



康尔国际
KANGER INT'L

KANGER INTERNATIONAL BERHAD
(Company No. 1014793-D)

ANNUAL REPORT 2017

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KANGER BAMBOO



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Krono



康尔国际
KANGER INT'L

股票代码: 0170.KL

KANGER BAMBOO

CORPORATE INFORMATION

BOARD OF DIRECTORS

Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan
(Non-Independent Non-Executive Chairman)

Y.Bhg. Dato' Kuan Ah Hock
(Non-Independent Non-Executive Deputy Chairman)

Leng Xingmin (冷醒民)
(Managing Director)

Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail
(Executive Director)

Chong Amita
(Executive Director)

Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid

(Independent Non-Executive Director)

Y.Bhg. Dato' Haji Markiman Bin Kobiran
(Independent Non-Executive Director)

Lim Soon Tong
(Independent Non-Executive Director)

AUDIT COMMITTEE

Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid
(Chairman/Independent Non-Executive Director)

Y.Bhg. Dato' Haji Markiman Bin Kobiran
(Member/Independent Non-Executive Director)

Lim Soon Tong
(Member/Independent Non-Executive Director)

REMUNERATION COMMITTEE

Y.Bhg. Dato' Haji Markiman Bin Kobiran
(Chairman/Independent Non-Executive Director)

Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan
(Member/Non Independent Non-Executive Director)

Leng Xingmin (冷醒民)
(Member/Managing Director)

NOMINATION COMMITTEE

Lim Soon Tong
(Chairman/Independent Non-Executive Director)

Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid
(Member/Independent Non-Executive Director)

Y.Bhg. Dato' Haji Markiman Bin Kobiran
(Member/Independent Non-Executive Director)

COMPANY SECRETARY

Wong Yuet Chyn
(MAICSA 7047163)

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Name: KANGER
Stock Code : 0170
Listed on 23 December 2013

REGISTERED OFFICE

No. 2-1, Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Malaysia
T: (603) 6201 1120
F: (603) 6201 3121 / 6201 5959

PRINCIPAL PLACE OF BUSINESS/ MANAGEMENT OFFICE

3/F, B1 Building Nanshanzhiyuan, Xueyuan Avenue 1001, Nanshan District Shenzhen 518055 People's Republic of China
T: (86) 0755 33390005
F: (86) 0755 33390055
E: business@krbamboo.com
W: www.krbamboo.com

AUDITORS

Messrs Siew Boon Yeong & Associates (AF 0660)
9-C, Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan (KL) Malaysia

SHARE REGISTRAR

ShareWorks Sdn Bhd
No. 2-1, Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Malaysia
T: (603) 6201 1120
F: (603) 6201 3121 / 6201 5959



GROUP CORPORATE STRUCTURE



康尔国际
KANGER INT'L
KANGER INTERNATIONAL BERHAD
(Incorporated in Malaysia)
Investment Holding



CORPORATE MILESTONES

2004

- Established Shenzhen Kanger Bamboo Wood Co., Ltd
- Recognised as sole authorised bamboo flooring supplier of B&Q China, which is part of Kingfisher Plc Group
- Launched environmentally friendly bamboo flooring product under 'Kanger' brand

2007

- Invented interlocking system which enables easy installation for some bamboo flooring products

2008

- Ventured upstream into the manufacturing of bamboo flooring by acquiring Ganzhou Kanger Industrial Co., Ltd
- Commenced construction of manufacturing plant in Ganzhou city, People's Republic of China
- Obtained CE marking in recognition for compliance with European Union legislation

2009

- Obtained trademark registration for 'Kanger' brand from State Administration for Industry and Commerce of the People's Republic of China

2010

- Expanded operations range to include the manufacturing of strand woven bamboo flooring and related products by acquiring Yanshan (County) Kanger Bamboo Industry Co., Ltd

2011

- Entered into Research and Development Agreement with Malaysian Forestry Research and Development Board to collaborate on research and development
- Launched 'KAR Masterpiece' brand for premium strand woven bamboo flooring and related products
- Improved interlocking system to facilitate easier installation of flooring products and obtained a patent for this improved interlocking system

2012

- Obtained trademark registration for 'KAR Masterpiece' brand
- Established first 'KAR Masterpiece' retail store in Shenzhen, People's Republic of China

2013

- Listed on the ACE Market of Bursa Malaysia Securities Berhad

2014

- Launched new series of high-end flooring products under its brand 'KAR ACE' and awarded 14 'KAR ACE' dealership in China in 2014

2016

- Set up trading company in Hong Kong under Kanger Trading (HK) Co. Limited
- Launched new series of bamboo furniture products



BOARD OF DIRECTORS' PROFILE

**Yang Mulia Dato' Paduka Sharipah
Hishmah Binti Dato' Sayed Hassan**

Age	65
Gender	Female
Nationality	Malaysian
Qualification	Diploma in Cosmetology from Louisiana State College, the United States of America
Position on our Board	Non-Independent Non-Executive Chairman
Date first appointed to our Board	6 February 2013
Membership of our Board Committees	Member of Remuneration Committee
Working experience	<p>Upon graduation from Louisiana State College, the United States of America in 1974, she worked with various cosmetic companies. In 1985, she started Tjanting Batik Sdn Bhd which is principally involved in the manufacturing and trading of batik, uniforms and corporate gift items. In 1997, she started the 'La Cucur' food outlets specialising in Malaysian delicacies.</p> <p>She is a director of several private limited companies, including Pandan Sutera Sdn Bhd which owns the 'La Cucur' food outlets, Laksamana Resources Sdn Bhd, a company dealing with fertiliser for farming, and Amalgamated Batteries Manufacturing (Sarawak) Sdn Bhd, an automotive and industrial battery manufacturer.</p>
Occupation	Company Director
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Mother of Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail, Executive Director
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	200,000 ordinary shares and 100,000 warrants 16,640,000 ordinary shares and 8,120,000 warrants (Indirect interests by virtue of the shares and warrants held by her spouse)
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	4 out of 5



BOARD OF DIRECTORS' PROFILE

Y.Bhg. Dato' Kuan Ah Hock

Age	54
Gender	Male
Nationality	Malaysian
Qualification	Sijil Pelajaran Malaysia
Position on our Board	Non-Independent Non-Executive Deputy Chairman
Date first appointed to our Board	30 May 2016
Membership of our Board Committees	Nil
Working experience	<p>He started his career in a small-scale construction company in Kuala Lumpur in 1984. In 1989, he started a sole proprietorship under the name of Hock Hup Enterprise specialising in various construction works.</p> <p>In 1994, he established Setiakon Builders Sdn Bhd (Setiakon) with a few partners to undertake bigger construction projects. Over the years, under his stewardship, Setiakon has grown from strength to strength and has undertaken numerous construction projects valued over RM4 billion. In 2007, Setiakon established Setiakon Builders L.L.C Dubai, UAE to expand into overseas market.</p> <p>Besides the construction industry, he also established Kah Fishery Sdn Bhd in 2011 to venture into the fishery industry in Pantai Remis.</p>
Occupation	Company Director
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Nil
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	52,393,400 ordinary shares (Deemed interests in shares held by Setiakon Builders Sdn Bhd pursuant to Section 8 of the Companies Act 2016)
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	4 out of 5



BOARD OF DIRECTORS' PROFILE

Leng Xingmin (冷醒民)

Age	47
Gender	Male
Nationality	Chinese (People's Republic of China)
Qualification	Diploma in Business Administration from the Nanchang University (南昌大学), China
Position on our Board	Managing Director
Date first appointed to our Board	6 February 2013
Membership of our Board Committees	Member of Remuneration Committee
Working experience	<p>He commenced his career in 1991 with the Bureau of Township Enterprises of Xiushui County, Jiangxi, (江西修水县乡镇企业局管理科) as Deputy Chief Management Officer in its Management Division. In 1998, Leng Xingmin started his own business by opening a gas station in Taishan, Guangdong. In 2000, he established Shenzhen Kangdeshun Industrial Development Co., Ltd. (深圳市康得顺实业发展有限公司) which was mainly involved in the trading of ceramic products.</p> <p>Leng Xingmin's involvement in the bamboo flooring industry began in 2004 when his family established Shenzhen Kanger to undertake the trading of bamboo flooring and related products. They subsequently ventured upstream into the manufacturing of bamboo flooring and related products through the acquisitions of Ganzhou Kanger and Yanshan Kanger in 2008 and 2010 respectively. Since his involvement in 2004, Leng Xingmin has been instrumental in the development of our Group, including development and/ or improvement of production methods to enhance the quality and/ or features of our products.</p>
Occupation	Company Director
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Nil
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	195,253,091 ordinary shares and 70,033,045 warrants
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	4 out of 5



BOARD OF DIRECTORS' PROFILE

Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail

Age	39
Gender	Male
Nationality	Malaysian
Qualification	Bachelor of Business (Honours) in Accounting, Universiti Malaya
Position on our Board	Executive Director
Date first appointed to our Board	6 February 2013
Membership of our Board Committees	Nil
Working experience	<p>He began his career as a Consultant with Thomas International, a human capital consulting company which is part of the Deloitte Kassim Chan group. In 2003, he joined I-HR Consulting Sdn Bhd, where he was responsible for fund raising and provision of outsourcing services to SMEs. In 2004, he joined Kenanga Private Equity Sdn Bhd, a subsidiary company of K & N Kenanga Holdings Berhad, where he was responsible for evaluation of potential investee companies. Thereafter in 2007, he joined KPMG as executive in its business advisory and internal audit division.</p> <p>He started RL Zinean Sdn Bhd which is principally involved in developing and supplying agricultural inputs (fertilizer) for plantations in 2008 and is also involved in the recovery of non-recyclable paper waste through another company, Flexoresearch Malaysia Sdn Bhd since 2010.</p>
Occupation	Company Director
Any other directorships in public companies	OCK Group Berhad
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Son of Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan, Non-Independent Non-Executive Chairman
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	1,018,190 ordinary shares and 509,095 warrants
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	5 out of 5



BOARD OF DIRECTORS' PROFILE

Chong Amita

Age	33
Gender	Male
Nationality	Malaysian
Qualification	LLB(Hons) Cardiff University, Wales, United Kingdom
Position on our Board	Executive Director
Date first appointed to our Board	1 June 2014
Membership of our Board Committees	Nil
Working experience	He is a Director of KAR Masterpiece Sdn Bhd, a wholly owned subsidiary of Kanger International Berhad. He is principally involved in researching, developing & promoting the use of sustainable material such as bamboo flooring in Malaysia and other developing countries.
Occupation	Company Director
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Son of Madam Lim Lai Choy, a substantial shareholder of the Company
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	1,200,024 ordinary shares and 600,012 warrants 600,000 ordinary shares and 300,000 warrants (Indirect interests through his spouse)
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	4 out of 5



BOARD OF DIRECTORS' PROFILE

Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid

Age	62
Gender	Male
Nationality	Malaysian
Qualification	Bachelor of Science in Agribusiness, Universiti Pertanian Malaysia Masters of Science, University of London Diplome Etude Approfondie and Doctor of Science in Management, University of Aix-Marseille, France Fellow, CPA Australia (FCPA) Chartered Accountant, the Malaysian Institute of Accountants
Position on our Board	Independent Non-Executive Director
Date first appointed to our Board	6 February 2013
Membership of our Board Committees	Chairman of Audit Committee Member of Nomination Committee
Working experience	He began his career in Sumitomo Corporation as executive in 1979 and subsequently joined Malaysian Industrial Development Authority (MIDA) as economist in the same year. In 1980, Datuk Seri Dr. Md. Zabid Bin Haji. Abdul Rashid joined Universiti Pertanian Malaysia and was its Head of Department of Management Studies (1995-1997), Deputy Dean of the Faculty of Economics and Management (1995-1997), Founding Dean of the Malaysian Graduate School of Management (1997-2001) and Chief Operating Officer of the Malaysian Graduate School of Management Foundation 1997-2002. He retired from Universiti Pertanian Malaysia in 2003 and joined Open University Malaysia where he held the positions of Director of Centre for Graduate Studies and Professor of Management of the Faculty of Business and Management until 2006.
Occupation	CEO, Yayasan Pendidikan Tun Abdul Razak (PINTAR)
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Nil
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	Nil
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	5 out of 5



BOARD OF DIRECTORS' PROFILE

Y.Bhg. Dato' Haji Markiman Bin Kobiran

Age	60
Gender	Male
Nationality	Malaysian
Qualification	Bachelors of Law (LLB. Hons), Universiti Malaya
Position on our Board	Independent Non-Executive Director
Date first appointed to our Board	8 June 2015
Membership of our Board Committees	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee
Working experience	He is the Principal Partner Messrs Markiman & Associates from 1989 onwards. He was also the Member of Parliament of Hulu Langat from 2004 to 2008, Chairman of Commercial Vehicle Licensing Board of Peninsular Malaysia from 2006 to 2009 and Political Secretary to the Honourable Home Affairs Minister and the Honourable Defence Minister from 2009 to 2014.
Occupation	Advocate & Solicitor
Any other directorships in public companies	Tri-Mode System (M) Berhad
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Nil
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	Nil
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	5 out of 5



BOARD OF DIRECTORS' PROFILE

Lim Soon Tong

Age	61
Gender	Male
Nationality	Malaysian
Qualification	The Association of International Accountants (ACAE Level)
Position on our Board	Independent Non-Executive Director
Date first appointed to our Board	15 June 2015
Membership of our Board Committees	Chairman of Nomination Committee Member of Audit Committee
Working experience	Presently Mr Lim Soon Tong is the Trade and Investment Adviser for any business set up in Malaysia. He is principally involved in advising on economic and trade matters with 20 years' experience in this position.
Occupation	Trade Commissioner
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Nil
Any conflict of interests with our Group	Nil
Interest in securities (as at 1 April 2018)	10,000 ordinary shares
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil
No. of Board meetings attended in the financial year	4 out of 5



KEY SENIOR MANAGEMENT'S PROFILE

Kindly refer to Board of Directors' Profile for the profiles of Leng Xingmin (冷醒民) (Managing Director), Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail (Executive Director) and Chong Amita (Executive Director). The profiles of other Key Senior Management are as follows:-

Ji Chuanhu (季传虎)

Age	43
Gender	Male
Nationality	Chinese (People's Republic of China)
Qualification	Anqing Normal University, majoring in Accounting
Position	Chief Financial Officer
Date first appointed	2 March 2017
Working experience	Upon graduation from Anqing Normal University in 1995, he joined Anhui Kailin Co. Ltd. as Accounting Supervisor. From 1998 to 2002, he joined Shenzhen Foxconn group of companies as Supervisor of Operations and Management. Subsequently, from 2002 to 2009, he joined Gaodian Garment (Shenzhen) Co. Ltd. as its Finance Manager. From 2009 to 2016, he was appointed as the Group Finance Manager of Ming Fai Industrial Shen Zhen Co. Ltd., which parent company is listed on the Hong Kong Stocks Exchange.
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Nil
Any conflict of interests with our Group	Nil
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil



KEY SENIOR MANAGEMENT'S PROFILE

Shen Shanzi (沈珊子)

Age	40
Gender	Male
Nationality	Chinese (People's Republic of China)
Qualification	Diploma in Business Management, Nanchang University
Position	Head of Production, Ganzhou Kanger Industrial Co., Ltd
Date first appointed	1 July 2010
Working experience	He began his career with Shenzhen Taiwei Footwear Co., Ltd. in 2000 as Head of Production and Trading Departments where he was in charge of product development and management. He joined Shenzhen Minghaifeng Footwear Co., Ltd. as its director of Production and Trading Departments in 2008 prior to joining to our Group in 2010.
Any other directorships in public companies	Nil
Any family relationships with our Directors and/or major shareholders or any companies that have entered into any transactions with our Group	Nil
Any conflict of interests with our Group	Nil
List of convictions of offences within the past five (5) years other than traffic offences, if any	Nil



CHAIRMAN'S STATEMENT

To our Shareholders,

On behalf of our Board of Directors, it gives me great pleasure to present to you our Annual Report and Audited Financial Statements for the financial year ended 31 December 2017 ("FYE 2017").

PERFORMANCE OVERVIEW

For the FYE 2017, I am pleased to report that our Group recorded revenue of RM73.50 million and profit before taxation of RM7.67 million. These represent an increase of 6.85% and 34.56% respectively as compared to those of the financial year ended 31 December 2016 ("FYE 2016"). Gross profit margin and profit before tax margin stood at 22.07% (FYE 2016: 22.96%) and 10.44% (FYE 2016: 8.78%) respectively for the FYE 2017. Our net earnings per share recorded for FYE 2017 was 0.91 sen (FYE 2016: 0.84 sen).

For the FYE 2017, our Group's horizontal and vertical bamboo flooring products contributed 71.21% of the revenue (FYE 2016: 89.32%), while strand woven and its related products contributed the remaining 28.79% (FYE 2016: 10.68%). Of these total sales, 54.26% were contributed from export sales to countries outside of the People's Republic of China (FYE 2016: 70.09%).

As at 31 December 2016, our net assets stood at RM122.40 million (FYE 2016: RM121.42 million), translating into net assets per share of 15.33 sen (FYE 2016: 15.21 sen).

CORPORATE DEVELOPMENT

On 20 February 2017, we entered into a Memorandum of Understanding ("MOU") with Forrest Research Institute Malaysia ("FRIM") to jointly co-operate in developing the bamboo industry in Malaysia into building material products. Both parties shall promote cooperation in the following areas:

- (i) The development of the bamboo industry in Malaysia for bamboo products structural and/or building construction and but not limited to other high value bamboo products;
- (ii) Establishment of a bamboo plantation on a commercial scale in Malaysia;
- (iii) Technical and financial data to support the above mentioned areas and to the sales & marketing and use of bamboo;
- (iv) Research and development to improve bamboo products, manufacturing processes or in new uses or products;
- (v) Leveraging on Kanger's international sales network and experience in the bamboo industry to develop the bamboo industry in Malaysia as a new economic sector;
- (vi) Obtaining financing and relevant approvals for the use of land for activities related to the development of the bamboo industry, plantation and product and raw material manufacturing; and
- (vii) Carrying out other cooperative activities as may be decided upon by both parties.

The MOU with FRIM is in line with our objective of diversifying its earnings base and explore new markets by developing new bamboo related products and plantations. By leveraging on the expertise of FRIM, a reputable and leading government agency in Malaysia, we envisage that a new bamboo industry sector in Malaysia can be developed at a faster pace and more quality and innovative products can be developed in the future.





MARKET REVIEW AND BUSINESS OUTLOOK

During the last twenty (20) years, bamboo has developed an exceptionally valuable and often superior substitute for other wood products. Bamboo poses a high potential to replace wood in many industrial applications and thereby contribute to the saving and restoration of the world's forests in the long term.

Consumers are becoming more aware of the importance of protecting the environment and bamboo is one of the solutions towards such ideology. Bearing growing awareness of the benefits and the aesthetic value of bamboo, bamboo flooring has become one of the trending choices in the flooring material industry as a greener and more sustainable choice.

China's strong economic growth has led to increasingly affluent consumers who now have the purchasing power

as well as the willingness to pay to enhance individual lifestyles for greater comfort and pleasure. The modernisation and urbanisation of the country has also caused a growth in China's property construction industry, an industry that the bamboo flooring market is dependent on for the consumption of its products. Under its 13th Five-Year Plan (2016-2020), China aims to double its 2010 GDP and the 2010 per capita income of both urban and rural residents by 2020 and will focus more on green and low-carbon industries. This is envisaged to positively affect the bamboo flooring market. In addition, bamboo flooring products are increasingly welcomed by the consumer due to merits like environmental friendliness and high price-to-performance ratio.

CORPORATE GOVERNANCE

Our Board and our Management are always committed to carrying out the best practices of corporate governance throughout our business activities and operations, based on the recommendations of Best Practices as enshrined in the Malaysian Code on Corporate Governance. We believe that this is a fundamental part of fulfilling our responsibilities to protect all our stakeholders' interest and values and to enhance the business prosperity of our Group.

Our Board believes in maintaining at all times high standards of transparency, accountability and integrity in our activities, business practices, operation effectiveness, efficiency and competitiveness. We are confident that this will ensure sustainable growth and long-term shareholders' value.

CORPORATE SOCIAL RESPONSIBILITY

As a green products manufacturer, we are mindful of the impact of our operations have on the society and environment. Our Group's key corporate social responsibility platforms continue to be in the areas of environment, employees and training. We will continue to identify activities where our support can make a real difference.



ACKNOWLEDGEMENT AND APPRECIATION

On Behalf of our Board, I would like to thank our shareholders, business partners, bankers and regulatory authorities for your invaluable support and assistance throughout the year. We look forward to your continued support as we journey ahead together to another promising year.

I would also like to thank my fellow Board Members for your commitment to our Group and, to the management and staff, my heartfelt thanks for your loyalty, dedication and commitment to our Group.

**Yang Mulia Dato' Paduka Sharipah Hishmah
Binti Dato' Sayed Hassan**
(Non-Independent Non-Executive Chairman)



MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

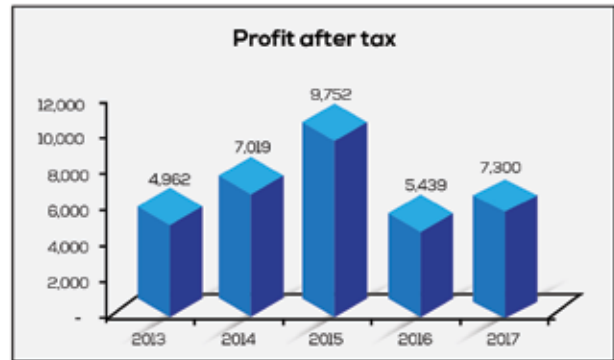
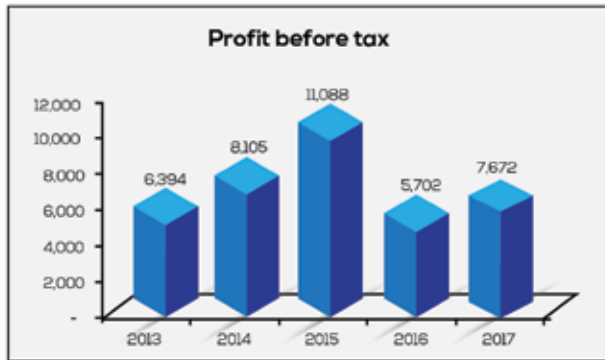
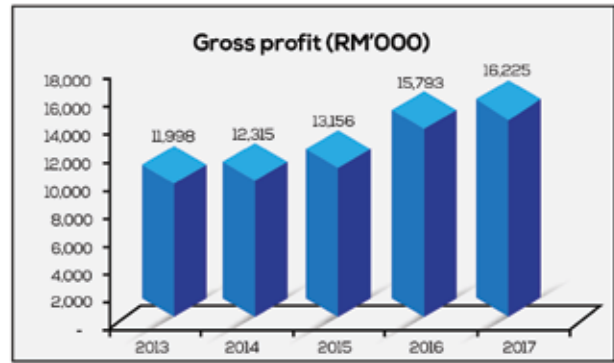
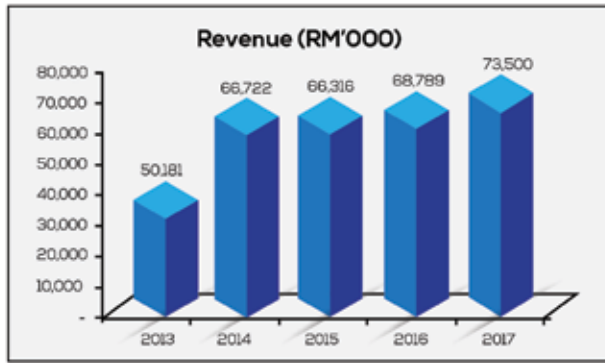
Our Group is principally involved in the manufacturing and trading of bamboo flooring and bamboo furniture related products. Our main factories are located in Ganzhou (赣州) and Yanshan (铅山), both located in Jiangxi Province, People's Republic of China ("PRC"). We also have our main sales office in Shenzhen (深圳), Guangdong Province, PRC and Hong Kong. In addition, we have also established a research and development company in Malaysia, namely KAR Masterpiece Sdn Bhd.

Beside PRC, we also concentrate our sales globally. For the past three years, our export sales contributed more than 50% of our sales. Our principal export markets include countries in North America, Europe and Asia.

Over the years, we have been the recipient of various accreditations and/or awards in recognition of amongst others, our quality products and customer service with the most recent being Ganzhou Leading Enterprise' (赣州龙头企业) by the Ganzhou Municipal Government (赣州市人民政府). In addition, our commitment to quality and environmentally responsible practices have also enabled us to obtain the ISO 9001:2008 certification for our Quality Management System and the ISO 14001:2004 certification for our environmental management system.



FINANCIAL PERFORMANCE



(a) Revenue

The increase in revenue by 6.85% for FYE 2017 as compared to FYE 2016 was mainly due to the pick-up in domestic PRC sales by RM13.80 million due to our Group's increased effort in marketing its products to the domestic PRC market. The breakdown in sales by geographical area for FYE 2017 and FYE 2016 is as follows:-

	FYE 2017 RM '000	FYE 2016 RM '000
PRC	33,616	20,576
Export		
- Malaysia	8,613	7,035
- New Zealand	4,980	6,047
- Mexico	4,586	4,224
- United Arab Emirates	4,369	-
- Bangladesh	3,357	-
- Canada	2,646	16,579
- Others*	11,333	14,328
	<u>39,884</u>	<u>48,213</u>
	<u>73,500</u>	<u>68,789</u>

* Includes countries in Europe, Asia and South America.



FINANCIAL PERFORMANCE

Although sales to the export market had decreased by 17.28% in FYE 2017, sales to the domestic PRC market had increased by 63.37% in FYE 2017 due to our Group's marketing efforts in the domestic PRC market. Overall, export sales contributed 54.26% in FYE 2017 as compared to 70.09% in FYE 2016.

(b) Gross Profit

Our Group recorded gross profit of RM16.23 million for FYE 2017, representing a gross margin of 22.07%, as compared to 22.96% in FYE 2016. The slight decrease in gross margin in FYE 2017 as compared to FYE 2016 was mainly due to sale of higher margin products in FYE 2016, especially in the quarter ended 30 September 2016.

(c) Profit before tax

For FYE 2017, our Group recorded profit before tax of RM7.67 million, an increase of RM1.97 million as compared to FYE 2016. This was mainly due to the increase in revenue in FYE 2017 as well as cost cutting measures implemented in the PRC subsidiaries in FYE 2017.

A comparison of the operating expenses between FYE 2017 and FYE 2016 is as follows:-

	FYE 2017 RM '000	FYE 2016 RM '000
Administrative expenses	5,420	8,042
Selling and distribution expenses	2,194	2,268
Other operating expenses	196	21
Finance costs	917	860

Administrative expenses decreased by RM2.62 million or 32.60% in FYE 2017 as compared to FYE 2016 mainly due to cost cutting measures implemented in the PRC subsidiaries in FYE 2017.

(d) Profit after tax

For FYE 2017, our Group recorded profit after tax of RM7.30 million, an increase of RM1.82 million as compared to FYE 2016 mainly due to the reasons highlighted above. The effective tax rate for FYE 2017 was 4.84%. The PRC income tax is computed in accordance with the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for the FYE 2017, except for our Group's subsidiary, Ganzhou Kanger Industrial Co., Ltd, which currently enjoys a preferential tax rate of 15%. In addition, Kanger Trading (HK) Co. Limited currently enjoys 0% tax rate in Hong Kong as it is an export company and derives its income overseas.

(e) Property, plant and equipment

Property, plant and equipment increased by RM30.91 million or 69.00% in FYE 2017 as compared to FYE 2016 mainly due to construction cost incurred in FYE 2016 for our commercial properties in Ganzhou.



FINANCIAL PERFORMANCE

(f) Trade receivables

Trade receivables increased by RM5.67million or 20.26% in FYE 2017 as compared to FYE 2016 mainly due to increase in sales in FYE 2017. Trade receivables turnover period increased slightly to 151 days as compared to 127 days in FYE 2016.

(g) Other receivables

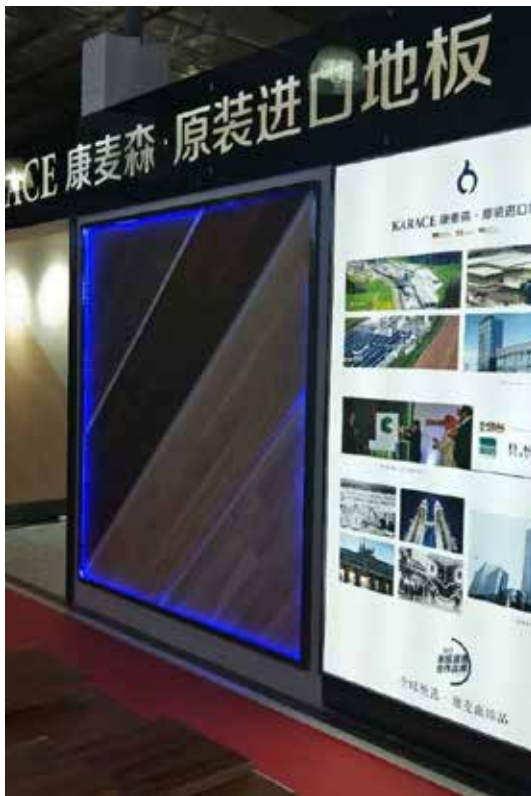
Other receivables decreased by RM7.81 million or 28.61% in FYE 2017 as compared to FYE 2016 mainly due to prepayment of RM11.62 million to our contractor for the construction of the commercial building in Ganzhou in FYE 2016 which was capitalised in FYE 2017.

(h) Capital structure and capital resources

Our Group's cash and cash equivalent decreased by RM5.60 million to RM10.05 million while bank borrowings increased by RM20.97 million to RM55.00 million in FYE 2017. Going forward, our group's main capital expenditure is the construction of the commercial building in Ganzhou and this will be financed via bank borrowings, issuance of redeemable convertible notes and/or internally generated funds. Our Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years.

(i) Known trends and events

The principal business of our Group was not significantly affected by seasonal or cyclical factors save for the long Chinese New Year holidays in the PRC in the financial quarter ended 31 March 2017.



KNOWN MAJOR RISKS AFFECTING OUR GROUP

(a) Disruption in supply and/or price fluctuation of bamboo materials

The major raw material our Group is using is raw bamboo. Currently Our bamboo materials are sourced within the Jiangxi province of China where our Ganzhou and Yanshan manufacturing facilities are located. However, bamboo cutters are not encouraged to harvest bamboo during the spring season, that is from January to March, to avoid potential damage to the growth of new bamboo or shoots during this season.

As such, should we face a shortage of bamboo materials and our suppliers are unable to fulfil our requirements, our operations and financial performance could be adversely affected. However, over the years of operations, we have not faced any shortage of bamboo materials as we have capacity to stockpile sufficient quantities of bamboo materials for our requirements and / or pay deposits to our supplier to secure our bamboo materials supply, if required. We have also established good business relationships with our major suppliers, the majority of whom we have been dealing with for more than seven years, and have not experienced any material disruption in the supply of bamboo materials from our suppliers nor any material increase in the price of bamboo materials. In addition, we do not foresee any major difficulty in sourcing the required quantities of bamboo materials as bamboos grow in abundance in the Jiangxi province and there are a number of bamboo cutters and/or distributors whom we can source from should the need arises.

(b) Competition within our industry

We operate in the bamboo flooring industry which is fragmented with approximately 200 bamboo manufacturers spread across PRC. Thus, there can be no assurance that we will continue to be able to compete successfully with the other competitors and/or new entrants in the future. Our success will depend on our ability to compete effectively against these competitors in terms of amongst others, product quality, product range and customer service.

In mitigating this risk, we intend to continue our focus on improving the quality of our existing products and accelerate the development of new products through research and development. We will also continue to widen our domestic distribution network through the appointment of third party dealers to increase awareness of our products and our brands and thereby, expand our business.

(c) Competition from substitute flooring products

Bamboo flooring can be substituted with a variety of other flooring materials. Their closest substitutes are other wood flooring types, including solid wood, engineered solid wood, laminate wood and cork flooring. Substitution and preference across various flooring materials are based on aesthetic and functional factors as well as price/cost requirements.

However, it is anticipated that increasing awareness of the benefits of bamboo as a renewable source and substitute for other wood species will result in greater demand for bamboo flooring.

As part of our efforts to increase demand for our products, we have launched new series of bamboo flooring products, bamboo wall panelling, bamboo doors and bamboo furniture over the years, with different features and/or aesthetics to cater for different consumer preferences and requirements as well as different pricing to cater for different segments of the market. Further, to complement bamboo as an environmentally friendly material, we are committed to 'green' operating practices, whereby our environment management system has been accredited as being ISO 14001:2004 compliant.



FUTURE PLANS

In line with the bright outlook of the bamboo industry, our Group has identified the following main strategies to continue to grow our businesses:-

- (a) Expansion of our Group's flooring products with the launching of new series of bamboo flooring products;
- (b) Enhancing our Group's flooring products to focus more on 'green' strand woven products;
- (c) Expansion of our Group's product portfolio to include bamboo furniture marketed under the 'KAR-ACE' brand;
- (d) Expansion of our Group's presence by increasing the number of appointed dealers and number of sales and marketing channels; and
- (e) Diversification of our Group's principal activities to include property investment and management which will provide our Group with additional income and cash flows. The property under construction is expected to be completed within FYE 2018.

We are aware of the challenging year ahead for our operations due to the development in the global economic environment. Nevertheless, our Group will continually strive to maintain our growth momentum going forward.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our Group recognises that while we are committed to building a sustainable business, we must also be mindful of our corporate social responsibility (“CSR”) towards key stakeholders when carrying out our business activities. Therefore, we strive to maintain a balance between increasing shareholders’ wealth as well as being responsible towards our human capital, society, the environment and marketplace.

The key aspects of our CSR initiatives are as follows:-

Environment

As a ‘green’ building materials provider, we are committed to ‘green’ operating practices and have in place an environmental management system which has been accredited as being ISO 14001:2004 compliant. Our practice and control for environment management include:-

- (a) Preserving, conserving, minimising waste of resources and ensuring that our work environment is free from pollution and recognised hazards;
- (b) Complying with relevant environmental, health and safety laws for controlling hazardous chemical substances in products and materials;
- (c) Conducting periodic management review of our policy, objectives and targets to ensure suitability and effective implementation of our environmental management program;
- (d) Communicating to all employees to ensure adequacy in environmental awareness, skill, knowledge and competency; and
- (e) Communicating and promoting awareness to customers and suppliers and making the environmental policy available to the public upon request.

Dynamic and high performance workforce

We place great importance on hiring the right candidate for the right job. As we go forward and as part of our succession planning, we will continue to focus on attracting quality talents who best fit our job requirements and complement our work culture. We firmly believe that, by aligning our recruitment strategies, we will continue to attract the best talent to further enhance our values and achievements.

At our Group level, our male and female employees’ ratio shows a healthy distribution of 55:45 as at 31 December 2017, as compared to 50:50 as at 31 December 2016. Our total staff strength stood at 117 as at 31 December 2017, as compared 176 as at 31 December 2016.

We provide a safe and friendly factory for our employees under the requirements of ISO. Our safety policy outlines the safety measures to be observed by our employees. The employees are also provided with adjacent hostels attached with kitchens and toilets. We acknowledge the contribution of our employees in driving the performance of our business. We recognise good talents and reward them accordingly with promotions and incentives. We provide induction training for new staff to familiarise themselves with the new environment. We encourage our employees to work together in harmony to achieve a common vision. Every employee is given equal opportunity to rise up in their positions through hard work and dedication.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Workforce diversity

Our Board is committed in recognising and utilising the contribution of diverse skills and talent from our directors, officers and employees as a mean of enhancing our Group's performance. Diversity may result from wide range of factors which include age, gender, ethnicity or cultural background.

Our Board is actively managing our workforce diversity to ensure equal employment opportunity regardless of genders. We foster an environment where the ability to contribute and access employment opportunities is based on performance, skills and merits. These will include equal opportunity in respect to employment and employment conditions such as hiring, training for professional development and promotion for career advancement.

Training and development

We understand the importance and are committed to the training and development of our employees. We provide regular on-the-job trainings pertaining to management skills and/or technical knowledge to provide them with opportunities to acquire new skills and/or knowledge.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Our Board of Directors (“**Board**”) is fully committed to the principles and recommendations made in the Malaysian Code on Corporate Governance which took effect on 26 April 2017 (“**MCCG**”). This ensures that the best practices of corporate governance including accountability and transparency are adhered to by us to achieve long term financial performance and growth as our Board is mindful of its accountability to our shareholders and various stakeholders.

Our Board is pleased to report to the shareholders, our application of the three (3) key principles of the MCCG during the financial year ended 31 December 2017 (“**FYE 2017**”):

- (a) Board leadership and effectiveness;
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS PART 1 – BOARD RESPONSIBILITIES

Intended Outcome 1.0

- Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company

1.1 Strategic aims, values and standards

Our Board is responsible for the leadership, oversight and long term success of our Group. Our Board has established a Board Charter to provide guidance and clarity for Directors and Management with regard to the functions reserved for Board and those to be delegated to Management.

Our Board has reserved a formal schedule of matters for its decision making to ensure that direction and control of our Group are firmly in its hands.

As part of its efforts to ensure the effective discharge of its duties, our Board has delegated certain functions to respective Board Committees with each operating within it a clearly defined Terms of Reference (“**TOR**”). The Chairman of each Committee will report to our Board on the outcome of the Committee’s meetings which also include the key issues deliberated at the Committee’s meetings.

Our Board has put in place the following Board Committees to assist in carrying out its fiduciary duties:-

- (a) Audit Committee (“**AC**”);
- (b) Nomination Committee (“**NC**”);
- (c) Remuneration Committee (“**RC**”); and

All of these Committees have written TOR clearly outlining their objectives, duties and powers. The final decisions on all matters are determined by our Board as a whole.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.2 The Chairman of our Board

Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan is our Non-Independent Non-Executive Chairman and her overall responsibility is to instil good corporate governance practices, provide leadership and ensure effectiveness of our Board. Her profile is set out in the Board of Director's Profile of this Annual Report.

Our Chairman's responsibilities include:

- (a) leadership of our Board;
- (b) overseeing the effective discharge of our Board's supervisory role;
- (c) facilitating the effective contribution of all Directors;
- (d) conducting our Board's function and meetings;
- (e) briefing all the Directors in relation to issues arising at meetings;
- (f) scheduling regular and effective evaluations of our Board's performance; and
- (g) promoting constructive and respectful relations between Board members and the Management.

1.3 Separation of the position of Chairman and Managing Director

The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to our Board and overall conduct of our Board. The Managing Director is responsible for the development of the corporate goals and objectives and the setting of strategies to achieve them.

The roles and responsibilities of the Chairman and Managing Director are spelt out in our Board Charter as disclosed in our website at www.krbamboo.com.

1.4 The Company Secretary

The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in our statutory register. The Company Secretary also keeps abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training, and updates our Board on the latest regulatory updates.

Our Board has ready and unrestricted access to the advice and services of the Company Secretary, who is considered capable of carrying out the duties to which the post entails.

Protocol for seeking of professional advisory services

Where applicable, our Directors whether as a full board or in their individual capacity, are encouraged to seek independent professional advice from the following parties:-

- (a) For corporate and/or governance matters, the Company Secretary;
- (b) For audit and/or audit-related matters, any representatives of the audit engagement team of the External Auditors or the Internal Auditors;
- (c) For any other specific issues where professional advice is required to enable our Board to discharge its duties in connection with specific matters, our Board may proceed to do so, with prior consultation with the Managing Director, in relation to the quantum of fees to be incurred.

The appointment and removal of Company Secretary is a matter for the Board as a whole.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.5 Meeting materials

Agenda and discussion papers are circulated at minimum seven (7) days prior to our Board and Board Committee meetings to allow the Directors and Committee Members to study, evaluate the matters to be discussed and subsequently make effective decisions. Procedures have been established concerning the content, presentation and timely delivery of papers for each meeting of our Board and Board Committee meetings as well as matters arising from such meetings. Actions or updates on all matters arising from any meetings are reported in the subsequent meeting.

In between Board meetings, approvals on matters requiring the sanction of our Board are sought by way of circular resolutions enclosing all the relevant information to enable our Board to make informed decisions. All circular resolutions approved by our Board are tabled for notation at the subsequent Board meeting. Our Board also perused the decisions deliberated by the Board Committees through minutes of these Committees. The Chairman of the respective Board Committees is responsible for informing our Board at the Directors' Meetings of any salient matters noted by the Committees and which may require our Board's direction.

Intended Outcome 2.0

- **There is demarcation of responsibilities between the board, board committees and management.**
- **There is clarity in the authority of the board, its committees and individual directors.**

2.1 Board Charter

The Board Charter sets out the role, composition and responsibilities of our Board. It outlines processes and procedures for our Board and its committees in discharging their stewardship effectively and efficiently.

The specific duties of our Board and a formal schedule of matters reserved for our Board and those delegated to the Management are spelt out in our Board Charter as disclosed in our website at www.krbamboo.com. It is the practice of our Board to deliberate on significant matters that concern the overall Group business strategy, acquisition or divestment, major capital expenditure and significant financial matters as well review of the financial and operating performance of our Group.

The Board Charter is disclosed in our website at www.krbamboo.com.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Intended Outcome 3.0

- The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.
- The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

3.1 Code of Conduct

Our Group has in place codes of ethics for Directors and employees based on four elements which are sincerity, integrity, responsibility and corporate responsibility. The Code of Conduct is disclosed in our website at www.krbamboo.com.

We recognise that any genuine commitment to detecting and preventing actual or suspected unethical, unlawful, illegal, wrongful or other improper conduct must include a mechanism whereby employees can report their concerns freely without fear of reprisal or intimidation. Any report received will be investigated and appropriate actions shall be taken by Human Resources Department.

3.2 Whistle Blowing Policy

Our Board has also established a whistleblowing policy to provide an opportunity for all employees of our and members of the public to disclose any improper conduct within our Group, and to provide protection for employees and members of the public who report such feedback. The whistleblowing policy is disclosed in our website at www.krbamboo.com.

PRINCIPLE A: PART 2 – BOARD COMPOSITION

Intended Outcome 4.0

- Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

4.1 Board Composition

We are led by an experienced Board, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Deputy Chairman, one (1) Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors. The current composition of our Board provides an effective Board with a mix of industry specific knowledge, broad-based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. The roles of the Non-Independent Non-Executive Chairman, the Managing Director, the Executive Directors and the Independent Non-Executive Directors are separated and each has a clearly accepted division of responsibilities to ensure a balance of power and authority.

Whilst we support the recommendation made under the Recommendation 4.1 of the MCCG, our Board views the number of its Independent Directors as adequate to provide the necessary check and balance to our Board's decision-making process. The Independent Non-Executive Directors have fulfilled their role as Independent Directors through objective participation in Board deliberations and the exercise of unbiased and independent judgement.

The biographical details of the Board members are set out in the Board of Directors' Profile section of this Annual Report.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.2 Tenure of independent director

Our Board has not developed a policy which limits the tenure of our Independent Directors to nine (9) years. However, our Board is mindful that the tenure of an independent director should not exceed a cumulative term limit of nine (9) years and upon completion of the nine (9) years, an Independent Director may continue to serve on our Board as a Non-Independent Director pursuant to the MCGG. Otherwise, our Board will justify and seek shareholders' approval at the Annual General Meeting ("AGM") in the event our Board retains such Director as an Independent Director. If our Board continues to retain the Independent Director after the twelfth (12th) year, our Board will seek annual shareholders' approval through a two-tier voting process and the manner to obtain the shareholders' approval on the resolution shall follow the MCGG.

Our Board further recognises that tenure is not an absolute indicator of a Director's decreased independence and objectivity. Independent judgement and the continued ability to act in our best interests and the minority shareholders demonstrated through active participation at meetings should also be considered.

The independence of Directors is measured based on the criteria prescribed under the ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in our best interests.

None of the Independent Directors has served more than nine (9) years on our Board as at the date of this Statement.

4.3 Diversity of the Board and Senior Management

We do not practice any form of gender, ethnicity and age group biasness as all candidates for either Board or Senior Management team shall be given fair and equal treatment.

Our Board believes that there is no detriment to us in not adopting a formal gender, ethnicity and age group diversity policy as we is committed to provide fair and equal opportunities and nurturing diversity within our Group.

Notwithstanding with the above, our Board affirms its commitment to boardroom diversity as a truly diversified board can enhance the board's effectiveness, perspective, creativity and capacity to thrive in good times and to weather the tough times.

In identifying suitable candidates for appointment to our Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on our Board.

4.4 Gender Diversity

Although presently there is no any gender diversity policy, our Board will strive to maintain female composition in line with the recommendation of the Code, in recognition of the contributions that female board members can bring to our Board and our Group. Currently, the Chairman is our only female Director. Nevertheless, our Group is an equal opportunity employer and all appointments and employments are based on merits and are not driven by any racial or gender bias.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.5 Board appointment

Appointment of the Board and re-election of Directors

Appointment of the Board

Our Board believes that individuals who are nominated by our Board to be a Director should have demonstrated notable or significant achievements in business, education or public service; should possess the requisite intelligence, education and experience to make a significant contribution to our Board and bring a range of skills, diverse perspectives and backgrounds to its deliberations and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the shareholders. In identifying candidates for appointment to our Board, our Board may rely on recommendation from existing Board members, major shareholder, management or independent sources.

The Nomination Committee oversees the selection criteria and recruitment process and recommend to our Board, candidates for any directorships recommended by our Board or shareholders taking into consideration the candidates':-

- (a) age and gender;
- (b) competencies, commitment, contribution and performance;
- (c) professionalism;
- (d) integrity;
- (e) expected contribution to our Group.

The candidate is then recommended to our Board for approval before his/her appointment.

Re-election of Directors

In accordance with our Articles of Association, one-third of the Directors retires from office every year at the AGM and subsequently offers themselves for re-election by the shareholders. Directors who are appointed by our Board are subject to election by our shareholders at the AGM held following their appointments. In addition, any Director who are to be appointed either to fill a casual vacancy or as an additional Director, shall hold office only until the next AGM and shall be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Our Board has concurred the same and resolved that Leng Xingmin and Dato' Haji Markiman bin Kobiran be recommended to the shareholders for approval at the forthcoming AGM 2018.

Lim Soon Tong, who retires pursuant to our Articles of Association, has expressed his intention of not seeking re-election. Hence, he will retain office until the conclusion of the forthcoming AGM.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.6 Nomination Committee

The NC comprises wholly of Independent Non-Executive Directors, as follows:-

Name	Position	No. of NC Meetings attended/ held for the FYE 2017
Lim Soon Tong (Independent Non-Executive Director)	Chairman	2/3
Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid (Independent Non-Executive Director)	Member	3/3
Y.Bhg. Dato' Haji Markiman Bin Kobiran (Independent Non-Executive Director)	Member	3/3

The NC is empowered by our Board and its TOR to bring to our Board recommendations as to the appointment of new Directors. The NC reviews the required mix of skills, experience, diversity and other qualities of the Director, including core competencies. The NC also makes assessment on the effectiveness of our Board and evaluation of our Board as a whole, individual Director and Board Committees.

Having regard to the operations of our Group viz-a-viz the size and composition of our Board, our Board has dispensed with the formality of appointing a Senior Independent Non-Executive Director from amongst our Board Members. Any concerns from the shareholders can be conveyed to any of the Independent Non-Executive Director of our Board.

The NC had undertaken the following activities for the FYE 2017:-

- (a) Facilitated the self and peers' assessment on AC Members;
- (b) Reviewed performance evaluation sheet for our Board and Board Committees;
- (c) Reviewed performance evaluation sheet for individual Director peer evaluation;
- (d) Reviewed the effectiveness of the AC as a whole; and
- (e) Reviewed and recommended to our Board, the re-election of the Directors who will be retiring at our forthcoming AGM;



CORPORATE GOVERNANCE OVERVIEW STATEMENT

2017 Directors' Training

Our Directors are encouraged to attend continuing education programs and seminars to keep abreast with current developments in the market place and with new statutory and regulatory requirements.

All members of our Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

During the FYE 2017, the training programs and seminars attended by our Directors were as follows:-

Directors	List of Training/ Conference/ Seminar/Workshop Attended/ Participated
Y.Bhg. Dato' Kuan Ah Hock	- Workshop on appliance of winning: The CIPAA 2012 Case Study effect.
Leng Xingmin (冷醒民)	- Seminar on using bamboo as building material and overview of bamboo industry.
Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail	- CG breakfast series for Directors: Leading in a volatile, uncertain, complex, ambiguous (VUCA) world. - Sustainability forum for Directors/ CEOs: The velocity of global change of sustainability. The new business model.
Chong Amita	- How to expand your business to Europe. Grow your business.
Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid	- Growing Talent Crisis in Malaysia: Challenges and Solutions. - Managing and Nurturing Future Talents. - Khazanah Megatrends Forum 2017. - Malaysian Institute of Accountants Conference. - 5th Global Waqf Conference. Attributes of Leadership & Talent Management in Waqf Administration.
Y.Bhg. Dato' Haji Markiman Bin Kobiran	- CG breakfast series for Directors: Leading in a volatile, uncertain, complex, ambiguous (VUCA) world. - Sustainability forum for Directors/ CEOs: The velocity of global change of sustainability. The new business model. - Comprehending Financial Statements for Directors and Senior Management.

Yang Mulia Dato' Paduka Sharipah Hismah Binti Dato' Sayed Hassan and Lim Soon Tong did not attend any training during FYE 2017 as both of them were tied up in urgent matters at those times when the training program were scheduled. However, they kept abreast with corporate and regularly updates through dissemination of updates and notices from Bursa Securities and Securities Commission and also by reading corporate affairs material and professional journal.

The Company Secretary regularly updates our Board on changes to ACE LR of Bursa Securities and other relevant guidelines/legislation at Board meetings. Our Directors will continue to undergo relevant training programs to further enhance their skills and knowledge in the discharge of their stewardship role.

Upon review, our Board concluded that the 2017 Directors' Trainings were adequate.

2018 Training Needs

Upon review of the training needs of our Directors for the financial year ending 31 December 2018 and recognising the need to keep abreast with the fast changing business and regulatory environment, our Board has encouraged its members to attend at least two (2) continuing education programmes.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Intended Outcome 5.0

- Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

5.1 Annual assessment of the Directors, Board as a whole and Board Committees

Our Board has through the Nomination Committee, conducted the following annual assessments for the FYE 2017:-

- Directors' self-assessment;
- Evaluation on the effectiveness of the Board as a whole and Board Committees; and
- Audit Committee Member's Self and Peer Evaluation.

Based on the evaluation done, it was noted that each Director had fair assessment with an above average rating.

Intended Outcome 6.0

- The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.
- Remuneration policies and decisions are made through a transparent and independent process.

6.1 Remuneration Policy

Our Board does not have any formal remuneration policy. Notwithstanding that, RC is guided by the TOR of RC to recommend to our Board a Remuneration Framework on the fee structure and level of remuneration for the Managing Director and Executive Directors as well as remuneration package for Non-Executive Directors. The determination of remuneration packages of Non-Executive Directors is a matter for our Board as a whole.

For the FYE 2017, the RC had performed its duty to assess annually the remuneration package of our Managing Director, Executive Directors and Non-Executive Directors.

The proposed remuneration of Non-Executive Directors is determined by our Board which comprises the following:-

Directors' Fees	These fees are payable to Non-Executive Directors and are recommended by our Board for the approval of the shareholders at AGM.
Meeting Allowance	This allowance is payable only to the Non-Executive Directors for attendance of our Board and Board Committees meetings. The meeting allowance is determined by our Board.

In addition, the RC had also deliberated on the Directors' Fees payable for the FYE 2017 which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the RC had reported to the Board its recommendations and findings. The Directors' Fees recommended to the shareholders' approval for the FYE 2017 is RM216,000.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

6.2 Remuneration Committee

The RC comprises the following members:-

Name	Position	No. of RC Meetings attended/ held for the FYE 2017
Y.Bhg. Dato' Haji Markiman Bin Kobiran (Independent Non-Executive Director)	Chairman	2/2
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan (Non-Independent Non-Executive Chairman)	Member	1/2
Leng Xingmin (冷醒民) (Managing Director)	Member	2/2

The principal objective of the TOR of RC is to achieve a balance between setting the level and structure of the remuneration package of Executive Directors so as to be able to attract and retain the best against its interest in not paying excessive remuneration. The duties and responsibilities of RC are clearly outlined in the TOR of RC.

As advocated under Guidance 6.2 of the MCCG, Directors who are shareholders would abstain from voting at the forthcoming 2018 AGM to approve their fees.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Intended Outcome 7.0

- Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

7.1 Details of the remuneration of Directors

The details of the remuneration of Directors on named basis for the FYE 2017 were as follows:-

	Directors' Fees (RM'000)	Salaries, other emoluments and benefits (RM'000)	Allowances (RM'000)	Total (RM'000)
Executive Directors				
(a) Leng Xingmin (冷醒民)	-	111	-	111
(b) Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail	-	78	-	78
(c) Chong Amita	-	102	-	114
Subtotal	-	291	-	291
Non-Executive Directors				
(a) Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	60	-	-	60
(b) Y.Bhg. Dato' Kuan Ah Hock	48	-	-	48
(c) Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid	36	-	-	36
(d) Y.Bhg. Dato' Haji Markiman Bin Kobiran	36	-	-	36
(e) Lim Soon Tong	36	-	-	36
Subtotal	216	-	-	216
Grand Total	216	291	-	507



CORPORATE GOVERNANCE OVERVIEW STATEMENT

7.2 Remuneration of Senior Management

The remuneration packages of the senior management are determined with the objective to attract, retain and reward the senior management who run the operations of our Group. The remuneration packages of the senior management of our Group consist of both fixed and performance-linked elements. The fixed components include salary and ordinary contractual entitlements. The performance-linked component includes a discretionary bonus payment taking into consideration our Group and individual performance and never of a percentage of the Group's revenue. There are no other incentives or compensation for 'loss of employment' or termination benefits. It is commercially disadvantageous to disclose the remuneration of our top senior management in this very competitive environment. The recruitment and retention of key technical/managerial personnel is challenging and is a key focus of our Human Resource policy. Remuneration remains an important consideration in this regard. The proposed remuneration of Non-Executive Directors is determined by our Board which comprises the following:-



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

PRINCIPLE B: PART 1 – Audit Committee

Intended Outcome 8.0

- There is an effective and independent Audit Committee.
- There board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

8.1 The Chairman of the Audit Committee

Practice 8.1 of the MCCG stipulates that the Chairman of the AC is not the Chairman of the Board.

The Chairman of AC is Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid while the Chairman of our Board is Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan.

The TOR of the AC has been updated accordingly in order for the AC to formalise such Practice.

8.2 Former audit key partner

Practice 8.2 of the MCCG requires the AC to have a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. The TOR of the AC has been updated accordingly in order for the AC to formalise such policy.

As a matter of practice, the AC has recommended to the NC not to consider any former key audit partner as a candidate for Board Directorship/ Audit Committeeship to solidify the AC's stand on such Policy.

8.3 Suitability, objectivity and independence of the External Auditors

In accordance with the TOR of the AC, the AC would on an annual basis, review and monitor the suitability, objectivity and independence of the External Auditors. The AC sets policy and procedures on the provision of non-audit services by the External Auditors.

In view of the retirement of Messrs. UHY on 12 December 2017, the office of auditor had become vacant until the appointment of Messrs. Siew Boon Yeong & Associates as our External Auditors on 12 February 2018. Prior to the appointment of Messrs. Siew Boon Yeong & Associates, the AC has considered and assessed their suitability, objectivity, independence, credential and resources before recommending to our Board for approval.

Upon review, the AC recommended to our Board the re-appointment of Messrs. Siew Boon Yeong & Associates as our External Auditors for the financial year ending 31 December 2018. Our Board has in turn, recommended the same for shareholders' approval at our forthcoming AGM 2018.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

8.4 Qualification of the Audit Committee

Our Board ensures that the Audit Committee as a whole is financially literate and has sufficient understanding of our Group's business. The AC would also review and provide advice on the financial statements which provides a true and fair view of our financial position and performance.

Our Board provides our shareholders with the Audited Consolidated Financial Statements and quarterly reports on a timely basis. The AC reviews the quarterly results and Audited Consolidated Financial Statements, before the approval by our Board, focusing particularly on:-

- (1) changes in or implementation of major accounting policy changes;
- (2) key audit matters;
- (3) significant and unusual events; and
- (4) compliance with accounting standards and other legal requirements.

8.5 Qualification of the Audit Committee

The AC comprised solely of three (3) Independent Non-Executive Directors, which comply with the following prescribed requirements:-

- (a) Paragraph 15.09(1)(b) of the ACE LR which stipulates that "all the audit committee members must be non-executive directors, with a majority of them being independent directors"; and
- (b) Step Up Practice 8.4 of the MCGG which recommends that the AC should comprise solely of Independent Directors.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: PART 2 – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Intended Outcome 9.0

- Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.
- The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

9.1 Establishment of Risk Management and Internal Control Framework

Our Board adopted an effective risk management and internal control framework in order to manage risk and oversee the risk management of our Group. Our Board through the AC would obtain report from the Internal Auditors on the periodic check on the internal control system.

9.2 Features of Risk Management and Internal Control Framework

Further details of the risk management are set out in the Statement on Risk Management and Internal Control of this Annual Report.

9.3 Risk Management Committee

At this juncture, we have not established a Risk Management Committee. The function of Risk Management Committee is currently overseen by the AC together with the Managing Director. However, our Board plans to formalised a Risk Management Committee with a comprehensive TOC in the future to better managed our Group's risk in order to continue to grow our Group.

Intended Outcome 10.0

- Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Further details of the Internal Audit Function are set out in the AC Report of this Annual Report.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PRINCIPLE C: Part 1 - Communication with Stakeholders

Intended Outcome 11.0

- There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.
- Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

11.1 Effective, transparent and regular communication

Our Board is aware of our commitment to enhancing long term shareholders' value through regular communication with all of our shareholders, regardless of individual or institutional investors.

We have adopted a Corporate Disclosure Policy, which is applicable to our Board and all employees of our Group, in handling and disclosing material information to the shareholders and the investing public.

The following communication channels are mainly used by us to disseminate information on a timely basis to the shareholders and the investing public:

- (a) General meeting which is an important forum for shareholders to engage with our Directors and Senior Management;
- (b) Annual Report communicates comprehensive information on the businesses, financial results, governance and key activities undertaken by our Group;
- (c) Quarterly announcements and corporate disclosures to Bursa Securities are available on the website www.bursamalaysia.com, as well as on our website www.krbamboo.com;
- (d) Press releases provide up-to-date information on our Group's key corporate initiatives and investments, if any; and
- (e) Our website www.krbamboo.com provides corporate information of our Group, as well as our announcements and financial information.

Where possible and applicable, our Group provides additional disclosure of information on a voluntary basis. Our Board believes that an on-going communication with shareholders is vital to shareholders and investors for them to make informed investment decisions.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: Part 2: Conduct of General Meetings

Intended Outcome 12.0

- Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

12.1 Notice of Annual General Meetings

For the FYE 2017, our Board had on 28 April 2017, at least 28 days before the date of AGM, issued our Notice of AGM 2017 which was held on 25 May 2017. The Notice clearly identified the Directors' seeking re-election, the auditors seeking re-appointment and the payment of directors' fees.

12.2 Attendance in General Meetings

For the FYE 2017 and up to the date of this Statement, we had convened the AGM with the attendance of Directors as follows:-

Name of Directors	AGM 2017 (25 May 2017)
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	1/1
Y.Bhg. Dato' Kuan Ah Hock	1/1
Leng Xingmin (冷醒民)	0/1
Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail	1/1
Chong Amita	1/1
Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid	1/1
Y.Bhg. Dato' Haji Markiman Bin Kobiran	1/1
Lim Soon Tong	1/1

Our management team was also present at the AGM 2017 to respond to the queries raised by shareholders, proxies and corporate representatives present. The Chairman of the meeting provided sufficient time for the present to ask questions for each agenda in the notice of the general meetings before putting the resolution to vote.

12.3 Voting

The Chairman of the AGM reminded the present shareholders, proxies and corporate representatives on their rights to demand for a poll in accordance with the provisions of the Company's Constitution.

The Company had conducted the manual poll voting for all resolutions as set out in the Notice of AGM 2017 which was held on 25 May 2017.

CONCLUSION

Our Board is satisfied that we comply substantially with the Practices of the MCGG.

This Statement has been approved by our Directors in accordance with a Resolution of our Board of Directors passed on 19 April 2018.



RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Our Board is pleased to include a statement on the state of our Group's risk management and internal control during the year under review. The statement is prepared in accordance with Rule 15.26 (b) of ACE Market Listing Requirements of Bursa Securities and as guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

RESPONSIBILITY

Our Board is responsible for the adequacy and effectiveness of our Group's risk management and internal control systems. Our Board ensures that the systems manage the Group's key areas of risk within an acceptable risk profile to increase the likelihood that our Group's policies and business objectives will be achieved. Due to the inherent limitations in any risk management and internal control system, our Board continually reviews the system to ensure that the risk management and internal control systems provide a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

Our Board through the Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by our Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment or regulator guidelines. The process is regularly reviewed by our Board and is guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers. The Management assists our Board in the implementation of our Board's policies and procedures on risk and control by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Our Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and our Group's assets.



RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

RISK MANAGEMENT

The context within which our Group manages risks and the key focus of accountability for this is as follows:-

(1) Strategic Risks – Our Board and Managing Director

Strategic risks are primarily risks caused by events that are external to our Group, but have a significant impact on our Group's strategic decisions or activities.

The causes of these risks include matters such as national and global economies, government policies and regulations, interest rates and climatic conditions. Often, they cannot be predicted or monitored through a systematic operational procedure. The lack of advance warning and frequent immediate response required to manage strategic risks means they are often best identified and monitored by senior management as part of their strategic planning and review mechanisms.

Accountability for managing strategic risks therefore rests with our Board and the Managing Director. The benefit of effectively managing strategic risks is our Group can better forecast and quickly adapt to the changing demands that are placed upon our Group. It also means that our Group are less likely to be surprised by some external events that call for significant change.

(2) Operational Risks – Heads of Division/ Department

Operational risks are inherent in the ongoing activities within the different business units or subsidiaries of our Group. These are the risks associated with such things as the day to day operational performance of staff, the risks caused by the company structure and the manner in which the subsidiaries report to corporate headquarters. Senior management needs ongoing assurance that operational risks are identified and managed.

Accountability for managing operational risks rests particularly with the Heads of Business Division/ Departments. The benefits of efficiently managing operational risks include maintaining superior quality standards, eliminating undesirable surprises, the early identification of problematic issues, being prepared for emergencies if they happen and being held in high regard by shareholders for the efficient and effective management of risk.



RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

INTERNAL CONTROL

The key processes that have been established in reviewing the adequacy and effectiveness of the internal control system include the following:-

Internal Audit

The Internal Audit function is outsourced to an independent professional firm to check for compliances with policies and procedures and the effectiveness of our Group's internal control systems and highlight significant findings in respect of any non-compliance. The internal auditors report directly to the Audit Committee. The internal audit will focus on the key operational processes in the People's Republic of China. The proposed internal audit plan will be submitted to the Audit Committee for consideration and approval each year. The Audit Committee is responsible to review and discuss with the Management on the issues highlighted by the internal auditors, whenever necessary.

Audit Committee

The Audit Committee reviews and discusses internal control issues identified by the Internal Auditors, External Auditors and the Management, and evaluate the adequacy and effectiveness of our Group's risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope and frequency of audits and the adequacy of resources. The minutes of the Audit Committee meetings are tabled to the Boards of the Group on a periodical basis.

Organisational Structure

Our Group has in place an organisational structure with clearly defined lines of responsibilities and functionalities which promotes appropriate levels of accountability for risk management, control procedures and effectiveness of operations. All new employees are required to undergo an orientation programme and the job function is clearly written for transparency and better accountability.

Limit of Authority

There are policy guidelines and authority limits imposed on the Executive Directors and Management within our Group in respect of the day-to-day operations, signing of sales and supplier agreements, acquisitions and disposal of assets.

Disaster Recovery Plan and General Safety And Security

Our Group has a written disaster recovery plan in the event our businesses suffer from any accidents or natural disasters. The plan is updated regularly to comply with the latest safety standards. Our Group also has proper control procedure to safeguard the interests and safety of our employees and our assets.

Control Environment

Our Board considers the integrity of staff at all levels to be of utmost importance, and this is pursued through comprehensive recruitment, appraisal and reward programmes. There is an effective group organisation structure within which business activities are planned, controlled and monitored.

Our Group's culture and values, and the standard of conduct and discipline we expect from our employees have been communicated to them via the employee handbook or letters of appointment.



RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

CONCLUSION

To the best knowledge of our Board, there were no material losses incurred during the period under review as a result of weakness in internal control. Our Board has received assurance from the Managing Director and Chief Financial Officer that our Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of our Group. The Management continues to take measures to improve and strengthen the internal control environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Risk Management and Internal Control Statement for inclusion in the annual report of our Group for the financial year ended 31 December 2017 and reported to our Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by our Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

This statement was made in accordance with a resolution of our Board of Directors dated 19 April 2018.



AUDIT COMMITTEE REPORT

MEMBERS OF AUDIT COMMITTEE

The members of the Audit Committee are as follows:-

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Risk Management and Internal Control Statement for inclusion in the annual report of our Group for the financial year ended 31 December 2017 and reported to our Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by our Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

This statement was made in accordance with a resolution of our Board of Directors dated 5 April 2018

Name	Position
Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid <i>(Independent Non-Executive Director)</i>	Chairman
Y.Bhg. Dato' Haji Markiman Bin Kobiran <i>(Independent Non-Executive Director)</i>	Member
Lim Soon Tong <i>(Independent Non-Executive Director)</i>	Member

Our Audit Committee is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

(1) ATTENDANCE OF MEETING

The attendance of Audit Committee members for meetings held in the financial year ended 31 December 2017 can be summarised as follows:-

Name	Total Meetings Attended by Committee Members
Y.Bhg. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid	5/5
Y.Bhg. Dato' Haji Markiman Bin Kobiran	5/5
Lim Soon Tong	4/5

(2) TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are published in our website at www.krbamboo.com.



AUDIT COMMITTEE REPORT

(3) SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities carried out by the Audit Committee during the year were as follows:-

- (a) reviewed our quarterly unaudited financial results before recommending to our Board for consideration and approval. The Audit Committee invited the Managing Director and Executive Directors to brief them on any updates on the operations of our Group every quarter and on any material items in the quarterly unaudited financial results. The review is also to ensure that the quarterly unaudited financial results complied with Malaysian Financial Reporting Standard and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”);
- (b) reviewed our audited financial statements prior to submission to our Board for consideration and approval. The review was to ensure that these financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards;
- (c) reviewed the external auditors’ scope of work and audit plan for the year. The Audit Committee were briefed on audit approach, area of audit emphasis, Malaysian Financial Reporting Standards adopted in 2017, new and revised Auditor Reporting Standards and audit timeline.
- (d) reviewed with the external auditors, the results of the annual audit, audit report, including the management’s response on management letter;
- (e) reviewed the Audit Committee Report, Corporate Governance Statement and Risk Management and Internal Control Statement and submitted the said documents to our Board for consideration and approval so as to be included in the Annual Report for the financial year ended 31 December 2016. The review was to ensure that the Annual Report complies with the Listing Requirements;
- (f) reviewed with the Internal Auditors, the internal audit plans, the internal audit reports, their evaluation of system of internal controls and the follow-up on the audit findings. The Audit Committee agreed that the scope, functions, competency and resources of the internal audit function were adequate;
- (g) reviewed related party transactions within our Group;
- (h) reviewed the resignation of Messrs. UHY as external auditors for the Company and Group; and
- (i) recommended the nomination of Messrs Siew Boon Yeong & Associates for appointment as external auditors for the Company and Group after accessing their job scope, engagement team and competency.



AUDIT COMMITTEE REPORT

(4) INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the internal audit team whose primary responsibility is to evaluate and report on the adequacy, integrity and effectiveness of the overall system of internal control of our Group. The internal audit function of the Group is outsourced to GovernanceAdvisory.com Sdn Bhd who reports directly to the Audit Committee with its findings and recommendations. Any necessary corrective actions after reporting to our Board by the Audit Committee will be directed by our Board.

Our Group's internal audit activities are mainly carried out in accordance with the annual audit plan that has been tabled to the Audit Committee for its review and approval and selected ad-hoc audits on management's requests. The Internal Auditors adopt a risk based audit approach in auditing objectively to provide the assurance that risks were mitigated to acceptable levels. This approach would draw the Internal Auditors' attention towards gaining an understanding of our Group's interaction with external forces, changes in the strength of the relationships during the period under audit, and the risk of potential future changes presented by the external forces. Their approach would entail understanding on how the business risks translate to audit risks, and communicating value added input to the Management through the audit process. Whenever required, the Internal Auditors would make reference to our Group's policies and procedures, established practices, listing requirements and recommended industry practices.

During the financial year ended 31 December 2017, the Internal Auditors carried out the following:-

- (a) review of the sales, marketing and procurement functions of our subsidiary, Ganzhou Kanger Industrial Co. Ltd. The report was tabled at our Audit Committee meeting on 20 February 2017; and
- (b) review of inventory management function of our subsidiary, Ganzhou Kanger Industrial Co. Ltd. The report was tabled at our Audit Committee meeting on 23 November 2017.

The findings arising from the audit field work were highlighted together with suitable recommendations for improvement to the management for review and further action where necessary. These findings were not limited to matters relating to the financial and accounting controls but also cover certain key operational and management control areas. The Internal Auditors also briefed the Audit Committee on the Audit Plan for 2018.

The Audit Committee had reviewed and assessed our internal audit function and is of the view that the scope, functions (including independence), competency, resources, authorities granted to the outsourced internal audit function as well as internal audit program and processes are adequate to provide the Audit Committee with reasonable assurance that governance, risk and control structures and processes of our Group is adequate and effective and that the results of the internal audit program, processes or investigation undertaken is adequately communicated to the Audit Committee and appropriate actions are taken on the recommendations of the internal auditors.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2017 was approximately RM54,000.



ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

Material Contracts

During the financial year under review, there was no material contract entered into by us and our subsidiaries which involved our Directors' and major shareholders' interest.

Non-Audit Fees

For the financial year ended 31 December 2017, non-audit fees paid to the external auditors was RM5,000.



STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company and the results and cash flows of the Group and of the Company as at end of the financial year.

During the preparation of the financial statements for the financial year ended 31 December 2017, the Directors have ensured that:

- (a) the Group and the Company have adopted appropriate accounting policies and are consistently applied;
- (b) judgements and estimates that are prudent and reasonable have been used;
- (c) all applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia have been complied with;
- (d) the accounting and other records required by the Act are properly kept and disclosed with reasonable accuracy at any time, the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act; and
- (e) the financial statements have been prepared on the going concern basis.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities and material misstatements, as described more fully in the corporate governance section of this report. Such system, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.



REPORTS AND FINANCIAL STATEMENTS

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DIRECTORS' REPORTS

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in Note 8 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Profit/(loss) for the financial year		
Attributable to:		
Owners of the Company	<u>7,300,303</u>	<u>(7,409,137)</u>

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

MOVEMENTS ON RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures by the Company during the financial year.



WARRANTS

The warrants are constituted under a Deed Poll executed by the Company. The proposed free warrants issue involves the issuance of 258,000,000 warrants on the basis of one (1) warrant for every two (2) existing shares of the Company held by the shareholders of the Company on 10 April 2015.

The exercise price of the Warrants has been fixed at RM0.10 each.

Each Warrant entitles the Warrant holders to subscribe for one (1) new share of the Company at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).

The period commencing on, and including the first date of issue of the Warrants and ending at the close of business at 5.00pm in Malaysia on the date which is five (5) years from the date of issue of the Warrants if such date is not a market day, then it shall be the market day immediately preceding the said non market day, but excluding those days during the period on which the Record of Depositors and/or the Warrants Register is or are closed.

Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

During the financial year, there were no ordinary shares issued in relation to the exercise of warrants. There are 238,935,400 warrants remained unexercised.

OPTIONS GRANTED OVER UNISSUED SHARES

No option was granted to any person to take up any unissued shares of the Company during the financial year.

DIRECTORS

The directors of the Company in office at any time during the year and since the end of the year up to the date of this report are:

Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan
Dato' Kuan Ah Hock
Syed Hazrain Bin Syed Razlan Jamalullail
Chong Amita
Leng Xingmin
Datuk Seri Dr. Md Zabid Haji Abdul Rashid
Dato' Haji Markiman Bin Kobiran
Lim Soon Tong

The name of the director of the Company's subsidiaries in office at any time during the year and since the end of the year up to the date of this report, excluding director who is also director of the Company is:

Choo Yew Chun



DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares and warrants in the Company during the financial year are as follows:

	No. of Ordinary Shares			
	Balance 01.01.2017	Bought	Sold	Balance 31.12.2017
<i>Direct Interest</i>				
Leng Xingmin	195,253,091	-	-	195,253,091
Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	200,000	-	-	200,000
Chong Amita	1,200,024	-	-	1,200,024
Syed Hazrain Bin Syed Razlan Jamalullai	1,018,190	-	-	1,018,190
Lim Soon Tong	-	-	-	-
Dato' Haji Markiman Bin Kobiran	-	-	-	-
Lim Soon Tong	10,000	-	-	10,000
<i>Indirect Interest</i>				
Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan *	16,640,000	-	-	16,640,000
Chong Amita **	600,000	-	-	600,000
Dato' Kuan Ah Hock ***	52,393,400	-	-	52,393,400

	No. of Warrants			
	Balance 01.01.2017	Bought	Sold	Balance 31.12.2017
<i>Direct Interest</i>				
Leng Xingmin	70,033,045	-	-	70,033,045
Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	100,000	-	-	100,000
Chong Amita	600,012	-	-	600,012
Syed Hazrain Bin Syed Razlan Jamalullai	509,095	-	-	509,095
<i>Indirect Interest</i>				
Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan *	8,120,000	-	-	8,120,000
Chong Amita **	300,000	-	-	300,000

* Indirect interests by virtue of shares and warrants held by her spouse.

** Indirect interests by virtue of shares and warrants held by his spouse.

*** Deemed interests in shares held by Setiakon Builders Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares and warrants in the Company or its related corporations during the financial year.



DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown under Directors' Remuneration below and Note 28 to the financial statements, or the fixed salary of a full-time employee of the Company) 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.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors' remuneration -other emoluments	342,378	144,709	78,000	84,500
Non-executive Directors' remuneration -fees	216,000	196,000	216,000	196,000
Total directors' remuneration	<u>558,378</u>	<u>340,709</u>	<u>294,000</u>	<u>280,500</u>

Included in the analysis above is remuneration for the directors of the Company and its subsidiary companies in accordance with the requirements of the Companies Act 2016.

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 proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no known bad debts to be written off; and
- to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- which would render the Group and the Company necessary to write off any bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements or the values attributed to current assets misleading; and
- 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.



In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and
- (b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and in the Company.

No contingent or other liability of the Group and of the Company 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 affect the ability of the Group and of the Company to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 34 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

The significant event subsequent to the financial year is disclosed in Note 35 to the financial statements.



AUDITORS

The details of the auditors' remuneration for the financial year are disclosed in Note 25 to the financial statements.

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

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

**DATO' PADUKA SHARIPAH HISHMAH
BINTI DATO' SAYED HASSAN**

Director

LENG XINGMIN

Director

Kuala Lumpur,
Date: 25 April 2018



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 68 to 122 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 exhibit a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the year ended on that date.

Signed in Kuala Lumpur on 25 April 2018

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

**DATO' PADUKA SHARIPAH HISHMAH
BINTI DATO' SAYED HASSAN**

LENG XINGMIN



STATUTORY DECLARATION

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

I, Leng Xingmin, being the director primarily responsible for the financial management of Kanger International Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 68 to 122 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared in Kuala Lumpur on 25 April 2018

Before me

KAPT. (B) JASNI BIN YUSOF
W465
Commissioner for Oaths

LENG XINGMIN



INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KANGER INTERNATIONAL BERHAD (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kanger International Berhad, which comprise the statements of financial position as at 31 December 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 122.

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 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 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 financial 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. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Risk area and rationale

Intangible assets (Note 7 to the financial statements)

The carrying amount of intangible assets is approximately RM17.69 million. The intangible assets comprise development costs and intellectual property rights which amounted to approximately RM7.21 million and RM10.48 million respectively. The developments costs and patents are related to the developments of green bamboo products.

Given the nature of intangible assets, the assessment of recoverable amount involves significant estimation, subjective assumptions and the application of significant judgement in assessing the recoverable amount of intangible assets.

Our response

Our audit procedures included, amongst others:-

- checked to the source documents on the additions to intangible assets;
- sighted to the patents certificates issued from the approving authorities; and
- reviewed the cash flows projections prepared by the management together with the assumptions applied by comparing the cash flows projections to historical information.

Trade receivables (Note 11 to the financial statements)

Receivables are subject to credit risk exposure.

As at 31 December 2017, the Group's trade receivables stood at approximately RM33.65 million.

The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.

Our audit procedures included, amongst others:-

- obtained an understanding of the Group's control over the trade receivable collection processes and made inquiries regarding the action plans to recover the overdue amounts;
- reviewed the ageing analysis of trade receivables and test the reliability thereof;
- requested from balance confirmations from trade receivables;
- reviewed subsequent collections from trade receivables; and
- evaluated the reasonableness and adequacy of the impairment losses provided.



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 other information 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 other information and, in doing so, consider whether the other information 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 this other information, 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 the 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 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 Group's and the Company's ability 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:

- (a) 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.
- (b) 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 Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) 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 Group's and on the Company's ability 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.
- (e) 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 achieves fair presentation.
- (f) 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 financial 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 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 subsidiary companies of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.



Other Matters

- (a) The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another firm of Chartered Accountants whose report dated 17 April 2017 expressed an unmodified opinion.
- (b) 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 for this report.

SIEW BOON YEONG & ASSOCIATES

AF: 0660

Chartered Accountants

CHONG KWANG FOCK

03327/09/2019 J

Chartered Accountant

Kuala Lumpur,
Date: 25 April 2018



STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF FINANCIAL POSITION as at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	75,717,380	44,803,849	-	-
Intangible assets	7	17,685,466	17,870,921	-	-
Investment in subsidiary companies	8	-	-	31,871,869	34,999,998
Amount owing by subsidiary companies	9	-	-	35,675,390	42,915,938
		<u>93,402,846</u>	<u>62,674,770</u>	<u>67,547,259</u>	<u>77,915,936</u>
CURRENT ASSETS					
Inventories	10	27,542,648	30,087,226	-	-
Trade receivables	11	33,653,972	27,983,704	-	-
Other receivables, deposits and prepayments	12	19,478,812	27,286,946	61,000	61,000
Current tax assets		-	273,166	-	-
Fixed deposits with licenced banks	13	7,930,500	8,423,775	-	-
Cash and bank balances	14	2,121,996	7,225,969	31,962	97,023
		<u>90,727,928</u>	<u>101,280,786</u>	<u>92,962</u>	<u>97,023</u>
TOTAL ASSETS		<u><u>184,130,774</u></u>	<u><u>163,955,556</u></u>	<u><u>67,640,221</u></u>	<u><u>78,012,959</u></u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	79,846,055	79,846,055	79,846,055	79,846,055
Reserves	16	42,551,402	41,570,473	(13,295,668)	(2,472,152)
TOTAL EQUITY		<u><u>122,397,457</u></u>	<u><u>121,416,528</u></u>	<u><u>66,550,387</u></u>	<u><u>77,373,903</u></u>



STATEMENTS OF FINANCIAL POSITION
as at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
LIABILITIES					
NON-CURRENT LIABILITIES					
Term loans	17	27,865,600	5,809,500	-	-
Deferred tax liabilities	18	225,248	233,758	-	-
		28,090,848	6,043,258	-	-
CURRENT LIABILITIES					
Trade payables	19	3,155,317	6,629,614	-	-
Other payables and accruals	20	2,482,093	1,539,608	674,000	266,000
Amount owing to a director	21	394,246	-	154,500	-
Short term borrowings	22	27,137,954	28,226,381	261,334	373,056
Current tax liabilities		472,859	100,167	-	-
		33,642,469	36,495,770	1,089,834	639,056
TOTAL LIABILITIES		61,733,317	42,539,028	1,089,834	639,056
TOTAL EQUITY AND LIABILITIES		184,130,774	163,955,556	67,640,221	78,012,959



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
REVENUE	23	73,500,080	68,789,514	-	-
COST OF SALES		(57,275,064)	(52,996,308)	-	-
GORSS PROFIT		16,225,016	15,793,206	-	-
OTHER OPERATING INCOME		173,781	1,100,546	24	51,026
ADMINISTRATIVE EXPENSES		(5,419,896)	(8,042,993)	(384,779)	(2,249,326)
SALES AND DISTRIBUTION COSTS		(2,193,730)	(2,268,113)	-	-
OTHER OPERATING EXPENSES		(196,150)	(21,415)	(6,975,682)	-
PROFIT/(LOSS) FROM OPERATIONS		8,589,021	6,561,231	(7,360,437)	(2,198,300)
FINANCE COSTS	24	(917,344)	(859,789)	(48,700)	(115,609)
PROFIT/ (LOSS) BEFORE TAXATION	25	7,671,677	5,701,442	(7,409,137)	(2,313,909)
INCOME TAX EXPENSE	26	(371,374)	(223,124)	-	-
PROFIT/ (LOSS) AFTER TAXATION		7,300,303	5,478,318	(7,409,137)	(2,313,909)
OTHER COMPREHENSIVE INCOME					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
-revaluation of land		-	438,816	-	-
-exchange differences on translation of the financial statements of foreign subsidiary companies		(6,319,374)	(1,326,628)	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		980,929	4,590,506	(7,409,137)	(2,313,909)
EARNINGS PER SHARE (Sen)					
Basic	27	0.91	0.84		
Diluted	27	0.70	0.62		



STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2017

	Attributable to owners of the Company					Distributable		
	Non-distributable							
Group	Share capital	Share premium	Merger reserve	Revaluation reserve	Foreign currency translation reserve	Redeemable convertible note	Retained earnings	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2016	60,441,940	3,384,520	(12,805,422)	787,738	14,481,763	132,282	30,135,483	96,558,304
Transactions with owners:								
Issuance of shares pursuant to conversion of redeemable convertible note	19,404,115	995,885	-	-	-	-	-	20,400,000
Conversion of redeemable convertible note	-	-	-	-	-	(132,282)	-	(132,282)
Total transactions with owners	19,404,115	995,885	-	-	-	(132,282)	-	20,267,718
Profit after taxation	-	-	-	-	-	-	5,478,318	5,478,318
Other comprehensive income:								
Revaluation of land	-	-	-	438,816	-	-	-	438,816
Foreign currency translation reserve	-	-	-	-	(1,326,628)	-	-	(1,326,628)
Total comprehensive income/ (loss) for the year	-	-	-	438,816	(1,326,628)	-	5,478,318	4,590,506
Balance at 31 December 2016/ 1 January 2017	79,846,055	4,380,405	(112,805,422)	1,226,554	13,155,135	-	35,613,801	121,416,528



STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Attributable to owners of the Company					Distributable		
	Non-distributable		Distributable					
	Share capital	Share premium	Merger reserve	Revaluation reserve	Foreign currency translation reserve	Redeemable convertible note	Retained earnings	Total equity
Group	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 31 December 2016/ 1 January 2017	79,846,055	4,380,405	(12,805,422)	1,226,554	13,155,135	-	35,613,801	121,416,528
Profit after taxation	-	-	-	-	-	-	7,300,303	7,300,303
Other comprehensive income: Foreign currency translation reserve	-	-	-	-	(6,319,374)	-	-	(6,319,374)
Total comprehensive (loss)/ income for the year	-	-	-	-	(6,319,374)	-	7,300,303	980,929
Balance at 31 December 2017	79,846,055	4,380,405	(12,805,422)	1,226,554	6,835,761	-	42,914,104	122,397,457



STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2017

←..... Non-distributable.....→						
	Share capital	Share premium	Foreign currency translation reserve	Redeemable convertible note	Accumulated losses	Total equity
Company	RM	RM	RM	RM	RM	RM
Balance at 1 January 2016	60,441,940	3,384,520	-	132,282	(5,881,495)	58,077,247
Transaction with owners:						
Issuance of shares pursuant to conversion of redeemable convertible note	19,404,115	995,885	-	-	-	20,400,000
Conversion of redeemable convertible note	-	-	-	(132,282)	-	(132,282)
Total transactions with owners	19,404,115	995,885	-	(132,282)	-	20,267,718
Loss after taxation	-	-	-	-	(2,313,909)	(2,313,909)
Other comprehensive income: Foreign currency translation reserve	-	-	1,342,847	-	-	1,342,847
Total comprehensive income/ (loss) for the year	-	-	1,342,847	-	(2,313,909)	(971,062)
Balance at 31 December 2016/1 January 2017	79,846,055	4,380,405	1,342,847	-	(8,195,404)	77,373,903



STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2017

←..... Non-distributable.....→						
Share capital	Share premium	Foreign currency translation reserve	Redeemable convertible note	Accumulated losses	Total equity	Total equity
RM	RM	RM	RM	RM	RM	RM
Company						
Balance at 31 December 2016/ 1 January 2017	79,846,055	4,380,405	1,342,847	-	(8,195,404)	77,373,903
Loss after taxation	-	-	-	-	(7,409,137)	(7,409,137)
Other comprehensive income: Foreign currency translation reserve	-	-	(3,414,379)	-	-	(3,414,379)
Total comprehensive loss for the year	-	-	(3,414,379)	-	(7,409,137)	(10,823,516)
Balance at 31 December 2017	79,846,055	4,380,405	(2,071,532)	-	(15,604,541)	66,550,387
						5,478,318
						(9,339,956)
						(6,828,758)
						5,478,318
						(16,168,714)



STATEMENTS OF CASH FLOWS

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	7,671,677	5,701,442	(7,409,137)	(2,313,909)
Adjustments for:				
Amortisation of intangible assets	824,123	812,325	-	-
Depreciation of property, plant and equipment	1,915,588	1,655,544	-	-
Impairment loss on amount owing by subsidiary companies	-	-	3,847,553	-
Impairment loss on investment in subsidiary companies	-	-	3,128,129	-
Impairment loss on other receivables	190,590	-	-	-
Interest expenses	857,261	799,076	-	-
Interest income	(139,847)	(54,858)	-	(24)
Revaluation of property, plant and equipment	-	(438,816)	-	-
Operating profit/(loss) before working capital changes	11,319,392	8,474,713	(433,455)	(2,313,933)
Decrease in inventories	2,544,578	692,425	-	-
Decrease/(increase) in receivables	1,947,276	(26,029,216)	3,392,995	(9,941,919)
(Decrease)/increase in payables	(1,698,426)	(558,309)	562,500	(4,118,053)
Cash generated from/(used in) operations	14,112,820	(17,420,387)	3,522,040	(16,373,905)
Tax paid	(157,278)	(1,453,866)	-	-
Net cash generated from/(used in) operating activities	13,955,542	(18,874,253)	3,522,040	(16,373,905)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets	(1,234,615)	(2,750,298)	-	-
Interest received	139,847	54,858	-	24
Purchase of property, plant and equipment	(34,420,129)	(13,742,223)	-	-
Net cash (used in)/generated from investing activities	(35,514,897)	(16,437,663)	-	24



STATEMENTS OF CASH FLOWS
for the year ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown/(repayment) of bank borrowings	22,781,858	3,768,539	-	(3,000,000)
Interest paid on bank borrowings	(857,261)	(799,076)	-	-
Proceeds from issuance of share capital	-	19,500,000	-	19,500,000
Net cash generated from /(used in) financing activities	21,924,597	22,469,463	-	16,500,000
Net increase /(decrease) in cash and cash equivalents	365,242	(12,842,453)	3,522,040	126,119
Cash and cash equivalents at beginning of the year	6,852,913	15,389,142	(337,033)	(1,805,999)
Effect of exchange differences	(5,357,493)	4,306,224	(3,414,379)	1,342,847
Cash and cash equivalents at end of the year	1,860,662	6,852,913	(229,372)	(337,033)
NOTE TO STATEMENTS OF CASH FLOWS:				
Cash and cash equivalents comprise:				
Fixed deposits with licenced banks	7,930,500	8,423,775	-	-
Cash and bank balances	2,121,996	7,225,969	31,962	36,023
Bank overdrafts	(261,334)	(373,056)	(261,334)	(373,056)
	9,791,162	15,276,688	(229,372)	(337,033)
Less: Fixed deposits pledged as securities	(7,930,500)	(8,423,775)	-	-
	1,860,662	6,852,913	(229,372)	(337,033)



NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS – 31 December 2017

(1) PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in Note 8. There were no significant changes in the nature of these activities during the financial year.

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on ACE Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan.

(2) GOING CONCERNS

The Company incurred net losses of RM7,409,137 (2016: RM2,313,909) for the financial year ended 31 December 2017 and, as of that date, the Company's current liabilities exceeded its current assets by RM996,872 (2016: RM542,033). These indicate the existence of material uncertainties which may cast significant doubt on the ability of the Company to continue as going concerns and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

(3) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

On 1 January 2017, the Group and the Company adopted the following MFRSs and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, effective for the annual periods beginning on or after 1 January 2017:

Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative

Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of the above MFRS and Amendments to MFRSs did not have any material impacts to the financial statements of the Group and of the Company.



MFRSs, Amendments to MFRSs and Issue Committees (“IC”) Interpretations that have been issued but are not yet effective

The Group and the Company have not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations that have been issued but not yet effective:

MFRSs/Amendments to MFRSs/IC Interpretations	Effective for annual periods beginning on or after
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 - Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 - Leases	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 - Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced



The adoption of these standards and amendments that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Group and of the Company except as discussed below:

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on expected credit loss model and replace the MFRS 139 Financial Instruments: Recognition and Measurement incurred loss model.

MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group and the Company do not expect a significant change to the measurement basis arising from the adoption of the new classification and measurement model under MFRS 9. Loans and receivables that are currently accounted for using amortised cost will continue to be accounted for using amortised cost model under MFRS 9.

MFRS 9 requires the Group and the Company to record expected credit losses on loans and receivables, either on 12-months or lifetime basis. The Group and the Company expect to apply the simplified approach and record lifetime expected losses on trade receivables. Upon application of the expected credit loss model, the Group and the Company expect an impact to profit or loss due to unsecured nature of the loans and receivables, but the Group and the Company will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group and the Company plan to adopt the new standard on the required effective date without restating comparative information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.



The Group and the Company expect the following impact upon adoption of MFRS 15:

Variable consideration

Some contracts with customers provide a right to return, trade discounts or volume rebates. Currently, the Group and the Company recognise revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group and the Company defer revenue recognition until uncertainty resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception. MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group and the Company continue to assess individual contract to determine the estimated variable consideration and related constraint. The Group and the Company expect that application of the constraint may result in more revenue being deferred than is under the current MFRS.

Right of return

The Group and the Company currently recognise provision for the net margin arising from expected returns. Under MFRS 15, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The Group and the Company expect to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under MFRS 15.

The Group and the Company plan to adopt the new standard on the required effective date using the full retrospective approach. The Group and the Company are currently performing a detailed analysis under MFRS 15 to determine their election of the practical expedients and to quantify the transition adjustments on their financial statements.

MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The new standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if MFRS 15 also applied.



(4) SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) Functional And Foreign Currency

Items included in the financial statements are measured using the currency best reflects the economic substance of the underlying events and circumstances relevant to the Company (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the functional currency of the Company.

Foreign currency

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within ‘finance income or cost’. All other foreign exchange gains and losses are presented in profit or loss within other income.

All exchange differences are taken to profit or loss.

Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition of foreign operations, are translated into RM for consolidation at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial period. All exchanges differences arising from translation are recognised directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, accumulated translation differences recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to comprehensive income.



(b) Basis Of Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(i) Acquisition method of accounting for non-common control business combinations

Acquisition of subsidiary companies is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects, for each individual business combination, whether to recognise non-controlling interest in the acquiree (if any) at fair value on the acquisition date, or the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.



(ii) Merger accounting for common control business combinations

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or merger deficit. The other components of equity of the acquired entities are added to the same components within the Group's equity.

(iii) Non-controlling interest

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(c) Property, Plant And Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

Capital work-in-progress consists of building under construction for intended use as hotel and office. The amount is stated at cost. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Leasehold land	Over the remaining year of lease term of 42 years
Buildings	20 years
Plant and machinery	3 - 10 years
Tools and equipment	3 - 5 years
Motor vehicles	5 years
Office equipment	3 - 10 years
Renovation	10 years



The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each end of reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to profit or loss in determining profit from operations.

(d) Investment In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The Group controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment, unless the investment is classified as held for sale. The impairment loss is recognised in the profit or loss.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to profit or loss.

(e) Intangible Assets - Research And Development Expenditures

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at least at the financial period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.



Research and development costs

Research and development costs are expensed as incurred. Development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Development costs have a finite useful life and are amortised over the period of expected sales from the related project of five years on a straight-line basis.

Intellectual property

Intellectual property is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged using the straight-line method over their estimated useful lives of twenty years. The amortisation method of intangible assets is reviewed at least at the end of the financial period. The effects of any revisions are recognised in profit or loss when the change arise.

Intellectual property is written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

(f) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group and the Company have a legally enforceable right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.



- **Financial Assets at Fair Value Through Profit or Loss**

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's and the Company's rights to receive payment is established.

- **Held-to-maturity Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- **Loans and Receivables**

Financial assets that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

- **Available-for-sale Financial Assets**

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company's rights to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.



(ii) Financial Liabilities

Financial liabilities are recognised in the statements of financial position when, and only when the Group and the Company have become a party to the contractual provision of the financial instrument.

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

- **Financial Liabilities at Fair Value Through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges or a derivative that is a financial guarantee contract.

- **Other Financial Liabilities**

Other financial liabilities are non-derivatives financial liabilities. Other liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 profit or loss.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. 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.



(g) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of each reporting period 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and 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 financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of Non-financial Assets

The carrying amounts of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at each end of the reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount.

A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.



(h) Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

(i) Provisions For Liabilities

Provisions for liabilities are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each end of reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

(j) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group and of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.



(k) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - a. controls, is controlled by, or is under common control with, the entity (this includes holding company, subsidiary companies and fellow subsidiary companies);
 - b. has an interest in the entity that gives it significant influence over the entity; or
 - c. has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venture;
- (iv) the party is a member of the key management personnel of the entity or its holding company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and of the subsidiary companies either directly or indirectly. The key management personnel includes all the directors of the Company and directors of the subsidiary companies, members of senior management and chief executive officer of the Company as well as members of senior management and chief executive officers of major subsidiary companies of the Group.

(l) Revenue Recognition

- (i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue from sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs of the goods can be estimated reliably and there is no continuing management involvement with the goods, net of returns and trade discounts.
- (ii) Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.
- (iii) Interest income is recognised on an accrual basis using the effective interest method.



(m) Income Tax Expense

Income taxes for the period comprise current and deferred taxes.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(n) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Past-service costs are recognised immediately in profit or loss.



(ii) Defined Contribution Plan

The Company's and its subsidiary companies' contributions to defined contribution plans regulated and managed by the government, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Company and its subsidiary companies have no further financial obligations.

(o) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(p) Earnings Per Ordinary Share ("EPS")

The Group presents basic and diluted earnings per share data for its ordinary shares.

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, adjusted for own shares held, if any.

Diluted EPS is determine by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, if any, for the effect of all dilutive potential ordinary shares, which comprise warrants and share options granted to the employees.

(q) Cash And Cash Equivalentents

For the purposes of the statements of cash flows, cash and cash equivalentents comprise cash in hand, bank balances, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Operating Segments

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

(s) Warrant Reserve

Amount allocated in relation to the issuance of warrants is credited to warrant reserve which is non-distributable. Warrant reserve is transferred to share capital or retained earnings upon the exercise or expiry of the warrants respectively.



(5) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(a) Depreciation of Property, Plant and Equipment

The estimates for residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' action in response to the market conditions.

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Investment in Subsidiary Companies

The carrying value of investment in subsidiary companies is reviewed for impairment. In the determination of the value-in-use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Amortisation of Intangible Assets

Changes in the expected level of usage could impact the economic useful lives, therefore future amortisation charges could be revised.

(d) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(e) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company and its subsidiary companies recognise tax liabilities based on their understanding of the prevailing tax laws and estimate of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.



(6) PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

Group Cost	At Valuation		At Cost							Total
	Leasehold Land	Buidings	Plant and Machinery	Tools and Equipment	Motor Vehicles	Office Equipment	Renovation	Capital Work-in-progress	Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 1 January 2016	4,359,031	4,540,424	6,264,594	2,025,429	328,665	293,127	2,447,444	20,439,050	40,697,764	
Additions	-	-	1,353,098	-	-	7,145	3,861,697	8,520,283	13,742,223	
Revaluation	438,816	-	-	-	-	-	-	-	438,816	
Transfer	-	-	-	(30,896)	-	-	-	-	(30,896)	
Translation differences	(113,317)	(117,844)	(162,595.00)	(52,569)	(8,531)	(7,505)	(63,522)	(530,483)	(1,056,186)	
At 31 December 2016/ 1 January 2017	4,684,710	4,422,580	7,455,097	1,941,964	320,134	292,767	6,245,619	28,428,850	53,791,721	
Additions	-	-	72,121	-	-	2,127	1,628,578	32,717,303	34,420,129	
Translation differences	(170,551)	(161,008)	(271,408)	(70,699)	(11,654)	(10,514)	(227,378)	(1,034,978)	(1,958,190)	
At 31 December 2017	4,514,159	4,261,572	7,255,810	1,871,265	308,480	284,380	7,646,819	60,111,175	86,253,660	



	At Valuation		At Cost								Total
	Leasehold Land	Bui:dings	Plant and Machinery	Tools and Equipment	Motor Vehicles	Office Equipment	Renovation	Capital Work-in-progress			
Group Accumulated Depreciation	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 1 January 2016	498,197	1,344,277	3,561,262	1,688,365	174,885	218,201	20,394	-	-	7,505,581	
Charge for the year	67,496	222,306	660,657	229,836	31,601	38,610	405,038	-	-	1,655,544	
Transfer	-	-	-	(30,896)	-	-	-	-	-	(30,896)	
Translation differences	(10,270)	(26,120)	(68,573)	(34,753)	(3,292)	(1,927)	2,578	-	-	(142,357)	
At 31 December 2016/ 1 January 2017	555,423	1,540,463	4,153,346	1,852,552	203,194	254,884	428,010	-	-	8,987,872	
Charge for the year	69,050	227,424	747,625	40,826	28,155	27,119	775,389	-	-	1,915,588	
Translation differences	(21,664)	(60,844)	(166,858)	(68,299)	(7,987)	(9,714)	(31,814)	-	-	(367,180)	
At 31 December 2017	602,809	1,707,043	4,734,113	1,825,079	223,262	272,289	1,171,585	-	-	10,536,280	
Net Carrying Amount											
At 31 December 2017	3,911,350	2,554,529	2,521,697	46,186	85,118	12,091	6,475,234	60,111,175		75,717,380	
At 31 December 2016	4,129,287	2,882,117	3,301,751	89,412	116,940	37,883	5,817,609	28,428,850		44,803,849	



REVALUATION OF LEASEHOLD LAND

A leasehold land of a subsidiary company was revalued by directors on 31 December 2016 based on standard land price list issued by Peoples' Republic of China's regulatory authority.

Had the leasehold land been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the financial year would be RM2,606,840 (2016: RM2,772,963).

ASSETS PLEDGED AS SECURITIES TO FINANCIAL INSTITUTIONS

The carrying amount of land and building of the Group pledged as securities for term loans as disclosed in Note 17 are:

	Group 2017 RM	Group 2016 RM
At valuation		
Leasehold Land	3,911,350	4,129,287
At Cost		
Buildings	1,866,102	2,100,577
	<u>5,777,452</u>	<u>6,229,864</u>



(7) INTANGIBLE ASSETS

	Development Costs	Intellectual Property Rights	Total
Group	RM	RM	RM
Cost			
At 1 January 2016	5,403,730	10,934,550	16,338,280
Additions	1,459,298	1,291,000	2,750,298
Translation Differences	(101,320)	(283,800)	(385,120)
At 31 December 2016/1 January 2017	6,761,708	11,941,750	18,703,458
Additions	1,234,615	-	1,234,615
Translation Difference	(191,557)	(434,750)	(626,307)
At 31 December 2017	7,804,766	11,507,000	19,311,766
Less: Accumulated amortisation			
At 1 January 2016	-	-	-
Charge for the year	300,000	512,325	812,325
Translation difference	-	20,212	20,212
At 31 December 2016/1 January 2017	300,000	532,537	832,537
Charge for the year	300,000	524,123	824,123
Translation difference	-	(30,360)	(30,360)
31 December 2017	600,000	1,026,300	1,626,300
Net Carrying Amount			
At 31 December 2017	7,204,766	10,480,700	17,685,466
At 31 December 2016	6,461,708	11,409,213	17,870,921

The development expenditure relates to the development of green bamboo products.

Patents relate to the Group's rights acquired in respect of technology know-how on bamboo production.

The Group capitalised costs on development work of new products. The directors have forecasted the cash flows based on its expectations of market development. There are no reasonably possible changes in key assumptions that may have significant effect to the recoverable amount.



(8) INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2017	2016
Unquoted shares, at cost	RM	RM
In Malaysia		
At 1 January/31 December	2	2
Outside Malaysia		
At 1 January/31 December	34,999,996	34,999,996
	34,999,998	34,999,998
Less: Accumulated impairment losses		
At 1 January	-	-
Impairment loss during the year	(3,128,129)	-
At 31 December	(3,128,129)	-
	31,871,869	34,999,998

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation/ place of business	Effective equity interest		Principal Activities
		2017	2016	
		%	%	
Direct holding:				
KAR Masterpiece Sdn. Bhd.	Malaysia	100	100	Research and development and trading of bamboo flooring and related products.
Kanger Investment (HK) Ltd. ("HK Kanger")*	Hong Kong	100	100	Investment holding company.
Indirect holding:				
Subsidiary companies of HK Kanger:				
Ganzhou Kanger Industrial Co. Ltd. ("Ganzhou Kanger")#	The People's Republic of China	100	100	Manufacturing and trading of bamboo flooring and related products.
Kanger Trading (HK) Co. Ltd.*	Hong Kong	100	100	Trading of bamboo flooring and related products.



Name of subsidiary companies	Country of incorporation/ place of business	Effective equity interest		Principal Activities
		2017	2016	
		%	%	
Subsidiary companies of Ganzhou Kanger:				
Shenzen Kanger Bamboo Wood Co. Ltd.#	The People's Republic of China	100	100	Trading of bamboo flooring, bamboo furnitures, and related products.
Yanshan (Country) Kanger Bamboo Industry Co. Ltd#	The People's Republic of China	100	100	Manufacturing and trading of bamboo flooring and related products.

* Subsidiary companies not audited by Siew Boon Yeong & Associates.

The financial statements of these subsidiary companies were reviewed by Siew Boon Yeong & Associates for consolidation purposes.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

Impairment loss recognised

Impairment loss was provided for investment in subsidiary companies in which these subsidiary companies had accumulated losses and had deficits in their shareholders' equity. The forecasted financial position, financial performance and cash flows of these subsidiary companies are not expected to generate sufficient recoverable amount to justify the carrying amount of the investment in these subsidiary companies.

(9) AMOUNT OWING BY SUBSIDIARY COMPANIES

	Company	
	2017	2016
	RM	RM
Amount owing by subsidiary companies	39,522,943	42,915,938
Less: Accumulated impairment losses	(3,847,553)	-
	35,675,390	42,915,938

These represent long term advances which is unsecured, interest free and has no fixed terms of repayment.

Movements of the accumulated impairment losses (individually impaired):

	Company	
	2017	2016
	RM	RM
At 1 January	-	-
Additions	3,847,553	-
At 31 December	3,847,553	-



(10) INVENTORIES

	Group	
	2017	2016
	RM	RM
At Cost:		
Raw Materials	6,389,061	10,042,758
Work-in-progress	2,400,270	4,186,257
Finished Goods	18,753,317	15,858,211
	<u>27,542,648</u>	<u>30,087,226</u>
Recognised in profit or loss		
Inventories recognised as cost of sales	<u>46,813,162</u>	<u>46,243,681</u>

The carrying amount of inventories pledged as securities for bill payables as disclosed in Note 22 is RM5,287,000 (2016: RM5,486,750).

(11) TRADE RECEIVABLES

Group

The Group's normal trade credit terms ranged from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:

	Group	
	2017	2016
	RM	RM
USD	20,599,290	19,305,802
RMB	<u>13,054,682</u>	<u>8,677,902</u>

(12) OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other receivables	5,611,430	2,452,214	-	-
Deposits	579,852	472,538	1,000	1,000
Prepayments	3,579,567	15,492,429	60,000	60,000
Advances to suppliers	9,707,963	8,869,765	-	-
	<u>19,478,812</u>	<u>27,286,946</u>	<u>61,000</u>	<u>61,000</u>



Group

The foreign currency exposure profile of other receivables, deposits and prepayments is as follows:

Group

	2017	2016
	RM	RM
RM	61,000	61,000
RMB	19,417,812	27,225,946

(13) FIXED DEPOSITS WITH LICENCED BANKS

Group

The fixed deposits with licenced banks earn effective interest at 1.69% (2016: 0.36%) per annum.

The fixed deposits with licenced banks of the Group is pledged for credit facilities granted to the Group as disclosed in Note 17 and Note 22.

The fixed deposits with licensed banks of the Group has maturity period of 12 months (2016: 12 months).

The foreign currency exposure profile of fixed deposits with licensed banks is as follows:

Group

	2017	2016
	RM	RM
RMB	7,930,500	8,423,775

(14) CASH AND BANK BALANCES

In previous financial year, the cash in hand under custodian of third parties is as follows:

Group

	2017	2016
	RM	RM
USD		4,341,134
RMB		16,509

The foreign currency exposure profile of cash and bank balances is as follows:

Group

Company

	2017	2016	2017	2016
	RM	RM	RM	RM
RM	32,761	96,719	31,962	36,023
USD	1,837,282	4,483,241	-	-
RMB	251,953	2,646,009	-	-



(15) SHARE CAPITAL

Group and Company

	2017	2016	2017	2016
	Number of ordinary shares		RM	RM
Issued share capital				
At 1 January	798,460,550	604,419,400	79,846,055	60,441,940
Issuance of shares pursuant to conversion of redeemable convertible note	-	194,041,150	-	19,404,115
At 31 December	<u>798,460,550</u>	<u>798,460,550</u>	<u>79,846,055</u>	<u>79,846,055</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

Effective from 31 January 2017, the ordinary shares have no par value.

Warrants

The Warrants which are free were issued, registered and in the form of definitive warrant certificates and is constituted by the Deed Poll.

The exercise price of the Warrants has been fixed at RM0.10 each.

Each Warrant entitles the Warrant holders to subscribe for one (1) new share of the Company at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).

The period commencing on, and including the first date of issue of the Warrants and ending at the close of business at 5.00pm in Malaysia on the date which is five (5) years from the date of issue of the Warrants if such date is not a market day, then it shall be the market day immediately preceding the said non market day, but excluding those days during the period on which the Record of Depositors and/or the Warrants Register is or are closed.

Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

During the financial year, there were no ordinary shares issued in relation to the exercise of warrants. There are 238,935,400 warrants remained unexercised.



(16) RESERVES

		Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
Share premium	(a)	4,380,405	4,380,405	4,380,405	4,380,405
Merger reserve	(b)	(12,805,422)	(12,805,422)	-	-
Revaluation reserve	(c)	1,226,554	1,226,554	-	-
Foreign currency translation reserve	(d)	6,835,761	13,155,135	(2,071,532)	1,342,847
Retained earnings/ (Accumulated losses)		42,914,104	35,613,801	(15,604,541)	(8,195,404)
		<u>42,551,402</u>	<u>41,570,473</u>	<u>(13,295,668)</u>	<u>(2,472,152)</u>

(a) 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 the previous financial year, a premium of RM995,885 arose from issuance of 194,041,150 new ordinary shares for conversion of redeemable convertible note.

(b) Merger reserve

This represents the difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium.

(c) Revaluation reserve

The revaluation reserve represents increases in the fair value of leasehold land.

(d) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.



(17) TERM LOANS

	Group	
	2017	2016
	RM	RM
Shown under current liabilities		
Within 1 year (Note 22)		
- secured	13,659,120	14,136,450
Shown under non-current liabilities		
Between 2 to 5 years		
- secured	27,865,600	5,809,500
	<u>41,524,720</u>	<u>19,945,950</u>

The term loans from licenced banks are denominated in RMB and are secured and guaranteed as follows:

- (a) Legal charge over the leasehold land and building and fixed deposits with licenced banks as disclosed in Note 6 and Note 13; and
- (b) Jointly and severally guaranteed by a third party guarantor.

The term loans bear interest at rates ranging from 4.38% to 7.60% (2016: 4.75% to 7.80%) per annum.

The foreign currency exposure profile of term loans is as follows:

	Group	
	2017	2016
	RM	RM
RMB	<u>41,524,720</u>	<u>19,945,950</u>

(18) DEFERRED TAX LIABILITIES

	Group	
	2017	2016
	RM	RM
At 1 January	233,758	47,934
Conversion of redeemable convertible note	-	(47,934)
Translation differences	(8,510)	8,872
Transfer from profit or loss (Note 26)	-	224,886
At 31 December	<u>225,248</u>	<u>233,758</u>

The deferred tax liabilities are in respect of taxable temporary differences arising from the qualifying property, plant and equipment's total capital allowances claimed in excess of corresponding accumulated depreciation.



(19) TRADE PAYABLES

Group

The normal trade credit terms granted to the Group is 90 days (2016: 90 days). Other credit terms are assessed and approved on a case to case basis.

The foreign currency exposure profile of trade payables is as follows:

	Group	
	2017	2016
	RM	RM
USD	260,418	4,328,932
RMB	2,894,899	2,300,682

(20) OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables	892,870	862,575	100,000	-
Accruals	1,429,903	533,071	574,000	266,000
Deposit received	159,320	143,962	-	-
	2,482,093	1,539,608	674,000	266,000

Group

The foreign currency exposure profile of other payables and accruals is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
RM	878,270	295,089	674,000	266,000
USD	18,776	28,335	-	-
RMB	1,585,047	1,216,184	-	-

(21) AMOUNT OWING TO A DIRECTOR

Group and Company

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.



(22) SHORT TERM BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Term loans (Note 17)	13,659,120	14,136,450	-	-
Bill payables	13,217,500	13,716,875	-	-
Bank overdraft	261,334	373,056	261,334	373,056
	<u>27,137,954</u>	<u>28,226,381</u>	<u>261,334</u>	<u>373,056</u>

The bill payables from licenced banks are denominated in RMB and are secured by legal charge over the inventories and fixed deposits with licenced banks of the Group as disclosed in Note 10 and Note 13.

The bank overdraft from licenced banks is denominated in RM and are secured by jointly and severally guaranteed by 2 directors of the Company and 2 directors of a subsidiary company.

The bank overdraft of the Group and of the Company bear an effective interest rate of 8.85% (2016: 8.85%) per annum.

The foreign currency exposure profile of short term borrowings is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
RM	261,334	373,056	261,334	373,056
RMB	<u>26,876,620</u>	<u>27,853,325</u>	<u>-</u>	<u>-</u>

(23) REVENUE

	Group	
	2017	2016
	RM	RM
Sale of goods	73,100,080	68,389,514
Royalty fees	400,000	400,000
	<u>73,500,080</u>	<u>68,789,514</u>



(24) FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Term loans interest	857,261	714,764	-	-
Bill payables interest	-	84,312	-	-
Bank overdraft interest	60,083	60,713	48,700	115,609
	<u>917,344</u>	<u>859,789</u>	<u>48,700</u>	<u>115,609</u>

(25) PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit/(Loss) before taxation is stated after charging:				
Auditors' remuneration				
- statutory audits	113,363	110,037	33,500	33,500
- over provision in respect of prior year	-	(500)	-	-
- other services	5,000	5,000	5,000	5,000
Amortisation of intangible assets	824,123	812,235	-	-
Depreciation of property, plant and equipment	1,915,588	1,655,544	-	-
Impairment loss on amount owing by subsidiary companies	-	-	3,847,553	-
Impairment loss on investment in subsidiary companies	-	-	3,128,129	-
Impairment loss on other receivables	190,590	-	-	-
Rental of equipment	23,015	8,800	-	-
Rental of premises	1,008,706	968,354	318	9,165
Employee benefit expenses (Note 28)	4,430,333	4,215,405	294,000	280,500
<i>and crediting:</i>				
Interest income	139,847	54,858	-	24
Realised gain on foreign exchange	26,360	140,629	-	-



(26) INCOME TAX EXPENSE

	Group	
	2017	2016
	RM	RM
Malaysian income tax:		
- current year's provision	371,374	544,378
- over provision in respect of prior year	-	(546,140)
	<u>371,374</u>	<u>(1,762)</u>
Deferred tax liabilities: (Note 18)		
- origination of temporary differences	-	224,886
	<u>371,374</u>	<u>223,124</u>

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit/(Loss) before taxation	<u>7,671,677</u>	<u>5,701,442</u>	<u>(7,409,137)</u>	<u>(2,313,909)</u>
Income tax expense at Malaysian statutory tax rate of 24% (2016: 24%)	1,841,202	1,368,346	(1,778,193)	(555,338)
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	1,772,106	419,316	1,654,724	156,038
- deferred tax assets not recognised during the year	161,124	399,300	123,469	399,300
- different tax rates in overseas subsidiary companies	(1,833,116)	(443,902)	-	-
- income not subject to tax	(1,569,942)	(967,296)	-	-
- utilisation of deferred tax assets not recognised in prior year	-	(6,500)	-	-
	<u>(1,469,828)</u>	<u>(599,082)</u>	<u>1,778,193</u>	<u>555,338</u>
• Over provision of taxation in respect of prior year	-	(546,140)	-	-
	<u>371,374</u>	<u>223,124</u>	<u>-</u>	<u>-</u>



The amount of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unabsorbed business losses	4,648,053	3,976,705	3,472,848	2,958,393

(27) EARNINGS PER SHARE

Basic Earnings Per Share

The basic earnings per ordinary share as at 31 December 2017 is arrived at by dividing the Group's profit attributable to owners of the Company by the weighted average number of ordinary shares issued and calculated as follows:

	Group	
	2017	2016
Profit attributable to owners of the Company (RM)	7,300,303	5,478,318
Weighted average number of ordinary shares (units):		
Ordinary shares as at 31 December	798,460,550	651,200,092
Basic earnings per share (Sen)	0.91	0.84

Diluted Earnings Per Share

	Group	
	2017	2016
Profit attributable to owners of the Company (RM)	7,300,303	5,478,318
Weighted average ordinary shares issued as at 31 December	798,460,550	651,200,092
Effects of exercise of Warrants	238,935,400	238,935,400
	1,037,395,950	890,135,492
Diluted earnings per share (Sen)	0.70	0.62

(28) EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses recognised in profit or loss are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Salaries and wages	4,279,881	4,090,098	294,000	280,500
Defined contribution plan	150,452	125,307	-	-
	4,430,333	4,215,405	294,000	280,500



Included in employee benefit expenses are directors' remuneration who are also the key management personnel of the Group and of the Company:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Directors' remuneration				
- fees	216,000	196,000	216,000	196,000
- other emoluments	342,378	144,709	78,000	84,500

(29) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group arising from the financing activities, including both cash and non-cash changes as follows:-

	At	Net-Cash	Non-Cash	At
	1.1.2017	Flows	Changes	31.12.2017
	RM	RM	RM	RM
Group				
Term loans	19,945,950	22,781,858	(1,203,088)	41,524,720
Bill payables	13,716,875	-	(499,375)	13,217,500
	<u>33,662,825</u>	<u>22,781,858</u>	<u>(1,702,463)</u>	<u>54,742,220</u>

Non-cash changes represent translation differences.

(30) OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as chief operating decision makers in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into main business segments as follows:

- (a) Investment holding
Investment holding.
- (b) Manufacturing and trading
Manufacturing and trading of bamboo flooring and related products.
- (c) Research and development
Performing research and development work for the Group.

For the purpose of making decisions about resource allocation, the Executive Directors assess the performance of the operating segments based on operating profits or losses which is measured differently from those disclosed in the financial statements.

The Executive Directors are of the opinion that all inter-segment transactions are entered into in the normal course of business and are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.



Business Segments

Group	Investment Holding	Manufacturing and Trading	Research and Development	Elimination	Total
2017	RM	RM	RM	RM	RM
Revenue					
External revenue	-	73,495,803	4,277	-	73,500,080
Inter-segment revenue	-	17,911,641	400,000	(18,311,641)	-
Total revenue	-	91,407,444	404,277	(18,311,641)	73,500,080
Results					
Segment results	(7,373,866)	11,519,898	143,275	6,899,578	11,188,885
Interest income	-	(139,578)	(269)	-	(139,847)
Finance costs	48,700	868,644	-	-	917,344
Amortisation of intangible assets	-	524,123	300,000	-	824,123
Depreciation of property, plant and equipment	-	1,915,151	437	-	1,915,588
Profit/(loss) before taxation	(7,422,566)	8,351,558	(156,893)	6,899,578	7,671,677
Income tax expense	-	(371,374)	-	-	(371,374)
Profit/(loss) after taxation	(7,422,566)	7,980,184	(156,893)	6,899,578	7,300,303
Assets					
Segment assets	153,142,448	233,896,194	1,699,444	(204,607,312)	184,130,774
Liabilities					
Segment liabilities	55,022,479	87,755,338	3,322,448	(84,366,948)	61,733,317



	Investment Holding	Manufacturing and Trading	Research and Development	Elimination	Elimination
Group	RM	RM	RM	RM	RM
2016					
Revenue					
External revenue	-	68,789,514	-	-	68,789,514
Inter-segment revenue	-	17,510,980	400,000	(17,910,980)	-
Total revenue	-	86,300,494	400,000	(17,910,980)	68,789,514
Results					
Segment results	(2,740,170)	5,416,973	(248,161)	-	2,428,642
Interest income	(26)	(53,325)	(1,507)	-	(54,858)
Finance costs	115,609	744,180	-	-	859,789
Amortisation of intangible assets	300,000	512,325	-	-	812,325
Depreciation of property, plant and equipment	-	1,655,544	-	-	1,655,544
Profit/(loss) before taxation	(2,324,587)	8,275,697	(249,668)	-	5,701,442
Income tax expense	-	(223,124)	-	-	(223,124)
Profit/(loss) after taxation	(2,324,587)	8,052,573	(249,668)	-	5,478,318
Assets					
Segment assets	171,068,010	205,408,956	1,661,257	(214,182,667)	163,955,556
Liabilities					
Segment liabilities	68,157,779	58,298,087	3,125,892	(87,042,730)	42,539,028



Geographical information

Revenue information based on the geographical location of customers is as follow:

Group	Revenue	
	2017 RM	2016 RM
People's Republic of China	33,615,905	20,575,983
Malaysia	8,612,822	7,034,628
New Zealand	4,979,518	6,047,446
Mexico	4,586,149	4,224,055
United Arab Emirates	4,369,408	-
Bangladesh	3,356,951	-
Canada	2,646,356	16,578,625
India	2,356,765	2,986,535
United States of America	2,032,471	1,808
South Africa	1,489,057	-
Macau	1,301,817	-
Brazil	1,224,159	2,673,185
Serbia	1,154,614	-
Australia	877,564	2,380,544
Spain	875,655	704,627
Germany	20,869	-
Turkey	-	2,028,438
Kenya	-	1,273,637
Maldives	-	1,197,870
Russia	-	208,334
Thailand	-	309,654
Others	-	564,145
	<u>73,500,080</u>	<u>68,789,514</u>

(31) RELATED PARTY DISCLOSURE

- (a) Identities of related parties
- The Group has related party relationship with the key management personnel; and
 - The Company has related party relationships with its subsidiary companies and key management personnel.



- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short-term employee benefit expenses				
Executive Directors:-				
- other emoluments	342,378	144,709	78,000	84,500
Non-executive Directors:-				
- fees	216,000	196,000	216,000	196,000

(32) FINANCIAL INSTRUMENTS

The Group's and the Company's activities are exposed to interest rate risk, credit risk, foreign currency risk and liquidity and cash flow risks. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

(a) Financial Risk Management Policies

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing their interest rate risk, credit risk, foreign currency risk and liquidity and cash flow risks. The Group's and the Company's policies in respect of the major areas of treasury activities are as follows:-

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposures to interest rate risk arise mainly from interest-bearing financial assets and liabilities. The Group's and the Company's policies are to obtain the most favourable interest rates available.

Interest Rate Risk Sensitivity Analysis

The interest rate risk sensitivity analysis on the fixed rate financial instruments is not disclosed as the interest-bearing financial instruments carry fixed interest rate and are measured at amortised cost.



The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	Group		Company	
	2017 Increase/ (decrease)	2016 Increase/ (decrease)	2017 Increase/ (decrease)	2016 Increase/ (decrease)
	RM	RM	RM	RM
Effects on profit after taxation/ equity				
Increase of 100 basis points	(550,035)	(340,359)	2,613	3,730
Decrease of 100 basispoints	550,035	340,359	(2,613)	(3,730)

(ii) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposures to credit risk arise mainly from receivables. The maximum exposure to credit risk is represented by the carrying amount of these financial assets in the statements of financial position reduced by the effects of any netting arrangements with counterparties. The Group and the Company manage their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties and financial institutions.

The Group and the Company establish an allowance for impairment losses that represents their estimate of incurred losses in respect of the trade and other receivables and amount owing by subsidiary companies as appropriate. The main component of this allowance is a specific loss component that relates to individually significant exposures. Impairment is estimated by management based on prior experience and the current economic environment.

Credit Risk Concentration Profile

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables at the reporting date.

The Company only provides advances to subsidiary companies.

Exposure to Credit Risk

As the Group and the Company do not hold any collateral, the maximum exposures to credit risk is represented by the carrying amount of the financial assets at the reporting date.



Ageing Analysis

The ageing analysis of the Group's trade receivables at the reporting date is as follows:

	Group	
	2017 RM	2016 RM
Not past due	2,819,180	5,061,894
Past due but not impaired:		
- 1 to 30 days	22,252,201	4,980,466
- 31 to 60 days	2,773,239	9,682,464
- more than 60 days	5,809,352	8,258,880
	30,834,792	22,921,810
	<u>33,653,972</u>	<u>27,983,704</u>

The Group uses ageing analysis to monitor the credit quality of the trade receivables.

Any receivables having significant balances past due of more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are neither past due nor impaired are regular customers of the Group.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

(iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of the Group's entities.

The currencies giving rise to this risk are primarily United States Dollar (USD) and RMB. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.



The net unhedged financial (liabilities)/assets of the Group that are not denominated in RM are as follows:-

	RMB	
	2017 RM	2016 RM
Group		
Trade receivables	13,054,682	8,677,902
Other receivables, deposits and prepayments	19,417,812	27,225,946
Fixed deposits with licenced banks	7,930,500	8,423,775
Cash and bank balances	251,953	2,646,009
Trade payables	(2,894,899)	(2,300,682)
Other payables and accruals	(1,712,105)	(1,216,184)
Term loans	(41,524,720)	(19,945,950)
Bill payables	(13,217,500)	(13,716,875)
Currency exposure	<u>(18,694,277)</u>	<u>9,793,941</u>

	USD	
	2017 RM	2016 RM
Trade receivables	20,599,290	19,305,802
Other receivables, deposits and prepayments	-	260,188
Cash and bank balances	1,837,282	4,483,241
Trade payables	(260,418)	(4,328,932)
Other payables and accruals	(18,776)	(28,335)
Currency exposure	<u>22,157,378</u>	<u>19,691,964</u>



Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	Group	
	2017 RM Increase/ (Decrease)	2016 RM Increase/ (Decrease)
Effects on profit after taxation/equity		
Strengthened by 10%		
- RMB	(1,869,428)	979,394
- USD	2,215,738	1,969,196
Weakened by 10%		
- RMB	1,869,428	(979,394)
- USD	(2,215,738)	(1,969,196)

(iv) Liquidity and Cash Flow Risks

Liquidity and cash flow risks are the risks that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's exposures to liquidity and cash flow risks arise mainly from general funding and business activities. The Group and the Company practise risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.



The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Carrying Amount	Contractual Undiscounted Cash Flows	On Demand Or Within 1 Year	1 - 5 Years
Group	RM	RM	RM	RM
2017				
Trade payables	3,155,317	3,155,317	3,155,317	-
Other payables and accruals	2,482,093	2,482,093	2,482,093	-
Amount owing to a director	394,246	394,246	394,246	-
Bill payables	13,217,500	13,217,500	13,217,500	-
Bank overdraft	261,334	261,334	261,334	-
Term loans	41,524,720	41,524,720	13,659,120	27,865,600
	<u>61,035,210</u>	<u>61,035,210</u>	<u>33,169,610</u>	<u>27,865,600</u>
2016				
Trade payables	6,629,614	6,629,614	6,629,614	-
Other payables and accruals	1,539,608	1,539,608	1,539,608	-
Bill payables	13,716,875	13,716,875	13,716,875	-
Bank overdraft	373,056	373,056	373,056	-
Term loans	19,945,950	19,945,950	14,136,450	5,809,500
	<u>42,205,103</u>	<u>42,205,103</u>	<u>36,395,603</u>	<u>5,809,500</u>

	Carrying Amount	Contractual Undiscounted Cash Flows	On Demand Or Within 1 Year
Company	RM	RM	RM
2017			
Other payables and accruals	674,000	674,000	674,000
Amount owing to a director	154,500	154,500	154,500
Bank overdraft	261,334	261,334	261,334
	<u>1,089,834</u>	<u>1,089,834</u>	<u>1,089,834</u>
2016			
Other payables and accruals	266,000	266,000	266,000
Bank overdraft	373,056	373,056	373,056
	<u>639,056</u>	<u>639,056</u>	<u>639,056</u>



(b) Capital Risk Management

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt for the Group and the Company are calculated as all interest bearing borrowings less fixed deposits with licenced banks and cash and bank balances.

The debt-to-equity ratios of the Group and of the Company as at the end of the financial year were as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Term loans	41,524,720	19,945,950	-	-
Bill payables	13,217,500	13,716,875	-	-
Bank overdraft	261,334	373,056	261,334	373,056
	<u>55,003,554</u>	<u>34,035,881</u>	<u>261,334</u>	<u>373,056</u>
Less: Fixed deposits with licenced banks	(7,930,500)	(8,423,775)	-	-
Less: Cash and bank balances	(2,121,996)	(7,225,969)	(31,962)	(36,023)
	<u>44,951,058</u>	<u>18,386,137</u>	<u>229,372</u>	<u>337,033</u>
Total equity	<u>122,397,457</u>	<u>121,416,528</u>	<u>66,550,387</u>	<u>77,373,903</u>
Debt-to-equity ratio	<u>0.37</u>	<u>0.15</u>	<u>0.01</u>	<u>0.01</u>

There were no changes in the Group's and the Company's approach to capital management during the financial year.



(c) Classification of Financial Instruments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial Assets				
Loans And Receivables				
Trade receivables	33,653,972	27,983,704	-	-
Other receivables and deposits	15,899,245	11,794,517	1,000	1,000
Amount owing by subsidiary companies	-	-	35,675,390	42,915,938
Fixed deposits with licenced banks	7,930,500	8,423,775	-	-
Cash and bank balances	2,121,996	7,225,969	31,962	36,023
	<u>59,605,713</u>	<u>55,427,965</u>	<u>35,708,352</u>	<u>42,952,961</u>
Financial Liabilities				
Other Financial Liabilities				
Trade payables	3,155,317	6,629,614	-	-
Other payables and accruals	2,482,093	1,539,608	674,000	266,000
Amount owing to a director	394,246	-	154,500	-
Bill payables	13,217,500	13,716,875	-	-
Bank overdraft	261,334	373,056	261,334	373,056
Term loans	41,524,720	19,945,950	-	-
	<u>61,035,210</u>	<u>42,205,103</u>	<u>1,089,834</u>	<u>639,056</u>

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company reported in the financial statements approximated their fair values due to their short term nature.

(e) Fair Value Hierarchy

As at 31 December 2017, there were no financial instruments measured at fair value in the statements of financial position.



(33) CAPITAL COMMITMENT

	Group	
	2017 RM	2016 RM
Approved and contracted but not provided for - Capital work-in-progress	<u>14,528,825</u>	<u>49,031,000</u>

(34) SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 20 February 2017, the Company announced that it had entered into a Memorandum of Understanding (“MOU”) with Forest Research Institute Malaysia to jointly co-operate in developing the bamboo industry in Malaysia into building material products.
- (b) On 18 May 2017, the Company announced that the Company and A K Khan Plywood Company Limited (“AKKPLY”) are still finalising the definitive shareholding agreement of a joint venture company. Both parties have agreed that the first step of collaboration would be to focus on contract manufacturing of bamboo furniture, laminated and strand woven bamboo products, bamboo plywood, bamboo chip board, bamboo furniture, and/or any other new innovations of bamboo based products in Bangladesh utilising AKKPLY’s intellectual property, design and production capabilities.

Both parties have mutually agreed to an extension of time of the MOU of up to six (6) months, i.e. up to 18 November 2017 to finalise the terms and conditions of the joint venture company.

On 17 November 2017, the Company announced that both parties have mutually agreed to an extension of time of the MOU of up to six (6) months, i.e. up to 16 May 2018 to finalise the terms and conditions of the joint venture company.

(35) SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 25 January 2018, the Company announced on the conversion of redeemable convertible notes into 5,750,431 ordinary shares of the Company at issue price of RM0.1739 per share.

(36) COMPARATIVE FIGURES

The comparative figures of the Group and of the Company were audited by another firm of Chartered Accountants.

(37) AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 25 April 2018 by the Board of Directors.



LIST OF PROPERTIES AS AT 31 DECEMBER 2017

Location	Description/ Existing use	Existing Use	Tenure	(i) Land area (ii) Built-up area (square metres)	Approximate age of building (years)	Carrying amounts at 31 December 2017 RM '000	Date of Acquisition
The West Road of Jinling, Gannan Industrial Park, Ganzhou Economic and Technology Development Zone, Jiangxi Province, 341000 China	Industrial land with 1-storey detached building annexed with a 3-storey detached building erected thereon	Head office and manufacturing facility	50 years ending on 16 February 2058	(i) 19,662 (ii) 8,577 **	8	3,911 (land) 2,555 (buildings)	16 February 2009



ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2018

SHARE CAPITAL

Issued Shares : 804,210,980
 Class of Shares : Ordinary shares
 Voting Rights : One vote per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
25	Less than 100	906	*
78	100 to 1,000	38,002	*
330	1,001 to 10,000	2,237,360	0.28
653	10,001 to 100,000	28,622,800	3.56
293	100,001 to less than 5% of issued shares	459,068,346	57.08
4	5% and above of the issued shares	314,243,566	39.08
1383	TOTAL	804,210,980	100.00

* Less than 0.01%



ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

Name of Shareholders	No. of Shares Held	Percentage (%)
1. Kenanga Nominees (Asing) Sdn Bhd - Leng Xingmin (Account 1)	115,953,091	14.42
2. Kenanga Capital Sdn Bhd - Pledged Securities Account for Leng Xingmin	77,400,000	9.62
3. Lim Lai Choy @ Lim Aun Nee	68,497,075	8.52
4. Setiakon Builders Sdn Bhd	52,393,400	6.51
5. Kenanga Nominees (Asing) Sdn Bhd - Hongkong Huanshiqiu Finance Investment Limited	35,037,037	4.36
6. Tan Lik Houe	25,000,000	3.11
7. Li ChunMing	22,939,700	2.85
8. Hongkong Jiutian Asset Management Limited	20,397,900	2.54
9. Syed Sirajuddin Putra Jamalullail	18,000,070	2.24
10. Dahua Holding (HK) Co Limited	17,802,500	2.21
11. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koo Weng Seng (7003217)	17,510,000	2.18
12. Syed Razlan Ibni Syed Putra	16,640,000	2.07
13. Chen Shenghuai	14,870,200	1.85
14. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Doh Tee Leong (E-TAI / STW)	14,300,000	1.78
15. Wong Wai Lum	12,264,000	1.52
16. Ho Kee Lian	9,200,000	1.14
17. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Phua Wee Seng (E-TMI)	8,307,860	1.03
18. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Hui Kheng (E-TMI)	8,003,600	1.00
19. Liew Chak Fatt	8,000,000	0.99
20. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Swee Hong (E-KLG)	6,860,500	0.85
21. Ling Hee Keat	6,800,000	0.85
22. Doh Tee Leong	6,717,300	0.84
23. Public Nominees (Asing) Sdn Bhd - Pledged Securities Account for Phua Lam Huat (E-TMI)	6,600,000	0.82
24. RHB Nominees (Asing) Sdn Bhd - RHB Securities Hong Kong Limited for Core Pacific	5,958,100	0.74



ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

ANALYSIS OF SHAREHOLDINGS (cont'd) AS AT 30 MARCH 2018

Name of Shareholders	No. of Shares Held	Percentage (%)
25. Kenanga Nominees (Asing) Sdn Bhd - Li Xin	5,600,000	0.70
26. Chen Tam Chai	5,581,500	0.69
27. Tan Lik Houe	4,997,800	0.62
28. Kenanga Nominees (Asing) Sdn Bhd - Advance Opportunities Fund	4,964,331	0.62
29. Leung Tak Tung	4,377,400	0.54
30. Regional Equities Sdn Bhd	4,000,000	0.50
TOTAL	624,973,364	77.71

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of Shareholders	No. of shares held			
	Direct	%	Indirect	%
1. Leng Xingmin	195,253,091	24.28	-	-
2. Lim Lai Choy @ Lim Aun Nee	68,497,075	8.52	-	-
3. Setiakon Builders Sdn Bhd	52,393,400	6.51	-	-
4. Dato' Kuan Ah Hock	-	-	52,393,400**	6.51
5. Tan Tong Kwee	-	-	52,393,400**	6.51
6. Tee Kian Chon	-	-	52,393,400**	6.51
7. Tee Gan Ting	-	-	52,393,400**	6.51



ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

Name of Directors	No. of shares held			
	Direct	%	Indirect	%
1. Dato' Paduka Sharipah Hishmah binti Dato' Sayed Hassan	200,000	0.02	16,640,000 #	2.07
2. Dato' Kuan Ah Hock	-	-	52,393,400**	6.51
3. Leng Xingmin	195,253,091	24.28	-	-
4. Syed Hazrain bin Syed Razlan Jamalullail	1,018,190	0.13	-	-
5. Chong Amita	1,200,024	0.15	600,000^	0.07
6. Datuk Seri Dr. Md Zabid bin Haji Abdul Rashid	-	-	-	-
7. Dato' Haji Markiman Bin Kobiran	-	-	-	-
8. Lim Soon Tong	10,000	*	-	-

* Less than 0.01%

** Deemed interested in shares held by Setiakon Builders Sdn Bhd pursuant to Section 8 of the Companies Act 2016

Deemed interested by virtue of the shares held by her spouse

^ Deemed interested by virtue of the shares held by his spouse



ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

ANALYSIS OF WARRANT HOLDINGS AS AT 30 MARCH 2018

No. of Warrants	: 238,935,400
Exercise Price of Warrants	: RM0.10
Exercise Period of Warrants	: 14 April 2015 to 13 April 2020
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share in the Company
Voting Rights in the Meeting of Warrant Holders	: One vote per warrant holder on a show of hands One vote per warrant held on a poll
Number of Warrant Holders	: 724

WARRANT DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Warrantholders	Size of Warrant Holdings	No. of Warrants Held	% of Warrant
53	Less than 100	2,020	*
49	100 to 1,000	24,913	0.01
160	1,001 to 10,000	848,030	0.35
290	10,001 to 100,000	14,190,925	5.94
169	100,001 to less than 5% of issued shares	131,456,467	55.02
3	5% and above of the issued shares	92,413,045	38.68
724	TOTAL	238,935,400	100.00

* Less than 0.01%



ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

LIST OF 30 LARGEST WARRANT ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

Name of Warranholders	No. of Warrants Held	Percentage (%)
1. Kenanga Capital Sdn Bhd - Pledged Securities Account for Leng Xingmin	38,700,000	16.20
2. Kenanga Nominees (Asing) Sdn Bhd - Leng Xingmin (Account 1)	31,333,045	13.11
3. Wong Wai Lum	22,380,000	9.37
4. Kenanga Nominees (Asing) Sdn Bhd - Li Wenmei	11,270,100	4.72
5. Syed Sirajuddin Putra Jamalullail	8,460,035	3.54
6. Syed Razlan Ibni Syed Putra	8,120,000	3.40
7. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Swee Hoong (E-KLG)	5,400,000	2.26
8. Chin Chin Seong	4,491,000	1.88
9. Merry Noel Robert	4,387,700	1.84
10. Chin Chin Seong	3,500,000	1.46
11. Wu Song Heng	3,360,000	1.41
12. Kenanga Nominees (Asing) Sdn Bhd - Li Xin	3,358,700	1.41
13. Tan Pok Shyong	3,040,000	1.27
14. Chia Get Kiau	2,887,800	1.21
15. Ng See Kam	2,800,000	1.17
16. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Ling Hee Keat (PB)	2,568,500	1.07
17. Yap Bee Wah	2,318,400	0.97
18. Tan Jyy Mei	2,056,200	0.86
19. Lim Yen Lee	2,000,000	0.84
20. The Chee Ch'ng	1,721,000	0.72
21. RHB Nominees (Asing) Sdn Bhd - RHB Securities Hong Kong Limited for Core Pacific Yamaichi International (H.K.) Limited - Account Client	1,649,300	0.69
22. Cham Foong Lien	1,500,000	0.63
23. Tan Lik Houe	1,356,600	0.57
24. Chan Siew Kiow	1,309,100	0.55



ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

ANALYSIS OF WARRANT HOLDINGS (cont'd) AS AT 30 MARCH 2018

Name of Warrantholders	No. of Warrants Held	Percentage (%)
25. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yee Siew Mey (E-SS2)	1,280,000	0.54
26. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Lee Khien (013)	1,150,200	0.48
27. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Ling Hee Keat (MY0437)	1,000,000	0.42
28. Choong Kian Piow	1,000,000	0.42
29. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chew Yoke Yee (013)	1,000,000	0.42
30. Suze Seau Chuey	1,000,000	0.42
TOTAL	176,397,680	73.83

DIRECTORS' WARRANT HOLDINGS (AS PER THE REGISTER OF DIRECTORS' WARRANT HOLDINGS)

Name of Shareholders	No. of shares held			
	Direct	%	Indirect	%
1. Dato' Paduka Sharipah Hishmah binti Dato' Sayed Hassan	100,000	0.04	8,120,000*	3.40
2. Dato' Kuan Ah Hock	-	-	-	-
3. Leng Xingmin	70,033,045	29.31	-	-
4. Syed Hazrain bin Syed Razlan Jamalullail	509,095	0.21	-	-
5. Datuk Seri Dr. Md Zabid bin Haji Abdul Rashid	-	-	-	-
6. Dato' Haji Markiman Bin Kobiran	-	-	-	-
7. Chong Amita	600,012	0.25	300,000**	0.13
8. Lim Soon Tong	-	-	-	-

* Deemed interested by virtue of the warrants held by her spouse

** Deemed interested by virtue of the warrants held by his spouse



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting ("5th AGM") of **KANGER INTERNATIONAL BERHAD** will be held at The Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur, Wilayah Persekutuan (KL), Malaysia on **Friday, 25 May 2018 at 10.00 a.m.** for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

- (1) To receive the Audited Financial Statements for the year ended 31 December 2017 and the Directors' and Auditors' Reports thereon. **(Please refer to Explanatory Note 9)**
- (2) To approve the payment of Directors' fees of RM216,000 for the financial year ended 31 December 2017. **(Ordinary Resolution 1)**
- (3) To re-elect the following Directors who are retiring under Article 90 of the Company's Articles of Association:-
 - (i) Mr Leng Xingmin **(Ordinary Resolution 2)**
 - (ii) Dato' Haji Markiman bin Kobiran **(Ordinary Resolution 3)**

Mr Lim Soon Tong who retires pursuant to Article 90 of the Company's Articles of Association, has expressed his intention of not seeking re-election. Hence, he will retain office until the conclusion of the 5th AGM.
- (4) To re-appoint Messrs Siew Boon Yeong & Associates as Auditors of the Company for the financial year ending 31 December 2018 and to authorize the Board of Directors to fix their remuneration. **(Ordinary Resolution 4)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution:

- (5) **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** **(Ordinary Resolution 5)**

"THAT, pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit without convening a general meeting, provided that the aggregate number of shares issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain approval for the listing and quotation for the additional shares issued on Bursa Malaysia Securities Berhad; and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
- (6) To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

By Order of the Board

KANGER INTERNATIONAL BERHAD

WONG YUET CHYN (MAICSA 7047163)

Company Secretary

Kuala Lumpur

30 April 2018



NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (1) A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
- (2) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- (3) Where a member is an authorized nominee as defined under the Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- (4) Where a Member is an Exempt Authorized 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 Authorized Nominee may appoint in respect of each omnibus account it holds.
- (5) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorized.
- (6) To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan(KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof, or in the case of a poll, not less than twenty four (24) hours before the time appointed for taking of the poll.
- (7) In respect of deposited securities, only Members whose names appear on the Record of Depositors on 16 May 2018, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- (8) Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Explanatory Note on Ordinary Business

(9) Audited Financial Statements for financial year ended 31 December 2017

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Explanatory Note on Special Business

(10) Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 5, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company ("Renewed Mandate") provided that the aggregate number of shares issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up shares capital of the Company for the time being. This Renewed Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no shares had been issued and allotted since the general mandate granted to the Directors at the last Annual General Meeting held on 25 May 2017 and this general mandate will lapse at the conclusion of the 5th AGM of the Company.

The Renewed Mandate will provide flexibility to the Company to raise funds, including but not limited to placing of shares, for purpose of funding future investment projects and/or working capital and/or acquisitions.





FORM OF PROXY

CDS Account No.					-										
No. of Shares Held															

I/We
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No.)

of
(FULL ADDRESS)

being a member/members of **KANGER INTERNATIONAL BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		

and/ or failing him/ her

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		

or failing him/her, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the Fifth Annual General Meeting of the Company to be held at The Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur, Wilayah Persekutuan (KL), Malaysia on **Friday, 25 May 2018 at 10.00 a.m.** and at any adjournment thereof.

ORDINARY RESOLUTIONS	FOR	AGAINST
1. Payment of Directors' Fees		
2. Re-election of Mr Leng Xingmin		
3. Re-election of Dato' Haji Markiman bin Kobiran		
4. Re-appointment of Auditors		
5. Authority to issue shares under Sections 75 and 76 of the Companies Act 2016		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this day of 2018.

.....
Signature(s) of member(s)

Notes:-

- A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- Where a member is an authorized nominee as defined under the Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a Member is an Exempt Authorized 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 Authorized Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorized.
- To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof, or in the case of a poll, not less than twenty four (24) hours before the time appointed for taking of the poll.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 May 2018, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.



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AFFIX STAMP

The Company Secretary
KANGER INTERNATIONAL BERHAD (1014793-D)
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

Fold this flap for sealing





康尔国际
KANGER INT'L

KANGER INTERNATIONAL BERHAD
(Company No. 1014793-D)