

KIM HIN INDUSTRY BERHAD (018203-V)

Interim Financial Report

31 December 2015

Interim Financial Report for the Year ended 31 December 2015

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KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the year ended 31 December 2015**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue	11	97,630	88,945	367,328	313,372
Cost of sales		(66,296)	(62,306)	(243,658)	(222,925)
Gross profit		31,334	26,639	123,670	90,447
Other income		4,208	2,393	17,823	11,397
Negative goodwill on acquisition		-	817	-	6,486
Selling and distribution expenses		(7,314)	(5,480)	(26,964)	(19,787)
Administrative expenses		(17,317)	(15,468)	(61,431)	(52,302)
Other expenses		(2,336)	(3,229)	(6,671)	(6,217)
Operating profit		8,575	5,672	46,427	30,024
Finance costs		(109)	(131)	(454)	(505)
Share of results of an associate		-	33	-	16
Profit before tax	12	8,466	5,574	45,973	29,535
Income tax expense	13	(4,177)	(682)	(9,994)	(3,698)
Profit for the period		4,289	4,892	35,979	25,837
Other comprehensive income:					
Exchange translation differences on foreign subsidiaries		(4,509)	5,306	12,058	2,772
Total other comprehensive income for the year, net of tax		(4,509)	5,306	12,058	2,772
Total comprehensive income for the year, net of tax		(220)	10,198	48,037	28,609

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Interim report for the year ended 31 December 2015**Condensed Consolidated Statement of Comprehensive Income (contd.)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Profit attributable to:					
Owners of the Company		3,989	4,500	34,609	23,889
Non-controlling interests		300	392	1,370	1,948
		<u>4,289</u>	<u>4,892</u>	<u>35,979</u>	<u>25,837</u>
Total comprehensive income attributable to:					
Owners of the Company		419	8,461	44,714	25,600
Non-controlling interests		(639)	1,737	3,323	3,009
		<u>(220)</u>	<u>10,198</u>	<u>48,037</u>	<u>28,609</u>
Earning per share attributable to owners of the Company:					
- Earning per share for the year (basic/diluted) (sen)	14	<u>2.84</u>	<u>3.21</u>	<u>24.68</u>	<u>17.03</u>

The consolidated statement of profit or loss and other 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 2015**Consolidated Statement of Financial Position**

		31.12.2015	31.12.2014
	Note	Unaudited RM'000	Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	192,571	192,483
Investment properties	16	46,543	45,039
Other investments		64,891	53,763
Goodwill on consolidation	17	9,218	9,218
Deferred tax assets		99	2,786
		<hr/>	<hr/>
		313,322	303,289
		<hr/>	<hr/>
Current assets			
Inventories	18	120,839	115,619
Trade and other receivables		71,202	63,840
Other current assets		4,226	3,334
Current tax assets		1,422	2,174
Other investments		12,603	15,407
Cash and bank balances	19	56,128	43,654
		<hr/>	<hr/>
		266,420	244,028
		<hr/>	<hr/>
TOTAL ASSETS		579,742	547,317
		<hr/> <hr/>	<hr/> <hr/>

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Interim report for the year ended 31 December 2015**Consolidated Statement of Financial Position (contd.)**

		31.12.2015	31.12.2014
	Note	Unaudited RM'000	Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	20	155,616	155,616
Share premium	20	51,042	51,042
Treasury shares	20	(24,309)	(24,309)
Other reserves		19,994	9,488
Revenue reserves		294,518	265,292
		<hr/>	<hr/>
		496,861	457,129
Non-controlling interests		18,150	22,312
		<hr/>	<hr/>
TOTAL EQUITY		515,011	479,441
		<hr/>	<hr/>
Non-current liabilities			
Provisions		900	810
Loans and borrowings	21	8,244	9,209
Deferred tax liabilities		600	339
		<hr/>	<hr/>
		9,744	10,358
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	964	964
Derivative liabilities	22	315	689
Trade and other payables		50,951	52,746
Provisions		1,086	1,163
Tax payable		1,671	1,956
		<hr/>	<hr/>
		54,987	57,518
		<hr/>	<hr/>
TOTAL LIABILITIES		64,731	67,876
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		579,742	547,317
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.54	3.26
		<hr/> <hr/>	<hr/> <hr/>

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

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Interim report for the year ended 31 December 2015

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					Non-controlling interests ("NCI")	Total equity
	Share capital	Share premium	Treasury shares	Reserve and enterprise expansion funds	Translation adjustment account		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	155,616	51,042	(24,309)	2,362	7,126	265,292	457,129
Profit net of tax	-	-	-	-	-	34,609	34,609
Other comparative income	-	-	-	-	10,105	-	10,105
Total comprehensive income	-	-	-	-	10,105	34,609	44,714
<u>Transactions with owners</u>							
Dividend paid	-	-	-	-	-	(4,207)	(4,207)
Acquisition of NCI	-	-	-	-	-	(775)	(775)
Dividend paid to NCI	-	-	-	-	-	-	-
Transfer between reserves	-	-	-	401	-	(401)	-
At 31 December 2015	155,616	51,042	(24,309)	2,763	17,231	294,518	496,861
						18,150	515,011

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Interim report for the year ended 31 December 2015

Consolidated Statement of Changes in Equity

	←		Attributable to equity holders of the Company				→		Total equity
	Share capital	Share premium	Treasury shares	Reserve and expansion funds	Translation adjustment account	Distributable Revenue reserve	Non-controlling interests (“NCI”)		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2014	155,616	51,042	(24,309)	1,835	5,415	250,344	20,032	459,975	
Profit net of tax	-	-	-	-	-	23,889	1,948	25,837	
Other comprehensive income	-	-	-	-	1,711	-	1,061	2,772	
Total comprehensive income	-	-	-	-	1,711	23,889	3,009	28,609	
<u>Transaction with owners</u>									
Dividend paid	-	-	-	-	-	(8,414)	-	(8,414)	
Capital contribution by NCI	-	-	-	-	-	-	189	189	
Dividend paid to NCI	-	-	-	-	-	-	(918)	(918)	
Transfer between reserves	-	-	-	527	-	(527)	-	-	
At 31 December 2014	155,616	51,042	(24,309)	2,362	7,126	265,292	22,312	479,441	

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

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Interim report for the year ended 31 December 2015**Consolidated Statement of Cash Flows**

	Note	12 months ended	
		31.12.2015	31.12.2014
		RM'000	RM'000
Operating activities			
Profit before tax		45,973	29,535
Adjustments for:			
Bad debts written off		-	66
Depreciation of investment properties		882	993
Depreciation of property, plant and equipment		20,810	21,533
Dividend income		(684)	(165)
Gain on disposal of property, plant and equipment		(24)	(51)
Gain on fair value changes		(5,277)	(2,644)
Impairment on investment in an associate reversed		-	16
Impairment loss on receivables		502	9
Impairment loss on receivables reversed		-	(563)
Interest expense		454	505
Interest income		(1,514)	(1,250)
Inventories written off		949	57
Loss on disposal of other investments		25	362
Negative goodwill on acquisition of subsidiaries		-	(6,486)
Property, plant and equipment written off		287	498
Provision of retirement benefits		-	6
Share of results of an associate		-	(16)
Unrealised (gain)/loss on foreign exchange		(4,515)	694
Write-down of inventories provided		2,664	1,157
Operating cash flows before changes in working capital		60,532	44,256
Changes in working capital:			
Increase in inventories		(6,050)	(12,794)
(Increase)/decrease in receivables and other current assets		(5,122)	7,188
Increase/(decrease) in payables and provisions		41	(506)
Cash generated from operations		49,401	38,144
Interest paid		(454)	(505)
Interest received		4	-
Taxes paid, net of refund		(6,786)	(4,760)
Net cash flows from operating activities carried forward		42,165	32,879

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Interim report for the year ended 31 December 2015**Consolidated Statement of Cash Flows (contd.)**

	Note	12 months ended	
		31.12.2015 RM'000	31.12.2014 RM'000
Net cash flows from operating activities brought forward		42,165	32,879
Investing activities			
Acquisition of investment properties		(9)	(2,251)
Acquisition of property, plant and equipment		(14,407)	(16,517)
Acquisition of other investments		(12,000)	(17,994)
Acquisition of subsidiaries, net of cash		-	(6,951)
Acquisition of non-controlling interest in a subsidiary		(6,214)	-
Dividend received		179	131
Interest received		1,453	1,250
Proceeds from disposal of other investments		11,328	4,521
Proceeds from disposal of property, plant and equipment		237	1,387
Net cash flows used in investing activities		<u>(19,433)</u>	<u>(36,424)</u>
Financing activities			
Dividend paid		(8,414)	(4,207)
Dividend paid to non-controlling interest		(2,046)	(918)
Issuance of shares to non-controlling interest		-	189
Repayment of lease payables		(14)	(13)
Repayment of term loan		(950)	(913)
Net cash flows used in financing activities		<u>(11,424)</u>	<u>(5,862)</u>
Net increase/(decrease) in cash and cash equivalents		11,308	(9,407)
Effect of foreign exchange rate changes		1,166	1,932
Cash and cash equivalents at 1 January	19	43,654	51,129
Cash and cash equivalents at 31 December	19	<u><u>56,128</u></u>	<u><u>43,654</u></u>

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

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PART A – Explanatory Notes Pursuant to MFRS 134

1. Basis of preparation

The condensed consolidated interim financial statements, for the year ended 31 December 2015 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 2014. 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 2014.

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 2014, except for the adoption of the following with effect from 1 January 2015:

- Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

The application of these amendments has no material impact on the disclosures or on the amounts recognised in the Group’s and the Company’s financial statements.

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 2015.

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PART A – Explanatory Notes Pursuant to MFRS 134

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.

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 financial quarter and financial year.

7. Dividends paid

An interim dividend in respect of the financial year ended 31 December 2014, 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 9 January 2015.

A final dividend in respect of the financial year ended 31 December 2014, 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 23 July 2015.

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.

9. Changes in composition of the Group

There were no changes in the composition of the Group during the current financial year except as disclosed below:

- (a) the final meeting of Habitat Gallery Sdn Bhd, a wholly owned subsidiary of the Group placed under member's voluntary liquidation had convened on 27 July 2015.
- (b) the Group acquired a further 8% equity interest in one of its subsidiaries, Kim Hin Ceramic (Shanghai) Co. Limited from non-controlling interest in the third financial quarter of the current financial year.
- (c) Miyama Ceramics Sdn Bhd, a wholly owned subsidiary of the Group, has been placed under member's voluntary liquidation during the current financial quarter under review.

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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 2014.

11. Revenue

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Sales of goods	97,414	88,897	366,644	313,207
Dividend income	216	48	684	165
	<u>97,630</u>	<u>88,945</u>	<u>367,328</u>	<u>313,372</u>

12. Profit before tax

	12 months ended	
	31.12.2015 RM'000	31.12.2014 RM'000
Profit for the year is arrived at after charging/(crediting):		
Bad debts written off	-	66
Depreciation of investment property	882	993
Depreciation of property, plant and equipment	20,810	21,533
Gain on disposal of property, plant and equipment	(24)	(51)
(Gain)/loss on fair value changes		
- derivatives	(415)	524
- other investments	(4,862)	(3,168)
Impairment on investment in an associate	-	16
Impairment loss on trade receivables	502	9
Impairment loss on receivables reversed	-	(563)
Interest expense	454	505
Interest income	(1,514)	(1,250)
Inventories written off	949	57
Loss on disposal of other investments	25	362
Property, plant and equipment written off	287	498
Share of results of an associate	-	(16)
Unrealised (gain)/loss on foreign exchange	(4,515)	694
Write-down of inventories provided	2,664	1,157
	<u>2,664</u>	<u>1,157</u>

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

	12 months ended	
	31.12.2015	31.12.2014
	RM'000	RM'000
Current income tax:		
Malaysian income tax	5,415	3,528
Foreign tax	1,626	2,918
	<u>7,041</u>	<u>6,446</u>
Under/(over) provided in prior year:		
Malaysian income tax	5	(12)
	<u>7,046</u>	<u>6,434</u>
Deferred income tax	2,948	(2,736)
	<u>9,994</u>	<u>3,698</u>
Income tax expense for the year	<u><u>9,994</u></u>	<u><u>3,698</u></u>

The respective effective tax rate of the Group for the current and previous financial years were lower than the statutory tax rate principally due to utilisation of unused capital allowances which was not previously recognised as deferred tax assets.

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 all potential ordinary shares.

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

	12 months ended	
	31.12.2015	31.12.2014
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	34,609	23,889
	<u>34,609</u>	<u>23,889</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)	<u><u>24.68</u></u>	<u><u>17.03</u></u>

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

During the current financial year ended 31 December 2015, the Group acquired property, plant and equipment at a cost of RM14,407,000 (2014: RM16,517,000)

The Group disposed of property, plant and equipment with carrying amount of RM213,000 during the current financial year ended 31 December 2015 (2014: RM1,336,000), resulting in gain on disposal of RM24,000 (2014: gain of RM51,000) recognised and included in other income and other expenses in the consolidated statement of profit or loss and other comprehensive income.

16. Investment property

	31.12.2015	31.12.2014
	RM'000	RM'000
Cost		
At 1 January	48,002	46,457
Addition	9	2,251
Translation difference	2,677	(706)
	<u>50,688</u>	<u>48,002</u>
Accumulated depreciation		
At 1 January	2,963	2,047
Charge for the year	882	993
Translation difference	300	(77)
	<u>4,145</u>	<u>2,963</u>
Net carrying amount		
At 31 December	<u><u>46,543</u></u>	<u><u>45,039</u></u>

17. Goodwill on consolidation

	31.12.2015	31.12.2014
	RM'000	RM'000
Cost		
At 1 January /31 December	<u>9,837</u>	<u>10,627</u>
Accumulated impairment		
At 1 January /31 December	<u>(619)</u>	<u>(1,409)</u>
Net carrying amount		
At 31 December	<u><u>9,218</u></u>	<u><u>9,218</u></u>

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

During the current financial year ended 31 December 2015, the Group recognised a write-down on inventories of RM2,664,000 (2014: write-down provided of RM1,157,000) to net realisable value. This expense was included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

19. Cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31.12.2015	31.12.2014
	RM'000	RM'000
Cash on hand and at bank	33,629	26,267
Deposits with financial institutions	22,499	17,387
Cash and bank balances	<u>56,128</u>	<u>43,654</u>

20. Share capital, share premium and treasury shares*Issue of shares*

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

Treasury shares

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

Of the total 155,616,013 (2014: 155,616,013) issued and fully paid ordinary shares as at 31 December 2015, 15,376,900 (2014: 15,376,900) are held as treasury shares by the Company. As at 31 December 2015, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (2014: 140,239,113) ordinary shares of RM1 each.

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PART A – Explanatory Notes Pursuant to MFRS 134**21. Loans and borrowings**

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

	31.12.2015	31.12.2014
	RM'000	RM'000
<i>Financial lease liabilities</i>		
Current	14	14
Non-current	7	21
	<u>21</u>	<u>35</u>
<i>Term loan, secured</i>		
Current	950	950
Non-current	8,237	9,188
	<u>9,187</u>	<u>10,138</u>
Total loans and borrowings	<u><u>9,208</u></u>	<u><u>10,173</u></u>

22. Derivative liabilities

As at the end of the current financial year, the derivatives (including financial instruments designated as hedging instruments) entered into by the Group consist of forward foreign exchange contracts entered regularly by 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 2015 are tabulated below.

	Contract Value	Fair Value	Gain/(loss) on fair value changes	Reason for gain/(loss)
	RM'000	RM'000	RM'000	
Maturity within 1 year	<u>22,919</u>	<u>23,234</u>	<u>(315)</u>	Strengthening of 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.

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

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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 31 December 2015 was as follows:

	31.12.2015	31.12.2014
	RM'000	RM'000
Authorised and contracted for	26,204	2,258
	<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:

	31.12.2015		31.12.2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial liabilities				
Interest-bearing borrowings:				
- Financial lease liabilities	7	7	21	21
- Term loan	8,237	8,237	9,188	9,188
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	8,244	8,244	9,209	9,209
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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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.

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31.12.2015				
Financial assets				
Other investments				
- unit trust funds	64,891	64,891	-	-
- structure products	12,603	-	12,603	-
	<u>77,494</u>	<u>64,891</u>	<u>12,603</u>	<u>-</u>
Financial liabilities				
Derivative liabilities	315	-	315	-
	<u>315</u>	<u>-</u>	<u>315</u>	<u>-</u>
31.12.2014				
Financial assets				
Other investments				
- unit trust funds	53,763	53,763	-	-
- structure products	15,407	-	15,407	-
	<u>69,170</u>	<u>53,763</u>	<u>15,407</u>	<u>-</u>
Financial liabilities				
Derivative liabilities	689	-	689	-
	<u>689</u>	<u>-</u>	<u>689</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.

KIM HIN INDUSTRY BHD

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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 year ended 31 December 2015 and 31 December 2014:

	12 months ended	
	31.12.2015	31.12.2014
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Insurance commission earned as insurance agent	126	120
Rental of office and warehouse	1,996	1,996
Sales of ceramic tiles	36	65
A subsidiary of holding company, Kam Kam Sanitaryware Sdn Bhd		
Purchases of sanitary ware for resale	1,525	1,461
Supply of materials and spare parts	9	41
Directors' interest		
Provision of container haulage, transport, declaration, loading and unloading services	-	1,274
Provision of warehouse, operations and inventory management	-	284
Purchase of ceramic tiles for resale	8,507	6,361
Renovation and maintenance costs	424	664
Sales of ceramic tiles	18	69
	=====	=====

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:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2015					
<i>Segment Revenue</i>					
Total sales	254,489	68,408	61,956	3,429	388,282
Inter-segment sales	(19,807)	(1,147)	-	-	(20,954)
	<u>234,682</u>	<u>67,261</u>	<u>61,956</u>	<u>3,429</u>	<u>367,328</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	38,049	8,525	(3)	(144)	46,427
Finance cost	(454)	-	-	-	(454)
Profit/(loss) before tax	37,595	8,525	(3)	(144)	45,973
Income tax expense	(8,368)	(1,626)	-	-	(9,994)
Profit/(loss) for the year	29,227	6,899	(3)	(144)	35,979
Non-controlling interest	-	(1,413)	-	43	(1,370)
Profit/(loss) attributable to owners of the parent	<u>29,227</u>	<u>5,486</u>	<u>(3)</u>	<u>(101)</u>	<u>34,609</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2015:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Segment Assets</i>					
Total assets	411,085	98,139	66,913	3,605	579,742
Inter-segment assets	-	-	-	-	-
	<u>411,085</u>	<u>98,139</u>	<u>66,913</u>	<u>3,605</u>	<u>579,742</u>
<i>Segment Liabilities</i>					
Total liabilities	35,270	10,207	15,885	3,369	64,731
Inter-segment liabilities	-	-	-	-	-
	<u>35,270</u>	<u>10,207</u>	<u>15,885</u>	<u>3,369</u>	<u>64,731</u>

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

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

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2014					
<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)	13,558	9,456	796	(272)	23,538
Negative goodwill	-	-	6,486	-	6,486
Finance cost	(505)	-	-	-	(505)
Share of associate's result	16	-	-	-	16
	<u>13,069</u>	<u>9,456</u>	<u>7,282</u>	<u>(272)</u>	<u>29,535</u>
Income tax expense	(780)	(2,916)	(2)	-	(3,698)
	<u>12,289</u>	<u>6,540</u>	<u>7,280</u>	<u>(272)</u>	<u>25,837</u>
Non-controlling interest	-	(2,030)	-	82	(1,948)
	<u>12,289</u>	<u>4,510</u>	<u>7,280</u>	<u>(190)</u>	<u>23,889</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2014:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Segment Assets</i>					
Total asset	400,634	86,019	59,434	1,230	547,317
Inter-segment assets	-	-	-	-	-
	<u>400,634</u>	<u>86,019</u>	<u>59,434</u>	<u>1,230</u>	<u>547,317</u>
<i>Segment Liabilities</i>					
Total liabilities	37,899	8,396	20,695	886	67,876
Inter-segment liabilities	-	-	-	-	-
	<u>37,899</u>	<u>8,396</u>	<u>20,695</u>	<u>886</u>	<u>67,876</u>

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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 17% to RM367.3 million from RM313.4 million recorded for the preceding year.

All geographical segments of the Group's operation registered increases in revenue for the current financial year. The increase in revenue was contributed by better performance of the Malaysia operation and the inclusion of contribution from Johnson Tiles Pty Limited which was acquired on 30 May 2014.

The Group registered a significant improvement in profit before tax of RM46.0 million for the current financial year as compared to a profit before tax of RM29.5 million recorded in the previous financial year on the back of higher revenue and improved profit margin.

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

During the current financial quarter under review, revenue of the Group improved to RM97.6 million from RM88.9 million as compared with the preceding year's corresponding financial quarter ended 31 December 2014. All geographical segments of the Group registered an increase in revenue during the current financial quarter.

The Group recorded a profit before tax of RM8.5 million for the current financial quarter on the back of higher revenue and improved profit margin, as compared to a profit before tax of RM5.6 million registered in the corresponding quarter for the preceding financial year.

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

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 RM97.6 million from RM91.8 million.

The Group recorded a profit before tax of RM8.5 million for the current financial quarter under review as compared to a profit before tax of RM12.4 million for the immediate preceding quarter.

30. Commentary on prospects

The Group expects the results for the current year to be favorable 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 February 2016.

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

No interim dividend has been declared for the financial year ended 31 December 2015 (2014: Nil).

37. Disclosure of nature of outstanding derivatives

Please refer to Note 22 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 2015 and 31 December 2014.

39. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2014 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 2015 and 31 December 2014, 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.

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	276,862	244,407
- Unrealised in respect of		
- gains on fair value changes	18,309	13,073
- deferred tax recognised in the income statement	(501)	2,447
- other items of income and expense	-	(85)
	<u>294,700</u>	<u>259,842</u>
Add/(less): Consolidated adjustments	(182)	5,450
	<u>294,518</u>	<u>265,292</u>
Total Group's revenue reserve as per financial statements	<u>294,518</u>	<u>265,292</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

25 February 2016