

KIM HIN INDUSTRY BERHAD (018203-V)

Interim Financial Report

30 June 2017

Interim Financial Report for the Six-Month Period ended 30 June 2016

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Interim report for the six-month period ended 30 June 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Revenue	11	103,922	96,990	198,732	183,417
Cost of sales		(69,201)	(68,066)	(134,667)	(129,465)
Gross profit		34,721	28,924	64,065	53,952
Other income		1,745	2,311	7,977	4,224
Selling and distribution costs		(12,344)	(6,851)	(24,244)	(13,837)
Administrative expenses		(18,001)	(15,886)	(35,377)	(31,986)
Other expenses		(2,490)	(423)	(5,263)	(3,923)
Operating profit		3,631	8,075	7,158	8,430
Finance costs		(372)	(179)	(769)	(287)
Profit before tax	12	3,259	7,896	6,389	8,143
Income tax expense	13	(2,095)	(3,120)	(3,243)	(4,102)
Profit for the period		1,164	4,776	3,146	4,041
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent periods:					
Exchange translation differences on foreign subsidiaries		(2,524)	88	(1,306)	(7,105)
Other comprehensive income for the period, net of tax		(2,524)	88	(1,306)	(7,105)
Total comprehensive income for the period		(1,360)	4,864	1,840	(3,064)

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the six-month period ended 30 June 2017**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Profit attributable to:					
Owners of the Company		561	4,215	2,376	3,535
Non-controlling interests		603	561	770	506
		<u>1,164</u>	<u>4,776</u>	<u>3,146</u>	<u>4,041</u>
		=====	=====	=====	=====
Total comprehensive income attributable to:					
Owners of the Company		(1,672)	4,348	1,433	(2,214)
Non-controlling interests		352	516	407	(850)
		<u>(1,360)</u>	<u>4,864</u>	<u>1,840</u>	<u>(3,064)</u>
		=====	=====	=====	=====
Earnings per share attributable to owners of the Company:					
- Earnings per share for the period (basic/diluted) (sen)	14	0.40	3.00	1.69	2.52
		=====	=====	=====	=====

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 six-month period ended 30 June 2017

Condensed Consolidated Statement of Financial Position

		30.06.2017	31.12.2016
	Note	Unaudited RM'000	Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	222,663	222,945
Investment properties	16	46,511	46,617
Other investments		39,338	42,207
Goodwill on consolidation	17	18,987	18,852
Deferred tax assets		7,230	4,160
		<hr/>	<hr/>
		334,729	334,781
		<hr/>	<hr/>
Current assets			
Inventories	18	159,362	154,903
Trade and other receivables		75,779	87,212
Other current assets		2,754	5,135
Tax recoverable		2,819	1,919
Other investments		5,702	11,627
Cash and bank balances	19	57,778	60,984
		<hr/>	<hr/>
		304,194	321,780
		<hr/>	<hr/>
TOTAL ASSETS		638,923	656,561
		=====	=====

KIM HIN INDUSTRY BHD
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Interim report for the six-month period ended 30 June 2017

Condensed Consolidated Statement of Financial Position (contd.)

		30.06.2017	31.12.2016
	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		18,705	19,648
Retained earnings		313,925	311,549
		<hr/>	<hr/>
		514,979	513,546
Non-controlling interests		17,377	19,041
		<hr/>	<hr/>
TOTAL EQUITY		532,356	532,587
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	21	23,358	24,844
Deferred tax liabilities		556	556
Provisions		1,132	1,218
Deferred capital grant		497	598
		<hr/>	<hr/>
		25,543	27,216
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	5,301	8,114
Derivative liabilities	22	7	-
Trade and other payables		67,264	81,674
Provisions		3,137	3,019
Deferred capital grant		203	203
Tax payable		5,112	3,748
		<hr/>	<hr/>
		81,024	96,758
		<hr/>	<hr/>
TOTAL LIABILITIES		106,567	123,974
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		638,923	656,561
		<hr/>	<hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.67	3.66
		<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 six-month period ended 30 June 2017**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →						Non-controlling interests ("NCI")	Total equity	
	← Non-Distributable →			Distributable					
	Share capital	Share premium	Treasury shares	Reserve and enterprise expansion funds	Translation adjustment account	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	155,616	51,042	(24,309)	3,675	15,973	311,549	513,546	19,041	532,587
Profit net of tax	-	-	-	-	-	2,376	2,376	770	3,146
Other comparative income	-	-	-	-	(943)	-	(943)	(363)	(1,306)
Total comprehensive income	-	-	-	-	(943)	2,376	1,433	407	1,840
Dividend paid to NCI	-	-	-	-	-	-	-	(2,071)	(2,071)
At 30 June 2017	155,616	51,042	(24,309)	3,675	15,030	313,925	514,979	17,377	532,356

KIM HIN INDUSTRY BHD

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Interim report for the six-month period ended 30 June 2017**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →						Non-controlling interests ("NCI")	Total equity	
	← Non-Distributable →			Distributable					
	Share capital	Share premium	Treasury shares	Reserve and enterprise expansion funds	Translation adjustment account	Retained earnings	Total		
	RM'000	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	496,612	18,132	514,744
Profit net of tax	-	-	-	-	-	3,535	3,535	506	4,041
Other comparative income	-	-	-	-	(5,749)	-	(5,749)	(1,356)	(7,105)
Total comprehensive income	-	-	-	-	(5,749)	3,535	(2,214)	(850)	(3,064)
Dividend paid	-	-	-	-	-	(4,207)	(4,207)	-	(4,207)
Dividend paid to NCI	-	-	-	-	-	-	-	(854)	(854)
Transfer between reserves	-	-	-	(2)	2	-	-	-	-
At 30 June 2016	155,616	51,042	(24,309)	2,770	11,482	293,590	490,191	16,428	506,619

The condensed 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 six-month period ended 30 June 2017**Condensed Consolidated Statement of Cash Flows**

	6 months ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Operating activities		
Profit before tax	6,389	8,143
Adjustments for:		
Depreciation of investment properties	434	463
Depreciation of property, plant and equipment	11,085	10,168
Dividend income	(87)	(630)
Gains on fair value changes	(2,142)	(719)
(Gains)/loss on disposal of other investments	(255)	356
Gains on disposal of property, plant and equipment	(169)	(25)
Impairment loss on trade receivables	20	25
Interest expense	769	287
Interest income	(96)	(220)
Inventories written off	46	28
Property, plant and equipment written off	27	4
Unrealised loss on foreign exchange	787	2,206
Write-down of inventories provided	1,058	627
	<hr/>	<hr/>
Operating cash flows before changes in working capital	17,866	20,713
Changes in working capital:		
(Increase)/decrease in inventories	(4,813)	3,912
Decrease/(increase) in receivables	12,238	(5,400)
Decrease in payables	(14,714)	(8,339)
	<hr/>	<hr/>
Cash generated from operations	10,577	10,886
Interest paid	(769)	(287)
Taxes paid, net of refund	(5,808)	(3,550)
	<hr/>	<hr/>
Net cash flows from operating activities carried forward	4,000	7,049
	<hr/>	<hr/>

KIM HIN INDUSTRY BHD

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Interim report for the six-month period ended 30 June 2017**Condensed Consolidated Statement of Cash Flows (contd.)**

	Note	6 months ended	
		30.06.2017	30.06.2016
		RM'000	RM'000
Net cash flows from operating activities brought forward		4,000	7,049
Investing activities			
Acquisition of property, plant and equipment		(11,654)	(37,700)
Acquisition of other investments		(7,028)	(21,028)
Dividend received		-	223
Interest received		96	220
Proceeds from disposal of other investments		18,106	43,050
Proceeds from disposal of property, plant and equipment		368	226
Placement in short-term deposits with maturity more than three months		(8,409)	(470)
		<hr/>	<hr/>
Net cash flows used in investing activities		(8,521)	(15,479)
		<hr/>	<hr/>
Financing activities			
Dividend paid		-	(4,207)
Dividend paid to non-controlling interest		(2,071)	(854)
Repayment of lease payables		(382)	(7)
Repayment of term loan		(3,824)	(639)
Term loan obtained		-	20,000
		<hr/>	<hr/>
Net cash flows (used in)/from financing activities		(6,277)	14,293
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(10,798)	5,863
Effect of foreign exchange rate changes		(639)	(2,171)
Cash and cash equivalents at 1 January		49,721	44,662
		<hr/>	<hr/>
Cash and cash equivalents at 30 June	19	38,284	48,354
		=====	=====

The condensed 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 six-month period ended 30 June 2017 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 2016. 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 2016.

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 financial year ended 31 December 2016, except for the adoption of the following with effect from 1 January 2017:

- Annual Improvements to MFRSs 2014-2016 Cycle: Amendments to MFRS 12: Disclosure of Interests in Other Entities
- Amendments to MFRS 107: Disclosure Initiatives
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

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 period ended 30 June 2017.

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 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 during the current financial period.

7. Dividends paid

There was no dividend paid during the financial period ended 30 June 2017.

8. Material subsequent events

There was 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.

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 2016.

11. Revenue

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Sales of goods	103,918	96,545	198,645	182,787
Dividend income	4	445	87	630
	<u>103,922</u>	<u>96,990</u>	<u>198,732</u>	<u>183,417</u>
	=====	=====	=====	=====

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

	6 months ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting):		
Depreciation of investment properties	434	463
Depreciation of property, plant and equipment	11,085	10,168
Dividend income	(87)	(630)
(Gains)/loss on disposal of other investments	(255)	356
Gains on disposal of property, plant and equipment	(169)	(25)
Gains on fair value changes		
- derivatives	(7)	(285)
- other investments	(2,135)	(434)
Impairment loss on trade receivables	20	25
Interest expense	769	287
Interest income	(96)	(220)
Inventories written off	46	28
Property, plant and equipment written off	27	4
Unrealised loss on foreign exchange	787	2,206
Write-down of inventories provided	1,058	627
	=====	=====

13. Income tax expense

	6 months ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Current income tax:		
Malaysian income tax	1,306	2,596
Foreign tax	4,981	1,506
	-----	-----
	6,287	4,102
Deferred income tax	(3,044)	-
	-----	-----
Income tax expense for the period	3,243	4,102
	=====	=====

The Group's effective tax rate for both current financial period ended 30 June 2017 and the preceding year's corresponding quarter 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 Group's effective tax rate for the current financial period ended 30 June 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.

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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 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:

	6 months ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	2,376	3,535
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)	1.69	2.52

15. Property, plant and equipment

During the current financial period, the Group acquired property, plant and equipment at a cost of RM11,654,000 (30 June 2016: RM37,700,000)

The Group disposed of property, plant and equipment with carrying amount of RM199,000 during the six-month period (30 June 2016: RM201,000), resulting in gains on disposal of RM169,000 (30 June 2016: gains of RM25,000) recognised and included in other income in the consolidated statement of profit or loss and other comprehensive income.

PART A – Explanatory Notes Pursuant to MFRS 134

16. Investment properties

	30.06.2017	31.12.2016
	RM'000	RM'000
Cost		
At 1 January	51,812	50,688
Translation difference	378	1,124
	<u>52,190</u>	<u>51,812</u>
At 30 June/31 December	<u>52,190</u>	<u>51,812</u>
Accumulated depreciation		
At 1 January	5,195	4,145
Charge for the period	434	887
Translation difference	50	163
	<u>5,679</u>	<u>5,195</u>
At 30 June/31 December	<u>5,679</u>	<u>5,195</u>
Net carrying amount		
At 30 June/31 December	<u>46,511</u>	<u>46,617</u>

17. Goodwill on consolidation

	30.06.2017	31.12.2016
	RM'000	RM'000
Cost		
At 1 January	19,472	9,838
Acquisition of subsidiaries	-	9,375
Translation differences	135	259
	<u>19,607</u>	<u>19,472</u>
At 30 June/31 December	<u>19,607</u>	<u>19,472</u>
Accumulated impairment		
At 30 June/31 December	<u>(620)</u>	<u>(620)</u>
Net carrying amount		
At 30 June/31 December	<u>18,987</u>	<u>18,852</u>

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

During the current financial quarter ended 30 June 2017, the Group recognised a write-down on inventories of RM1,058,000 (30 June 2016: a write-down of RM627,000) 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 cash equivalents

Cash and cash equivalents comprised the following amounts:

	30.06.2017	31.12.2016
	RM'000	RM'000
Cash on hand and at bank	38,046	49,667
Deposits with financial institutions	19,732	11,317
	<hr/>	<hr/>
Cash and bank balances	57,778	60,984
Bank overdrafts (Note 21)	(502)	(680)
	<hr/>	<hr/>
	57,276	60,304
Deposits with maturity more than 3 months	(18,992)	(10,583)
	<hr/>	<hr/>
Cash and cash equivalents	38,284	49,721
	=====	=====

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 June 2016: 155,616,013) issued and fully paid ordinary shares as at 30 June 2017, 15,376,900 (30 June 2016: 15,376,900) are held as treasury shares by the Company.

As at 30 June 2017, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (30 June 2016: 140,239,113) ordinary shares of RM1 each.

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:

	30.06.2017	31.12.2016
	RM’000	RM’000
<i>Financial lease liabilities</i>		
Current	41	220
Non-current	-	195
	<u>41</u>	<u>415</u>
 <i>Term loan, secured</i>		
Current	2,783	2,688
Non-current	23,358	24,649
	<u>26,141</u>	<u>27,337</u>
 <i>Trade line, unsecured</i>		
Current	<u>1,975</u>	<u>4,526</u>
 <i>Bank overdrafts, secured</i>		
Current	<u>502</u>	<u>680</u>
Total loans and borrowings	<u>28,659</u> =====	<u>32,958</u> =====
 <i>Disclosed as:</i>		
Current	5,301	8,114
Non-current	23,358	24,844
	<u>28,659</u> =====	<u>32,958</u> =====

Details of the Group’s borrowings denominated in foreign currency are as follow:

	AUD’000	RM’000 equivalent
Finance lease liabilities	12	40
Trade line, unsecured	600	1,975
	<u>612</u>	<u>2,015</u>
Australian Dollar	<u>612</u> =====	<u>2,015</u> =====

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PART A – Explanatory Notes Pursuant to MFRS 134**22. Derivative liabilities**

As at the end of the current financial period, the derivatives (including financial instruments designated as hedging instruments) entered into by the Group consist of forward foreign exchange contracts entered regularly by the Group with licensed financial institutions to hedge against currency fluctuation for its accounts receivables and payables as part of the normal course of business. Details of the outstanding derivative financial instruments as at 30 June 2017 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	1,723	1,716	7	Strengthening of AUD
	=====	=====	=====	

The fair value of forward foreign exchange contract is determined by using the market rates at the end of reporting six-month 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.

23. 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:

	30.06.2017		31.12.2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial liabilities				
Interest-bearing borrowings:				
- Financial lease liabilities	-	-	195	195
- Term loan	23,358	23,358	24,649	24,649
	=====	=====	=====	=====
	23,358	23,358	24,844	24,844
	=====	=====	=====	=====

PART A – Explanatory Notes Pursuant to MFRS 134

23. 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 measured at fair value consist of other investments.

	RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30.06.2017				
Financial assets				
Other investments				
- unit trust funds	39,338	39,338	-	-
- unquoted structure products	5,702	-	5,702	-
	<u>45,040</u>	<u>39,338</u>	<u>5,702</u>	<u>-</u>
	=====	=====	=====	=====
31.12.2016				
Financial assets				
Other investments				
- unit trust funds	42,207	42,207	-	-
- unquoted structure products	11,627	-	11,627	-
	<u>53,834</u>	<u>42,207</u>	<u>11,627</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 six-month period and the comparative period. All changes in the fair values are recognised in statement of comprehensive income.

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PART A – Explanatory Notes Pursuant to MFRS 134**24. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties during the six-month period ended 30 June 2017 and 30 June 2016:

	6 months ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Insurance commission earned as insurance agent	111	113
Rental of office and warehouse	998	998
A subsidiary of holding company, Kam Kam (Sanitaryware) Sdn Bhd		
Purchases of sanitary ware for resale	602	634
Purchases of raw materials for production use	-	91
Directors' interest		
Provision of legal services	15	-
Purchase of ceramic tiles for resale	3,583	4,117
Renovation and maintenance costs	175	481
Rental of office and warehouse	428	272
Sale of ceramic tiles	-	2
	=====	=====

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.

25. Capital commitments

The amount of capital expenditure for property, plant and equipment not provided for in the interim financial statements as at 30 June 2017 was as follows:

	30.06.2017	30.06.2016
	RM'000	RM'000
Authorised and contracted for	13,344	1,617
	=====	=====

26. 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

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 period is as follows:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2017					
<i>Segment Revenue</i>					
Total sales	98,712	32,958	75,323	2,298	209,291
Inter-segment sales	(9,966)	(693)	-	-	(10,559)
	<u>88,846</u>	<u>32,265</u>	<u>75,323</u>	<u>2,298</u>	<u>198,732</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	(2,801)	4,914	5,042	3	7,158
Finance cost	(659)	-	(110)	-	(769)
Profit/(loss) before tax	(3,460)	4,914	4,932	3	6,389
Income tax expense	319	(1,264)	(2,298)	-	(3,243)
Profit/(loss) for the period	(3,141)	3,650	2,634	3	3,146
Non-controlling interest	-	(769)	-	(1)	(770)
Profit/(loss) attributable to owners of the parent	<u>(3,141)</u>	<u>2,881</u>	<u>2,634</u>	<u>2</u>	<u>2,376</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2017:

	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	434,610	95,301	105,952	3,060	638,923
Inter-segment assets	-	-	-	-	-
	<u>434,610</u>	<u>95,301</u>	<u>105,952</u>	<u>3,060</u>	<u>638,923</u>
<i>Segment Liabilities</i>					
Total liabilities	51,048	11,500	41,400	2,619	106,567
Inter-segment liabilities	-	-	-	-	-
	<u>51,048</u>	<u>11,500</u>	<u>41,400</u>	<u>2,619</u>	<u>106,567</u>

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

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

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2016					
<i>Segment Revenue</i>					
Total sales	125,105	33,468	31,228	1,827	191,628
Inter-segment sales	(7,748)	(463)	-	-	(8,211)
	<u>117,357</u>	<u>33,005</u>	<u>31,228</u>	<u>1,827</u>	<u>183,417</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	5,347	3,697	(527)	(87)	8,430
Finance cost	(287)	-	-	-	(287)
Profit/(loss) before tax	5,060	3,697	(527)	(87)	8,143
Income tax expense	(3,001)	(1,101)	-	-	(4,102)
Profit/(loss) for the period	2,059	2,596	(527)	(87)	4,041
Non-controlling interest	-	(532)	-	26	(506)
Profit/(loss) attributable to owners of the parent	<u>2,059</u>	<u>2,064</u>	<u>(527)</u>	<u>(61)</u>	<u>3,535</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 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	430,081	87,945	64,227	3,421	585,674
Inter-segment assets	-	-	-	-	-
	<u>430,081</u>	<u>87,945</u>	<u>64,227</u>	<u>3,421</u>	<u>585,674</u>
<i>Segment Liabilities</i>					
Total liabilities	49,612	8,171	17,987	3,285	79,055
Inter-segment liabilities	-	-	-	-	-
	<u>49,612</u>	<u>8,171</u>	<u>17,987</u>	<u>3,285</u>	<u>79,055</u>

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 increased from RM183.4 million to RM198.7 million as compared with the preceding year's corresponding financial period ended 30 June 2016.

The improved revenue was contributed by the Australian subsidiary company, Outset Holdings Pty Ltd, which was acquired on 1 September 2016.

The Group registered a profit before tax of RM6.4 million for the current financial period as compared to RM8.1 million recorded in the preceding year's corresponding financial period due to higher selling and distribution costs.

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 from RM94.8 million to RM103.9 million, due to seasonal factors as disclosed in Note 3, which normally affect the sales in the first quarter in respect of the Malaysia and China operations.

The Group recorded a profit before tax of RM3.3 million for the current financial quarter under review as compared to a profit before tax of RM3.1 million for the immediate preceding quarter.

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.

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

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 August 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 period ended 30 June 2017 (30 June 2016: Nil).

37. Disclosure of nature of outstanding derivatives

Please refer to Note 22 for details.

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**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 June 2017 and 30 June 2016.

39. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

40. Realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 30 June 2017 and 30 June 2016, 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 30.06.2017	As at 30.06.2016
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	293,987	282,471
- Unrealised in respect of		
- gains on fair value changes	13,103	11,154
- deferred tax recognised in the income statement	6,674	(432)
	<u>313,764</u>	<u>293,193</u>
Add: Consolidated adjustments	161	397
	<u>313,925</u>	<u>293,590</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 August 2017