

**KIM HIN INDUSTRY BERHAD** (018203-V)

**Interim Financial Report**

30 September 2014

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim Financial Report for the Nine-Month Period ended 30 September 2014**

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**Interim report for the nine months period ended 30 September 2014**

**Condensed Consolidated Statement of Comprehensive Income**

		<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
		<b>3 months ended</b>		<b>9 months ended</b>	
		<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	11	77,525	67,131	224,427	191,655
Cost of sales		(53,007)	(50,716)	(160,619)	(150,508)
<b>Gross profit</b>		24,518	16,415	63,808	41,147
Other income		1,213	3,346	9,004	6,909
Negative goodwill on acquisition		(243)	-	5,669	-
Selling and distribution expenses		(4,829)	(4,312)	(14,307)	(11,856)
Administrative expenses		(14,786)	(9,832)	(36,834)	(30,659)
Other expenses		(2,025)	1,248	(2,988)	(1,835)
<b>Operating profit</b>		3,848	6,865	24,352	3,706
Finance costs		(125)	(3)	(374)	(10)
Share of loss of associate		(8)	(4)	(17)	(13)
<b>Profit before tax</b>	12	3,715	6,858	23,961	3,683
Income tax expense	13	(2,427)	(1,138)	(3,016)	(3,020)
<b>Profit for the period</b>		1,288	5,720	20,945	663
<b>Other comprehensive income:</b>					
Exchange translation differences on foreign subsidiaries		(261)	2,035	(2,534)	4,024
<b>Total other comprehensive income for the period, net of tax</b>		(261)	2,035	(2,534)	4,024
<b>Total comprehensive income for the period, net of tax</b>		1,027	7,755	18,411	4,687
		=====	=====	=====	=====

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the nine months period ended 30 September 2014****Condensed Consolidated Statement of Comprehensive Income (contd.)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		666	5,224	19,389	(104)
Non-controlling interests		622	496	1,556	767
		<u>1,288</u>	<u>5,720</u>	<u>20,945</u>	<u>663</u>
		=====	=====	=====	=====
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		124	6,689	17,139	2,771
Non-controlling interests		903	1,066	1,272	1,916
		<u>1,027</u>	<u>7,755</u>	<u>18,411</u>	<u>4,687</u>
		=====	=====	=====	=====
<b>Earning/(loss) per share attributable to owners of the Company:</b>					
- Earning/(loss) per share for the period (basic/diluted) (sen)	14	0.48	3.73	13.83	(0.07)
		=====	=====	=====	=====

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**Interim report for the nine months period ended 30 September 2014**

**Condensed Consolidated Statement of Financial Position**

		<b>30.09.2014</b>	<b>31.12.2013</b>
	<b>Note</b>	Unaudited RM'000	Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	212,537	215,851
Investment property	16	24,099	25,288
Investment in an associate		-	-
Other investments		47,929	52,857
Goodwill on consolidation	17	9,218	9,218
Deferred tax assets		2,170	-
		<hr/>	<hr/>
		295,953	303,214
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	18	112,962	92,455
Trade receivables		57,703	59,067
Other receivables, deposits and prepayments		7,510	7,761
Derivative assets	19	140	-
Current tax assets		1,830	3,279
Cash and bank balances	20	56,909	51,129
		<hr/>	<hr/>
		237,054	213,691
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		533,007	516,905
		=====	=====

**Interim report for the nine months period ended 30 September 2014**

**Condensed Consolidated Statement of Financial Position (contd.)**

		<b>30.09.2014</b>	<b>31.12.2013</b>
	<b>Note</b>	Unaudited RM'000	Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	155,616	155,616
Share premium	21	51,042	51,042
Treasury shares	21	(24,309)	(24,309)
Other reserves		5,000	7,250
Revenue reserves		265,526	250,344
		<hr/>	<hr/>
		452,875	439,943
Non-controlling interests		20,565	20,032
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		473,440	459,975
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Provision of employee benefits		22	20
Loans and borrowings	22	9,454	10,167
Deferred taxation		281	289
		<hr/>	<hr/>
		9,757	10,476
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables		29,876	30,105
Other payables and accruals		16,778	13,865
Derivative liabilities	19	-	165
Loans and borrowings	22	1,838	932
Tax payable		1,318	1,387
		<hr/>	<hr/>
		49,810	46,454
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		59,567	56,930
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		533,007	516,905
		<hr/>	<hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.23	3.14
		<hr/>	<hr/>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the nine months period ended 30 September 2014****Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →						Non-controlling interests ("NCP")	Total equity	
	← Non-Distributable →			Distributable					
	Share capital	Share premium	Treasury shares	Reserve and enterprise expansion funds	Translation adjustment account	Revenue reserve	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2014</b>	155,616	51,042	(24,309)	1,835	5,415	250,344	439,943	20,032	459,975
Total comprehensive income for the period	-	-	-	-	(2,250)	19,389	17,139	1,272	18,411
<u>Transaction with owners</u>									
Dividend paid	-	-	-	-	-	(4,207)	(4,207)	-	(4,207)
Issuance of shares to NCI	-	-	-	-	-	-	-	179	179
Dividend paid to NCI	-	-	-	-	-	-	-	(918)	(918)
<b>At 30 September 2014</b>	<u>155,616</u>	<u>51,042</u>	<u>(24,309)</u>	<u>1,835</u>	<u>3,165</u>	<u>265,526</u>	<u>452,875</u>	<u>20,565</u>	<u>473,440</u>
<b>At 1 January 2013</b>	155,616	51,042	(24,309)	1,566	1,943	254,796	440,654	17,920	458,574
Total comprehensive income for the period	-	-	-	-	2,875	(104)	2,771	1,916	4,687
<u>Transaction with owners</u>									
Dividend paid	-	-	-	-	-	(4,207)	(4,207)	-	(4,207)
Dividend paid to NCI	-	-	-	-	-	-	-	(572)	(572)
<b>At 30 September 2013</b>	<u>155,616</u>	<u>51,042</u>	<u>(24,309)</u>	<u>1,566</u>	<u>4,818</u>	<u>250,485</u>	<u>439,218</u>	<u>19,264</u>	<u>458,482</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the nine months period ended 30 September 2014****Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
<b>Operating activities</b>	<b>Note</b>	
Profit before tax		3,683
23,961		
Adjustments for:		
Allowance for doubtful debts	12	-
Allowance for doubtful debts no longer required	(102)	(330)
Bad debts written (back)/off	(53)	10
Depreciation of investment property	659	837
Depreciation of property, plant and equipment	16,037	15,300
Dividend income	(117)	(317)
Gains on fair value changes	(3,165)	(670)
Impairment on investment in an associate reversed	(17)	(12)
Interest expense	374	10
Interest income	(626)	(1,149)
Inventories written off	71	84
Loss on disposal of other investments	362	22
Loss/(gain) on disposal of property, plant and equipment	11	(50)
Negative goodwill on acquisition of subsidiaries	(5,669)	-
Property, plant and equipment written off	6	-
Share of loss of an associate	17	13
Unrealised loss on foreign exchange	586	763
Write-down of inventories provided	913	142
Operating cash flows before changes in working capital	33,260	18,336
Changes in working capital:		
(Increase)/decrease in inventories	(9,351)	3,254
Decrease/(increase) in receivables	7,952	(10,397)
Decrease in payables	(3,524)	(1,632)
Cash generated from operations	28,337	9,561
Interest paid	(374)	(10)
Interest received	-	-
Taxes paid, net of refund	(3,817)	(4,218)
Net cash flows from operating activities carried forward	24,146	5,333



**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the nine months period ended 30 September 2014****Condensed Consolidated Statement of Cash Flows (contd.)**

		<b>9 months ended</b>	
	<b>Note</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
		<b>RM'000</b>	<b>RM'000</b>
Net cash flows from operating activities brought forward		24,146	5,333
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(13,463)	(13,768)
Acquisition of other investments		(2,287)	(2,316)
Acquisition of subsidiaries, net of cash		(8,557)	-
Dividend received		90	196
Interest received		626	1,149
Proceeds from disposal of other investments		9,602	8,774
Proceeds from disposal of property, plant and equipment		1,187	52
Net cash flows used in investing activities		<u>(12,802)</u>	<u>(5,913)</u>
<b>Financing activities</b>			
Dividend paid		(4,207)	(4,207)
Dividend paid to non-controlling interest		(918)	(572)
Issuance of shares to non-controlling interest		179	-
Repayment of lease payables		(10)	(13)
Repayment of term loan		(682)	-
Net cash flows used in financing activities		<u>(5,638)</u>	<u>(4,792)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,706</b>	<b>(5,372)</b>
<b>Effect of foreign exchange rate changes</b>		<b>(121)</b>	<b>323</b>
<b>Cash and cash equivalents at 1 January</b>	<b>20</b>	<b>50,437</b>	<b>54,942</b>
<b>Cash and cash equivalents at 30 September</b>	<b>20</b>	<b><u>56,022</u></b>	<b><u>49,893</u></b>
		<b>=====</b>	<b>=====</b>

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

## **KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

### **PART A – Explanatory Notes Pursuant to MFRS 134**

#### **1. Basis of preparation**

The condensed consolidated interim financial statements, for the period ended 30 September 2014 are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS 134 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

#### **2. Changes in accounting policies**

The significant accounting policies adopted by the Group in the condensed consolidated interim financial statements are consistent with those of the Group’s audited financial statements for the year ended 31 December 2013, except for the adoption of the following with effect from 1 January 2014:

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS136, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

#### **3. Seasonal or cyclical factors**

The business operations of the Group have been significantly affected by seasonal or cyclical factors relating to the festive season, which normally affects the construction industry in the first quarter of the year.

## **KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

### **PART A – Explanatory Notes Pursuant to MFRS 134**

#### **4. Unusual items due to their nature, size and incidence**

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows of the Group for the financial period ended 30 September 2014.

#### **5. Changes in estimates**

There were no changes in estimates of amounts that have had a material effect on the results of the current financial quarter and financial year to date.

#### **6. Debt and equity securities**

There were no issuances and repayments of debt and equity securities, share buy backs, shares cancellation, shares held as treasury shares and resale of treasury shares in the current quarter and financial year to date.

#### **7. Dividends paid**

A first and final dividend in respect of the financial year ended 31 December 2013, of 3.0 sen per ordinary share, tax exempt, on the 140,239,113 ordinary shares, amounting to RM4,207,173 has been paid on 22 July 2014.

#### **8. Material subsequent events**

There were no material event subsequent to the end of the financial period reported that have not been reflected in these interim financial statements.

#### **9. Changes in composition of the Group**

Other than as disclosed below, there were no changes in the composition of the Group during the current financial period.

- (a) the Group has incorporated a 70% owned subsidiary in Vietnam, known as Kingres Vietnam Trading Company Limited;
- (b) the Group has completed the acquisition of the entire issued and paid up share capital of Kim Hin Australia Pty Ltd (previously known as Norcros Industry Pty Ltd) on 30 May 2014; and
- (c) the Group has applied for voluntary deregistration of its wholly subsidiaries, Kingres Holdings Pty Ltd and Kingres Ceramic Pty Ltd and has since received approval letter from Australian Securities and Investments Commission.

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**PART A – Explanatory Notes Pursuant to MFRS 134****10. Changes in contingent liabilities and contingent assets**

There were no material contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2013.

**11. Revenue**

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Sales of goods	77,520	67,061	224,310	191,338
Dividend income	5	70	117	317
	<u>77,525</u>	<u>67,131</u>	<u>224,427</u>	<u>191,655</u>
	=====	=====	=====	=====

**12. Profit before tax**

	9 months ended	
	30.09.2014	30.09.2013
	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting):		
Allowance for doubtful debts	12	-
Allowance for doubtful debts no longer required	(102)	(330)
Bad debts written (back)/off	(53)	10
Depreciation of investment property	659	837
Depreciation of property, plant and equipment	16,037	15,300
Dividend income	(117)	(317)
(Gains)/loss on fair value changes		
- derivatives	(305)	324
- other investments	(2,860)	(994)
Impairment on investment in an associate reversed	(17)	(12)
Interest expense	374	10
Interest income	(626)	(1,149)
Inventories written off	71	84
Loss on disposal of other investments	362	22
Loss/(gains) on disposal of property, plant and equipment	11	(50)
Property, plant and equipment written off	6	-
Share of loss of an associate	17	13
Unrealised loss on foreign exchange	586	763
Write-down of inventories provided	913	142
	=====	=====

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**PART A – Explanatory Notes Pursuant to MFRS 134****13. Income tax expense**

	<b>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
Current income tax:		
Malaysian income tax	2,740	2,366
Foreign tax	2,467	1,105
	<u>5,207</u>	<u>3,471</u>
(Over)/under provided in prior years:		
Malaysian income tax	(15)	(339)
Foreign tax	2	16
	<u>5,194</u>	<u>3,148</u>
Deferred income tax	(2,178)	(128)
Income tax expense for the period	<u>3,016</u>	<u>3,020</u>
	=====	=====

The effective tax rate of the Group for the current financial period was lower than the statutory tax rate due to the recognition of deferred tax assets arising from previously unrecognised reinvestment and capital allowances of a subsidiary.

The Group's effective tax rate for the financial period ended 30 September 2013 was higher due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

**14. Earnings per share****Basic/Diluted**

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

There is no dilutive effect of any potential ordinary shares.

The following reflect the profit and share data used in the computation of basic earnings per share:

	<b>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	19,389	(104)
	<u>19,389</u>	<u>(104)</u>
Number of ordinary shares in issue as of 1 January ('000)	155,616	155,616
Number of treasury shares ('000)	(15,377)	(15,377)
	<u>140,239</u>	<u>140,239</u>
Weighted average number of ordinary shares in issue ('000)	140,239	140,239
	<u>140,239</u>	<u>140,239</u>
Basic earnings per share (sen)	13.83	(0.07)
	=====	=====

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**PART A – Explanatory Notes Pursuant to MFRS 134****15. Property, plant and equipment**

During the nine months ended 30 September 2014, the Group acquired property, plant and equipment at a cost of RM13,463,000 (30 September 2013: RM13,768,000)

The Group disposed of property, plant and equipment with carrying amount of RM1,198,000 during the period ended 30 September 2014 (30 September 2013: RM2,000), resulting in loss on disposal of RM11,000 (30 September 2013: gains of RM50,000) recognised and included in other expenses and other income respectively in the consolidated statement of comprehensive income.

**16. Investment property**

	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
<b>Cost</b>		
At 1 January	27,121	29,468
Translation difference	(595)	(1,450)
At 30 September	<u>26,526</u>	<u>28,018</u>
<b>Accumulated depreciation</b>		
At 1 January	1,833	880
Charge for the year	659	837
Translation difference	(65)	(57)
At 30 September	<u>2,427</u>	<u>1,660</u>
<b>Net carrying amount</b>		
At 30 September	<u><u>24,099</u></u>	<u><u>26,358</u></u>

**17. Goodwill on consolidation**

	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
<b>Cost</b>		
At 1 January /30 September	<u>10,627</u>	<u>10,627</u>
<b>Accumulated impairment</b>		
At 1 January /30 September	<u>(1,409)</u>	<u>(1,409)</u>
<b>Net carrying amount</b>		
At 30 September	<u><u>9,218</u></u>	<u><u>9,218</u></u>

**KIM HIN INDUSTRY BHD**

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**PART A – Explanatory Notes Pursuant to MFRS 134****18. Inventories**

During the period ended 30 September 2014, the Group recognised a write-down of inventories of RM913,000 (30 September 2013: write-down provided of RM142,000) to net realisable value. This expense was included in other expenses in the consolidated statement of comprehensive income.

**19. Derivative assets/liabilities**

As at the end of the current financial period, the derivatives (including financial instruments designated as hedging instruments) entered into by the Group consist of forward foreign exchange contracts entered regularly by a subsidiary of the Group with licensed financial institutions to hedge against currency fluctuation for its accounts receivables and payables as part of the normal course of business. Details of the outstanding derivative financial instruments as at 30 September 2014 are tabulated below.

	<b>Contract Value</b>	<b>Fair Value</b>	<b>Gain/(loss) on fair value changes</b>	<b>Reason for gain/(loss)</b>
	RM'000	RM'000	RM'000	
Maturity within 1 year	9,858	9,718	140	Movement of Ringgit Malaysia against USD
	=====	=====	=====	

The fair value of forward foreign exchange contract is determined by using the market rates at the end of reporting period and changes in the fair value is recognised in the profit or loss. The subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognised as an asset or a liability with the corresponding gain or loss recognised in the profit or loss.

The above derivative financial instrument is subjected to credit risk arising from the possibility of default of the counter party in meeting its contractual obligations in which the Group has a gain in the contract. This, however, is minimised as the financial instrument is executed with creditworthy financial institutions in Malaysia.

The Group had sufficient internal funds for its settlement when it falls due.

**20. Cash and bank balances**

Cash and cash equivalents comprised the following amounts:

	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
Cash on hand and at bank	32,707	22,578
Deposits with financial institutions	24,202	27,315
	-----	-----
Cash and bank balances	56,909	49,893
Bank overdraft (Note 22)	(887)	-
	-----	-----
Cash and cash equivalents	56,022	49,893
	=====	=====

**PART A – Explanatory Notes Pursuant to MFRS 134**

**21. Share capital, share premium and treasury shares**

*Issue of shares*

There was no issuance of ordinary shares during the current financial period.

*Treasury shares*

During the current financial period, the Company has not purchased any of its own shares.

Of the total 155,616,013 (30 September 2013: 155,616,013) issued and fully paid ordinary shares as at 30 September 2014, 15,376,900 (30 September 2013: 15,376,900) are held as treasury shares by the Company. As at 30 September 2014, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (30 September 2013: 140,239,113) ordinary shares of RM1 each.

**22. Loans and borrowings**

The details of the Group's secured borrowings, all denominated in Ringgit Malaysia, are as follows:

	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
<i>Current, secured</i>		
Bank overdraft	887	-
Hire purchase liabilities	13	15
Term loan	938	-
	<u>1,838</u>	<u>15</u>
<i>Non-current, secured</i>		
Hire purchase liabilities	24	36
Term loan	9,430	-
	<u>9,454</u>	<u>36</u>
Total loans and borrowings	<u><u>11,292</u></u>	<u><u>51</u></u>
Disclosed as:		
Bank overdraft	887	-
Hire purchase liabilities	37	51
Term loan	10,368	-
Total loans and borrowings	<u><u>11,292</u></u>	<u><u>51</u></u>



**PART A – Explanatory Notes Pursuant to MFRS 134**

**23. Capital commitments**

The amount of capital expenditure for property, plant and equipment not provided for in the interim financial statements as at 30 September 2014 was as follows:

	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
Authorised and contracted for	4,723	17,721
Authorised but not contracted for	-	-
	<u>4,723</u>	<u>17,721</u>
	<u>=====</u>	<u>=====</u>

**24. Changes in contingent liabilities and contingent assets**

There were no material contingent liabilities or contingent assets as at the date of this announcement.

**25. Financial instruments**

*Determination of fair value*

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	<b>30.09.2014</b>		<b>30.09.2013</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	RM'000	RM'000	RM'000	RM'000
<b>Financial liabilities</b>				
Interest-bearing borrowings:				
- Financial lease liabilities	24	24	36	36
- Term loan	9,430	9,430	-	-
	<u>9,454</u>	<u>9,454</u>	<u>36</u>	<u>36</u>
	<u>=====</u>	<u>=====</u>	<u>==</u>	<u>==</u>

**PART A – Explanatory Notes Pursuant to MFRS 134**

**25. Financial instruments**

*Fair value hierarchy*

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities,

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets/(liabilities) measured at fair value consist of other investments and derivative assets.

	<b>Total</b> RM'000	<b>Level 1</b> RM'000	<b>Level 2</b> RM'000	<b>Level 3</b> RM'000
<b>30.09.2014</b>				
<b>Financial assets</b>				
Other investments				
- unit trust funds	47,929	47,929	-	-
Derivative assets	140	-	140	-
	<u>48,069</u>	<u>47,929</u>	<u>140</u>	<u>-</u>
	=====	=====	=====	=====
<b>30.09.2013</b>				
<b>Financial assets</b>				
Other investments				
- unit trust funds	54,529	54,529	-	-
- structure products	4,184	-	4,184	-
	<u>58,713</u>	<u>54,529</u>	<u>4,184</u>	<u>-</u>
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Derivative liabilities	104	-	104	-
	<u>104</u>	<u>-</u>	<u>104</u>	<u>-</u>
	=====	=====	=====	=====

There have been no transfers between any levels of the fair value hierarchy and no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset during the current interim period and the comparative period. All changes in the fair values are recognised in statement of comprehensive income.

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**PART A – Explanatory Notes Pursuant to MFRS 134****26. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties during the nine-month period ended 30 September 2014 and 30 September 2013:

	<b>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Insurance commission earned as insurance agent	114	103
Rental of office and warehouse	1,497	1,497
Sales of ceramic tiles	33	-
A subsidiary of holding company, Kam Kam Sanitaryware Sdn Bhd		
Purchases of sanitary ware for resale	1,122	941
Supply of materials and spare parts	2	2
Directors' interest		
Provision of container haulage, transport, declaration, loading and unloading services	1,274	2,401
Provision of legal services	-	1
Provision of warehouse, operations and inventory management	284	450
Purchase of ceramic tiles for resale	4,897	3,062
Renovation and maintenance costs	645	1,059
Sales of ceramic tiles	60	-
	=====	=====

The transactions have been entered into with related parties on terms and conditions that are not more favorable to the related party than those generally available to the public.

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**PART A – Explanatory Notes Pursuant to MFRS 134****27. Segmental information**

The Group operates principally in one industry and the information for each of the Group's geographical segments for the current financial year is as follows:

	<b>Malaysia Operation</b>	<b>China Operation</b>	<b>Australia Operation</b>	<b>Vietnam Operation</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30.09.2014</b>					
<i>Segment Revenue</i>					
Total sales	159,848	47,017	24,870	260	231,995
Inter-segment sales	(6,760)	(808)	-	-	(7,568)
	<u>153,088</u>	<u>46,209</u>	<u>24,870</u>	<u>260</u>	<u>224,427</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	15,691	7,532	1,273	(144)	24,352
Finance cost	(374)	-	-	-	(374)
Share of associate's result	(17)	-	-	-	(17)
	<u>15,300</u>	<u>7,532</u>	<u>1,273</u>	<u>(144)</u>	<u>23,961</u>
Income tax expense	(1,092)	(1,922)	(2)	-	(3,016)
	<u>14,208</u>	<u>5,610</u>	<u>1,271</u>	<u>(144)</u>	<u>20,945</u>
Non-controlling interest	-	(1,599)	-	43	(1,556)
	<u>14,208</u>	<u>4,011</u>	<u>1,271</u>	<u>(101)</u>	<u>19,389</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2014:

	<b>Malaysia Operation</b>	<b>China Operation</b>	<b>Australia Operation</b>	<b>Vietnam Operation</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Segment Assets</i>					
Total assets	393,311	79,236	59,616	844	533,077
Inter-segment assets	-	-	-	-	-
	<u>393,311</u>	<u>79,236</u>	<u>59,616</u>	<u>844</u>	<u>533,077</u>
<i>Segment Liabilities</i>					
Total liabilities	35,271	8,143	15,758	395	59,567
Inter-segment liabilities	-	-	-	-	-
	<u>35,271</u>	<u>8,143</u>	<u>15,758</u>	<u>395</u>	<u>59,567</u>

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**PART A – Explanatory Notes Pursuant to MFRS 134****27. Segmental information (contd.)**

The information for each of the Group's geographical segments for the preceding year's corresponding financial period is as follows:

	<b>Malaysia Operation</b> RM'000	<b>China Operation</b> RM'000	<b>Australia Operation</b> RM'000	<b>Total</b> RM'000
<b>30.09.2013</b>				
<i>Segment Revenue</i>				
Total sales	148,525	40,122	5,449	194,096
Inter-segment sales	(2,441)	-	-	(2,441)
	<u>146,084</u>	<u>40,122</u>	<u>5,449</u>	<u>191,655</u>
<i>Segment Results</i>				
Segment operating profit/(loss)	(863)	3,452	1,117	3,706
Finance cost	(10)	-	-	(10)
Share of associate's result	(13)	-	-	(13)
(Loss)/profit before tax	(886)	3,452	1,117	3,683
Income tax expense	(2,242)	(762)	(16)	(3,020)
(Loss)/profit for the period	(3,128)	2,690	1,101	663
Non-controlling interest	-	(767)	-	(767)
(Loss)/profit attributable to owners of the parent	<u>(3,128)</u>	<u>1,923</u>	<u>1,101</u>	<u>(104)</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2013:

	<b>Malaysia Operation</b> RM'000	<b>China Operation</b> RM'000	<b>Australia Operation</b> RM'000	<b>Total</b> RM'000
<i>Segment Assets</i>				
Total assets	388,984	74,609	33,927	497,520
Inter-segment assets	-	-	-	-
	<u>388,984</u>	<u>74,609</u>	<u>33,927</u>	<u>497,520</u>
<i>Segment Liabilities</i>				
Total liabilities	23,774	7,015	8,249	39,038
Inter-segment liabilities	-	-	-	-
	<u>23,774</u>	<u>7,015</u>	<u>8,249</u>	<u>39,038</u>

## **KIM HIN INDUSTRY BHD**

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### **PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

#### **28. Performance review**

##### *Current financial period as compared with preceding year's corresponding period*

During the current financial period under review, revenue of the Group improved by 17% to RM224.4 million compared to RM191.7 million in the preceding year's corresponding financial period ended 30 September 2013. The Group registered a significant improvement in profit before tax of RM24.0 million for the current financial period as compared to a profit before tax of RM3.7 million recorded in the corresponding period of previous financial year on the back of higher revenue and improved profit margin, and recognition of negative goodwill arising from the recently acquired Australian subsidiaries.

All geographical segments of the Group's operation registered an increase in revenue for the current financial period, due to improved demands in respective domestic markets.

##### *Current financial quarter as compared with preceding year's corresponding quarter*

During the current financial quarter under review, revenue of the Group improved to RM77.5 million from RM67.1 million as compared with the preceding year's corresponding financial quarter ended 30 September 2013. The Group registered a lower profit before tax of RM3.7 million for the current financial quarter as compared to a profit before tax of RM6.9 million in the third quarter of the previous financial year due to a higher inventory write down as well as unfavourable foreign exchange movement during the current financial quarter.

All geographical segments of the Group's operation registered an increase in revenue for the current financial quarter, due to improved demands in domestic markets of the respective segments.

#### **29. Comment on material change in the current financial quarter's results compared to the results of the preceding quarter**

The Group's revenue for the current financial quarter has declined marginally to RM77.5 million from RM78.0 million.

The Group recorded a lower profit before tax of RM3.7 million for the current financial quarter under review as compared to a profit before tax of RM14.6 million for the immediate preceding quarter, mainly due to negative goodwill recognised in the immediate preceding quarter on the acquisition of Kim Hin Australia Pty Ltd (previously known as Norcros Industry Pty Ltd), a higher write-down on inventory as well as unfavourable foreign exchange movement during the current financial quarter.

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### **PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

#### **30. Commentary on prospects**

The Group expects the business and trading environment for the current year to continue to be challenging in view of the uncertainties prevalent in the global economy, and intense competition in domestic and oversea markets. We expect the results for the year to be positive subject to the performance of the national and regional economies, fluctuations in main operating costs and foreign exchange movement.

#### **31. Profit forecast or profit guarantee**

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and forecast profit after tax and non-controlling interest and for the shortfall in profit guarantee are not applicable.

#### **32. Commentary on progress to achieve revenue or profit estimate, forecast, projection or internal targets**

The disclosure requirements are not applicable as no announcements or disclosures were published by the Company in a public document as to the revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

#### **33. Statement by the Board of Directors on achievability of revenue or profit estimate, forecast, projection or internal targets**

The statement of the Board of Directors' opinion are not required as no announcements or disclosures were published by the Company in a public document as to the revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

#### **34. Status of corporate proposals**

There were no corporate proposals announced but not completed as at 25 November 2014.

## **KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

### **PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

#### **35. Changes in material litigation**

As at the date of this announcement, the Group is not engaged in any pending material litigation except for debt recovery actions initiated by the Group against certain of its trade receivables in the normal course of business.

#### **36. Dividend payable**

No interim dividend has been declared for the financial period ended 30 September 2014 (30 September 2013: Nil).

#### **37. Disclosure of nature of outstanding derivatives**

Please refer to Note 19 for details.

#### **38. Disclosure of gains / losses arising from fair value changes of financial liabilities**

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2014 and 30 September 2013.

#### **39. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2013 was not subject to any qualification.



**KIM HIN INDUSTRY BHD**

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**PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad****40. Realised and unrealised profits**

The breakdown of the retained profits of the Group as at 30 September 2014 and 30 September 2013, into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>As at 30.09.2014</b>	<b>As at 30.09.2013</b>
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	245,856	243,943
- Unrealised in respect of		
- gains on fair value changes	13,595	8,646
- deferred tax recognised in the income statement	1,889	(315)
- other items of income and expense	(2)	(24)
	<u>261,338</u>	<u>252,250</u>
Total share of accumulated losses from an associate:		
- Realised	(1,926)	(1,904)
	<u>259,412</u>	<u>250,346</u>
Add/(less): Consolidated adjustments	6,114	139
	<u>265,526</u>	<u>250,485</u>
Total Group's revenue reserve as per financial statements	<u>=====</u>	<u>=====</u>

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

**BY ORDER OF THE BOARD****LOW WAI SEE**

Secretary

26 November 2014