

KIM HIN INDUSTRY BERHAD (018203-V)

Interim Financial Report

30 September 2016

Interim Financial Report for the Nine-Month Period ended 30 September 2016

Index	Page
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	1 - 2
Condensed Consolidated Statement of Financial Position	3 - 4
Condensed Consolidated Statement of Changes in Equity	5 - 6
Condensed Consolidated Statement of Cash Flows	7 - 8
Part A – Explanatory Notes Pursuant to MFRS 134	9 - 20
Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad	21 - 23

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2016**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue	11	101,229	91,817	284,646	269,698
Cost of sales		(64,555)	(59,509)	(194,020)	(177,362)
Gross profit		36,674	32,308	90,626	92,336
Other income		2,584	5,358	6,808	13,615
Selling and distribution costs		(8,881)	(7,631)	(22,718)	(19,650)
Administrative expenses		(16,271)	(14,611)	(48,257)	(44,114)
Other expenses		3,366	(2,870)	(557)	(4,335)
Operating profit		17,472	12,554	25,902	37,852
Finance costs		(344)	(112)	(631)	(345)
Profit before tax	12	17,128	12,442	25,271	37,507
Income tax expense	13	(2,840)	(2,497)	(6,942)	(5,817)
Profit for the period		14,288	9,945	18,329	31,690
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent periods:					
Exchange translation differences on foreign subsidiaries		2,008	10,072	(5,097)	16,567
Other comprehensive income for the period, net of tax		2,008	10,072	(5,097)	16,567
Total comprehensive income for the period		16,296	20,017	13,232	48,257

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2016**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Profit attributable to:					
Owners of the Company		13,653	9,529	17,188	30,620
Non-controlling interests		635	416	1,141	1,070
		<u>14,288</u>	<u>9,945</u>	<u>18,329</u>	<u>31,690</u>
Total comprehensive income attributable to:					
Owners of the Company		15,407	18,458	13,193	44,295
Non-controlling interests		889	1,559	39	3,962
		<u>16,296</u>	<u>20,017</u>	<u>13,232</u>	<u>48,257</u>
Earnings per share attributable to owners of the Company:					
- Earnings per share for the period (basic/diluted) (sen)	14	<u>9.74</u>	<u>6.79</u>	<u>12.26</u>	<u>21.83</u>

The condensed 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 nine-month period ended 30 September 2016**Condensed Consolidated Statement of Financial Position**

		30.09.2016	31.12.2015
		Unaudited	Audited
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	216,467	192,571
Investment properties	16	46,202	46,543
Other investments		45,262	64,891
Goodwill on consolidation	17	18,564	9,218
Deferred tax assets		1,580	109
		<hr/>	<hr/>
		328,075	313,332
		<hr/>	<hr/>
Current assets			
Inventories	18	145,823	120,831
Trade and other receivables		85,226	73,651
Other current assets		6,446	6,043
Tax recoverable		1,646	1,422
Other investments		8,655	12,603
Cash and bank balances	19	52,582	56,749
		<hr/>	<hr/>
		300,378	271,299
		<hr/>	<hr/>
TOTAL ASSETS		628,453	584,631
		<hr/> <hr/>	<hr/> <hr/>

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2016**Condensed Consolidated Statement of Financial Position (contd.)**

	Note	30.09.2016 Unaudited RM'000	31.12.2015 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		16,006	20,001
Retained earnings		303,036	294,262
		<hr/>	<hr/>
		501,391	496,612
Non-controlling interests		17,317	18,132
		<hr/>	<hr/>
TOTAL EQUITY		518,708	514,744
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	21	25,501	8,199
Deferred tax liabilities		541	541
Provisions		1,260	900
		<hr/>	<hr/>
		27,302	9,640
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	12,102	1,009
Derivative liabilities	22	-	315
Trade and other payables		64,651	55,831
Provisions		2,712	1,331
Tax payable		2,978	1,761
		<hr/>	<hr/>
		82,443	60,247
		<hr/>	<hr/>
TOTAL LIABILITIES		109,745	69,887
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		628,453	584,631
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.58	3.54
		<hr/> <hr/>	<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.

Interim report for the nine-month period ended 30 September 2016

Condensed 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	Retained earnings	Non-controlling interests ("NCI")		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2016	155,616	51,042	(24,309)	2,772	17,229	294,262	18,132	514,744	
Profit net of tax	-	-	-	-	-	17,188	1,141	18,329	
Other comparative income	-	-	-	-	(3,995)	-	(1,102)	(5,097)	
Total comprehensive income	-	-	-	-	(3,995)	17,188	39	13,232	
Dividend paid	-	-	-	-	-	(8,414)	-	(8,414)	
Dividend paid to NCI	-	-	-	-	-	-	(854)	(854)	
Transfer between reserves	-	-	-	(2)	2	-	-	-	
At 30 September 2016	<u>155,616</u>	<u>51,042</u>	<u>(24,309)</u>	<u>2,770</u>	<u>13,236</u>	<u>303,036</u>	<u>17,317</u>	<u>518,708</u>	

KIM HIN INDUSTRY BHD
(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2016

Condensed Consolidated Statement of Changes in Equity

	←		Attributable to equity holders of the Company				→		Total equity
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Reserve and expansion funds RM'000	Translation adjustment account RM'000	Retained earnings RM'000	Non-controlling interests ("NCI") RM'000	Total RM'000	
At 1 January 2015	155,616	51,042	(24,309)	2,362	7,126	265,292	22,312	479,441	
Profit net of tax	-	-	-	-	-	30,620	1,070	31,690	
Other comparative income	-	-	-	-	13,675	-	2,892	16,567	
Total comprehensive income	-	-	-	-	13,675	30,620	3,962	47,770	
Dividend paid	-	-	-	-	-	(4,207)	-	(4,207)	
Dividend paid to NCI	-	-	-	-	-	-	(2,046)	(2,046)	
Acquisition of NCI	-	-	-	-	-	(775)	(5,439)	(6,214)	
At 30 September 2015	155,616	51,042	(24,309)	2,362	20,801	290,930	18,788	515,230	

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-month period ended 30 September 2016**Condensed Consolidated Statement of Cash Flows**

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Operating activities		
Profit before tax	25,271	37,507
Adjustments for:		
Bad debts written off	13	-
Depreciation of investment properties	672	646
Depreciation of property, plant and equipment	15,397	15,562
Dividend income	(765)	(468)
Gains on disposal of property, plant and equipment	(8)	(23)
Gains on fair value changes	(3,017)	(2,234)
Impairment loss on trade receivables	34	134
Interest expense	631	345
Interest income	(269)	(556)
Inventories written off	44	59
Loss on disposal of other investments	352	25
Property, plant and equipment written off	4	287
Unrealised (gain)/loss on foreign exchange	106	(5,204)
Write-down of inventories provided/(reversed)	915	1,343
	<hr/>	<hr/>
Operating cash flows before changes in working capital	39,380	47,423
Changes in working capital:		
Decrease in inventories	(3,720)	(1,593)
Increase in receivables	(4,290)	(6,107)
Decrease in payables	(6,370)	(1,914)
	<hr/>	<hr/>
Cash generated from operations	25,000	37,807
Interest paid	(631)	(345)
Interest received	-	1
Taxes paid, net of refund	(6,049)	(5,527)
	<hr/>	<hr/>
Net cash flows from operating activities carried forward	18,320	31,938

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2016**Condensed Consolidated Statement of Cash Flows (contd.)**

	9 months ended	
	30.09.2016	30.09.2015
Note	RM'000	RM'000
Net cash flows from operating activities brought forward	18,320	31,938
Investing activities		
Acquisition of investment properties	-	(9)
Acquisition of property, plant and equipment	(40,348)	(11,254)
Acquisition of other investments	(21,028)	(9,234)
Acquisition of NCI in a subsidiary	-	(6,215)
Acquisition of subsidiaries	(15,325)	-
Dividend received	223	338
Interest received	269	554
Proceeds from disposal of other investments	46,657	11,225
Proceeds from disposal of property, plant and equipment	228	245
Net cash flows used in investing activities	<u>(29,324)</u>	<u>(14,350)</u>
Financing activities		
Dividend paid	(8,414)	(8,414)
Dividend paid to non-controlling interest	(855)	(2,046)
Repayment of lease payables	(28)	(10)
Repayment of term loan	(1,189)	(709)
Loan and borrowings obtained	20,406	-
Net cash flows from/(used in) financing activities	<u>9,920</u>	<u>(11,179)</u>
Net (decrease)/increase in cash and cash equivalents	(1,084)	6,409
Effect of foreign exchange rate changes	(1,694)	3,321
Cash and cash equivalents at 1 January	55,360	43,654
Cash and cash equivalents at 30 September	19 <u>52,582</u>	<u>53,384</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 30 September 2016 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 2015. 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 2015.

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 2015, except for the adoption of the following with effect from 1 January 2016:

- Annual Improvements to MFRSs 2012 – 2014 Cycle
- Amendments to MFRS 116 and MFRS 138:
Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities:
Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts

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.

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 2016.

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 period.

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 period.

7. Dividends paid

The Group paid an interim dividend on 13 May 2016 in respect of the financial year ended 31 December 2015, of 3.0 sen per ordinary share, tax exempt, on the 140,239,113 ordinary shares, amounting to RM4,207,173.

A final dividend in respect of the financial year ended 31 December 2015, 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 20 July 2016.

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

There were no changes in the composition of the Group during the current financial period except that:

- (a) the final meeting of Miyama Ceramic Sdn Bhd, a wholly owned subsidiary of the Group placed under members' voluntary liquidation, had convened on 11 July 2016.
- (b) the acquisition of the entire issued and paid-up share capital of Outset Holdings Pty Limited for a cash consideration of Australian Dollar (AUD) 6,308,336, being the final completion accounts purchase price agreed on 4 November 2016.

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 2015.

11. Revenue

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Sales of goods	101,094	91,500	283,881	269,230
Dividend income	135	317	765	468
	<u>101,229</u>	<u>91,817</u>	<u>284,646</u>	<u>269,698</u>

12. Profit before tax

	9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000
Profit for the period is arrived at after charging/(crediting):		
Bad debts written off	13	-
Depreciation of investment properties	672	646
Depreciation of property, plant and equipment	15,397	15,562
(Gain)/loss on disposal of other investments	352	25
Gain on disposal of property, plant and equipment	(8)	(23)
(Gain)/loss on fair value changes		
- derivatives	(295)	728
- other investments	(2,722)	(2,962)
Impairment loss on trade receivables	34	134
Interest expense	631	345
Interest income	(269)	(556)
Inventories written off	44	59
Property, plant and equipment written off	4	287
Unrealised loss/(gain) on foreign exchange	106	(5,204)
Write-down of inventories provided	915	1,343
	<u> </u>	<u> </u>

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

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

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Current income tax:		
Malaysian income tax	4,249	3,434
Foreign tax	2,693	1,033
	<u>6,942</u>	<u>4,467</u>
Deferred income tax	-	1,350
Income tax expense for the period	<u><u>6,942</u></u>	<u><u>5,817</u></u>

The Group's effective tax rate for the current financial period ended 30 September 2016 was higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

The effective tax rate of the Group for the financial period ended 30 September 2015 was lower 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 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 all potential ordinary shares.

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

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	<u>17,188</u>	<u>30,620</u>
Number of ordinary shares in issue as of 1 January ('000)	155,616	155,616
Number of treasury shares ('000)	<u>(15,377)</u>	<u>(15,377)</u>
Weighted average number of ordinary shares in issue ('000)	<u>140,239</u>	<u>140,239</u>
Basic earnings per share (sen)	<u><u>12.26</u></u>	<u><u>21.83</u></u>

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 2016, the Group acquired property, plant and equipment at a cost of RM40,348,000 (30 September 2015: RM11,254,000)

The Group disposed of property, plant and equipment with carrying amount of RM220,000 during the period ended 30 September 2016 (30 September 2015: RM222,000), resulting in gain on disposal of RM8,000 (30 September 2015: gains of RM23,000) recognised and included in other income in the consolidated statement of profit or loss and other comprehensive income.

16. Investment properties

	30.09.2016	31.12.2015
	RM'000	RM'000
Cost		
At 1 January	50,688	48,002
Addition	-	9
Translation difference	397	2,677
	<u>51,085</u>	<u>50,688</u>
At 30 September/31 December		
Accumulated depreciation		
At 1 January	4,145	2,963
Charge for the period/year	672	881
Translation difference	66	301
	<u>4,883</u>	<u>4,145</u>
At 30 September/31 December		
Net carrying amount		
At 30 September/31 December	<u><u>46,202</u></u>	<u><u>46,543</u></u>

17. Goodwill on consolidation

	30.09.2016	31.12.2015
	RM'000	RM'000
Cost		
At 1 January	9,837	9,837
Acquisition of subsidiaries	9,346	-
	<u>19,183</u>	<u>9,837</u>
At 30 September/31 December		
Accumulated impairment		
At 1 January/30 September/31 December	<u>(619)</u>	<u>(619)</u>
Net carrying amount		
At 30 September/31 December	<u><u>18,564</u></u>	<u><u>9,218</u></u>

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

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

During the period ended 30 September 2016, the Group recognised a write-down on inventories of RM915,000 (30 September 2015: write-down of RM1,343,000) 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:

	30.09.2016	30.09.2015
	RM'000	RM'000
Cash on hand and at bank	36,158	31,654
Deposits with financial institutions	16,424	21,730
	<u>52,582</u>	<u>53,384</u>
Cash and cash equivalents	<u><u>52,582</u></u>	<u><u>53,384</u></u>

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 (30 September 2015: 155,616,013) issued and fully paid ordinary shares as at 30 September 2016, 15,376,900 (30 September 2015: 15,376,900) are held as treasury shares by the Company.

As at 30 September 2016, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (30 September 2015: 140,239,113) ordinary shares of RM1 each.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134**21. Borrowings and debt securities**

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

	30.09.2016	31.12.2015
	RM'000	RM'000
<i>Financial lease liabilities</i>		
Current	177	14
Non-current	286	7
	<u>463</u>	<u>21</u>
<i>Term loan, secured</i>		
Current	2,783	995
Non-current	25,215	8,192
	<u>24,998</u>	<u>9,187</u>
<i>Term loan and borrowings, unsecured</i>		
Current	9,142	-
	<u>9,142</u>	<u>-</u>
Total borrowings	<u><u>37,603</u></u>	<u><u>9,208</u></u>

Borrowings denominated in foreign currency:

	AUD'000	RM'000 equivalent
Australian Dollar	<u>3,024</u>	<u>9,594</u>

22. Derivative liabilities

As at the end of the current financial period, there were no 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.

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 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 as and when it falls due.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134**23. Capital commitments**

The amount of capital expenditure for property, plant and equipment, which has been authorized and contracted for, not provided for in the interim financial statements as at 30 September 2016 was RM2,018,000.

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:

	30.09.2016		31.12.2015	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial liabilities				
Interest-bearing borrowings:				
- Financial lease liabilities	286	286	7	7
- Term loan	25,215	25,215	8,192	8,192
	<u>25,501</u>	<u>25,501</u>	<u>8,199</u>	<u>8,199</u>
	=====	=====	=====	=====

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

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.

		Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
30.09.2016				
Financial assets				
Other investments				
- unit trust funds	45,262	45,262	-	-
- unquoted structure products	8,655	-	-	8,655
	<u>53,917</u>	<u>45,262</u>	<u>-</u>	<u>8,655</u>
	<u><u>53,917</u></u>	<u><u>45,262</u></u>	<u><u>-</u></u>	<u><u>8,655</u></u>
31.12.2015				
Financial assets				
Other investments				
- unit trust funds	64,891	64,891	-	-
- unquoted structure products	12,603	-	-	12,603
	<u>77,494</u>	<u>64,891</u>	<u>-</u>	<u>12,603</u>
	<u><u>77,494</u></u>	<u><u>64,891</u></u>	<u><u>-</u></u>	<u><u>12,603</u></u>
Financial liabilities				
Derivative liabilities	315	-	315	-
	<u>315</u>	<u>-</u>	<u>315</u>	<u>-</u>
	<u><u>315</u></u>	<u><u>-</u></u>	<u><u>315</u></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.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

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 three-month period ended 30 September 2016 and 30 September 2015:

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Insurance commission earned as insurance agent	119	120
Rental of office and warehouse	1,497	1,497
Sale of ceramic tiles	-	33
A subsidiary of holding company, Kam Kam (Sanitaryware) Sdn Bhd		
Purchases of sanitary ware for resale	861	1,205
Purchases of raw materials for production use	91	7
Directors' interest		
Purchase of ceramic tiles for resale	5,564	6,187
Renovation and maintenance costs	741	260
Rental of office and warehouse	552	-
Sale of ceramic tiles	2	18
	=====	=====

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.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

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 quarter is as follows:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30.09.2016					
<i>Segment Revenue</i>					
Total sales	186,373	51,500	58,246	3,707	299,826
Inter-segment sales	(14,501)	(679)	-	-	(15,180)
	<u>171,872</u>	<u>50,821</u>	<u>58,246</u>	<u>3,707</u>	<u>284,646</u>
<i>Segment Results</i>					
Segment operating profit	17,205	7,396	1,193	108	25,902
Finance cost	(585)	-	(46)	-	(631)
Profit before tax	16,620	7,396	1,147	108	25,271
Income tax expense	(4,692)	(1,991)	(259)	-	(6,942)
Profit for the period	11,928	5,405	888	108	18,329
Non-controlling interest	-	(1,108)	-	(33)	(1,141)
Profit attributable to owners of the parent	<u>11,928</u>	<u>4,297</u>	<u>888</u>	<u>75</u>	<u>17,188</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2016:

	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	427,028	92,529	104,919	3,977	628,453
Inter-segment assets	-	-	-	-	-
	<u>427,028</u>	<u>92,529</u>	<u>104,919</u>	<u>3,977</u>	<u>628,453</u>
<i>Segment Liabilities</i>					
Total liabilities	57,128	8,781	40,195	3,641	109,745
Inter-segment liabilities	-	-	-	-	-
	<u>57,128</u>	<u>8,781</u>	<u>40,195</u>	<u>3,641</u>	<u>109,745</u>

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

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 quarter is as follows:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30.09.2015					
<i>Segment Revenue</i>					
Total sales	190,287	48,392	45,918	1,890	286,487
Inter-segment sales	(16,121)	(668)	-	-	(16,789)
	<u>174,166</u>	<u>47,724</u>	<u>45,918</u>	<u>1,890</u>	<u>269,698</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	31,323	6,457	211	(139)	37,852
Finance cost	(345)	-	-	-	(345)
Profit/(loss) before tax	30,978	6,457	211	(139)	37,507
Income tax expense	(4,784)	(1,033)	-	-	(5,817)
Profit/(loss) for the period	26,194	5,424	211	(139)	31,690
Non-controlling interest	-	(1,112)	-	42	(1,070)
Profit/(loss) attributable to owners of the parent	<u>26,194</u>	<u>4,312</u>	<u>211</u>	<u>(97)</u>	<u>30,620</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	411,716	102,405	66,905	3,605	584,631
Inter-segment assets	-	-	-	-	-
	<u>411,716</u>	<u>102,405</u>	<u>66,905</u>	<u>3,605</u>	<u>584,631</u>
<i>Segment Liabilities</i>					
Total liabilities	36,068	14,565	15,885	3,369	69,887
Inter-segment liabilities	-	-	-	-	-
	<u>36,068</u>	<u>14,565</u>	<u>15,885</u>	<u>3,369</u>	<u>69,887</u>

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

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 to RM284.6 million from RM269.7 million as compared with the preceding year's corresponding financial period ended 30 September 2015.

The increase in revenue was contributed by the better performance in all geographical segments except Malaysia. The Group's Malaysia operation registered a marginal decline in revenue in the current financial period.

The Group registered a profit before tax of RM25.3 million for the current financial period as compared to RM37.5 million recorded in the preceding year's corresponding financial period due to unfavorable foreign exchange movements and reduced 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 RM101.2 million from RM91.8 million as compared with the preceding year's corresponding financial quarter ended 30 September 2015, due to the contribution from Outset Holdings Pty Limited which the Group recently acquired.

The Group registered a profit before tax of RM17.1 million for the current financial quarter as compared to RM12.4 million recorded in the preceding year's corresponding financial quarter due to increased revenue.

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 from RM97.0 million to RM101.2 million, due to the contribution from Outset Holdings Pty Limited which the Group recently acquired.

The Group recorded a profit before tax of RM17.1 million for the current financial quarter under review as compared to a profit before tax of RM7.9 million for the immediate preceding quarter, mainly due to increased sales revenue in the current financial quarter and favorable foreign exchange movements recorded in the current quarter.

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

30. Commentary on prospects

The Group's results for the current year are 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 2016.

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 of 3.0 sen per ordinary share, tax exempt, on the 140,239,113 ordinary shares, has been declared for the financial period ended 30 September 2016 (30 September 2015: Nil), which will be payable in December 2016.

37. Disclosure of nature of outstanding derivatives

Please refer to Note 22 for details.

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**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 2016 and 30 September 2015.

39. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

40. Realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 30 September 2016 and 31 December 2015, into realised and unrealised earnings 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 30.09.2016 RM'000	As at 31.12.2015 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	289,847	276,568
- Unrealised in respect of		
- gains on fair value changes	13,372	18,309
- deferred tax recognised in the income statement	(432)	(432)
	<u>302,787</u>	<u>294,445</u>
Add: Consolidated adjustments	249	(183)
Total Group's retained earnings as per financial statements	<u><u>303,036</u></u>	<u><u>294,262</u></u>

The disclosure of realised and unrealised earnings 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 November 2016