

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

**Interim Financial Report**

30 September 2017

**Interim Financial Report for the Nine-Month Period ended 30 September 2017**

<b>Index</b>	<b>Page</b>
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 - 24

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the nine-month period ended 30 September 2017****Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
<b>Revenue</b>	11	114,341	101,229	313,073	284,646
Cost of sales		(74,141)	(64,555)	(208,808)	(194,020)
<b>Gross profit</b>		40,200	36,674	104,265	90,626
Other income		4,431	2,584	12,408	6,808
Selling and distribution costs		(12,966)	(8,881)	(37,210)	(22,718)
Administrative expenses		(17,489)	(16,271)	(52,866)	(48,257)
Other expenses		(3,460)	3,366	(8,723)	(557)
<b>Operating profit</b>		10,716	17,472	17,874	25,902
Finance costs		(365)	(344)	(1,134)	(631)
<b>Profit before tax</b>	12	10,351	17,128	16,740	25,271
Income tax expense	13	(4,020)	(2,840)	(7,263)	(6,942)
<b>Profit for the period</b>		6,331	14,288	9,477	18,329
<b>Other comprehensive income:</b>					
Other comprehensive income that will be reclassified to profits or loss in subsequent periods:					
Exchange translation differences on foreign subsidiaries		495	2,008	(811)	(5,097)
<b>Other comprehensive income for the period, net of tax</b>		495	2,008	(811)	(5,097)
<b>Total comprehensive income for the period</b>		6,826	16,296	8,666	13,232

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
Note	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
<b>Profit attributable to:</b>				
Owners of the Company	5,854	13,653	8,230	17,188
Non-controlling interests	477	635	1,247	1,141
	<u>6,331</u>	<u>14,288</u>	<u>9,477</u>	<u>18,329</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	6,321	15,407	7,754	13,193
Non-controlling interests	505	889	912	39
	<u>6,826</u>	<u>16,296</u>	<u>8,666</u>	<u>13,232</u>
<b>Earnings per share attributable to owners of the Company:</b>				
- Earnings per share for the period (basic/diluted) (sen) 14	<u>4.17</u>	<u>9.74</u>	<u>5.87</u>	<u>12.26</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 2017**

**Condensed Consolidated Statement of Financial Position**

	Note	30.09.2017 Unaudited RM'000	31.12.2016 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	223,200	222,945
Investment properties	16	20,301	46,617
Other investments		32,193	42,207
Goodwill on consolidation	17	19,224	18,852
Deferred tax assets		6,050	4,160
		<hr/>	<hr/>
		300,968	334,781
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	18	163,735	154,903
Trade and other receivables		115,660	87,212
Other current assets		3,323	5,135
Derivative assets	22	122	-
Tax recoverable		2,359	1,919
Other investments		10,966	11,627
Cash and bank balances	19	48,677	60,984
		<hr/>	<hr/>
		344,842	321,780
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>645,810</b>	<b>656,561</b>
		<hr/> <hr/>	<hr/> <hr/>

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the nine-month period ended 30 September 2017****Condensed Consolidated Statement of Financial Position (contd.)**

	Note	30.09.2017 Unaudited RM'000	31.12.2016 Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	155,616	155,616
Share premium	20	51,042	51,042
Treasury shares	20	(24,309)	(24,309)
Other reserves		19,172	19,648
Retained earnings		315,572	311,549
		<hr/>	<hr/>
		517,093	513,546
<b>Non-controlling interests</b>		17,882	19,041
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		534,975	532,587
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Loans and borrowings	21	22,547	24,844
Deferred tax liabilities		556	556
Provisions		1,143	1,218
Deferred capital grant		446	598
		<hr/>	<hr/>
		24,692	27,216
		<hr/>	<hr/>
<b>Current liabilities</b>			
Loans and borrowings	21	4,705	8,114
Derivative liabilities	22	-	-
Trade and other payables		74,104	81,674
Provisions		3,054	3,019
Deferred capital grant		203	203
Tax payable		4,077	3,748
		<hr/>	<hr/>
		86,143	96,758
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		110,835	123,974
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		645,810	656,561
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.69	3.66
		<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 nine-month period ended 30 September 2017**

**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	
<b>At 1 January 2017</b>	155,616	51,042	(24,309)	3,675	15,973	311,549	19,041	532,587	
Profit net of tax	-	-	-	-	-	8,230	1,247	9,477	
Other comparative income	-	-	-	-	(476)	-	(335)	(811)	
<b>Total comprehensive income</b>	-	-	-	-	(476)	8,230	912	8,666	
Dividend paid	-	-	-	-	-	(4,207)	-	(4,207)	
Dividend paid to NCI	-	-	-	-	-	-	(2,071)	(2,071)	
<b>At 30 September 2017</b>	155,616	51,042	(24,309)	3,675	15,497	315,572	17,882	534,975	

**Interim report for the nine-month period ended 30 September 2017**

**Condensed Consolidated Statement of Changes in Equity**

	←		Attributable to equity holders of the Company				→		Total equity
	Share capital	Share premium	Treasury shares	Reserve and enterprise 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	
<b>At 1 January 2016</b>	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	
Dividends paid	-	-	-	-	-	(8,414)	-	(8,414)	
Dividend paid to NCI	-	-	-	-	-	-	(854)	(854)	
Transfer between reserves	-	-	-	(2)	2	-	-	-	
<b>At 30 September 2016</b>	155,616	51,042	(24,309)	2,770	13,236	303,036	17,317	518,708	

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 2017****Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>
	RM'000	RM'000
<b>Operating activities</b>		
Profit before tax	16,740	25,271
Adjustments for:		
Bad debts written off	-	13
Depreciation of investment properties	521	672
Depreciation of property, plant and equipment	16,734	15,397
Dividend income	(263)	(765)
Gain on disposal of investment property	(2,221)	-
(Gain)/loss on disposal of other investments	(298)	352
Gain on disposal of property, plant and equipment	(230)	(8)
Gains on fair value changes	(2,893)	(3,017)
Impairment loss on trade receivables	30	34
Interest expense	1,134	631
Interest income	(134)	(269)
Inventories written off	64	44
Property, plant and equipment written off	27	4
Unrealised loss on foreign exchange	869	106
Write-down of inventories provided	2,362	915
	<hr/>	<hr/>
Operating cash flows before changes in working capital	32,442	39,380
Changes in working capital:		
Increase in inventories	(9,779)	(3,720)
Increase in receivables	(1,498)	(4,290)
Decrease in payables	(7,145)	(6,370)
	<hr/>	<hr/>
Cash generated from operations	14,020	25,000
Interest paid	(1,134)	(631)
Taxes paid, net of refund	(9,234)	(6,049)
	<hr/>	<hr/>
Net cash flows from operating activities carried forward	3,652	18,320
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**KIM HIN INDUSTRY BHD**  
(Company No: 018203-V)

**Interim report for the nine-month period ended 30 September 2017**

**Condensed Consolidated Statement of Cash Flows (contd.)**

	<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash flows from operating activities brought forward	3,652	18,320
<b>Investing activities</b>		
Acquisition of other investments	(7,028)	(21,028)
Acquisition of property, plant and equipment	(18,091)	(40,348)
Acquisition of subsidiaries	-	(15,325)
Dividend received	-	223
Interest received	134	269
Proceeds from disposal of other investments	20,374	46,657
Proceeds from disposal of property, plant and equipment	660	228
Withdrawal/(placement) in FD with maturity more than 3 months	2,687	(5,012)
Net cash flows used in investing activities	<u>(1,264)</u>	<u>(34,336)</u>
<b>Financing activities</b>		
Dividends paid	(4,207)	(8,414)
Dividend paid to non-controlling interest	(2,071)	(855)
Repayment of lease payables	(416)	(28)
Repayment of term loan	(6,654)	(1,189)
Loan and borrowings obtained	-	20,406
Net cash flows (used in)/from financing activities	<u>(13,348)</u>	<u>9,920</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,960)</b>	<b>(6,096)</b>
<b>Effect of foreign exchange rate changes</b>	<b>108</b>	<b>(1,694)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>49,721</b>	<b>44,662</b>
<b>Cash and cash equivalents at 30 September</b>	<b>19      38,869</b>	<b>36,872</b>

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 nine-month period ended 30 September 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 September 2017.

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**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**

A final dividend in respect of the financial year ended 31 December 2016, 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 25 July 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**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	RM'000	RM'000	RM'000	RM'000
Sales of goods	114,165	101,094	312,810	283,881
Dividend income	176	135	263	765
	<u>114,341</u>	<u>101,229</u>	<u>313,073</u>	<u>284,646</u>
	=====	=====	=====	=====

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

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

	<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>
	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting):		
Bad debts written off	-	13
Depreciation of investment properties	521	672
Depreciation of property, plant and equipment	16,734	15,397
Gain on disposal of investment properties	(2,221)	-
(Gain)/loss on disposal of other investments	(298)	352
Gain on disposal of property, plant and equipment	(230)	(8)
Gains on fair value changes		
- derivatives	(122)	(295)
- other investments	(2,771)	(2,722)
Impairment loss on trade receivables	30	34
Interest expense	1,134	631
Interest income	(134)	(269)
Inventories written off	64	44
Property, plant and equipment written off	27	4
Unrealised loss on foreign exchange	869	106
Write-down of inventories provided	2,362	915
	<u>=====</u>	<u>=====</u>

**13. Income tax expense**

	<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>
	RM'000	RM'000
Current income tax:		
Malaysian income tax	2,404	4,249
Foreign tax	4,863	2,693
	<u>7,267</u>	<u>6,942</u>
Under provision of income tax		
Malaysian income tax	70	-
Foreign tax	1,226	-
	<u>8,563</u>	<u>6,942</u>
Deferred income tax	(1,300)	-
Income tax expense for the period	<u>7,263</u>	<u>6,942</u>

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

**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 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:

	<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	8,230	17,188
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)	<u>5.87</u>	<u>12.26</u>

**15. Property, plant and equipment**

During the current financial period, the Group acquired property, plant and equipment at a cost of RM18,091,000 (30 September 2016: RM40,348,000)

The Group disposed of property, plant and equipment with carrying amount of RM430,000 during the nine-month period (30 September 2016: RM220,000), resulting in gains on disposal of RM230,000 (30 September 2016: gains of RM8,000) 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**

	<b>30.09.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000
<b>Cost</b>		
At 1 January	51,812	50,688
Disposal during the period	(30,866)	-
Translation difference	650	1,124
	<u>21,596</u>	<u>51,812</u>
<b>Accumulated depreciation</b>		
At 1 January	5,195	4,145
Charge for the period	521	887
Disposal during the period	(4,514)	-
Translation difference	93	163
	<u>1,295</u>	<u>5,195</u>
<b>Net carrying amount</b>		
At 30 September/31 December	<u>20,301</u>	<u>46,617</u>

**17. Goodwill on consolidation**

	<b>30.09.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000
<b>Cost</b>		
At 1 January	19,472	9,838
Acquisition of subsidiaries	-	9,375
Translation differences	372	259
	<u>19,844</u>	<u>19,472</u>
<b>Accumulated impairment</b>		
At 30 September/31 December	<u>(620)</u>	<u>(620)</u>
<b>Net carrying amount</b>		
At 30 September/31 December	<u>19,224</u>	<u>18,852</u>

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

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

During the current financial period ended 30 September 2017, the Group recognised a write-down on inventories of RM2,362,000 (30 September 2016: a write-down of RM915,000) 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:

	<b>30.09.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000
Cash on hand and at bank	40,034	49,667
Deposits with financial institutions	8,643	11,317
	<hr/>	<hr/>
Cash and bank balances	48,677	60,984
Bank overdrafts (Note 21)	(1,912)	(680)
	<hr/>	<hr/>
Deposits with maturity more than 3 months	46,765	60,304
	(7,896)	(10,583)
	<hr/>	<hr/>
Cash and cash equivalents	38,869	49,721
	<hr/> <hr/>	<hr/> <hr/>

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

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

	30.09.2017	31.12.2016
	RM'000	RM'000
<i>Financial lease liabilities</i>		
Current	10	220
Non-current	-	195
	<u>10</u>	<u>415</u>
 <i>Term loan, secured</i>		
Current	2,783	2,688
Non-current	22,547	24,649
	<u>25,330</u>	<u>27,337</u>
 <i>Trade line, unsecured</i>		
Current	-	4,526
	<u>-</u>	<u>4,526</u>
 <i>Bank overdrafts, secured</i>		
Current	1,912	680
	<u>1,912</u>	<u>680</u>
 Total loans and borrowings	<u>27,252</u>	<u>32,958</u>
 <i>Disclosed as:</i>		
Current	4,705	8,114
Non-current	22,547	24,844
	<u>27,252</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	3	10
	<u>3</u>	<u>10</u>

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**PART A – Explanatory Notes Pursuant to MFRS 134****22. Derivative assets/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 September 2017 are tabulated below.

	<b>Contract Value</b>	<b>Fair Value</b>	<b>Gain/(loss) on fair value changes</b>	<b>Reason for gain/(loss)</b>
	RM'000	RM'000	RM'000	
Maturity within 1 year	4,458	4,580	122	Strengthening of USD
	=====	=====	=====	

The fair value of forward foreign exchange contract is determined by using the market rates at the end of reporting nine-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:

	<b>30.09.2017</b>		<b>31.12.2016</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	RM'000	RM'000	RM'000	RM'000
<b>Financial liabilities</b>				
Interest-bearing borrowings:				
- Financial lease liabilities	-	-	195	195
- Term loan	22,547	22,547	24,649	24,649
	<u>22,547</u>	<u>22,547</u>	<u>24,844</u>	<u>24,844</u>
	=====	=====	=====	=====

**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	<b>Level 1</b> RM'000	<b>Level 2</b> RM'000	<b>Level 3</b> RM'000
<b>30.09.2017</b>				
<b>Financial assets</b>				
Other investments				
- unit trust funds	32,193	32,193	-	-
- unquoted structure products	10,966	-	10,966	-
Derivative assets	122	-	122	-
	<u>43,281</u>	<u>32,193</u>	<u>11,088</u>	<u>-</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<b>31.12.2016</b>				
<b>Financial assets</b>				
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>
	<u>=====</u>	<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 nine-month 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****24. Related party transactions**

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

	<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Insurance commission earned as insurance agent	115	119
Rental of office and warehouse	1,497	1,497
A subsidiary of holding company, Kam Kam (Sanitaryware) Sdn Bhd		
Purchases of sanitary ware for resale	733	861
Purchases of raw materials for production use	-	91
Directors' interest		
Provision of legal services	16	-
Purchase of ceramic tiles for resale	4,271	5,564
Renovation and maintenance costs	433	741
Rental of office and warehouse	428	552
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 September 2017 was as follows:

	<b>30.09.2017</b>	<b>30.09.2016</b>
	RM'000	RM'000
Authorised and contracted for	10,820	2,018
Authorised and not contracted for	10,860	-
	-----	-----
	21,680	2,018
	=====	=====

**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:

	<b>Malaysia</b> RM'000	<b>China</b> RM'000	<b>Australia</b> RM'000	<b>Vietnam</b> RM'000	<b>Total</b> RM'000
<b>30.09.2017</b>					
<i>Segment Revenue</i>					
Total sales	158,606	49,456	120,055	4,447	332,564
Inter-segment sales	(18,067)	(1,424)	-	-	(19,491)
	<u>140,539</u>	<u>48,032</u>	<u>120,055</u>	<u>4,447</u>	<u>313,073</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	(679)	7,496	10,823	234	17,874
Finance cost	(981)	-	(153)	-	(1,134)
Profit/(loss) before tax	(1,660)	7,496	10,670	234	16,740
Income tax expense	(2,087)	(1,907)	(3,269)	-	(7,263)
Profit/(loss) for the period	(3,747)	5,589	7,401	234	9,477
Non-controlling interest	-	(1,177)	-	(70)	(1,247)
Profit/(loss) attributable to owners of the parent	<u>(3,747)</u>	<u>4,412</u>	<u>7,401</u>	<u>164</u>	<u>8,230</u>

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

	<b>Malaysia</b> RM'000	<b>China</b> RM'000	<b>Australia</b> RM'000	<b>Vietnam</b> RM'000	<b>Total</b> RM'000
<i>Segment Assets</i>					
Total assets	431,065	97,433	113,977	3,335	645,810
Inter-segment assets	-	-	-	-	-
	<u>431,065</u>	<u>97,433</u>	<u>113,977</u>	<u>3,335</u>	<u>645,810</u>
<i>Segment Liabilities</i>					
Total liabilities	53,287	11,647	43,228	2,673	110,835
Inter-segment liabilities	-	-	-	-	-
	<u>53,287</u>	<u>11,647</u>	<u>43,228</u>	<u>2,673</u>	<u>110,835</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 period is as follows:

	<b>Malaysia</b> RM'000	<b>China</b> RM'000	<b>Australia</b> RM'000	<b>Vietnam</b> RM'000	<b>Total</b> RM'000
<b>30.09.2016</b>					
<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)
	<u>16,620</u>	<u>7,396</u>	<u>1,147</u>	<u>108</u>	<u>25,271</u>
Profit before tax	16,620	7,396	1,147	108	25,271
Income tax expense	(4,692)	(1,991)	(259)	-	(6,942)
	<u>11,928</u>	<u>5,405</u>	<u>888</u>	<u>108</u>	<u>18,329</u>
Profit for the period	11,928	5,405	888	108	18,329
Non-controlling interest	-	(1,108)	-	(33)	(1,141)
	<u>11,928</u>	<u>4,297</u>	<u>888</u>	<u>75</u>	<u>17,188</u>
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:

	<b>Malaysia</b> RM'000	<b>China</b> RM'000	<b>Australia</b> RM'000	<b>Vietnam</b> RM'000	<b>Total</b> 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 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 RM284.6 million to RM313.1 million as compared with the preceding year's corresponding financial period ended 30 September 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 RM16.7 million for the current financial period as compared to RM25.3 million recorded in the preceding year's corresponding financial period due to higher selling and distribution costs, and other expenses.

**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 RM103.9 million to RM114.3 million.

The Group recorded a profit before tax of RM10.4 million for the current financial quarter under review as compared to a profit before tax of RM3.3 million for the immediate preceding quarter. The improvement is mainly due to increased revenue and the gain on disposal of investment property recognised during the current financial 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.

## **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**

#### **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 28 November 2017 except for the proposed disposal of an investment property by the Group's wholly owned subsidiary, Kim Hin Investment Pty. Ltd, which was announced on 5 September 2017.

The subsidiary has entered into a Contract of Sale of Real Estate on 4 September 2017 to dispose off the investment property situated at 362, Wellington Road, Mulgrave Business Park, Mulgrave, Victoria, Australia for a cash consideration of AUD 8.8 million. The settlement shall be made within 6 months from 4 September 2017.

The Group has recognised the disposal and the disposal consideration of RM28,593,000 is included under other receivables for the current financial period.

#### **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.



**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**

**36. Dividend payable**

- (i) A proposed interim cash dividend of 3.0 sen per ordinary share, tax exempt, for the financial year ending 31 December 2017 has been recommended by the directors;
- (ii) Previous corresponding period: 3.0 sen;
- (iii) Payment date: To be determined and announced at a later date; and
- (iv) In respect of ordinary share capital, entitlement to the dividend will be determined on the basis of the Record of Depositors as at the close of business on the date to be determined and announced at a later date.

**37. Disclosure of nature of outstanding derivatives**

Please refer to Note 22 for details.

**38. Disclosure of gains / losses arising from fair value changes of financial liabilities**

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2017 and 30 September 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.

**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****40. Realised and unrealised earnings**

The breakdown of the retained earnings of the Group as at 30 September 2017 and 30 September 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 30.09.2017 RM'000	As at 30.09.2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	295,772	289,847
- Unrealised in respect of		
- gains on fair value changes	13,793	13,372
- deferred tax recognised in the income statement	5,494	(432)
	<u>315,059</u>	<u>302,787</u>
Add: Consolidated adjustments	513	249
Total Group's retained earnings as per financial statements	<u><u>315,572</u></u>	<u><u>303,036</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

28 November 2017