

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

**Interim Financial Report**

31 December 2014

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim Financial Report for the Year ended 31 December 2014**

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**Interim report for year ended 31 December 2014**

**Condensed Consolidated Statement of Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
<b>Revenue</b>	11	88,945	69,400	313,372	261,055
Cost of sales		(61,056)	(54,577)	(221,675)	(205,085)
<b>Gross profit</b>		27,889	14,823	91,697	55,970
Other income		2,339	3,367	11,343	10,276
Negative goodwill on acquisition		-	-	5,669	-
Selling and distribution expenses		(5,407)	(4,485)	(19,714)	(16,341)
Administrative expenses		(16,483)	(10,310)	(53,317)	(40,969)
Other expenses		(1,567)	(1,462)	(4,555)	(3,297)
<b>Operating profit</b>		6,771	1,933	31,123	5,639
Finance costs		(131)	(92)	(505)	(102)
Share of results of associate		33	(5)	16	(18)
<b>Profit before tax</b>	12	6,673	1,836	30,634	5,519
Income tax expense	13	(868)	(1,215)	(3,884)	(4,235)
<b>Profit for the year</b>		5,805	621	26,750	1,284
<b>Other comprehensive income:</b>					
Exchange translation differences on foreign subsidiaries		4,708	872	2,152	4,896
<b>Total other comprehensive income for the year, net of tax</b>		4,708	872	2,152	4,896
<b>Total comprehensive income for the year, net of tax</b>		10,513	1,493	28,902	6,180
		=====	=====	=====	=====

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for year ended 31 December 2014****Condensed Consolidated Statement of Comprehensive Income (contd.)**

		Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Note	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		5,338	128	24,727	24
Non-controlling interests		467	493	2,023	1,260
		<u>5,805</u>	<u>621</u>	<u>26,750</u>	<u>1,284</u>
		=====	=====	=====	=====
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		8,702	725	25,819	3,496
Non-controlling interests		1,811	768	3,083	2,684
		<u>10,513</u>	<u>1,493</u>	<u>28,902</u>	<u>6,180</u>
		=====	=====	=====	=====
<b>Earning per share attributable to owners of the Company:</b>					
- Earning per share for the year (basic/diluted) (sen)	14	3.80	0.09	17.63	0.02
		<u>3.80</u>	<u>0.09</u>	<u>17.63</u>	<u>0.02</u>
		=====	=====	=====	=====

The condensed consolidated statement of comprehensive income 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 year ended 31 December 2014**

**Condensed Consolidated Statement of Financial Position**

		<b>31.12.2014</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	213,774	215,851
Investment property	16	23,787	25,288
Investment in an associate		-	-
Other investments		69,171	52,857
Goodwill on consolidation	17	9,218	9,218
Deferred tax assets		2,600	-
		<hr/>	<hr/>
		318,550	303,214
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	18	115,597	92,455
Trade receivables		60,623	59,067
Other receivables, deposits and prepayments		6,147	7,761
Current tax assets		2,174	3,279
Cash and bank balances	19	43,654	51,129
		<hr/>	<hr/>
		228,195	213,691
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		546,745	516,905
		=====	=====

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the year ended 31 December 2014****Condensed Consolidated Statement of Financial Position (contd.)**

		<b>31.12.2014</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	20	155,616	155,616
Share premium	20	51,042	51,042
Treasury shares	20	(24,309)	(24,309)
Other reserves		8,869	7,250
Revenue reserve		266,130	250,344
		<hr/>	<hr/>
		457,348	439,943
Non-controlling interests		22,386	20,032
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		479,734	459,975
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Provision of employee benefits		735	20
Hire purchase liabilities	21	21	35
Loans and borrowings	21	9,188	10,132
Deferred taxation		339	289
		<hr/>	<hr/>
		10,283	10,476
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables		31,645	30,105
Other payables and accruals		21,724	13,865
Hire purchase liabilities	21	13	13
Loans and borrowings	21	950	919
Derivative liabilities	22	440	165
Tax payable		1,956	1,387
		<hr/>	<hr/>
		56,728	46,454
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		67,011	56,930
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		546,745	516,905
		=====	=====
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.26	3.14
		=====	=====

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 year ended 31 December 2014****Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →					Revenue reserve RM'000	Distributable Total RM'000	Non- controlling interests ("NCI") RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Reserve and enterprise expansion funds RM'000	Translation adjustment account 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 year	-	-	-	-	1,092	24,727	25,819	3,083	28,902
<u>Transaction with owners</u>									
Dividend paid	-	-	-	-	-	(8,414)	(8,414)	-	(8,414)
Issuance of shares to NCI	-	-	-	-	-	-	-	189	189
Dividend paid to NCI	-	-	-	-	-	-	-	(918)	(918)
Transfers between reserves	-	-	-	527	-	(527)	-	-	-
<b>At 31 December 2014</b>	155,616	51,042	(24,309)	2,362	6,507	266,130	457,348	22,386	479,734

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the year ended 31 December 2014****Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →						Non-controlling interests ("NCI")	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	
<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 year	-	-	-	-	3,472	24	3,496	2,684	6,180
<u>Transaction with owners</u>									
Dividend paid	-	-	-	-	-	(4,207)	(4,207)	-	(4,207)
Dividend paid to NCI	-	-	-	-	-	-	-	(572)	(572)
Transfers between reserves	-	-	-	269	-	(269)	-	-	-
<b>At 31 December 2013</b>	<u>155,616</u>	<u>51,042</u>	<u>(24,309)</u>	<u>1,835</u>	<u>5,415</u>	<u>250,344</u>	<u>439,943</u>	<u>20,032</u>	<u>459,975</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 year ended 31 December 2014****Condensed Consolidated Statement of Cash Flows**

	Note	12 months ended	
		31.12.2014	31.12.2013
		RM'000	RM'000
<b>Operating activities</b>			
Profit before tax		30,634	5,519
Adjustments for:			
Bad debts written (back)/off		(29)	10
Depreciation of investment property		871	1,066
Depreciation of property, plant and equipment		21,655	20,601
Dividend income		(165)	(323)
Gains on fair value changes		(2,893)	(1,451)
Gains on disposal of property, plant and equipment		(51)	(58)
Impairment on investment provided/(reversed)		66	(16)
Impairment loss on receivables reversed (net)		(460)	(320)
Interest expense		505	102
Interest income		(1,250)	(1,445)
Inventories written off		217	100
Loss/(gain) on disposal of other investments		362	(208)
Negative goodwill on acquisition of subsidiaries		(5,669)	-
Property, plant and equipment written off		501	-
Provision of retirement benefits		-	10
Share of results of an associate		(16)	18
Unrealised loss on foreign exchange		692	1,775
Write-down of inventories provided		1,044	60
		<hr/>	<hr/>
Operating cash flows before changes in working capital		46,014	25,440
Changes in working capital:			
Increase in inventories		(12,549)	(3,869)
Decrease/(increase) in receivables		7,234	(8,249)
(Decrease)/increase in payables		(625)	4,614
		<hr/>	<hr/>
Cash generated from operations		40,074	17,936
Interest paid		(505)	(102)
Taxes paid, net of refund		(4,880)	(5,035)
		<hr/>	<hr/>
Net cash flows from operating activities carried forward		34,689	12,799
		<hr/>	<hr/>

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the year ended 31 December 2014****Condensed Consolidated Statement of Cash Flows (contd.)**

	Note	12 months ended	
		31.12.2014 RM'000	31.12.2013 RM'000
Net cash flows from operating activities brought forward		34,689	12,799
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(17,608)	(38,507)
Acquisition of other investments		(17,070)	(6,935)
Acquisition of subsidiaries, net of cash		(8,415)	-
Dividend received		131	199
Interest received		1,250	1,445
Proceeds from disposal of other investments		4,521	20,547
Proceeds from disposal of property, plant and equipment		1,386	60
Repayment of advances by an associate		368	-
Net cash flows used in investing activities		<u>(35,437)</u>	<u>(23,191)</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		189	-
Repayment of lease payables		(13)	(16)
Repayment of term loan		(913)	(149)
Term loan obtained		-	11,200
Net cash flows (used in)/from financing activities		<u>(5,862)</u>	<u>6,256</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(6,610)</b>	<b>(4,136)</b>
<b>Effect of foreign exchange rate changes</b>		<b>(865)</b>	<b>323</b>
<b>Cash and cash equivalents at 1 January</b>	19	<u>51,129</u>	<u>54,942</u>
<b>Cash and cash equivalents at 31 December</b>	19	<u>43,654</u> =====	<u>51,129</u> =====

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 31 December 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

Adoption of the above pronouncement did not have any significant effect on the financial performance and position of the Group.

## **KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

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

#### **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.

#### **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 year ended 31 December 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 year reported that have not been reflected in these interim financial statements.

## **KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

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

#### **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 year.

- (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.
- (d) the Group has liquidated one of Habitat Gallery Sdn. Bhd. in December 2014; and
- (e) the Group acquired the remaining equity interest of its associate, Miyama Ceramics Sdn Bhd on 31 December 2014.

#### **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**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>12 months ended</b>	<b>12 months ended</b>
	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000	RM'000	RM'000
Sales of goods	88,897	69,394	313,207	260,732
Dividend income	48	6	165	323
	<u>88,945</u>	<u>69,400</u>	<u>313,372</u>	<u>261,055</u>
	=====	=====	=====	=====

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**PART A – Explanatory Notes Pursuant to MFRS 134****12. Profit before tax**

	<b>12 months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Profit for the year is arrived at after charging/(crediting):		
Bad debts written (back)/off	(29)	10
Depreciation of investment property	871	1,066
Depreciation of property, plant and equipment	21,655	20,601
Dividend income	(165)	(323)
(Gains)/loss on fair value changes		
- derivatives	275	385
- other investments	(3,168)	(1,836)
Gains on disposal of property, plant and equipment	(51)	(58)
Impairment loss on investment provided/(reversed)	66	(16)
Impairment loss on receivables reversed (net)	(460)	(320)
Interest expense	505	102
Interest income	(1,250)	(1,445)
Inventories written off	217	100
Loss/(gain) on disposal of other investments	362	(208)
Property, plant and equipment written off	501	-
Provision of retirement benefits	-	10
Share of results of an associate	(16)	18
Unrealised loss on foreign exchange	692	1,775
Write-down of inventories provided	1,044	60
	=====	=====

**13. Income tax expense**

	<b>12 months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Current income tax:		
Malaysian income tax	3,533	3,120
Foreign tax	2,918	1,607
	<u>6,451</u>	<u>4,727</u>
(Over)/under provided in prior years:		
Malaysian income tax	(15)	(340)
Foreign tax	(2)	2
	<u>6,434</u>	<u>4,389</u>
Deferred income tax	(2,550)	(154)
Income tax expense for the year	<u>3,884</u>	<u>4,235</u>
	=====	=====

**KIM HIN INDUSTRY BHD**

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

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

The Group's effective tax rate for the financial year ended 31 December 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 year, net of tax, attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, 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>12 months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	24,727	24
Number of ordinary shares in issue as of 1 January ('000)	155,616	155,616
Number of treasury shares ('000)	(15,377)	(15,377)
Weighted average number of ordinary shares in issue ('000)	140,239	140,239
Basic earnings per share (sen)	17.63	0.02

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

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

During the year ended 31 December 2014, the Group acquired property, plant and equipment at a cost of RM17,608,000 (31 December 2013: RM38,507,000)

The Group disposed of property, plant and equipment with carrying amount of RM1,335,000 during the year ended 31 December 2014 (31 December 2013: RM2,000), resulting in gains on disposal of RM51,000 (31 December 2013: gains of RM58,000) recognised and included in other expenses and other income respectively in the consolidated statement of comprehensive income.

**16. Investment property**

	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
<b>Cost</b>		
At 1 January	27,121	29,468
Translation difference	(707)	(2,347)
At 31 December	<u>26,414</u>	<u>27,121</u>
<b>Accumulated depreciation</b>		
At 1 January	1,833	880
Charge for the year	871	1,066
Translation difference	(77)	(113)
At 31 December	<u>2,627</u>	<u>1,833</u>
<b>Net carrying amount</b>		
At 31 December	<u><u>23,787</u></u>	<u><u>25,288</u></u>



**KIM HIN INDUSTRY BHD**

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**PART A – Explanatory Notes Pursuant to MFRS 134****17. Goodwill on consolidation**

	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
<b>Cost</b>		
At 1 January	10,627	10,627
Deregistration of a subsidiary	(790)	-
	<u>          </u>	<u>          </u>
At 31 December	9,837	10,627
	<u>          </u>	<u>          </u>
 <b>Accumulated impairment</b>		
At 1 January	(1,409)	(1,409)
Deregistration of a subsidiary	790	-
	<u>          </u>	<u>          </u>
At 31 December	(619)	(1,409)
	<u>          </u>	<u>          </u>
 <b>Net carrying amount</b>		
At 31 December	9,218	9,218
	<u>=====</u>	<u>=====</u>

**18. Inventories**

During the period ended 31 December 2014, the Group recognised a write-down of inventories of RM1,044,000 (31 December 2013: write-down provided of RM60,000) to net realisable value. This expense was included in other expenses in the consolidated statement of comprehensive income.

**19. Cash and bank balances**

Cash and cash equivalents comprised the following amounts:

	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Cash on hand and at bank	26,267	20,854
Deposits with financial institutions	17,387	30,275
	<u>          </u>	<u>          </u>
Cash and cash equivalents	43,654	51,129
	<u>=====</u>	<u>=====</u>

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

**20. 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 (31 December 2013: 155,616,013) issued and fully paid ordinary shares as at 31 December 2014, 15,376,900 (31 December 2013: 15,376,900) are held as treasury shares by the Company. As at 31 December 2014, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (31 December 2013: 140,239,113) ordinary shares of RM1 each.

**21. Loans and borrowings**

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

	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
<i>Current, secured</i>		
Hire purchase liabilities	13	13
Term loan	950	919
	<u>963</u>	<u>932</u>
<i>Non-current, secured</i>		
Hire purchase liabilities	21	35
Term loan	9,188	10,132
	<u>9,209</u>	<u>10,167</u>
Total loans and borrowings	<u>10,172</u>	<u>11,099</u>
Disclosed as:		
Hire purchase liabilities	34	48
Term loan	10,138	11,051
Total loans and borrowings	<u>10,172</u>	<u>11,099</u>

**KIM HIN INDUSTRY BHD**

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**PART A – Explanatory Notes Pursuant to MFRS 134****22. Derivative 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 31 December 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	10,052 =====	10,492 =====	(440) =====	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.

**23. Capital commitments**

The amount of capital expenditure for property, plant and equipment not provided for in the interim financial statements as at 31 December 2014 was as follows:

	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Authorised and contracted for	3,524	4,300
Authorised but not contracted for	-	-
	<u>3,524</u>	<u>4,300</u>
	=====	=====

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**PART A – Explanatory Notes Pursuant to MFRS 134****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>31.12.2014</b>		<b>31.12.2013</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 assets</b>				
Other investments				
- unit trust funds	69,171	69,171	45,385	45,385
	<u>69,171</u>	<u>69,171</u>	<u>45,385</u>	<u>45,385</u>
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Interest-bearing borrowings (non-current):				
- Financial lease liabilities	21	21	35	35
- Term loan	9,188	9,188	10,132	10,132
Derivative liabilities	440	440	165	165
	<u>9,649</u>	<u>9,649</u>	<u>10,332</u>	<u>10,332</u>
	=====	=====	=====	=====

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**PART A – Explanatory Notes Pursuant to MFRS 134****25. Financial instruments (contd)***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>31.12.2014</b>				
<b>Financial assets</b>				
Other investments				
- unit trust funds	69,171	69,171	-	-
	<u>69,171</u>	<u>69,171</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Derivative liabilities	440	440	-	-
	<u>440</u>	<u>440</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
<b>31.12.2013</b>				
<b>Financial assets</b>				
Other investments				
- unit trust funds	45,385	45,385	-	-
- structure products	7,472	-	7,472	-
	<u>52,857</u>	<u>45,385</u>	<u>7,472</u>	<u>-</u>
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Derivative liabilities	165	165	-	-
	<u>165</u>	<u>165</u>	<u>-</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 financial year ended 31 December 2014 and 31 December 2013:

	<b>12 months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Insurance commission earned as insurance agent	120	108
Rental of office and warehouse	1,996	1,996
Sales of ceramic tiles	(65)	-
A subsidiary of holding company, Kam Kam Sanitaryware Sdn Bhd		
Purchases of sanitary ware for resale	1,461	1,291
Supply of materials and spare parts	41	2
Directors' interest		
Provision of container haulage, transport, declaration, loading and unloading services	1,274	3,221
Provision of legal services	-	1
Provision of warehouse, operations and inventory management	284	595
Purchase of ceramic tiles for resale	6,361	4,681
Renovation and maintenance costs	664	1,218
Sales of ceramic tiles	(69)	(45)
	=====	=====

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>31.12.2014</b>					
<i>Segment Revenue</i>					
Total sales	220,732	60,666	40,282	660	322,340
Inter-segment sales	(7,789)	(1,179)	-	-	(8,968)
	<u>212,943</u>	<u>59,487</u>	<u>40,282</u>	<u>660</u>	<u>313,372</u>
	=====	=====	=====	=====	=====
<i>Segment Results</i>					
Segment operating profit/(loss)	20,715	9,705	963	(260)	31,123
Finance cost	(505)	-	-	-	(505)
Share of associate's result	16	-	-	-	16
	<u>20,226</u>	<u>9,705</u>	<u>963</u>	<u>(260)</u>	<u>30,634</u>
Income tax expense	(1,549)	(2,333)	(2)	-	(3,884)
	<u>18,677</u>	<u>7,372</u>	<u>961</u>	<u>(260)</u>	<u>26,750</u>
Non-controlling interest	-	(2,101)	-	78	(2,023)
	<u>18,677</u>	<u>5,271</u>	<u>961</u>	<u>(182)</u>	<u>24,727</u>
	=====	=====	=====	=====	=====

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 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	400,082	86,019	59,411	1,233	546,745
Inter-segment assets	-	-	-	-	-
	<u>400,082</u>	<u>86,019</u>	<u>59,411</u>	<u>1,233</u>	<u>546,745</u>
	=====	=====	=====	=====	=====
<i>Segment Liabilities</i>					
Total liabilities	37,458	8,146	20,529	878	67,011
Inter-segment liabilities	-	-	-	-	-
	<u>37,458</u>	<u>8,146</u>	<u>20,529</u>	<u>878</u>	<u>67,011</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 financial year 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>31.12.2013</b>				
<i>Segment Revenue</i>				
Total sales	201,848	55,521	7,352	264,721
Inter-segment sales	(3,666)	-	-	(3,666)
	<u>198,182</u>	<u>55,521</u>	<u>7,352</u>	<u>261,055</u>
<i>Segment Results</i>				
Segment operating profit/(loss)	(1,690)	5,619	1,710	5,639
Finance cost	(96)	-	(6)	(102)
Share of associate's result	(18)	-	-	(18)
	<u>(1,804)</u>	<u>5,619</u>	<u>1,704</u>	<u>5,519</u>
(Loss)/profit before tax	(1,804)	5,619	1,704	5,519
Income tax expense	(3,037)	(1,196)	(2)	(4,235)
	<u>(4,841)</u>	<u>4,423</u>	<u>1,702</u>	<u>1,284</u>
(Loss)/profit for the year	(4,841)	4,423	1,702	1,284
Non-controlling interest	-	(1,260)	-	(1,260)
	<u>(4,841)</u>	<u>3,163</u>	<u>1,702</u>	<u>24</u>
(Loss)/profit attributable to owners of the parent	(4,841)	3,163	1,702	24

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 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	406,682	76,617	33,606	516,905
Inter-segment assets	-	-	-	-
	<u>406,682</u>	<u>76,617</u>	<u>33,606</u>	<u>516,905</u>
<i>Segment Liabilities</i>				
Total liabilities	41,352	6,328	9,250	56,930
Inter-segment liabilities	-	-	-	-
	<u>41,352</u>	<u>6,328</u>	<u>9,250</u>	<u>56,930</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 year as compared with preceding year*

During the current financial year under review, revenue of the Group improved by 20% to RM313.4 million compared to RM261.1 million in the preceding year's corresponding financial year ended 31 December 2013. The Group registered a significant improvement in profit before tax of RM30.6 million for the current financial year as compared to a profit before tax of RM5.5 million recorded in the 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 year, 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 RM88.9 million from RM69.4 million as compared with the preceding year's corresponding financial quarter ended 31 December 2013. The Group registered a better profit before tax of RM6.7 million for the current financial quarter as compared to a profit before tax of RM1.8 million in the final quarter of the previous financial year due to higher revenue and improved profit margin 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 increased sequentially to RM88.9 million from RM77.5 million.

The Group recorded a higher profit before tax of RM6.7 million for the current financial quarter under review as compared to a profit before tax of RM3.7 million for the immediate preceding quarter, mainly due to higher revenue.

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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 coming 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 27 February 2015.

## **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**

#### **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**

An interim dividend has been declared for the financial year ended 31 December 2014, of 3.0 sen per ordinary share, tax exempt, (31 December 2013: Nil) on the 140,239,113 ordinary shares, amounting to RM4,207,173 payable on 9 January 2015.

#### **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 31 December 2014 and 31 December 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 31 December 2014 and 31 December 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 31.12.2014</b>	<b>As at 31.12.2013</b>
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	244,585	242,181
- Unrealised in respect of		
- gains on fair value changes	13,323	10,430
- deferred tax recognised in the income statement	2,261	(289)
- other items of income and expense	(86)	(20)
	<u>260,083</u>	<u>252,302</u>
Total share of accumulated losses from an associate:		
- Realised	-	(1,908)
	<u>260,083</u>	<u>250,394</u>
Add/(less): Consolidated adjustments	6,047	(50)
	<u>266,130</u>	<u>250,344</u>
Total Group's revenue reserve as per financial statements	<u>266,130</u>	<u>250,344</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

27 February 2015