

KIM HIN INDUSTRY BERHAD (018203-V)

Interim Financial Report
31 December 2016

Interim Financial Report for the Year ended 31 December 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 - 22
Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad	23 - 25

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the year ended 31 December 2016**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarters 12 months ended	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue	11	118,746	97,743	403,392	367,441
Cost of sales		(78,216)	(67,155)	(272,236)	(244,517)
Gross profit		40,530	30,588	131,156	122,924
Other income		11,459	4,819	18,267	18,434
Selling and distribution costs		(13,219)	(7,524)	(35,937)	(27,174)
Administrative expenses		(17,973)	(16,609)	(66,230)	(60,723)
Other expenses		(4,855)	(2,945)	(5,412)	(7,280)
Operating profit		15,942	8,329	41,844	46,181
Finance costs		(616)	(109)	(1,247)	(454)
Profit before tax	12	15,326	8,220	40,597	45,727
Income tax expense	13	(1,050)	(4,198)	(7,992)	(10,015)
Profit for the year		14,276	4,022	32,605	35,712
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent years:					
Exchange translation differences on foreign subsidiaries		4,346	(4,509)	(751)	12,058
Other comprehensive income for the year, net of tax		4,346	(4,509)	(751)	12,058
Total comprehensive income for the year		18,622	(487)	31,854	47,770

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the year ended 31 December 2016**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

		Individual Quarter		Cumulative Quarter	
		3 months ended		12 months ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Note	RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		13,094	3,742	30,282	34,362
Non-controlling interests		1,182	280	2,323	1,350
		<u>14,276</u>	<u>4,022</u>	<u>32,605</u>	<u>35,712</u>
Total comprehensive income attributable to:					
Owners of the Company		16,729	170	29,922	44,465
Non-controlling interests		1,893	(657)	1,932	3,305
		<u>18,622</u>	<u>(487)</u>	<u>31,854</u>	<u>47,770</u>
Earnings per share attributable to owners of the Company:					
- Earnings per share for the year (basic/diluted) (sen)	14	<u>9.33</u>	<u>2.67</u>	<u>21.59</u>	<u>24.50</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 year ended 31 December 2016**Condensed Consolidated Statement of Financial Position**

		31.12.2016	31.12.2015
		Unaudited	Audited
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	218,375	192,571
Investment properties	16	46,617	46,543
Other investments		42,207	64,891
Goodwill on consolidation	17	18,852	9,218
Deferred tax assets		4,062	109
		<u>330,113</u>	<u>313,332</u>
Current assets			
Inventories	18	154,323	120,831
Trade and other receivables		83,415	73,651
Other current assets		6,361	6,043
Tax recoverable		1,870	1,422
Other investments		11,626	12,603
Cash and bank balances	19	60,935	56,749
		<u>318,530</u>	<u>271,299</u>
TOTAL ASSETS		<u><u>648,643</u></u>	<u><u>584,631</u></u>

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

Interim report for the year ended 31 December 2016

Condensed Consolidated Statement of Financial Position (contd.)

	Note	31.12.2016 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		19,649	20,001
Retained earnings		311,914	294,262
		<hr/>	<hr/>
		513,912	496,612
Non-controlling interests		19,209	18,132
		<hr/>	<hr/>
TOTAL EQUITY		533,121	514,744
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	21	24,748	8,199
Deferred tax liabilities		574	541
Provisions		1,112	900
		<hr/>	<hr/>
		26,434	9,640
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	8,210	1,009
Derivative liabilities	22	-	315
Trade and other payables		74,098	55,831
Provisions		3,046	1,331
Tax payable		3,734	1,761
		<hr/>	<hr/>
		89,088	60,247
		<hr/>	<hr/>
TOTAL LIABILITIES		115,522	69,887
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		648,643	584,631
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.67	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.

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

Interim report for the year ended 31 December 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	-	-	-	-	-	30,282	2,323	32,605	
Other comparative income	-	-	-	-	(360)	-	(391)	(751)	
Total comprehensive income	-	-	-	-	(360)	30,282	1,932	31,854	
Dividend paid	-	-	-	-	-	(12,622)	-	(12,622)	
Dividend paid to NCI	-	-	-	-	-	-	(855)	(855)	
Transfer between reserves	-	-	-	904	(896)	(8)	-	-	
At 31 December 2016	155,616	51,042	(24,309)	3,676	15,973	311,914	19,209	533,121	

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

Interim report for the year ended 31 December 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	Total RM'000	Non-controlling interests ("NCI") RM'000	
At 1 January 2015	155,616	51,042	(24,309)	2,362	7,126	265,292	457,129	22,312	479,441
Profit net of tax	-	-	-	-	-	34,362	34,362	1,350	35,712
Other comparative income	-	-	-	-	10,103	-	10,103	1,955	12,058
Total comprehensive income	-	-	-	-	10,103	34,362	44,465	3,305	47,770
Dividend paid	-	-	-	-	-	(4,207)	(4,207)	-	(4,207)
Dividend paid to NCI	-	-	-	-	-	-	-	(2,046)	(2,046)
Acquisition of NCI	-	-	-	-	-	(775)	(775)	(5,439)	(6,214)
Transfer between reserves	-	-	-	410	-	(410)	-	-	-
At 31 December 2015	155,616	51,042	(24,309)	2,772	17,229	294,262	496,612	18,132	514,744

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 2016**Condensed Consolidated Statement of Cash Flows**

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Operating activities		
Profit before tax	40,597	45,727
Adjustments for:		
Bad debts written off	28	35
Depreciation of investment properties	887	881
Depreciation of property, plant and equipment	20,852	20,811
Dividend income	(822)	(684)
Gains on disposal of property, plant and equipment	(3,124)	(103)
Gains on fair value changes	(2,842)	(5,276)
Impairment loss on trade receivables	104	467
Interest expense	1,247	454
Interest income	(456)	(1,514)
Inventories written off	61	926
Loss on disposal of other investments	270	25
Property, plant and equipment written off	4	289
Provision of retirement benefit	10	7
Unrealised gains on foreign exchange	(828)	(4,515)
Write-down of inventories provided	2,011	2,664
	<hr/>	<hr/>
Operating cash flows before changes in working capital	57,999	60,194
Changes in working capital:		
Decrease in inventories	(12,651)	(8,802)
Increase in receivables	(852)	(5,844)
Decrease in payables	1,128	7,477
	<hr/>	<hr/>
Cash generated from operations	45,624	53,025
Interest paid	(1,247)	(454)
Taxes paid, net of refund	(9,066)	(6,579)
	<hr/>	<hr/>
Net cash flows from operating activities carried forward	35,311	45,992
	<hr/>	<hr/>

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the year ended 31 December 2016**Condensed Consolidated Statement of Cash Flows (contd.)**

	Note	12 months ended	
		31.12.2016 RM'000	31.12.2015 RM'000
Net cash flows from operating activities brought forward		35,311	45,992
Investing activities			
Acquisition of investment properties		-	(9)
Acquisition of property, plant and equipment		(49,387)	(16,275)
Acquisition of other investments		(21,057)	(14,382)
Acquisition of NCI in a subsidiary		-	(6,214)
Acquisition of subsidiaries		(15,355)	-
Dividend received		271	-
Interest received		456	1,514
Net movement in in short-term deposits		810	(714)
Proceeds from disposal of other investments		47,192	11,578
Proceeds from disposal of property, plant and equipment		6,111	329
Net cash flows used in investing activities		<u>(30,959)</u>	<u>(24,173)</u>
Financing activities			
Dividend paid		(12,622)	(8,414)
Dividend paid to non-controlling interest		(855)	(2,046)
Repayment of lease payables		(87)	(14)
Repayment of term loans		(6,263)	(951)
Loan and borrowings obtained		20,000	-
Net cash flows from/(used in) financing activities		<u>173</u>	<u>(11,425)</u>
Net increase in cash and cash equivalents		4,525	10,394
Effect of foreign exchange rate changes		(209)	1,984
Cash and cash equivalents at 1 January		44,622	32,241
Cash and cash equivalents at 31 December	19	<u><u>48,938</u></u>	<u><u>44,622</u></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 year ended 31 December 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 year ended 31 December 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 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 year.

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.

On 23 December 2016, the Group paid an interim dividend of 3.0 sen per ordinary share, tax exempt, in respect of the financial year ended 31 December 2016, on the 140,239,113 ordinary shares, amounting to RM4,207,173.

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**

There were no changes in the composition of the Group during the current financial year 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.

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		Cumulative Quarters	
	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Sales of goods	118,689	97,527	402,570	366,757
Dividend income	57	216	822	684
	<u>118,746</u>	<u>97,743</u>	<u>403,392</u>	<u>367,441</u>
	=====	=====	=====	=====

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

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

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Profit for the year is arrived at after charging/(crediting):		
Bad debts written off	28	35
Depreciation of investment properties	887	881
Depreciation of property, plant and equipment	20,852	20,811
Gains on disposal of property, plant and equipment	(3,124)	(103)
Gains on fair value changes	(2,842)	(5,276)
Impairment loss on trade receivables	104	467
Interest expense	1,247	454
Interest income	(456)	(1,514)
Inventories written off	61	926
Loss on disposal of other investments	270	25
Property, plant and equipment written off	4	289
Unrealised gains on foreign exchange	(828)	(4,515)
Write-down of inventories provided	2,011	2,664
	<u> </u>	<u> </u>

13. Income tax expense

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Current income tax:		
Malaysian income tax	5,914	4,750
Foreign tax	4,981	2,386
	<u> </u>	<u> </u>
	10,895	7,136
Deferred income tax	(2,903)	2,879
	<u> </u>	<u> </u>
Income tax expense for the year.	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

The Group's effective tax rate for the current financial year ended 31 December 2016 was lower due to recognition of deferred tax assets on previously unutilised tax losses and capital allowances.

The effective tax rate of the Group for the financial year ended 31 December 2015 was lower principally due to utilisation of unused capital allowances which was not previously recognised as deferred tax assets.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134**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	
	31.12.2016	31.12.2015
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	30,282	34,362
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)	21.59	24.50

15. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment at a cost of RM49,367,000 (31 December 2015: RM16,275,000)

The Group disposed of property, plant and equipment with carrying amount of RM2,987,000 during the financial year (31 December 2015: RM226,000), resulting in gains on disposal of RM3,124,000 (31 December 2015: gains of RM103,000) recognised and included in other income in the consolidated statement of profit or loss and other comprehensive income.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134**16. Investment properties**

	31.12.2016	31.12.2015
	RM'000	RM'000
Cost		
At 1 January	50,688	48,002
Addition	-	9
Translation difference	1,124	2,677
	<u>51,812</u>	<u>50,688</u>
At 31 December	<u>51,812</u>	<u>50,688</u>
Accumulated depreciation		
At 1 January	4,145	2,963
Charge for the year/year	887	881
Translation difference	163	301
	<u>5,195</u>	<u>4,145</u>
At 31 December	<u>5,195</u>	<u>4,145</u>
Net carrying amount		
At 31 December	<u><u>46,617</u></u>	<u><u>46,543</u></u>

17. Goodwill on consolidation

	31.12.2016	31.12.2015
	RM'000	RM'000
Cost		
At 1 January	9,837	9,837
Acquisition of subsidiaries	9,634	-
	<u>19,471</u>	<u>9,837</u>
At 31 December	<u>19,471</u>	<u>9,837</u>
Accumulated impairment		
At 1 January/31 December	(619)	(619)
	<u>(619)</u>	<u>(619)</u>
Net carrying amount		
At 31 December	<u><u>18,852</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 financial year, the Group recognised a write-down on inventories of RM2,011,000 (31 December 2015: write-down of RM2,664,000) 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:

	31.12.2016	31.12.2015
	RM'000	RM'000
Cash on hand and at bank	49,618	34,250
Deposits with financial institutions	11,317	22,499
Bank overdrafts (Note 21)	(680)	-
	<u>60,255</u>	<u>56,749</u>
Deposits with maturity more than 3 months	(11,317)	(12,127)
	<u>48,938</u>	<u>44,622</u>
Cash and cash equivalents	<u><u>48,938</u></u>	<u><u>44,622</u></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 year, the Company has not purchased any of its own shares.

Of the total 155,616,013 (31 December 2015: 155,616,013) issued and fully paid ordinary shares as at 31 December 2016, 15,376,900 (31 December 2015: 15,376,900) are held as treasury shares by the Company.

As at 31 December 2016, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (31 December 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. Loans and Borrowings**

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

	31.12.2016 RM'000	31.12.2015 RM'000
<i>Financial lease liabilities</i>		
Current	178	14
Non-current	195	7
	<u>373</u>	<u>21</u>
 <i>Term loan, secured</i>		
Current	2,783	995
Non-current	24,553	8,192
	<u>27,336</u>	<u>9,187</u>
 <i>Trade line, unsecured</i>		
Current	4,569	-
	<u>4,569</u>	<u>-</u>
 <i>Bank overdrafts, secured</i>		
Current	680	-
	<u>680</u>	<u>-</u>
 Total loans and borrowings	<u>32,958</u>	<u>9,208</u>
 <i>Disclosed as:</i>		
Current	8,210	1,009
Non-current	24,748	8,199
	<u>32,958</u>	<u>9,208</u>
 Borrowings denominated in foreign currency:		
	AUD'000	RM'000 equivalent
 Australian Dollar	<u>1,458</u>	<u>4,934</u>

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134

22. Derivative liabilities

As at the end of the current financial year, 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 year 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.

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 31 December 2016 was RM4,903,000.

24. Changes in contingent liabilities and contingent assets

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

PART A – Explanatory Notes Pursuant to MFRS 134

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:

	31.12.2016		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	195	195	7	7
- Term loan	24,553	24,553	8,192	8,192
	<u>24,748</u>	<u>24,748</u>	<u>8,199</u>	<u>8,199</u>
	<u><u>24,748</u></u>	<u><u>24,748</u></u>	<u><u>8,199</u></u>	<u><u>8,199</u></u>

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).

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134**25. Financial instruments (contd.)**

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
31.12.2016				
Financial assets				
Other investments				
- unit trust funds	42,207	42,207	-	-
- unquoted structure products	11,626	-	-	11,626
	<u>53,833</u>	<u>42,207</u>	<u>-</u>	<u>11,626</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>
	=====	=====	=====	=====
Financial liabilities				
Derivative liabilities	315	-	315	-
	<u>315</u>	<u>-</u>	<u>315</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 year and the comparative year. 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 financial ended 31 December 2016 and 31 December 2015:

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd Insurance commission earned as insurance agent Rental of office and warehouse Sale of ceramic tiles	119 1,996 -	126 1,996 36
A subsidiary of holding company, Kam Kam (Sanitaryware) Sdn Bhd Purchases of sanitary ware for resale Purchases of raw materials for production use	1,159 98	1,525 9
Directors' interest Purchase of ceramic tiles for resale Renovation and maintenance costs Rental of office and warehouse Sale of ceramic tiles	8,785 985 774 28	8,507 424 - 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.

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
31.12.2016					
<i>Segment Revenue</i>					
Total sales	247,211	69,406	103,836	5,817	426,270
Inter-segment sales	(21,513)	(1,365)	-	-	(22,878)
	<u>225,698</u>	<u>68,041</u>	<u>103,836</u>	<u>5,817</u>	<u>403,392</u>
<i>Segment Results</i>					
Segment operating profit	21,627	14,775	5,241	201	41,844
Finance cost	(1,068)	-	(179)	-	(1,247)
Profit before tax	20,559	14,775	5,062	201	40,597
Income tax expense	(3,011)	(3,739)	(1,242)	-	(7,992)
Profit for the year	17,548	11,036	3,820	201	32,605
Non-controlling interest	-	(2,262)	-	(61)	(2,323)
Profit attributable to owners of the parent	<u>17,548</u>	<u>8,774</u>	<u>3,820</u>	<u>140</u>	<u>30,282</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 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	433,525	103,566	107,440	4,112	648,643
Inter-segment assets	-	-	-	-	-
	<u>433,525</u>	<u>103,566</u>	<u>107,440</u>	<u>4,112</u>	<u>648,643</u>
<i>Segment Liabilities</i>					
Total liabilities	55,441	10,771	45,652	3,658	115,522
Inter-segment liabilities	-	-	-	-	-
	<u>55,441</u>	<u>10,771</u>	<u>45,652</u>	<u>3,658</u>	<u>115,522</u>

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
31.12.2015					
<i>Segment Revenue</i>					
Total sales	254,489	68,408	61,956	3,542	388,395
Inter-segment sales	(19,807)	(1,147)	-	-	(20,954)
	<u>234,682</u>	<u>67,261</u>	<u>61,956</u>	<u>3,542</u>	<u>367,441</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	37,810	8,526	(11)	(144)	46,181
Finance cost	(454)	-	-	-	(454)
Profit/(loss) before tax	37,356	8,526	(11)	(144)	45,727
Income tax expense	(7,628)	(2,387)	-	-	(10,015)
Profit/(loss) for the year	29,728	6,139	(11)	(144)	35,712
Non-controlling interest	-	(1,394)	-	44	(1,350)
Profit/(loss) attributable to owners of the parent	<u>29,728</u>	<u>4,745</u>	<u>(11)</u>	<u>(100)</u>	<u>34,362</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>

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 financial year

During the current financial year under review, revenue of the Group improved to RM403.4 million from RM367.4 million as compared with the preceding financial year ended 31 December 2015. This is mainly due to contribution from Outset Holdings Pty Limited acquired on 1 September 2016.

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

The Group registered a profit before tax of RM40.6 million for the current financial year as compared to RM45.7 million recorded in the preceding year's corresponding financial year due to lower 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 RM118.7 million from RM97.7 million as compared with the preceding year's corresponding financial quarter ended 31 December 2015, due to contribution from the recently acquired subsidiary in Australia, Outset Holdings Pty Limited.

The Group registered a profit before tax of RM15.3 million for the current financial quarter as compared to RM8.2 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 RM101.2 million to RM118.7 million, due to contribution from the recently acquired subsidiary in Australia, Outset Holdings Pty Limited.

The Group recorded a profit before tax of RM15.3 million for the current financial quarter under review as compared to a profit before tax of RM17.1 million for the immediate preceding quarter, due to lower profit margin.

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 24 February 2017.

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 2016 (31 December 2015: Nil).

37. Disclosure of nature of outstanding derivatives

Please refer to Note 22 for details.

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 31 December 2016 and 31 December 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 31 December 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 31.12.2016	As at 31.12.2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	297,096	276,568
- Unrealised in respect of		
- gains on fair value changes	11,957	18,309
- deferred tax recognised in the income statement	1,981	(432)
	<u>311,034</u>	<u>294,445</u>
Add: Consolidated adjustments	880	(183)
	<u>311,914</u>	<u>294,262</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

24 February 2017