parts and products for conserving the global environment and controlling hazardous materials. The Group carried out applicable lab testing and survey to source raw materials, packaging materials, subcomponents and lubrications which do not contains of any hazardous substances. Therefore, the parts and products that are manufactured by the Group always comply with REACH RoHS (Restriction of Hazardous Substances), SVHC (Substances of Very High Concern) and Conflict Mineral Reporting. By pursuing such best SHE practices, the Group believes that it will contribute to its competitive strength and benefit the customers, employees and ultimately the consumers.

Corporate SOCIAL RESPONSIBILITIES

EARLY YEARS EDUCATION AND CHILDREN'S RIGHTS

KHI Pre-School facility under the name of "Tadika Keluarga Harmoni & Indah" ("KHI Pre-School") was established in 1998 with the mission of creating a brighter future for children. KHI advocates for access to early education, safety and quality child care standards through its CSR programs. The childcare within workplace demonstrates how businesses can go beyond corporate philanthropy and adopt child-focused CSR practices that help to meet children's rights and contribute towards sustainable development.

During the last 19 years, KHI has made remarkable gains in recognizing the impact of the provision of childcare and education on the productivity and loyalty of its employees. KHI Pre-School supports the development of children's rights in Malaysia through numerous initiatives with Malaysian Child Resource Institute (MCRI), including workshops and training. Booklets entitled 'Discipline Works!' were printed and distributed in 2015 to increase awareness of children's rights in classes, in particular helping children understand discipline that is appropriate to their level of development. This action also supports children's rights on the provision for equal treatment of an individual irrespective of race, language, religion, political opinions or other status.

Currently, KHI Pre-School which comprises ten (10) qualified teachers and six (6) support staff has a total of seventy eight (78) children under its childcare and education. The current Educational Programme includes Montessori Method for nursery, "Kurikulum Standard Pra-Sekolah Kebangsaan" for pre-school and services of before and after school care and tuition. The early childhood care and education also address the importance of curriculum in the education of young children and it is the driving force behind KHI's programme. The success of KHI's programme lies within the comprehensive programmes addressing health, nutrition and development which have proven to be the most effective in early childhood especially in programmes directed at very young and vulnerable children.

This requires a genuine commitment from KHI Pre-School and individuals to work together, to plan projects collaboratively and to involve the parents and also the communities. Besides giving support to the parents, caregivers and communities, KHI Pre-School offers interventions that combine protection, stimulation and nutrition to assist vulnerable children to get a fair start in life.

As a record, KHI's initiative was recognized by the Companies Commission of Malaysia ("SSM") in partnership with United Nation International Children's Emergency Fund ("UNICEF") in 2010 in line with their CSR framework, which advocates child-focused CSR that truly integrates children's rights with business practices, creating a win-win situation for children, communities and businesses themselves. In recognition of the dedication to quality education in young children, KHI was featured as the role model company under the "Establishment of Child Care Centre at the Work Place" Best Business Practice launched by UNICEF in collaboration with 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 the following: *http://www.unicef.org/malaysia/media_child_care_centres_in_the_workplace.html*

CONCLUSION

The Group always strives to mitigate any adverse impact its operations may have on the environment and believes that KHI Pre-School will lend support to its corporate sustainability in the long run. The Group will also consistently support and encourage its employees and the relevant stakeholders to seek noble means for contributing to societies and to help to shape moderate and caring communities.

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 ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 5 to 7 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 managed, 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 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.

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.

The Board Balance

The Board comprises seven (7) members, of whom two (2) are Executive Directors, four (4) of the five (5) Non-Executive Directors are Independent. This is in compliance with Paragraph 15.02 of the MMLR, 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 four (4) 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 Meeting

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 2017 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	5/5
Yap Toon Choy	5/5
Yong Elaine	5/5
Swee Soo Mang	4/5
Gan Chee Tsong	5/5
Khor Yew Chye (Appointed on 17 March 2017)	-

Statement on CORPORATE GOVERNANCE

2. DIRECTORS (CONT'D)

The Board Meeting (Cont'd)

Matters that were discussed, reviewed and approved during the Board Meeting held during the financial year ended 30 April 2017 included amongst others the following:

(a) Approval of the Unaudited Quarterly Report for announcement to Bursa Securities and the Securities Commission.
(b) Review and approval of the audited financial statements of the Company and the Group.
(c) Review of the quarterly risk management report presented by the Group's Risk Management Coordinator.
(d) Review, discussion and approval of the annual business plan and budget of the Group.
(e) Discussion and recommendation of the proposed (first and final) single tier ordinary dividend to the shareholders for approval.
(f) Review and recommendation to the shareholders for approval:
    (i) The re-election of director(s).
    (ii) The retention of those independent directors who have been with the Company for more than nine years cumulatively, the renewal of the mandate for recurrent related party transactions and the mandate for share buy-back, and the directors' fees.
(g) Review the recommendation of the Audit Committee for the re-appointment of the External Auditors, and recommended it to the shareholders for approval.
(h) Review and discussion of the impact on the Company amendments to the MMLR, changes in Malaysian Financial Reporting Standards and the Auditing Standards particularly key audit matters and the format of the long form Independent Auditors' Report that will be applicable to the Company and the Group's audited financial statements for the financial year ending 30 April 2017.

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 2017, 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 2017 were as follows:-

- Rules, Regulations and Procedures relating to the conduct of Annual General Meetings
- Salient Changes of the Companies Act, 2016

Statement on CORPORATE GOVERNANCE

2. DIRECTORS (CONT'D)

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. During the financial year under review, there was no new appointment to the Board.

Nominating Committee

The Nominating Committee of the Company was set up on 6 December 2004 with written terms of reference approved by the Board, dealing with its authority and duties which include the selection and assessment of directors. The terms of reference of the Nominating Committee is made available on the Company's website at www.keinhing.com.

The Nominating Committee ("NC") comprises three (3) Non-Executive Directors, all of whom are Independent Directors. The members of NC 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 NC met on 17 March 2017 and 23 June 2017 with full attendance of the NC members on recommending the appointment of Mr Khor Yew Chye as Independent Non-Executive Director and Audit Committee of the Company respectively.

The NC conducted an evaluation of the performance of the Directors for the financial year ended 30 April 2017, and reviewed and assessed the size of the Board, the 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 NC concluded that the Board as a whole and its committees were effective with the necessary skills, experience and qualification and is satisfied with the current composition and performance of the Board.

The Board although has no specific policy on gender diversity, is fully conversant with the benefit and contribution of a diverse Board to the decision making process and performance of the Company. For the moment the Board has not set any target for the appointment of female candidates to the Board. Any such appointment will be made based on merit and will follow the Company's guideline on evaluation and selection of candidates. The evaluation and selection of the suitability of candidates is conducted based on the candidates' compatibility, competency, character, time commitment, integrity and experience in meeting the needs of the Company. With the current composition which comprises one (1) female director, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competency to enable them to discharge their duties and responsibilities effectively. The NC will however, take steps to ensure that suitable female candidates be considered as part of its recruitment exercise.

For the financial year ending 30 April 2018, the NC will review the term of office and performance of the Audit Committee ("AC") and each of its members annually to determine whether the AC members have carried out their duties in accordance with their terms of reference.

Re-election of Directors

In accordance with the 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 AGM 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, and another Independent Director, Mr. Gan Chee Tsong ("Mr. Gan") has also served in the Board since 26 July 2007. As Mr. Darsan, Mr. Swee and Mr. Gan are 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 Mr. Darsan, Mr. Swee and Mr. Gan 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 MMLR of Bursa Securities and therefore would be able to offer impartial judgement 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 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 ended 30 April 2017, the Remuneration Committee had performed its duty to assess the remuneration package of its Executive Directors and proposed the remuneration of Executive Directors to the Board for consideration.

Details of the remuneration for the Directors of the Company for the financial year ended 30 April 2017 are as follows:

	Group (RM'000)	Company (RM'000)
Fees	128	128
Emoluments	1,675	22
Employees Provident Funds	121	-
Benefit-in-kind	151	-
Total	**2,075**	**150**

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Fees	-	128
Emoluments	1,416	259
Employees Provident Funds	121	-
Benefit-in-kind	151	-

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
RM50,001 to RM100,000	-	1
RM250,001 to RM300,000	-	1
RM300,001 to RM350,000	1	-
RM1,350,001 to RM1,400,000	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.

Statement on CORPORATE GOVERNANCE

4. SHAREHOLDERS AND COMMUNICATION POLICY (CONT'D)

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 welcomed to communicate with the other shareholders, proxies and corporate representatives.

Alternatively, shareholders can seek additional information through the Group's website: www.keinhing.com or www.zenne.com.my.

Poll Voting

Pursuant to the amendments to the MMLR on 24 March 2016, the Company will conduct poll voting for any resolution set out in the notice of general meetings or notice of resolutions and its related amendments with effect from 1 July 2016. Hence, the resolutions tabled at the Company's forthcoming Fourteenth Annual General Meeting to be convened on 17 October 2017 will be by poll voting.

Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the Resolutions set out in this Notice will be put to the vote by way of poll. Independent Scrutineers will be appointed to conduct the polling process and to verify the results of the poll.

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 44 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 40 to 43 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 2017 was RM20,000.

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.

Statement on CORPORATE GOVERNANCE

5. ACCOUNTABILITY AND AUDIT (CONT'D)

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.

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 23 to 25 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.

Audit and Non-Audit Fees

Audit and non-audit fees paid by the Group and the Company for the financial year ended 30 April 2017 are as follows:

	Group (RM)	Company (RM)
Audit fees		
- KPMG Malaysia	110,000	33,000
- Overseas affiliates of KPMG Malaysia	91,773	-
- Other auditors	19,000	-
Total	**220,773**	**33,000**
Non-audit fees		
- KPMG Malaysia	15,000	15,000
- Local affiliates of KPMG Malaysia	22,395	5,200
- Overseas affiliates of KPMG Malaysia	64,922	-
- Other auditors	12,295	-
Total	**114,612**	**20,200**
Grand Total	**335,385**	**53,200**

Non-audit fees paid by the Company to the external auditors was RM15,000 for the review of the Statement on Risk Management and Internal Control.

Non-audit fees paid by the Group and the Company further include tax compliance and other services provided by both local and overseas affiliates of the external auditors and also other auditors of certain subsidiary companies.

Statement on CORPORATE GOVERNANCE

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 2017 pursuant to the shareholders' mandate obtained by the Company at the Thirteenth (13th) AGM held on 19 October 2016 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 2017 (RM)
1.	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
2.	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:- (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. (b) No. 13, Jalan Besar, Susur 1, 43300 Seri Kembangan, Selangor Darul Ehsan.	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	Yap Toon Choy and Yong Elaine	132,000
3.	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	229,500

Statement on CORPORATE GOVERNANCE

6. OTHERS (CONT'D)

Recurrent Related Party Transactions of A Revenue or Trading Nature ("RRPTs") (Cont'd)

Details of the Group's New RRPTs made during the financial year ended 30 April 2017 is 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 2017 (RM)
1.	KHI rented the premises located at Unit 300-10-20, Block B, 10th Floor, OBD Garden Tower Condominium, Jalan Desa Utama, Taman Desa, 58100 Kuala Lumpur from TCY Holdings	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	3,200

AUDIT COMMITTEE Report

The Audit Committee ("AC") was formed on 6 December 2004 with its terms of reference approved by the Board of Directors. The terms of reference of the AC is made available on the Company's website at www.keinhing.com.

COMPOSITION

The AC has four (4) members; namely;

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
Khor Yew Chye (Appointed on 23 June 2017)	Independent Non-Executive Director

All the AC members are Independent Non-Executive Directors, and one of the AC members, Mr. Gan Chee Tsong is a member of the Malaysian Institute of Accountants. The Chairman of the AC, Mr. Swee Soo Mang, is a Senior Independent Non-Executive Director. Hence, the composition of the AC meets with the requirements of paragraphs 15.09(1)(a), (b), (c)(i) and 15.10 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR").

ATTENDANCE AND MEETINGS

The attendance of the AC members at the following AC meetings held during the financial year ended 30 April 2017 are outlined below:

Audit Committee Members	Dates of Meetings				
	24/06/2016	16/08/2016	30/09/2016	9/12/2016	17/03/2017
Swee Soo Mang	-	√	√	√	√
Darsan Singh a/l Balwant Singh	√	√	√	√	√
Gan Chee Tsong	√	√	√	√	√
Khor Yew Chye (Appointed on 23 June 2017)	-	-	-	-	-

In compliance with paragraph 15.13 of the MMLR, the AC invited the relevant employees, such as the Financial Controller, the Accountant, the Risk Management Coordinator to attend the AC meetings to brief and clarify specific matters or issues arising from the presentation of each of their respective agenda tabled at the AC meetings. The outsourced internal auditor was invited to attend the AC meeting every quarter to present the internal audit report to the AC, while the external auditors were also invited to attend the AC meetings to present their audit plan, audit status and audited financial statements. The AC also met with the external auditors without the presence of Executive Directors and Management twice during the financial year under review on 16 August 2016 and 17 March 2017.

After each AC meeting, the Chairman of the AC will report to the Board of Directors at the Board meeting held following the AC meeting on salient matters/issues discussed, deliberated and/or dealt with at the AC meetings and recommendations made by the AC for the Board's consideration and where appropriate for the Board's approval. In this way, the AC kept the Board immediately informed on all agenda tabled at the AC meeting and the related outcome without having to wait for the minutes of the AC meeting to be prepared. The minutes of the AC meetings are recorded by the Company Secretary and tabled to the AC for review and confirmation at the next following AC meeting. Subsequently, upon confirmation, the AC minutes are given to the Board for notation.

For the financial year ended 30 April 2017, the Nominating Committee ("NC") had reviewed the terms of office of the AC members and assessed the performance of the AC and its members at least once every three year in accordance with paragraph 15.20 of the MMLR. The NC was satisfied that the AC and its members had discharged their functions, duties and responsibilities in accordance with the AC's Term of Reference.

AUDIT COMMITTEE Report

SUMMARY OF WORK

During the financial year ended 30 April 2017 ('"FY2017"), the AC's activities were as follows:

(i) Unaudited Quarterly Results

The AC reviewed the Unaudited Results which were prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") including Appendix 9B of the MMLR for the fourth (4th) quarter of FY2016, and the first (1st), second (2nd) and third (3rd) quarters of FY2017 at the AC meetings held on 24 June 2016, 30 September 2016, 9 December 2016 and 17 March 2017 respectively prior to recommending them for approval at the respective Board of Directors Meetings held following each of the AC meetings.

(ii) Group Budget 2017

At the AC Meeting held on 24 June 2016, the AC reviewed and recommended the Group Budget 2017 to the Board for approval.

(iii) Audited Financial Statements

The AC reviewed the report on the status of the audit for the financial year ended 30 April 2016 presented by the External Auditors ("KPMG") comprising amongst others, key findings and significant risk areas arising from the audit at the AC meeting held on 24 June 2016.

At a subsequent AC meeting held on 16 August 2016, the AC went through the External Auditors' report presented by KPMG and noted that all outstanding matters reported earlier in respect of the audit of the Company for the financial year ended 30 April 2016 had been cleared and that KPMG would issue a clean report on the audit as well as the Statement of Risk Management and Internal Control. At this meeting, the audited financial statements for the financial year ended 30 April 2016 together with the reports of the Auditors and Directors were tabled for the AC's review before recommending them to the Board for approval.

In reviewing the Unaudited Group Results for each quarter and audited financial statements for the financial year ended 30 April 2017, the AC had reviewed with KPMG and the Financial Controller the following:

(a) changes in or implementation of major accounting policy changes;
(b) significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions, and how these matters were addressed;
(c) changes to the audit report particularly key audit matters; and
(d) compliance with accounting standards and other legal requirements.

(iv) External Audit

The status of the audit for the financial year ended 30 April 2016 and audit report presented by KPMG were reviewed by the AC at the AC meetings held on 24 June 2016 and 16 August 2016 respectively.

The AC met with KPMG twice in the absence of the Executive Directors and Management during the current financial year under review at the AC meeting held on 16 August 2016 and 17 March 2017 respectively. The AC had enquired about Management's cooperation given to KPMG and KPMG's evaluation of the system of internal controls of the Group. KPMG was satisfied with Management's cooperation given to them. As for the system of internal controls, there were no material areas of concern which had not been cleared by KPMG.

At the AC meeting held on 17 March 2017, the AC reviewed and discussed the External Audit Plan for the financial year ended 30 April 2017 with the presence of the audit partner of KPMG. The AC also reviewed KPMG's proposal to maintain their total audit and non-audit fees at RM125,000 same as that of the previous financial year for the audit of the Company and its wholly-owned subsidiary, Kein Hing Industry Sdn Bhd, together with the review of the Directors' Statement of Risk Management and Internal Control and Supplementary Financial information on the Breakdown of the Realised and Unrealised Retained Earnings, and had recommended it to the Board for approval. At the same meeting, KPMG had declared to the AC that they were independent for the purpose of the audit in accordance with the terms of the relevant professional and regulatory requirements.

AUDIT COMMITTEE Report

SUMMARY OF WORK (CONT'D)

(iv) External Audit (Cont'd)

Subsequent to the financial year, at the AC meeting held on 23 June 2017, the AC went through the Audit Status with KPMG and obtained clarification and explanation from the audit partner of KPMG regarding the audit status and outstanding matters, the significant risk areas, component auditors' work, uncorrected audit misstatements, related party transactions and other audit findings. In the process, KPMG also highlighted and discussed matters relating to management judgments and estimates regarding revenue recognition, valuation of trade receivables and inventories and valuation of investments in subsidiaries.

The AC had reviewed the performance of KPMG notably with regards to KPMG's resources and timeliness in completing the Company's audit and had recommended KPMG to be re-appointed as auditors of the Company for the ensuing year at the forthcoming Fourteenth Annual General Meeting of the Company at a fee to be determined by the Board of Directors.

(v) Risk Management

The AC reviewed four (4) Risk Management Report at the AC meetings held on 24 June 2016, 30 September 2016, 9 December 2016 and 17 March 2017 respectively. The Risk Management Coordinator briefed the AC by going through the risk scorecard and risk profile. After some deliberation, the AC was satisfied that the risk plans or risk controls have been implemented by the Management and the risks are kept within the scale of low risk. Therefore, the AC had recommended the Risk Management Report to the Board for approval.

(vi) Internal Audit

The Internal Audit function of the Company is outsourced to Naim & Associates ("Internal Auditors"), a firm of Chartered Accountants. The Internal Auditors report directly to the AC.

During the financial year ended 30 April 2017, the Internal Auditors had made four (4) audit visits to carry out their duties and had presented the following Internal Audit Reports to the AC pursuant to their internal audit review of the following audit areas in the Internal Audit Plan approved by the AC at the following AC meetings:

Internal Audit Report	Audit Committee Meetings
Control and Custody of Measuring Equipment in Factory M of Kein Hing Industry Sdn Bhd ("KHI")	24 June 2016
Control and Custody of Measuring Equipment in Lot 33 and Lot 44 factories of KHI and half-yearly review on the Group's Recurrent Related Party Transactions	30 September 2016
Employees' wellbeing, Health and Safety of KHI	9 December 2016
KHI's Gas Cooker Department's Store and Delivery, and half-yearly review on the Group's Recurrent Related Party Transactions	17 March 2017

The Internal Auditors had conducted internal control reviews as part of the organisation's on-going process to review the adequacy and integrity of the system of internal controls of the organisation and to ensure that policies, procedures and guidelines established by the Company have been adhered to and that the processes in place are efficient and effective. The overall opinion of the Internal Auditors regarding their audit review of the above audit areas was "Satisfactory".

At the Board meeting following each of the AC meetings, the Chairman of the AC had given a briefing to the Board on the Internal Audit Report presented by the Internal Auditors.

AUDIT COMMITTEE Report

SUMMARY OF WORK (CONT'D)

(vii) Related Party Transactions

Included in the notice of each of the meetings of the AC held on 24 June 2016, 30 September 2016, 9 December 2016 and 17 March 2017, is an agenda to review any related party transactions and conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Up to the date of this report, there were no related party transactions and conflict of interest situations brought to the attention of the AC except for the recurrent related party transactions which will be tabled to the shareholders for approval at the forthcoming Fourteenth Annual General Meeting of the Company to obtain the renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature as contained in the Circular to Shareholders dated 24 August 2017.

The AC reviewed on a quarterly basis the Management's list of related parties and the recurrent related party transactions of a revenue and trading nature which are mainly rental paid for premises used as factories, warehouse and accommodation for staff. To ensure that all recurrent related party transactions are undertaken on an arm's length basis and on the Group's normal commercial terms consistent with the Group's usual business arrangements, practices and policies and on prices and terms not more favourable to the related parties than those generally available to the public and will not be detrimental to the minority shareholders, the AC had authorised the Internal Auditors, to conduct half yearly internal audit review on behalf of the AC on the adequacy of the review methods or procedures of the KHIB Group established by Management to identify, evaluate, report and monitor the recurrent related party transactions and to ensure that Management follows the review methods or procedures in accordance with the Review Methods or Procedures as set out in paragraph 4.1 of the Proposed Renewal of and New Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature in the Circular to Shareholders dated 24 August 2017. The Internal Auditors were satisfied that the Management had complied with the Review Methods or Procedures to identify, evaluate, report and monitor the recurrent related party transactions of a revenue or trading nature.

Statement on Risk Management AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 promulgates, inter-alia, the need for listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and Group's assets. The Board of Directors ("Board") of Kein Hing International Berhad is pleased to present the Statement on Risk Management and Internal Control (the "Statement") which is in compliance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and has taken into account the guidelines mentioned in the Statement on Risk Management & Internal Control (Guidelines for Directors of Listed Issuers).

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for ensuring the adequacy and effectiveness of the Group's Risk Management and Internal Control System. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets.

Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in internal control and risk management systems which are designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable, but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

ROLE OF THE MANAGEMENT

Management is responsible for assisting the Board in implementing the processes for identifying, evaluating, monitoring and reporting risks and internal controls throughout the period. For the financial year under review, the Board has received assurance from the Managing Director and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

Risk Management Framework

The Board firmly believes that an effective risk management is critical to the Group's achievement of business objectives and the enhancement of shareholder value. Therefore, the Board has put in place a formal enterprise risk management ("ERM") framework. This framework aims to provide an integrated and organised approach entity-wide. It outlines the ERM methodology, mainly promoting the risk ownership and continuous monitoring of key risks identified. The ERM framework is continually monitored to ensure that it is responsive to the changes in the business environment.

Under the ERM oversight structure, a Risk Management Coordinator ("RMC") has been appointed and is responsible for assisting the Audit Committee ("AC") in managing the effective implementation and maintenance of ERM. The roles and responsibilities of the RMC include, among others, organizing the required risk management resources, reviewing and updating the existing risk profile, ensuring that all action plans are acted upon, preparing quarterly risk management reports for submission to the AC and also assisting the AC in preparing Risk Management Reports for submission to the Board.

There is a requirement to submit quarterly risk management reports by respective heads of department to the RMC. During the current period under review, the RMC has chaired four (4) quarterly risk management meetings where the respective department heads had presented their risk scorecard, risk profile and key risk profile. Together with the department heads, the RMC compiled and evaluated the risk profiles for each of the departments in accordance with their business risk factors, its corresponding ratings and any subsequent action plans required. Subsequent to the meetings, the RMC had also prepared four (4) quarterly Risk Management Reports for submission to the AC for review and after the review, the AC was satisfied that action plans had been implemented by the Management and the risks were kept within the scale of low risk. Therefore, the AC had recommended the quarterly Risk Management Reports to the Board for approval and the Board had approved them after due deliberation.

Statement on Risk Management AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D)

Internal Audit Function

Pursuant to Paragraph 9.25(1), Part A of Appendix 9C(30) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to set out below its internal audit function.

The Group's internal audit function is outsourced to a professional internal audit service provider and this ensures that the outsourced internal auditors is independent as it has no involvement in the operations of the Group. The outsourced internal auditor reports directly to the AC.

The AC has full and direct access to the internal auditors, reviews the reports on all audits performed and monitors its performance. The AC also in its framework reviews the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The outsourced internal auditors carried out internal audits on various operating units within the Group based on a risk-based audit plan approved by the AC. Based on these audits, the outsourced internal auditors provided the AC with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.

During the current period under review, a summary of activities carried out by the outsourced internal auditor include:

- Developing the internal audit plan for year 2016/2017.

- Performed four (4) internal audit reviews, once on each of the areas relating to:

  (1) Control and custody of measuring equipment for the two (2) factories of Kein Hing Industry Sdn Bhd ("KHI") located at Lot 33 and Lot 44, Jalan 6/2, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia; and also the half-yearly review of recurrent related party transactions;
  (2) KHI's employee wellbeing, health and safety;
  (3) KHI's Gas Cooker Department's store and delivery operation; and also the half-yearly review of related party transactions; and
  (4) Kein Hing Muramoto (Vietnam) Co., Ltd's ("KHMV") store and delivery operation; and also the control and custody of KHMV's measuring equipment.

- Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to the Management for further action to improve the system of internal control.

- Attended AC's meetings to present and discuss the audit reports.

- Followed-up on the implementation of corrective action plans as agreed by the Management.

During the financial year, the AC had met four (4) times to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system. The fees incurred for the outsourced internal audit function in respect of the financial year amounted to RM20,000.

Other Key Elements of Internal Control

Apart from the above, the other key elements of internal control include:

- **The Board and Audit Committee**

  The Board is responsible towards the overall effectiveness of the Group's risk management and internal control systems through establishing, directing and supervising the operation of an ERM framework that adequately manages the various risks faced by the Group whilst the AC is overall responsible for providing assurance to the Board, as an independent party, on the effectiveness of the internal control systems and risk management in the Group.

  The daily running of business is entrusted to the Managing Director and the Management team. Under the purview of the Managing Director, the respective heads of each operating subsidiary and department of the Group are empowered with the responsibility to manage their respective operations.

Statement on Risk Management AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D)

Other Key Elements of Internal Control (Cont'd)

- **Group Values and Code of Conduct**

  In order to inculcate a standard of ethical behaviour for directors and employees of the Group, a Code of Ethics & Conduct has been established and communicated to all directors and employees of the Group. The Group's practice is guided by the Code of Ethics & Conduct.

  The Group also maintains a Whistleblowing Policy to allow employees to raise concerns without fear of reprisals on possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way. Under the Group's Whistleblowing Policy, the employee should immediately report any malpractice that exists in the work place to his/her manager. However, if the employee feels reluctant to do so, the employee has an option to report it to the Chairman of the Board.

- **Organisational Structure and Authorisation**

  In striving to operate a sound system of risk management and internal control that drives the Group towards achieving its goals, the Board has put in place an organisation structure with formally defined lines of responsibility and delegation of authority.

  The head office coordinates the process for the Group for the coming year wherein the budgets are approved at operating unit level and ultimately by the Board. Major decisions that require the approval of the Board are only made after detailed appraisal and review. Proposals for major capital expenditure and new investment by the Group are reviewed and approved by the Board.

- **Information and Communication**

  The AC holds meetings to deliberate on the findings and recommendations for improvement by the internal auditor on the state of the internal control system and reports to the Board. The AC also reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements of the Group.

  Quarterly performance reports provide Management and the Board with information on financial performance and key business indicators.

- **Monitoring and Review**

  Scheduled periodic meetings of the Board, Board Committees and the Management represent the main platform by which the Group's performance and conduct is monitored.

  Periodic reviews of adequacy and integrity of selected areas of internal control system are carried out by the internal audit function and results of such reviews are reported to the AC. The internal audit function thereby provides independent assurance on the areas reviewed by the internal audit function to the Board on the effectiveness of the Group's internal control system.

  In addition, the Management reports to the Board on a quarterly basis through the AC on the key risk profile of the Group.

Statement on Risk Management AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D)

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 2017, 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

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. There were no material losses that have arisen from any inadequacy or failure of the Group's system of internal control which required additional disclosure in the financial statements.

The improvement of the system of internal controls is an on-going process and the Board maintains on-going commitment to strengthen the Group's control environment and processes.

This Statement is made in accordance with the resolution of the Board of Directors dated 17 August 2017.

Statement on DIRECTORS' RESPONSIBILITY

In Relation To The Financial Statements

As required by the Companies Act, 2016 ("the Act") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia.

In preparing the financial statements for the financial year ended 30 April 2017, the Directors have ascertained that:

- appropriate accounting policies have been consistently applied;
- reasonable and prudent judgements and estimates have been made; 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.

DIRECTOR'S Report

For the year ended 30 April 2017

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 2017.

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.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	7,050,549	2,831,599
Non-controlling interests	1,247,618	-
	8,298,167	2,831,599

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single tier dividend of 1.5 sen per ordinary share totaling RM1,485,000 on 21 November 2016 in respect of the financial year ended 30 April 2016 as reported in the Director's Report of that year.

The first and final single tier dividend recommended by the Directors in respect of the financial year ended 30 April 2017 is 1.5 sen per ordinary share totaling RM1,485,000. 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 during the financial year until the date of this report are:

Yap Toon Choy
Yong Elaine
Shingo Muramoto
Darsan Singh A/L Balwant Singh
Swee Soo Mang
Gan Chee Tsong
Khor Yew Chye (appointed on 17 March 2017)

DIRECTOR'S Report

For the year ended 30 April 2017

DIRECTORS' INTERESTS IN SHARES

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:

	Number of ordinary shares			
Company	At 1.5.2016	Bought	Sold	At 30.4.2017
Direct interest				
Yap Toon Choy	37,429,620	-	-	37,429,620
Yong Elaine	20,920,070	-	-	20,920,070

By virtue of their interests in the ordinary 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 2017 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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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 substantial 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 substantial 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 AND DEBENTURES

Save for the transfer of share premium to the paid up capital, there were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued 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.

INDEMNITY AND INSURANCE COSTS

During the financial year, there is no indemnity given to or professional indemnity insurance effected for Director, officer or auditors for the Group and the Company.

DIRECTOR'S Report

For the year ended 30 April 2017

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 the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the 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 2017 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.

SUBSEQUENT EVENT

The subsequent event after the end of the financial year is disclosed in Note 26 to the financial statements.

DIRECTOR'S Report

For the year ended 30 April 2017

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 17 to the financial statements.

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

Yap Toon Choy
Director

Yong Elaine
Director

Selangor Darul Ehsan,

Date: 17 August 2017

Statements of Financial Position

As at 30 April 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Assets					
Property, plant and equipment	3	**106,510,293**	99,645,296	**-**	-
Prepaid lease payments	4	**7,019,951**	6,578,393	**-**	-
Investment property	5	**10,292,139**	10,465,676	**-**	-
Investments in subsidiaries	6	**-**	-	**62,469,202**	62,388,148
Other investments	7	**198,225**	198,061	**-**	-
Amount due from a subsidiary	8	**-**	-	**1,533,757**	2,375,178
Total non-current assets		**124,020,608**	116,887,426	**64,002,959**	64,763,326
Trade and other receivables	8	**39,117,658**	37,157,827	**2,556,702**	2,507,779
Inventories	9	**25,153,977**	22,030,206	**-**	-
Cash and bank balances	10	**33,428,550**	31,678,420	**1,430,099**	178,552
Total current assets		**97,700,185**	90,866,453	**3,986,801**	2,686,331
Total assets		**221,720,793**	207,753,879	**67,989,760**	67,449,657
Equity					
Share capital	11	**52,168,992**	49,500,000	**52,168,992**	49,500,000
Reserves		**55,889,125**	50,793,183	**15,642,767**	16,965,160
Equity attributable to owners of the Company		**108,058,117**	100,293,183	**67,811,759**	66,465,160
Non-controlling interests	11	**15,291,758**	12,685,960	**-**	-
Total equity		**123,349,875**	112,979,143	**67,811,759**	66,465,160
Liabilities					
Loans and borrowings	12	**28,880,111**	30,463,164	**-**	-
Trade and other payables	13	**1,061,953**	1,157,916	**-**	-
Deferred tax liabilities	14	**4,126,103**	4,118,660	**-**	-
Total non-current liabilities		**34,068,167**	35,739,740	**-**	-
Loans and borrowings	12	**29,663,945**	26,464,779	**-**	-
Trade and other payables	13	**34,402,556**	30,615,411	**176,001**	981,497
Current tax liabilities		**236,250**	1,954,806	**2,000**	3,000
Total current liabilities		**64,302,751**	59,034,996	**178,001**	984,497
Total liabilities		**98,370,918**	94,774,736	**178,001**	984,497
Total equity and liabilities		**221,720,793**	207,753,879	**67,989,760**	67,449,657

The notes on pages 55 to 99 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 April 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	15	**219,985,449**	216,978,990	**2,700,000**	2,000,000
Cost of sales		**(172,562,293)**	(167,531,696)	**-**	-
Gross profit		**47,423,156**	49,447,294	**2,700,000**	2,000,000
Other income		**4,116,001**	4,401,883	**243,976**	49,032
Distribution expenses		**(3,336,764)**	(2,517,263)	**-**	-
Administrative expenses		**(32,606,457)**	(28,365,406)	**(414,112)**	(365,848)
Other expenses		**(1,359,713)**	(3,727,370)	**-**	(6,847)
Results from operating activities		**14,236,223**	19,239,138	**2,529,864**	1,676,337
Finance income		**269,510**	130,694	**320,819**	304,097
Finance costs		**(3,915,866)**	(3,130,568)	**-**	-
Profit before tax		**10,589,867**	16,239,264	**2,850,683**	1,980,434
Income tax expense	16	**(2,291,700)**	(4,488,763)	**(19,084)**	(22,082)
Profit for the year	17	**8,298,167**	11,750,501	**2,831,599**	1,958,352
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Share of capital reserve by a non-controlling interest of a subsidiary		**77,875**	77,881	**-**	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**3,479,690**	924,456	**-**	-
Other comprehensive income for the year, net of tax		**3,557,565**	1,002,337	**-**	-
Total comprehensive income for the year		**11,855,732**	12,752,838	**2,831,599**	1,958,352
Profit attributable to:					
Owners of the Company		**7,050,549**	9,324,716	**2,831,599**	1,958,352
Non-controlling interests		**1,247,618**	2,425,785	**-**	-
Profit for the year		**8,298,167**	11,750,501	**2,831,599**	1,958,352
Total comprehensive income attributable to:					
Owners of the Company		**9,249,934**	9,934,483	**2,831,599**	1,958,352
Non-controlling interests		**2,605,798**	2,818,355	**-**	-
Total comprehensive income for the year		**11,855,732**	12,752,838	**2,831,599**	1,958,352
Basic earnings per ordinary share (sen):	19	**7.12**	9.42		
Dividends per ordinary share (sen):	20	**1.50**	1.00		

The notes on pages 55 to 99 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2017

Group	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company						
		Non-distributable			Distributable			
At 1 May 2015		49,500,000	2,668,992	2,210,480	36,969,228	91,348,700	9,867,605	101,216,305
Foreign currency translation differences for foreign operations		-	-	609,767	-	609,767	314,689	924,456
Share of capital reserve by a non-controlling interest of a subsidiary		-	-	-	-	-	77,881	77,881
Total other comprehensive income for the year		-	-	609,767	-	609,767	392,570	1,002,337
Profit for the year		-	-	-	9,324,716	9,324,716	2,425,785	11,750,501
Total comprehensive income for the year		-	-	609,767	9,324,716	9,934,483	2,818,355	12,752,838
Dividends to owners of the Company	20	-	-	-	(990,000)	(990,000)	-	(990,000)
At 30 April 2016		**49,500,000**	**2,668,992**	**2,820,247**	**45,303,944**	**100,293,183**	**12,685,960**	**112,979,143**
		Note 11.1	Note 11.2	Note 11.3			Note 11.4	
At 1 May 2016		49,500,000	2,668,992	2,820,247	45,303,944	100,293,183	12,685,960	112,979,143
Foreign currency translation differences for foreign operations		-	-	2,199,385	-	2,199,385	1,280,305	3,479,690
Share of capital reserve by a non-controlling interest of a subsidiary		-	-	-	-	-	77,875	77,875
Total other comprehensive income for the year		-	-	2,199,385	-	2,199,385	1,358,180	3,557,565
Profit for the year		-	-	-	7,050,549	7,050,549	1,247,618	8,298,167
Total comprehensive income for the year		-	-	2,199,385	7,050,549	9,249,934	2,605,798	11,855,732
Dividends to owners of the Company	20	-	-	-	(1,485,000)	(1,485,000)	-	(1,485,000)
Transfer in accordance with Section 618(2) of the Companies Act 2016		2,668,992	(2,668,992)	-	-	-	-	-
At 30 April 2017		**52,168,992**	**-**	**5,019,632**	**50,869,493**	**108,058,117**	**15,291,758**	**123,349,875**
		Note 11.1	Note 11.2	Note 11.3			Note 11.4	

The notes on pages 55 to 99 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 April 2017

Company	Note	*Non-distributable* Share capital RM	Share premium RM	*Distributable* Retained earnings RM	Total RM
At 1 May 2015		49,500,000	2,668,992	13,327,816	65,496,808
Profit for the year and total comprehensive income for the year		-	-	1,958,352	1,958,352
Dividends to owners of the Company	20	-	-	(990,000)	(990,000)
At 30 April 2016/1 May 2016		49,500,000	2,668,992	14,296,168	66,465,160
Profit for the year and total comprehensive income for the year		-	-	2,831,599	2,831,599
Dividends to owners of the Company	20	-	-	(1,485,000)	(1,485,000)
Transfer in accordance with Section 618(2) of the Companies Act 2016		2,668,992	(2,668,992)	-	-
At 30 April 2017		**52,168,992**	**-**	**15,642,767**	**67,811,759**
		Note 11.1	Note 11.2		

Statements of Cash Flows

For the year ended 30 April 2017

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash flows from operating activities				
Profit before tax	**10,589,867**	16,239,264	**2,850,683**	1,980,434
Adjustments for:				
Amortisation of prepaid lease payments	**172,571**	171,502	**-**	-
Depreciation of:				
- property, plant and equipment	**12,620,536**	11,795,496	**-**	-
- investment property	**173,537**	101,230	**-**	-
Dividend income	**-**	-	**(2,700,000)**	(2,000,000)
Finance costs	**3,915,866**	3,130,568	**-**	-
Gain on disposal of property, plant and equipment	**(45,333)**	(58,086)	**-**	-
Finance income	**(269,510)**	(130,694)	**(320,819)**	(304,097)
Property, plant and equipment written off	**50,598**	96,924	**-**	-
Unrealised loss/(gain) on foreign exchange	**4,008**	165,387	**(159,681)**	-
Operating profit/(loss) before changes in working capital	**27,212,140**	31,511,591	**(329,817)**	(323,663)
Changes in working capital:				
Inventories	**(3,123,771)**	2,074,090	**-**	-
Trade and other receivables	**(1,976,471)**	(1,440,308)	**-**	-
Trade and other payables	**2,739,666**	(1,331,826)	**3,000**	28,000
Cash generated from/(used in) operations	**24,851,564**	30,813,547	**(326,817)**	(295,663)
Income tax paid	**(4,003,377)**	(2,806,989)	**(20,084)**	(21,082)
Net cash from/(used in) operating activities	**20,848,187**	28,006,558	**(346,901)**	(316,745)
Cash flows from investing activities				
Acquisition of:				
- additional shares in a subsidiary	**-**	-	**-**	(1,210,000)
- property, plant and equipment *(ii)*	**(12,086,072)**	(16,564,858)	**-**	-
- investment property	**-**	(4,226,738)	**-**	-
Dividend received	**-**	-	**2,700,000**	2,000,000
Proceeds from disposal of property, plant and equipment	**311,750**	69,728	**-**	-
Interest received	**177,283**	37,229	**228,592**	210,632
(Increase)/Decrease in pledged deposits with licensed banks	**(500,000)**	137,486	**-**	-
Net cash (used in)/from investing activities	**(12,097,039)**	(20,547,153)	**2,928,592**	1,000,632

Statements of Cash Flows

For the year ended 30 April 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from financing activities				
Repayment from subsidiaries	**-**	-	**154,856**	357,402
Proceeds from term loans	**4,867,323**	25,925,449	**-**	-
Repayment of finance lease liabilities	**(3,558,718)**	(3,350,956)	**-**	-
Repayment of term loans	**(7,344,652)**	(4,742,915)	**-**	-
Proceeds from other borrowings	**758,356**	6,830,257	**-**	-
Dividends paid	**(1,485,000)**	(990,000)	**(1,485,000)**	(990,000)
Interest paid	**(3,735,096)**	(2,947,304)	**-**	-
Net cash (used in)/from financing activities	**(10,497,787)**	20,724,531	**(1,330,144)**	(632,598)
Net (decrease)/increase in cash and cash equivalents	**(1,746,639)**	28,183,936	**1,251,547**	51,289
Exchange differences on translation of the financial statements of foreign operations	**1,031,878**	(614,642)	**-**	-
Cash and cash equivalents at 1 May	**27,343,254**	(226,040)	**178,552**	127,263
Cash and cash equivalents at 30 April *(i)*	**26,628,493**	27,343,254	**1,430,099**	178,552

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	
		2017 RM	2016 RM	2017 RM	2016 RM
Deposits with licensed banks	10	**8,565,172**	5,341,715	**-**	-
Less: Pledged deposits	10	**(500,000)**	-	**-**	-
		8,065,172	5,341,715	**-**	-
Cash and bank balances	10	**24,863,378**	26,336,705	**1,430,099**	178,552
Bank overdraft	12	**(6,300,057)**	(4,335,166)	**-**	-
		26,628,493	27,343,254	**1,430,099**	178,552

(ii) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM16,243,613 (2016: RM19,041,450) of which RM3,051,741 (2016: RM2,356,100) was acquired by mean of finance lease arrangement, and RM1,105,800 (2016: RM120,492) was subsequently paid by mean of finance lease arrangement after the financial year.

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 2017 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 2017 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 17 August 2017.

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 ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 January 2017
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- 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*

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

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

- from the annual period beginning on 1 May 2017 for those amendments 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, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 2, Amendments to MFRS 4 and Amendments to MFRS 128 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 May 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue,* IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

The Group will assess the financial impact that may arise from the adoption of MFRS 15.

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, and on hedge accounting.

The Group will assess the financial impact that may arise from the adoption of MFRS 9.

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease,* IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group will assess the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

(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 judgements

The preparation of the financial statements in conformity with 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.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

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 other than those disclosed in the Note 6 – Investments in subsidiaries.

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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iv) 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.

(v) 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.

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the 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 to occur 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. 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 that are not quoted in an active market.

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 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(i)(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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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.

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.

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 gain or loss 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.

(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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(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 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 is 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 50 years.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment property

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.

(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.

(h) 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 fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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.

(ii) Other assets

The carrying amounts of other assets (except for inventories) 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 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.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee benefits

(i) Short-term employee benefits

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

A 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.

(l) 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.

(m) 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 persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Rental income

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

(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, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

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.

(o) 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 or receivable on the taxable income or loss for the 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 assets and liabilities 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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(p) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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. Operating segments' 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.

(r) 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.

(s) 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	Freehold land RM	Buildings on freehold land RM	Leasehold land RM	Buildings on leasehold land RM	Plant and machinery, electrical installations and factory equipment RM	Office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Assets under construction RM	Total RM
Cost									
At 1 May 2015	8,884,675	18,027,606	2,031,007	10,430,616	115,354,953	16,145,906	7,759,686	5,246,596	183,881,045
Additions	-	-	-	6,734,131	8,169,520	1,565,850	2,571,949	-	19,041,450
Disposals	-	-	-	-	(126,998)	(82,092)	(45,000)	-	(254,090)
Write off	-	-	-	-	(3,517,207)	(1,309,671)	-	-	(4,826,878)
Reclassification	-	-	-	4,907,752	-	338,995	-	(5,246,747)	-
Effect of movements in exchange rates	-	-	-	496,079	1,162,923	90,457	81,886	151	1,831,496
At 30 April 2016/1 May 2016	8,884,675	18,027,606	2,031,007	22,568,578	121,043,191	16,749,445	10,368,521	-	199,673,023
Additions	-	-	-	285,761	11,249,580	2,051,756	1,694,641	961,875	16,243,613
Disposals	-	-	-	-	(452,169)	(39,961)	(590,238)	-	(1,082,368)
Write off	-	-	-	-	(843,311)	(468,957)	-	-	(1,312,268)
Effect of movements in exchange rates	-	-	-	1,775,530	3,561,897	243,865	234,781	-	5,816,073
At 30 April 2017	**8,884,675**	**18,027,606**	**2,031,007**	**24,629,869**	**134,559,188**	**18,536,148**	**11,707,705**	**961,875**	**219,338,073**
Depreciation and impairment loss									
At 1 May 2015									
Accumulated depreciation	-	3,748,340	252,376	2,353,866	77,687,563	6,206,137	2,141,702	-	92,389,984
Accumulated impairment loss	-	-	-	-	250,000	-	-	-	250,000
	-	3,748,340	252,376	2,353,866	77,937,563	6,206,137	2,141,702	-	92,639,984
Depreciation for the year	-	382,941	24,427	522,704	7,916,190	1,763,705	1,185,529	-	11,795,496
Disposals	-	-	-	-	(121,325)	(80,998)	(40,125)	-	(242,448)
Write off	-	-	-	-	(3,429,109)	(1,300,845)	-	-	(4,729,954)
Effect of movements in exchange rates	-	-	-	34,894	472,295	34,775	22,685	-	564,649
At 30 April 2016									
Accumulated depreciation	-	4,131,281	276,803	2,911,464	82,525,614	6,622,774	3,309,791	-	99,777,727
Accumulated impairment loss	-	-	-	-	250,000	-	-	-	250,000
	-	4,131,281	276,803	2,911,464	82,775,614	6,622,774	3,309,791	-	100,027,727

Notes to the Financial Statements

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

Group	Freehold land RM	Buildings on freehold land RM	Leasehold land RM	Buildings on leasehold land RM	Plant and machinery, electrical installations and factory equipment RM	Office equipment, furniture and fittings and renovation RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation and impairment loss									
At 1 May 2016									
Accumulated depreciation	-	4,131,281	276,803	2,911,464	82,525,614	6,622,774	3,309,791	-	99,777,727
Accumulated impairment loss	-	-	-	-	250,000	-	-	-	250,000
	-	4,131,281	276,803	2,911,464	82,775,614	6,622,774	3,309,791	-	100,027,727
Depreciation for the year	-	382,941	24,427	809,471	8,221,977	1,772,176	1,409,544	-	12,620,536
Disposals	-	-	-	-	(326,142)	(39,948)	(449,861)	-	(815,951)
Write off	-	-	-	-	(828,258)	(433,412)	-	-	(1,261,670)
Effect of movements in exchange rates	-	-	-	194,593	1,757,327	181,292	123,926	-	2,257,138
Accumulated depreciation at 30 April 2017	**-**	**4,514,222**	**301,230**	**3,915,528**	**91,600,518**	**8,102,882**	**4,393,400**	**-**	**112,827,780**
Carrying amounts									
At 1 May 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
At 30 April 2016/1 May 2016	8,884,675	13,896,325	1,754,204	19,657,114	38,267,577	10,126,671	7,058,730	-	99,645,296
At 30 April 2017	**8,884,675**	**13,513,384**	**1,729,777**	**20,714,341**	**42,958,670**	**10,433,266**	**7,314,305**	**961,875**	**106,510,293**

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 equipment under finance lease arrangement are as follows:

	Group 2017 RM	Group 2016 RM
Plant and machinery, electrical installations and factory equipment	**7,122,702**	7,244,073
Motor vehicles	**4,131,425**	4,285,828
	11,254,127	11,529,901

3.2 Security

Certain property, plant and equipment of the Group amounting to RM39,574,967 (2016: RM32,237,709) are charged to licensed banks as security for loans and borrowings (Note 12).

3.3 Capitalisation of borrowings costs

Borrowing costs for a building on leasehold land which was under construction and completed during the financial year amounting to RM nil (2016: RM313,838) are capitalised.

4. PREPAID LEASE PAYMENTS

	Group Land use rights RM
Cost	
At 1 May 2015	7,257,058
Effect of movements in exchange rates	296,056
At 30 April 2016/1 May 2016	7,553,114
Effect of movements in exchange rates	706,941
At 30 April 2017	**8,260,055**
Accumulated amortisation	
At 1 May 2015	779,414
Charge for the year	171,502
Effect of movements in exchange rates	23,805
At 30 April 2016/1 May 2016	974,721
Charge for the year	172,571
Effect of movements in exchange rates	92,812
At 30 April 2017	**1,240,104**
Carrying amounts	
At 1 May 2015	6,477,644
At 30 April 2016/1 May 2016	6,578,393
At 30 April 2017	**7,019,951**

Certain prepaid lease payments of the Group amounting to RM7,019,951 (2016: RM4,253,972) are charged to banks as security for loans and borrowings (Note 12).

Notes to the Financial Statements

5. INVESTMENT PROPERTY

Group	Freehold land RM	Freehold building RM	Asset under construction RM	Total RM
At cost				
At 1 May 2015	1,890,070	-	4,450,098	6,340,168
Additions	-	-	4,226,738	4,226,738
Reclassification	-	8,676,836	(8,676,836)	-
At 30 April 2016/1 May 2016/30 April 2017	**1,890,070**	**8,676,836**	**-**	**10,566,906**
Accumulated depreciation				
At 1 May 2015	-	-	-	-
Depreciation for the year	-	101,230	-	101,230
At 30 April 2016/1 May 2016	-	101,230	-	101,230
Depreciation for the year	-	173,537	-	173,537
At 30 April 2017	**-**	**274,767**	**-**	**274,767**
Carrying amounts				
At 1 May 2015	1,890,070	-	4,450,098	6,340,168
At 30 April 2016/1 May 2016	1,890,070	8,575,606	-	10,465,676
At 30 April 2017	**1,890,070**	**8,402,069**	**-**	**10,292,139**
Fair values				
At 30 April 2016	3,000,000	8,600,000	-	11,600,000
At 30 April 2017	**3,000,000**	**8,600,000**	**-**	**11,600,000**

Investment property of the Group is charged to a third party corporation as security for loans and borrowings (Note 12). Borrowing costs for qualifying asset which was under construction and completed during the financial year amounting to RM nil (2016: RM125,190) are capitalised.

The fair value of investment property of the Group at the end of financial year was determined by an external, independent and qualified valuer, C H Williams Talhar & Wong Sdn Bhd (company no. 18149-U), and it is within level 3 of the fair value hierarchy.

The following are recognised in profit or loss in respect of investment property:

	Group 2017 RM	2016 RM
Rental income	**819,960**	454,064
Direct operating expenses:		
- Administrative expenses	**56,473**	41,712
- Depreciation	**173,537**	101,230
- Finance costs	**519,796**	300,193

Notes to the Financial Statements

6. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
At cost:		
Unquoted shares	**62,969,919**	62,888,860
Less: Impairment loss	**(581,771)**	(581,771)
	62,388,148	62,307,089
Advances to a subsidiary treated as quasi-investment	**81,054**	81,059
	62,469,202	62,388,148

Impairment review of investments in subsidiaries

Due to the presence of impairment indicators during the financial year arising from one of the Company's subsidiaries, the Company has undertaken an impairment assessment on investment in the subsidiary.

The recoverable amount of the subsidiary with indication of impairment was determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budget approved by the Board. The key assumptions used in the value-in-use calculation are as follows:

	2017 %	2016 %
Earnings before interest, taxes, depreciation and amortisation growth rates for 5 years	**5.0**	5.0
Discount rate	**6.6**	6.7

Based on the calculations, no impairment loss has been recognised in the current and prior financial year.

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Kein Hing Industry Sdn. Bhd.	Malaysia	Sheet metal forming, precision machining, component assembly and manufacture and sales 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
Kein Hing Industry Vietnam Co., Ltd*	Vietnam	Sheet metal forming, precision machining, manufacturing and fabrication of tools and dies and assembly of components, and sub leasing of unused factory and warehouses	**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**	100
Zenne Infinity Sdn. Bhd.#	Malaysia	Trading in electrical and electronics products, home appliances and gas appliances	**100**	100
Zenne Appliances Sdn. Bhd.#	Malaysia	Ceased business operation	**100**	100
Sanko Kein Hing Sdn. Bhd.#	Malaysia	Precision machining of electronics and electrical industries' components	**51**	51

* *Audited by other member firms of KPMG International*
\# *Audited by other firms of auditors*

Notes to the Financial Statements

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.1 Non-controlling interests 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
2017			
NCI percentage of ownership interest and voting interest	**49%**		
Carrying amount of NCI	**16,100,217**	**(808,459)**	**15,291,758**
Profit/(Loss) allocated to NCI	**1,264,694**	**(17,076)**	**1,247,618**
2016			
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI	13,555,218	(869,258)	12,685,960
Profit/(Loss) allocated to NCI	2,579,825	(154,040)	2,425,785

	KHMV 2017 RM	KHMV 2016 RM
Summarised financial information before intra-group elimination		
As at 30 April		
Non-current assets	**33,106,098**	27,702,168
Current assets	**24,503,313**	24,302,528
Non-current liabilities	**(6,329,343)**	(5,087,382)
Current liabilities	**(18,422,483)**	(19,253,603)
Net assets	**32,857,585**	27,663,711
Year ended 30 April		
Revenue	**75,413,240**	78,659,931
Profit for the year	**2,581,008**	5,264,948
Total comprehensive income	**2,581,008**	5,264,948
Cash flows from operating activities	**6,513,416**	9,483,622
Cash flows used in investing activities	**(7,778,722)**	(8,303,978)
Cash flows (used in)/from financing activities	**(4,191,723)**	7,364,646
Exchange differences on translation of the financial statements of foreign operations	**939,462**	(473,396)
Net (decrease)/increase in cash and bank balances	**(4,517,567)**	8,070,894
Dividends paid to NCI	**-**	-

Notes to the Financial Statements

7. OTHER INVESTMENTS

	Group 2017 RM	Group 2016 RM
Transferable club memberships, at cost	**223,805**	223,641
Less: Impairment loss	**(25,580)**	(25,580)
	198,225	198,061

8. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current					
Non-trade					
Amount due from subsidiaries	8.1	**-**	-	**1,533,757**	2,375,178
Current					
Trade					
Trade receivables		**33,225,982**	31,262,224	**-**	-
Less: Impairment loss		**-**	(95,478)	**-**	-
		33,225,982	31,166,746	**-**	-
Non-trade					
Amount due from subsidiaries	8.1	**-**	-	**2,555,402**	2,506,479
Prepaid finance lease payments		**572,475**	452,232	**-**	-
Other prepayments		**940,589**	701,620	**-**	-
Refundable deposits		**1,067,301**	1,038,005	**-**	-
Staff loan		**84,699**	122,185	**-**	-
Other receivables	8.2	**3,226,612**	3,677,039	**1,300**	1,300
		5,891,676	5,991,081	**2,556,702**	2,507,779
		39,117,658	37,157,827	**2,556,702**	2,507,779

8.1 Amount due from subsidiaries

Included in the amount due from subsidiaries are:

(a) the non-trade receivable due from a subsidiary of RM2,669,633 (2016: RM2,760,317) consists of unsecured advances/loan granted to a subsidiary in Malaysia in accordance with six (6) (2016: 6) separate loan agreements which earn interest at fixed rate of 3% (2016: 3%) per annum and are repayable by way of 10 quarterly instalments with the first instalment payment due and payable on 1 May 2015, 1 July 2015, 1 July 2016, 1 July 2017, 30 April 2018 and 1 July 2018 respectively and the subsequent instalments payable at successive intervals of 3 months.

(b) the non-trade receivable due from a subsidiary of RM1,332,739 (2016: RM1,987,745) consists of unsecured advances/loan granted to a subsidiary in Vietnam in accordance with a loan agreement which earn interest at fixed rate of 7.85% (2016: 7.85%) per annum and are repayable by way of 10 quarterly instalments with the first instalment payment due and payable on 1 July 2016 and the subsequent instalments payable at successive intervals of 3 months.

Notes to the Financial Statements

8. TRADE AND OTHER RECEIVABLES (CONT'D)

8.2 Other receivables

Other receivables of the Group included the following:

i) Prepaid tooling costs of RM630,062 (2016: RM1,230,117) which will be recovered from certain customers.

ii) Progress payment of RM1,679,348 (2016: RM1,535,620) made to a third party in relation to the acquisition of a land use right in Vietnam.

9. INVENTORIES

	Group 2017 RM	Group 2016 RM
Raw materials	**11,578,329**	11,157,011
Work-in-progress	**5,610,556**	4,556,351
Manufactured inventories	**7,000,485**	5,579,348
Trading inventories	**964,607**	737,496
	25,153,977	22,030,206
Recognised in profit or loss:		
Inventories recognised as cost of sales	**172,971,121**	167,432,364
Write-down to net realisable value	**201**	99,332
Reversal of write-down	**(409,029)**	-

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

10. CASH AND BANK BALANCES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deposits placed with licensed banks	**8,565,172**	5,341,715	**-**	-
Cash and bank balances	**24,863,378**	26,336,705	**1,430,099**	178,552
	33,428,550	31,678,420	**1,430,099**	178,552

Included in deposits placed with licensed banks of the Group was RM500,000 (2016: RM nil) pledged for a bank facility granted to a subsidiary (Note 12).

Notes to the Financial Statements

11. SHARE CAPITAL AND RESERVES

11.1 Share capital

	Group and Company			
	Amount 2017 RM	Number of shares 2017	Amount 2016 RM	Number of shares 2016
Ordinary shares issued and fully paid:				
At 1 May	**49,500,000**	**99,000,000**	49,500,000	99,000,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	**2,668,992**	**-**	-	-
At 30 April	**52,168,992**	**99,000,000**	49,500,000	99,000,000
	Note 1			

Note 1: Included in share capital is share premium amounting to RM2,668,992 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74).

Note 2: The holders of ordinary shares are entitled to receive dividend 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.

11.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

11.3 Foreign currency translation reserve

The foreign currency 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.

11.4 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.

Notes to the Financial Statements

12. LOANS AND BORROWINGS

	Group 2017 RM	Group 2016 RM
Non-current		
Secured term loans	**25,917,749**	27,190,765
Finance lease liabilities	**2,962,362**	3,272,399
	28,880,111	30,463,164
Current		
Secured bankers' acceptance	**7,542,000**	5,245,000
Secured bills payable	**6,547,730**	8,086,373
Secured bank overdrafts	**6,300,057**	4,335,166
Secured term loans	**6,163,552**	5,598,694
Finance lease liabilities	**3,110,606**	3,199,546
	29,663,945	26,464,779
	58,544,056	56,927,943

The loans and borrowings are denominated in Ringgit Malaysia except for certain secured term loans and secured bills payable amounting to RM12,228,442 (2016: RM13,897,497) and RM11,930,533 (2016: RM11,330,420) which are denominated in US Dollar and Vietnam Dong respectively.

12.1 Security

The secured bankers' acceptance are secured by the following:
(i) fixed charge over certain landed properties of the Group (Note 3); and
(ii) corporate guarantee by the Company.

The secured bills payable are secured by the following:
(i) fixed charge over certain landed properties of the Group (Note 3); 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) certain fixed deposit pledged by a subsidiary (Note 10); 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) specific debenture covering the fixed charge over certain property, plant and equipment, prepaid lease payments and investment property of the Group (Note 3, 4 and 5); and
(iii) corporate guarantee by the Company.

12.2 Significant covenants

The main covenants of the term loan facilities of the Group 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.

Notes to the Financial Statements

12. LOANS AND BORROWINGS (CONT'D)

12.3 Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payments 2017 RM	Interest 2017 RM	Present value of minimum lease payments 2017 RM	Future minimum lease payments 2016 RM	Interest 2016 RM	Present value of minimum lease payments 2016 RM
Less than one year	**3,307,071**	**196,465**	**3,110,606**	3,491,794	292,248	3,199,546
Between one and two years	**2,600,502**	**87,995**	**2,512,507**	2,430,759	127,286	2,303,473
Between two and five years	**487,990**	**38,135**	**449,855**	992,946	24,020	968,926
	6,395,563	**322,595**	**6,072,968**	6,915,499	443,554	6,471,945

13. TRADE AND OTHER PAYABLES

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current					
Non-trade					
Amount due to a non-controlling interest of a subsidiary	13.1	**1,061,953**	1,157,916	**-**	-
Current					
Trade					
Trade payables		**24,739,697**	21,240,872	**-**	-
Non-trade					
Other payables		**2,418,971**	2,659,348	**-**	-
Accruals		**5,740,968**	5,221,038	**176,001**	173,001
Amount due to a non-controlling interest of a subsidiary	13.1	**1,502,920**	1,494,153	**-**	-
Amount due to a subsidiary	13.2	**-**	-	**-**	808,496
		9,662,859	9,374,539	**176,001**	981,497
		34,402,556	30,615,411	**176,001**	981,497
Total		**35,464,509**	31,773,327	**176,001**	981,497

13.1 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% (2016: 3%) per annum and is repayable by way of 10 quarterly instalments with the first instalment payment due and payable on 1 May 2015, 1 July 2015, 1 July 2016, 1 July 2017, 30 April 2018 and 1 July 2018 respectively and the subsequent instalments payable at successive intervals of 3 months.

13.2 Amount due to a subsidiary

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

Notes to the Financial Statements

14. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities/(assets)

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

	Group	
	2017 RM	2016 RM
Property, plant and equipment	**4,075,483**	4,169,140
Other temporary differences	**50,620**	(50,480)
Net tax liabilities	**4,126,103**	4,118,660

Unrecognised deferred tax assets

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

	Group	
	2017 RM	2016 RM
Unabsorbed capital allowances	**3,884,000**	3,644,000
Unutilised tax losses carry-forward	**277,600**	286,600
	4,161,600	3,930,600

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.

15. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of goods				
- manufactured products	**198,915,669**	188,837,484	**-**	-
- tooling/moulds	**8,679,732**	15,846,841	**-**	-
- trading products	**7,663,951**	8,087,460	**-**	-
Sales of scraps	**4,726,097**	4,207,205	**-**	-
Dividends	**-**	-	**2,700,000**	2,000,000
	219,985,449	216,978,990	**2,700,000**	2,000,000

Notes to the Financial Statements

16. INCOME TAX EXPENSE

Recognised in profit or loss

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current tax expense				
- Malaysian income tax	**1,821,969**	3,809,251	**22,000**	23,000
- Foreign income tax	**587,309**	833,042	**-**	-
- Over provision in prior year	**(125,021)**	(95,840)	**(2,916)**	(918)
	2,284,257	4,546,453	**19,084**	22,082
Deferred tax expense				
Reversal and origination of temporary differences	**170,304**	(253,734)	**-**	-
(Over)/Under provision in prior year	**(162,861)**	196,044	**-**	-
	7,443	(57,690)	**-**	-
Total income tax expense	**2,291,700**	4,488,763	**19,084**	22,082

Reconciliation of tax expense

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit for the year	**8,298,167**	11,750,501	**2,831,599**	1,958,352
Total income tax expense	**2,291,700**	4,488,763	**19,084**	22,082
Profit excluding tax	**10,589,867**	16,239,264	**2,850,683**	1,980,434
Income tax using Malaysian tax rate of 24% (2016: 25%)	**2,541,568**	4,059,816	**684,164**	495,108
Effect of difference in tax rates of foreign jurisdictions	**(313,747)**	(612,227)	**-**	-
Non-deductible expenses	**944,648**	1,104,784	**40,550**	81,342
Changes in unrecognised temporary differences	**(55,440)**	(7,100)	**-**	-
Tax incentives	**(537,447)**	(156,714)	**-**	-
Non-taxable income	**-**	-	**(54,714)**	(53,450)
Tax exempt income	**-**	-	**(648,000)**	(500,000)
	2,579,582	4,388,559	**22,000**	23,000
(Over)/Under provision in prior year				
- income tax expense	**(125,021)**	(95,840)	**(2,916)**	(918)
- deferred tax expense	**(162,861)**	196,044	**-**	-
	2,291,700	4,488,763	**19,084**	22,082

Notes to the Financial Statements

17. PROFIT FOR THE YEAR

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit for the year is arrived at after charging:					
Amortisation of prepaid lease payments	4	**172,571**	171,502	**-**	-
Auditors' remuneration					
- Statutory audit					
KPMG		**110,000**	110,000	**33,000**	33,000
Overseas affiliates of KPMG		**91,773**	86,456	**-**	-
Other auditors		**19,000**	17,400	**-**	-
- Other services					
KPMG		**15,000**	15,000	**15,000**	15,000
Bad debts written off		**22,795**	-	**-**	-
Depreciation on:					
- Property, plant and equipment	3	**12,620,536**	11,795,496	**-**	-
- Investment property	5	**173,537**	101,230	**-**	-
Finance costs on:					
- Bank overdrafts		**240,435**	707,494	**-**	-
- Finance lease		**340,511**	415,741	**-**	-
- Term loans		**2,502,114**	1,795,957	**-**	-
- Bills payable		**594,625**	46,154	**-**	-
- Bankers' acceptance		**238,181**	165,222	**-**	-
Property, plant and equipment written off	3	**50,598**	96,924	**-**	-
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Funds		**1,776,534**	1,608,526	**-**	-
- Wages, salaries and others		**42,048,005**	36,201,144	**149,500**	143,000
Rental expense for premises		**1,665,100**	1,593,890	**-**	-
Realised foreign exchange loss		**864,078**	2,961,360	**-**	6,847
Unrealised foreign exchange loss		**4,008**	165,387	**-**	-
Write down of inventories		**201**	99,332	**-**	-
and after crediting:					
Dividend income from a subsidiary		**-**	-	**2,700,000**	2,000,000
Gain on disposal of property, plant and equipment		**45,333**	58,086	**-**	-
Realised foreign exchange gain		**2,416,128**	3,317,366	**84,294**	-
Unrealised foreign exchange gain		**-**	-	**159,681**	-
Rental income from premises		**1,077,960**	624,564	**-**	-
Reversal of write down of inventories		**409,029**	-	**-**	-
Finance income from:					
- Deposits with licensed banks		**262,585**	128,312	**1,792**	37
- Staff loan		**2,537**	1,644	**-**	-
- Foreign currency current account		**4,388**	738	**-**	-
- Amount due from subsidiaries		**-**	-	**319,027**	304,060

Notes to the Financial Statements

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors				
Short-term employee benefits				
- Fees	**128,000**	125,000	**128,000**	125,000
- Remuneration	**1,675,380**	1,585,520	**21,500**	18,000
- Contributions to Employees' Provident Fund	**120,480**	117,600	**-**	-
- Others (including estimated monetary value of benefits-in-kind)	**151,240**	79,752	**-**	-
	2,075,100	1,907,872	**149,500**	143,000

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. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 April 2017 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	
	2017 RM	2016 RM
Profit for the year attributable to owners of the Company	**7,050,549**	9,324,716

	Group	
	2017	2016
Weighted average number of ordinary shares at 30 April	**99,000,000**	99,000,000

	Group	
	2017 Sen	2016 Sen
Basic earnings per ordinary share	**7.12**	9.42

Diluted earnings per ordinary share

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

Notes to the Financial Statements

20. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM	Date of payment
2017			
Final 2016 ordinary, single tier	1.5	1,485,000	21 November 2016
2016			
Final 2015 ordinary, single tier	1.0	990,000	20 November 2015

After the end of the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Group	
	Sen per share	Total amount RM
Final 2017 ordinary, single tier	1.5	1,485,000

21. 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(q).

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

21. OPERATING SEGMENTS (CONT'D)

Group	Manufacturing 2017 RM	Manufacturing 2016 RM	Trading 2017 RM	Trading 2016 RM	Investment holding 2017 RM	Investment holding 2016 RM	Total 2017 RM	Total 2016 RM
Segment profit/(loss)	**16,450,011**	20,813,194	**(172,248)**	(70,923)	**(170,136)**	(323,663)	**16,107,627**	20,418,608
Included in the measure of segment profit/(loss) are:								
Revenue from external customers	**212,321,498**	208,891,530	**7,663,951**	8,087,460	**-**	-	**219,985,449**	216,978,990
Inter-segment revenue	**11,948,373**	21,645,545	**382,264**	432,017	**-**	-	**12,330,637**	22,077,562
Finance costs	**(4,217,041)**	(3,376,297)	**(17,852)**	(7,129)	**-**	-	**(4,234,893)**	(3,383,426)
Finance income	**267,718**	130,657	**-**	-	**320,819**	304,097	**588,537**	434,754
Segment assets	**244,950,204**	229,989,789	**3,348,223**	3,789,755	**1,431,399**	179,852	**249,729,826**	233,959,396
Segment liabilities	**99,785,440**	95,808,681	**768,225**	1,199,829	**178,001**	176,002	**100,731,666**	97,184,512
Included in the measure of segment liabilities are:								
Capital expenditure	**18,737,380**	20,825,163	**45,773**	495,757	**-**	-	**18,783,153**	21,320,920
Depreciation	**13,229,956**	12,079,798	**224,027**	189,466	**-**	-	**13,453,983**	12,269,264
Amortisation of prepaid lease payments	**172,571**	171,502	**-**	-	**-**	-	**172,571**	171,502

Notes to the Financial Statements

21. OPERATING SEGMENTS (CONT'D)

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

	Group 2017 RM	Group 2016 RM
Reconciliation of consolidated revenues		
Total revenue for reportable segments	**232,316,086**	239,056,552
Elimination of inter-segment revenue	**(12,330,637)**	(22,077,562)
Consolidated revenue	**219,985,449**	216,978,990
Reconciliation of consolidated profit before tax		
Total profit for reportable segments	**16,107,627**	20,418,608
Finance income	**269,510**	434,754
Finance costs	**(3,915,866)**	(3,383,426)
Consolidation adjustments	**(1,871,404)**	(1,230,672)
Consolidated profit before tax	**10,589,867**	16,239,264
Reconciliation of consolidated total assets		
Total assets for reportable segments	**249,729,826**	233,959,396
Consolidation adjustments	**(28,009,033)**	(26,205,517)
Consolidated total assets	**221,720,793**	207,753,879
Reconciliation of consolidated total liabilities		
Total liabilities for reportable segments	**100,731,666**	97,184,512
Consolidation adjustments	**(2,360,748)**	(2,409,776)
Consolidated total liabilities	**98,370,918**	94,774,736

Notes to the Financial Statements

21. 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.

	Revenue from external customers by location of customers		Segment assets by location of assets	
	2017 RM	2016 RM	2017 RM	2016 RM
Geographical segments				
Malaysia	**132,899,822**	128,281,909	**169,888,603**	160,838,569
Vietnam	**83,735,400**	97,526,288	**79,841,223**	73,120,827
Hong Kong	**2,344,227**	3,427,241	**-**	-
Thailand	**2,153,536**	2,644,934	**-**	-
Europe	**3,375,986**	2,314,222	**-**	-
America	**4,147,789**	2,276,271	**-**	-
Others	**3,659,326**	2,585,687	**-**	-
Adjustment	**(12,330,637)**	(22,077,562)	**(28,009,033)**	(26,205,517)
Consolidated	**219,985,449**	216,978,990	**221,720,793**	207,753,879

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R/ (FL) RM
2017		
Financial assets		
Group		
Other investments	**198,225**	**198,225**
Trade and other receivables (excluding prepayments)	**37,604,594**	**37,604,594**
Cash and bank balances	**33,428,550**	**33,428,550**
	71,231,369	**71,231,369**
Company		
Amount due from subsidiaries	**4,089,159**	**4,089,159**
Cash and bank balances	**1,430,099**	**1,430,099**
Other receivables	**1,300**	**1,300**
	5,520,558	**5,520,558**

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments categorised as follows (Cont'd):

	Carrying amount RM	L&R/ (FL) RM
2017		
Financial liabilities		
Group		
Loans and borrowings	**(58,544,056)**	**(58,544,056)**
Trade and other payables	**(35,464,509)**	**(35,464,509)**
	(94,008,565)	**(94,008,565)**
Company		
Trade and other payables	**(176,001)**	**(176,001)**
2016		
Financial assets		
Group		
Other investments	198,061	198,061
Trade and other receivables (excluding prepayments)	36,003,975	36,003,975
Cash and bank balances	31,678,420	31,678,420
	67,880,456	67,880,456
Company		
Amount due from subsidiaries	4,881,657	4,881,657
Cash and bank balances	178,552	178,552
Other receivables	1,300	1,300
	5,061,509	5,061,509
Financial liabilities		
Group		
Loans and borrowings	(56,927,943)	(56,927,943)
Trade and other payables	(31,773,327)	(31,773,327)
	(88,701,270)	(88,701,270)
Company		
Amount due to a subsidiary	(808,496)	(808,496)
Trade and other payables	(173,001)	(173,001)
	(981,497)	(981,497)

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net (losses)/gains on:				
Loans and receivables	**2,181,563**	130,694	**564,794**	304,097
Financial liabilities measured at amortised cost	**(4,302,672)**	(3,130,568)	**-**	-
	(2,121,109)	(2,999,874)	**564,794**	304,097

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22.4 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. 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.

22.4.1 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.

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

22.4.1 Receivables (Cont'd)

Exposure to credit risk, credit quality and collateral (Cont'd)

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:

	Group	
	2017 RM	2016 RM
Malaysia	**20,427,384**	22,626,698
Vietnam	**15,298,302**	11,657,797
America	**603,420**	363,451
Europe	**573,703**	398,151
Hong Kong	**274,415**	498,888
Others	**427,370**	458,990
	37,604,594	36,003,975

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	Note	Gross RM	Individual impairment RM	Net RM
2017				
Not past due		**33,133,325**	**-**	**33,133,325**
Past due 0 - 30 days		**92,065**	**-**	**92,065**
Past due 31 - 120 days		**592**	**-**	**592**
Past due more than 120 days		**-**	**-**	**-**
	8	**33,225,982**	**-**	**33,225,982**
2016				
Not past due		31,084,918	-	31,084,918
Past due 0 - 30 days		40,893	-	40,893
Past due 31 - 120 days		14,049	-	14,049
Past due more than 120 days		122,364	(95,478)	26,886
	8	31,262,224	(95,478)	31,166,746

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

22.4.1 Receivables (Cont'd)

Impairment losses (Cont'd)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017	**2016**
	RM	**RM**
At 1 May	**95,478**	95,478
Impairment loss written off	**(95,478)**	-
At 30 April	**-**	95,478

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.

22.4.2 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 (2016: RM25,580) has been recognised in the previous years and as at the end of the reporting period.

22.4.3 Intercompany 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.

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

22.4.4 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 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.

22.4.5 Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to licensed banks and third party corporations 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 RM44,213,208 (2016: RM40,806,986) 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 any subsidiary would default on repayment.

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

22.5 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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.5 Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial 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
2017							
Secured bankers' acceptance	**7,542,000**	**5.0%**	**7,616,531**	**7,616,531**	**-**	**-**	**-**
Secured bills payable	**6,547,730**	**5.0%**	**6,745,872**	**6,745,872**	**-**	**-**	**-**
Secured bank overdrafts	**6,300,057**	**7.7%**	**6,300,057**	**6,300,057**	**-**	**-**	**-**
Secured term loans	**32,081,301**	**7.4%**	**39,293,442**	**8,318,747**	**7,933,261**	**20,549,249**	**2,492,185**
Finance lease liabilities	**6,072,968**	**3.5%**	**6,395,563**	**3,307,071**	**2,600,502**	**487,990**	**-**
Amount due to a non-controlling interest of a subsidiary	**2,564,873**	**3.0%**	**2,918,205**	**2,372,794**	**426,487**	**118,924**	**-**
Trade and other payables	**32,899,636**	**-**	**32,899,636**	**32,899,636**	**-**	**-**	**-**
	94,008,565		**102,169,306**	**67,560,708**	**10,960,250**	**21,156,163**	**2,492,185**
2016							
Secured bankers' acceptance	5,245,000	4.9%	5,288,921	5,288,921	-	-	-
Secured bills payable	8,086,373	4.5%	8,237,219	8,237,219	-	-	-
Secured bank overdrafts	4,335,166	7.9%	4,335,166	4,335,166	-	-	-
Secured term loans	32,789,459	7.6%	41,692,362	7,877,587	6,754,946	21,397,094	5,662,735
Finance lease liabilities	6,471,945	3.5%	6,915,497	3,491,793	2,430,759	992,945	-
Amount due to a non-controlling interest of a subsidiary	2,652,069	3.0%	3,483,114	2,213,549	724,154	545,411	-
Trade and other payables	29,121,258	-	29,121,258	29,121,258	-	-	-
	88,701,270		99,073,537	60,565,493	9,909,859	22,935,450	5,662,735

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Company	Carrying amount RM	Contractual interest rate per annum	Contractual cash flows RM	Under 1 year RM
2017				
Trade and other payables	**176,001**	**-**	**176,001**	**176,001**
2016				
Trade and other payables	173,001	-	173,001	173,001
Amount due to a subsidiary	808,496	-	808,496	808,496
	981,497		981,497	981,497

22.6 Market risk

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

22.6.1 Currency risk

The Group and the Company are 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 do 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 foreign currency 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 do not hedge this exposure by having foreign currency borrowings but keep this policy under review and will take necessary action to minimise the exposure of the risk.

Exposure to foreign currency risk

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

	Group Denominated in USD		Company Denominated in USD	
	2017 RM	2016 RM	2017 RM	2016 RM
Amount due from a subsidiary	**-**	-	**1,332,739**	-
Trade and other receivables	**13,462,876**	10,319,847	**-**	-
Cash and bank balances	**13,618,932**	16,504,839	**1,129,937**	93,460
Trade and other payables	**(12,228,442)**	(5,627,611)	**-**	-
Loans and borrowings	**(8,724,301)**	(14,201,476)	**-**	-
Net exposure in the statement of financial position	**6,129,065**	6,995,599	**2,462,676**	93,460

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.6 Market risk (Cont'd)

22.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 10% (2016: 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 Profit or loss		Company Profit or loss	
	2017 RM	2016 RM	2017 RM	2016 RM
USD	**(612,906)**	(699,560)	**(246,268)**	(9,346)

A 10% (2016: 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.

22.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

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.

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 was:

Group	2017 RM	2016 RM
Fixed rate instruments		
Financial assets	**8,565,172**	5,341,715
Financial liabilities	**(8,637,841)**	(9,124,014)
	(72,669)	(3,782,299)
Floating rate instruments		
Financial liabilities	**(52,471,088)**	(50,455,998)

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.6 Market risk (Cont'd)

22.6.2 Interest rate risk (Cont'd)

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.

	Profit or loss			
Group	**100 bp increase 2017 RM**	**100 bp decrease 2017 RM**	**100 bp increase 2016 RM**	**100 bp decrease 2016 RM**
Floating rate instruments	**(524,711)**	**524,711**	(504,560)	504,560

22.7 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.

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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.7 Fair value information (Cont'd)

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	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
2017										
Financial liabilities										
Amount due to a non-controlling interest of a subsidiary	-	-	-	-	-	-	2,564,873	2,564,873	2,564,873	2,564,873
Secured term loans	-	-	-	-	-	-	32,081,301	32,081,301	32,081,301	32,081,301
Finance lease liabilities	-	-	-	-	-	-	6,072,968	6,072,968	6,072,968	6,072,968
	-	-	-	-	-	-	40,719,142	40,719,142	40,719,142	40,719,142
2016										
Financial liabilities										
Amount due to a non-controlling interest of a subsidiary	-	-	-	-	-	-	2,652,069	2,652,069	2,652,069	2,652,069
Secured term loans	-	-	-	-	-	-	32,789,459	32,789,459	32,789,459	32,789,459
Finance lease liabilities	-	-	-	-	-	-	6,471,945	6,471,945	6,471,945	6,471,945
	-	-	-	-	-	-	41,913,473	41,913,473	41,913,473	41,913,473

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

22.7 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 (2016: 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

22. FINANCIAL INSTRUMENTS (CONT'D)

22.7 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	
	2017 %	**2016 %**
Amount due to a non-controlling interest of a subsidiary	**7.85**	7.60

23. CAPITAL COMMITMENTS

	Group	
	2017 RM	**2016 RM**
Capital expenditure commitments		
Property, plant and equipment		
Approved and contracted for	**1,658,987**	3,540,483
Approved but not contracted for	**5,302,646**	702,000
	6,961,633	4,242,483

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 are determined to maintain an optimal debt-to-equity ratio that is at 1.0 time or below.

		Group	
	Note	**2017 RM**	**2016 RM**
Total loans and borrowings	12	**58,544,056**	56,927,943
Less: Cash and bank balances	10	**(33,428,550)**	(31,678,420)
Net debt		**25,115,506**	25,249,523
Total equity		**123,349,875**	112,979,143
Debt-to-equity ratio		**0.20**	0.22

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

Notes to the Financial Statements

25. CONTINGENT LIABILITIES

	Company 2017 RM	2016 RM
Corporate guarantees given to:		
- licensed banks for banking facilities granted to subsidiaries	**31,529,356**	27,867,007
- third party corporations for credit facilities granted to subsidiaries	**12,683,852**	12,939,979
	44,213,208	40,806,986

26. SUBSEQUENT EVENT

(a) On 19 May 2017, Kein Hing Thai Nguyen (Vietnam) Co., Ltd ("KHTV"), a wholly-owned subsidiary of the Company had awarded a construction contract to a third party main contractor in Vietnam for the proposed construction of a single storey factory on the industrial land located at Plot No. CN8-2, Diem Thuy Industrial Park, Diem Thuy Commune, Phuc Binh District, Thai Nguyen, Vietnam owned by KHTV for a total construction cost of US Dollars 1,222,500 or approximately RM5.4 million (the "Proposed Construction"). The Proposed Construction is expected to complete in October 2017.

(b) On 21 July 2017, the Company has announced a proposed bonus issue which entails an issuance of 9,900,000 bonus shares on the basis of one (1) bonus share for every ten (10) existing shares of the Company held by the shareholders whose names appear in the record of depositors of the Company at the close of business on the entitlement date ("Proposed Bonus Issue"). The Proposed Bonus Issue will be effected by way of capitalising up to RM4,950,000 from the entire amount standing to the credit of the share premium account and part of the retained earnings of the Company to make up for any shortfall to facilitate the Proposed Bonus Issue. The Proposed Bonus Issue is subject to the approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the bonus shares on the Main Market of Bursa Securities, the shareholders of the Company for the Proposed Bonus Issue at an extraordinary general meeting to be convened and any other relevant authorities, if required. Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Bonus Issue is expected to be completed before December 2017.

27. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly 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. 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 either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Notes to the Financial Statements

27. RELATED PARTIES (CONT'D)

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:

Group	Transactions amount for the year ended 30 April 2017 RM	2016 RM
Companies in which certain Directors have significant financial interests		
TC Yap Holdings Sdn. Bhd.		
Rental expense for premises	**217,625**	214,425
Companies in which a major shareholder has significant financial interests		
Kam Loong Mining Sdn. Bhd.		
Rental expense for premises	**229,500**	216,000
Key management personnel of the Company		
Yap Toon Choy		
Rental expense for premises	**132,000**	132,000
Purchase of motor vehicle	**298,000**	-

Notes to the Financial Statements

28. 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 2017, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group	
	2017 RM	**2016 RM**
Total retained earnings of the Company and its subsidiaries		
- realised	**70,474,594**	61,679,386
- unrealised	**(6,488,767)**	(6,513,808)
	63,985,827	55,165,578
Less: Consolidated adjustments	**(13,116,334)**	(9,861,634)
Total retained earnings	**50,869,493**	45,303,944

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 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 49 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 April 2017 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 28 on page 100 to the financial statements has been compiled 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.

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

Yap Toon Choy
Director

Yong Elaine
Director

Selangor Darul Ehsan,

Date: 17 August 2017

Statutory DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

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 49 to 99 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Kok Mun Choon, NRIC No.: 710811-06-5059, at Kuala Lumpur in the Federal Territory on 17 August 2017.

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 AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kein Hing International Berhad, which comprise the statements of financial position as at 30 April 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 April 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Valuation of investments in subsidiaries and recoverability of amount owing from subsidiaries</th></tr>
<tr><td colspan="2">Refer to Note 2(a)(i) - Significant accounting policy: Basis of consolidation for subsidiaries, Note 6 – Investments in subsidiaries and Note 8 – Trade and other receivables.</td></tr>
<tr><th>The key audit matter of the Company</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Company has investments in subsidiaries amounting to RM62.50 million (representing 92% of the total assets of the Company) as at 30 April 2017.

The Company's investment in one of the subsidiaries, Sanko Kein Hing Sdn. Bhd. ("SKH") and amount owing from SKH, were higher than SKH's net assets, which provides an indication that the carrying amounts of the cost of investment in SKH of RM0.90 million and amount owing from SKH of RM2.67 million may be impaired.

Accordingly, the Company estimated the recoverable amount of the cost of investment in SKH and amount owing from SKH using value-in-use ("VIU"), which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. This has been identified as a key audit matter due to the significant judgement involved.</td><td>Our audit procedures, among others, included the following:

• We reassessed the Company's assessment on indicators of impairment in subsidiaries;

• We compared the input used in the cash flow projection to the budget of SKH which was approved by the Board of Directors. We have also compared the previous cash flow projection to the actual results and inquire management on any significant variances.

• We assessed the discount rate which reflects the specific risk relating to the investment in SKH based on publicly available information.

• We performed a sensitivity analysis by stress-testing the discount rate and growth rate used in deriving the VIU to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount.</td></tr>
</table>

Independent AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

We have determined that there are no key audit matters in the audit of the financial statements of the Group to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

i) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

ii) Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Independent AUDITORS' REPORT

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

Other Reporting Responsibilities

The supplementary information set out in Note 28 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Kam Chiew
Approval Number: 2055/06/18(J)
Chartered Accountant

Petaling Jaya

Date : 17 August 2017

List of PROPERTIES

As at 30 April 2017

Location	Registered/ Beneficial Owner	Existing Use/ Description of Property	Tenure/ Expiry Date	Age of Buildings 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	34	488/ 226	1-12-2004	318,263
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	20	7,891/ 7,900	18-2-2004 (Revalued)	9,132,196
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	24	734/ 563	18-2-2004 (Revalued)	625,035
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	21	988/ 795	18-2-2004 (Revalued)	683,792
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	16	4,086/ 2,123	18-2-2004 (Revalued)	3,137,164
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	13	8,255/ 8,179	1-12-2004	10,919,172
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	32	297.6/ 250	25-2-2003	108,481
Lot 1840 Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan	KHI	Warehouse/ Industrial; Single-storey warehouse cum car park block	Freehold	9	4,300/ 1,230	1-7-2008	1,166,962

List of PROPERTIES

As at 30 April 2017

Location	Registered/ Beneficial Owner	Existing Use/ Description of Property	Tenure/ Expiry Date	Age of Buildings years	Land Area/ Built-up Area sq. m.	Date of Last Revaluation/ Acquisition	Net Book Value RM
Lot 5038 Jalan Perindustrian HP4 Hicom Pegoh Industrial Park Pegoh 78000 Alor Gajah Melaka	KHI	Investment property (Factory/ Industrial); Single-storey factory with a 2-storey office annexe	Freehold	2	16,776/ 5,290	21-6-2011	10,292,139
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	13	15,693/ 5,093	1-11-2004	7,733,408
No. 109, Street No. 12 VSIP Hai Phong Thuy Nguyen District Dinh Vu-Cat Hai Economic Zone Hai Phong, Vietnam	KHIV	Factory/Industrial; Single-storey factory with a 3-storey office and warehouse annexe	Leasehold expiring on 7-6-2058	2	8,800/ 9,014	31-7-2012	15,190,039
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	3,573,066

Analysis of SHAREHOLDINGS

As at 31 July 2017

Total number of issued shares : 99,000,000

Class of share : Ordinary share

Voting rights : One (1) vote per ordinary share

Number of shareholders : 1,275

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	No. of Shares	Percentage (%)
1 – 99	12	339	0.00
100 – 1,000	287	201,800	0.20
1,001 – 10,000	618	3,338,371	3.37
10,001 – 100,000	322	9,836,500	9.94
100,001 – 4,949,999 (*)	33	16,635,300	16.80
4,950,000 and above (**)	3	68,987,690	69.69
Total	**1,275**	**99,000,000**	**100.00**

Remark: * Less than 5% of the total number of issued shares
** 5% and above of the total number of issued shares

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Directors	Direct Shareholdings No. of Shares	Direct Shareholdings %	Indirect Shareholdings No. of Shares	Indirect Shareholdings %
Yap Toon Choy	37,429,620	37.81	20,920,070 [a]	21.13
Yong Elaine	20,920,070	21.13	37,429,620 [b]	37.81
Shingo Muramoto	-	-	-	-
Swee Soo Mang	-	-	-	-
Darsan Singh a/l Balwant Singh	-	-	-	-
Gan Chee Tsong	-	-	-	-
Khor Yew Chye	-	-	-	-

(a) Deemed interest by virtue of being the spouse of Yong Elaine, a major shareholder of KHIB and pursuant to Section 197 of the Act.

(b) Deemed interest by virtue of being the spouse of Yap Toon Choy, a major shareholder of KHIB and pursuant to Section 197 of the Act.

Analysis of SHAREHOLDINGS

As at 31 July 2017

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Shareholdings		Indirect Shareholdings	
Substantial shareholders	No. of Shares	%	No. of Shares	%
Yap Toon Choy	37,429,620	37.81	20,920,070 [a]	21.13
Yong Elaine	20,920,070	21.13	37,429,620 [b]	37.81
Kam Loong Mining Sdn Bhd	10,638,000	10.75	-	-
Yap Ah Fatt	20,000	0.02	11,738,000 [c]	11.86
Foo Khen Ling	1,100,000	1.11	10,658,000 [c]	10.77

(a) Deemed interest by virtue of being the spouse of Yong Elaine, a major shareholder of KHIB and pursuant to Section 197 of the Act.
(b) Deemed interest by virtue of being the spouse of Yap Toon Choy, a major shareholder of KHIB and pursuant to Section 197 of the Act.
(c) Deemed interest by virtue of his/her direct interest in Kam Loong Mining Sdn. Bhd. pursuant to Section 8 of the Act.

LIST OF TOP THIRTY (30) SHAREHOLDERS

No.	Shareholders	No. of Shares	Percentage %
1.	Yap Toon Choy	37,429,620	37.81
2.	Yong Elaine	20,920,070	21.13
3.	Kam Loong Mining Sdn. Bhd.	10,638,000	10.75
4.	Muramoto Asia Pte. Ltd.	4,372,600	4.42
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ooi Chin Hock	1,952,400	1.97
6.	Soh Tik Siew	1,400,000	1.41
7.	Foo Khen Ling	1,100,000	1.11
8.	CIMB Group Nominees (Asing) Sdn Bhd - Exempt An for DBS Bank Limited (SFS)	802,000	0.81
9.	Quek Ser Hwa	725,000	0.73
10.	UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt An UOB Kay Hian Pte Ltd (A/C Clients)	691,100	0.70
11.	Ghan Ah Kooi	648,300	0.65
12.	Yee Tien Soon	549,100	0.55
13.	Ana Low	370,500	0.37
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kong Kok Choy	350,000	0.35
15.	Gan Siew Kee	276,800	0.28

Analysis of SHAREHOLDINGS

As at 31 July 2017

No.	Shareholders	No. of Shares	Percentage %
16.	CIMSEC Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Ng Geok Wah (B BRKLANG-CL)	262,500	0.27
17.	Ooi Cheng Huat @ Ooi Peng Huat	260,500	0.26
18.	Koh Beng Hock	248,600	0.25
19.	Ooi Chin Hock	248,200	0.25
20.	Yap Siew Lee	205,000	0.20
21.	Tong Sun Sun	200,000	0.20
22.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Yee Wai Chow	180,000	0.18
23.	HLB Nominees (Tempatan) Sdn Bhd - Exempt An For Wong Kwong Miao	171,400	0.17
24.	Chan Kok Heng	169,100	0.17
25.	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gan Cheng Kim	161,000	0.16
26.	Kuay Tua Bak & Ang Hong Lim	131,100	0.13
27.	Lew Siau Lu	131,100	0.13
28.	See Kim Leong	130,000	0.13
29.	Valerie Kam Wai Lee	130,000	0.13
30.	Chang Lee Ming	116,300	0.12

Notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth 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 Tuesday, 17 October 2017 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 30 April 2017 together with the Directors' and Auditors' Reports thereon. — **Please refer to Note B on this Agenda**

2. To approve the following payments to Directors

   a) Aggregate Directors' fees and allowances of RM149,500 for the financial year ended 30 April 2017; and — **RESOLUTION 1**

   b) Aggregate Director's fees and allowances of an amount not exceeding RM208,800 from 1 May 2017 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month completed service of the Directors. — **RESOLUTION 2**

3. To approve a First and Final Single-Tier Dividend of 1.5 sen per ordinary share for the year ended 30 April 2017. — **RESOLUTION 3**

4. To re-elect the following Directors who are retiring in accordance with Article 79 of the Company's Articles of Association:-

   (a) Ms. Yong Elaine — **RESOLUTION 4**

   (b) Mr. Swee Soo Mang — **RESOLUTION 5**

5. To re-elect Mr. Khor Yew Chye who is retiring in accordance with Article 84 of the Company's Articles of Association. — **RESOLUTION 6**

6. To re-appoint Messrs. KPMG PLT, the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration. — **RESOLUTION 7**

7. **SPECIAL BUSINESS:-**

   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 SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** — **RESOLUTION 8**

     "**THAT** pursuant to Sections, 75 and 76 of the Companies Act, 2016, 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 Shares 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 9**

"**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 24 August 2017 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 Fifteenth Annual General Meeting ("AGM") of the Company, at which time it will lapse unless, by a resolution passed at the Fifteenth AGM, the authority is renewed; or

(b) the expiration of the period within which the Fifteenth AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); 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 10**

"**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 24 August 2017, 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 Fifteenth AGM of the Company, at which time it will lapse unless, by a resolution passed at the Fifteenth AGM, the authority is renewed; or

(b) the expiration of the period within which the Fifteenth AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); 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 NEW 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 11**

"**THAT** approval be and is hereby given to the KHIB Group to enter into and give effect to the additional recurrent related party transactions of a revenue or trading nature with T.C. Yap Holdings Sdn. Bhd., and with 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 24 August 2017, which are necessary for the day-to-day operations of the KHIB Group, subject to the following:-

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

disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to this shareholders' mandate during the financial year; and

the authority given shall continue to be in force until:-

(a) the conclusion of the Fifteenth Annual General Meeting ("AGM") of the Company, at which time it will lapse unless, by a resolution passed at the Fifteenth AGM, the authority is renewed; or

(b) the expiration of the period within which the Fifteenth AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); 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. 5

- **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH KEIN HING MURAMOTO (VIETNAM) CO., LTD. ("KHMV") AND WITH MR. SHINGO MURAMOTO** **RESOLUTION 12**

"**THAT** approval be and is hereby given to the KHIB Group to enter into and give effect to the additional recurrent related party transactions of a revenue or trading nature with Kein Hing Muramoto (Vietnam) Co., Ltd. ("KHMV") and with Mr. Shingo Muramoto, a Non-Independent Non-Executive Director of KHIB, and a Director and a Major Shareholder of KHMV as stated in section 2.3.3 of the Circular to Shareholders of the Company dated 24 August 2017, which are 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 Fifteenth Annual General Meeting ("AGM") of the Company, at which time it will lapse unless, by a resolution passed at the Fifteenth AGM, the authority is renewed; or

(b) the expiration of the period within which the Fifteenth AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or

(c) it is revoked or varied by a 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. 6

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK** **RESOLUTION 13**

"**THAT** subject to the Companies Act, 2016, 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 Shares 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 of the Company, be allocated by the Company for the Proposed Share Buy-Back. The retained profits of the Company is RM15,642,767 for the financial year ended 30 April 2017.

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. 7

- **AUTHORITY FOR MR. DARSAN SINGH A/L BALWANT SINGH TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **RESOLUTION 14**

"**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."

ORDINARY RESOLUTION NO. 8

- **AUTHORITY FOR MR. SWEE SOO MANG TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **RESOLUTION 15**

"**THAT** subject to the approval by the shareholders of Resolution No. 5 above, 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."

Notice of ANNUAL GENERAL MEETING

ORDINARY RESOLUTION NO. 9

- **AUTHORITY FOR MR. GAN CHEE TSONG TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **RESOLUTION 16**

  "**THAT** authority be and is hereby given to Mr. Gan Chee Tsong 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."

8. 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, 2016.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier Dividend of 1.5 sen per ordinary share in respect of the year ended 30 April 2017 amounting to RM1,485,000 and shall be payable on **21 November 2017**, to Depositors registered in the Record of Depositors at the close of business on **31 October 2017**.

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 31 October 2017 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

24 August 2017
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.

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.

8. A member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/proxies to vote for him at any General Meeting of the Company provided such cable or other telegraphic communication shall have been received at the Office not less than forty-eight (48) hours before the time for the holding of the General Meeting or adjournment thereof.

B. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Sections 248 (2) and 340 (1) of the Companies Act, 2016 does not require a formal approval of the 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 Sections 75 and 76 of the Companies Act, 2016

The proposed Resolution 8 under item 7 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 Shares 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 Thirteenth Annual General Meeting held on 19 October 2016. 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 Thirteenth 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 and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolutions 9, 10, 11 and 12 under item 7 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 Renewal of and New Shareholders' Mandate").

The Proposed Renewal of and New 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 Renewal of and New Shareholders' Mandate is set out in the Circular to Shareholders dated 24 August 2017 of the Company which is dispatched together with the 2017 Annual Report of the Company for the financial year ended 30 April 2017.

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

The Resolution 13 proposed under item 7 of the Agenda, is to seek the authority for the Company to purchase and/or hold up to 10% of the total issued Shares of the Company listed on Bursa Malaysia Securities Berhad. For further information on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Circular to Shareholders dated 24 August 2017 enclosed together with the Company's 2017 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 subject to his re-election as a Director of the Company pursuant to Resolution 5 above.

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

Mr. Gan Chee Tsong 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 10 October 2017. Only a depositor whose name appears on the Record of Depositors as at 10 October 2017 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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Form of Proxy

KEIN HING INTERNATIONAL BERHAD (616056-T)
(Incorporated in Malaysia under Companies Act, 1965)

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 Fourteenth 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 Tuesday, 17 October 2017 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:-

Resolutions	Agenda	For	Against
1.	To approve payment of Directors' Fees and Allowances for the financial year ended 30 April 2017.		
2.	To approve payment of Directors' Fees and Allowances from 1 May 2017 until the next Annual General Meeting.		
3.	To approve First and Final Single-Tier Dividend of 1.5 sen per ordinary share		
4.	To re-elect Ms. Yong Elaine as Director.		
5.	To re-elect Mr. Swee Soo Mang as Director.		
6.	To re-elect Mr. Khor Yew Chye as Director.		
7.	To re-appoint Messrs KPMG PLT as Auditors and to authorise the Board of Directors to fix their remuneration.		
8.	To authorise the issuance and allotment of shares pursuant to Sections 74 and 75 of the Companies Act, 2016.		
9.	To approve the 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.		
10.	To approve the renewal of shareholders' mandate for RRPT with Kam Loong Mining Sdn Bhd.		
11.	To approve the new shareholders' mandate for RRPT with T.C. Yap Holdings Sdn. Bhd. and Mr. Yap Toon Choy.		
12.	To approve the new shareholders' mandate for RRPT with Kein Hing Muramoto (Vietnam) Co., Ltd. and Mr. Shingo Muramoto.		
13.	To approve the renewal of shareholders' mandate for Share Buy-Back by the Company.		
14.	To authorise Mr. Darsan Singh a/l Balwant Singh to continue in office as Independent Non-Executive Director.		
15.	To authorise Mr. Swee Soo Mang to continue in office as Independent Non-Executive Director.		
16.	To authorise Mr. Gan Chee Tsong 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 _________________ 2017

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.
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.
8. A member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/proxies to vote for him at any General Meeting of the Company provided such cable or other telegraphic communication shall have been received at the Office not less than forty-eight (48) hours before the time for the holding of the General Meeting or adjournment thereof.

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STAMP

The Company Secretary
KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

Lot 1863, Jalan Kolej
43300 Seri Kembangan
Selangor Darul Ehsan

1st fold here

KEIN HING INTERNATIONAL BERHAD
(616056-T)

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

www.keinhing.com