

KIM HIN INDUSTRY BERHAD (018203-V)

Interim Financial Report

31 December 2017

Interim Financial Report for the Year ended 31 December 2017

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Interim report for the year ended 31 December 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Revenue	11	107,788	118,668	420,861	403,314
Cost of sales		(71,482)	(79,200)	(280,290)	(273,220)
Gross profit		36,306	39,468	140,571	130,094
Other income		1,808	11,030	14,216	17,838
Selling and distribution costs		(12,675)	(14,307)	(49,885)	(37,025)
Administrative expenses		(21,210)	(18,048)	(74,076)	(66,305)
Other expenses		(442)	(2,887)	(9,165)	(3,444)
Operating profit		3,787	15,256	21,661	41,158
Finance costs		(303)	(616)	(1,437)	(1,247)
Profit before tax	12	3,484	14,640	20,224	39,911
Income tax expense	13	(3,990)	(899)	(11,253)	(7,841)
Profit for the year		(506)	13,741	8,971	32,070
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent years:					
Exchange translation differences on foreign subsidiaries		(3,495)	4,346	(4,306)	(751)
Other comprehensive income for the year, net of tax		(3,495)	4,346	(4,306)	(751)
Total comprehensive income for the year		(4,001)	18,087	4,665	31,319

KIM HIN INDUSTRY BHD

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Interim report for the year ended 31 December 2017**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Profit attributable to:					
Owners of the Company		(800)	12,727	7,430	29,915
Non-controlling interests		294	1,014	1,541	2,155
		<u>(506)</u>	<u>13,741</u>	<u>8,971</u>	<u>32,070</u>
Total comprehensive income attributable to:					
Owners of the Company		(4,013)	16,362	3,741	29,555
Non-controlling interests		12	1,725	924	1,764
		<u>(4,001)</u>	<u>18,087</u>	<u>4,665</u>	<u>31,319</u>
Earnings per share attributable to owners of the Company:					
- Earnings per share for the year (basic/diluted) (sen)	14	<u>(0.57)</u>	<u>9.07</u>	<u>5.30</u>	<u>21.33</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
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Interim report for the year ended 31 December 2017

Condensed Consolidated Statement of Financial Position

	Note	31.12.2017 Unaudited RM'000	31.12.2016 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	220,886	222,945
Intangibles		3,000	-
Investment properties	16	20,214	46,617
Other investments		27,770	42,207
Goodwill on consolidation	17	18,980	18,852
Deferred tax assets		6,994	4,160
		<hr/>	<hr/>
		297,844	334,781
		<hr/>	<hr/>
Current assets			
Inventories	18	178,156	154,903
Trade and other receivables		103,800	87,212
Other current assets		2,732	5,135
Derivative assets	22	426	-
Tax recoverable		1,949	1,919
Other investments		2,496	11,627
Cash and bank balances	19	59,452	60,984
		<hr/>	<hr/>
		349,011	321,780
		<hr/>	<hr/>
TOTAL ASSETS		646,855	656,561
		<hr/> <hr/>	<hr/> <hr/>

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Interim report for the year ended 31 December 2017**Condensed Consolidated Statement of Financial Position (contd.)**

		31.12.2017	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		16,513	19,648
Retained earnings		313,011	311,549
		<hr/>	<hr/>
		511,873	513,546
Non-controlling interests		17,894	19,041
		<hr/>	<hr/>
TOTAL EQUITY		529,767	532,587
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	21	21,855	24,844
Deferred tax liabilities		77	556
Provisions		1,087	1,218
Deferred capital grant		395	598
		<hr/>	<hr/>
		23,414	27,216
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	2,783	8,114
Derivative liabilities	22	-	-
Trade and other payables		80,370	81,674
Provisions		3,009	3,019
Deferred capital grant		203	203
Tax payable		7,309	3,748
		<hr/>	<hr/>
		93,674	96,758
		<hr/>	<hr/>
TOTAL LIABILITIES		117,088	123,974
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		646,855	656,561
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.65	3.66
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The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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Interim report for the year ended 31 December 2017

Condensed Consolidated Statement of Changes in Equity

	← Attributable to equity holders of the Company →		Distributable		Non-controlling interests ("NCI") RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000		
At 1 January 2017						
As previously stated	155,616	51,042	(24,309)	311,549	19,041	532,587
Adjustment on negative goodwill	-	-	-	3,000	-	3,000
	155,616	51,042	(24,309)	314,549	19,041	535,587
Profit net of tax	-	-	-	7,430	1,541	8,971
Other comparative income	-	-	-	-	(617)	(4,306)
Total comprehensive income	-	-	-	7,430	924	4,665
Dividend paid	-	-	-	(8,414)	-	(8,414)
Dividend paid to NCI	-	-	-	-	(2,071)	(2,071)
Transfer between reserves	-	-	-	(554)	-	-
At 31 December 2017	155,616	51,042	(24,309)	313,011	17,894	529,767

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Interim report for the year ended 31 December 2017

Condensed Consolidated Statement of Changes in Equity

	← Attributable to equity holders of the Company →		Distributable		Non-controlling interests ("NCI")	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
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	-	-	-	-	-	29,915	29,915	2,155	32,070
Other comparative income	-	-	-	-	(360)	-	(360)	(391)	(751)
Total comprehensive income	-	-	-	-	(360)	29,915	29,555	1,764	31,319
Dividends paid	-	-	-	-	-	(12,621)	(12,621)	-	(12,621)
Dividend paid to NCI	-	-	-	-	-	-	-	(855)	(855)
Transfer between reserves	-	-	-	903	(896)	(7)	-	-	-
At 31 December 2016	155,616	51,042	(24,309)	3,675	15,973	311,549	513,546	19,041	532,587

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 year ended 31 December 2017**Condensed Consolidated Statement of Cash Flows**

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Operating activities		
Profit before tax	20,224	39,911
Adjustments for:		
Amortisation of deferred capital grant	(203)	(284)
Bad debts written off	-	28
Depreciation of investment properties	609	887
Depreciation of property, plant and equipment	22,012	21,405
Dividend income	(361)	(822)
Gain on disposal of investment property	(2,221)	-
(Gain)/loss on disposal of other investments	(265)	270
Gain on disposal of property, plant and equipment	(219)	(2,039)
Gains on fair value changes	(3,770)	(2,842)
Impairment loss on trade receivables provided/(reversed)	80	(255)
Interest expense	1,437	1,247
Interest income	(536)	(456)
Inventories written off	85	37
Property, plant and equipment written off	31	4
Unrealised loss/(gain) on foreign exchange	2,929	(489)
Write-down of inventories provided	2,941	1,760
	<hr/>	<hr/>
Operating cash flows before changes in working capital	42,773	58,362
Changes in working capital:		
Increase in inventories	(28,648)	(15,265)
Increase in receivables	(19,114)	51
Increase in payables	1,579	8,648
	<hr/>	<hr/>
Cash (used in)/generated from operations	(3,410)	51,796
Interest paid	(1,437)	(1,247)
Taxes paid, net of refund	(10,843)	(9,059)
	<hr/>	<hr/>
Net cash flows (used in)/from operating activities carried forward	(15,690)	41,490
	<hr/>	<hr/>

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Interim report for the year ended 31 December 2017**Condensed Consolidated Statement of Cash Flows (contd.)**

	12 months ended	
	31.12.2017	31.12.2016
	Note	RM'000
	RM'000	RM'000
Net cash flows (used in)/from operating activities brought forward	(15,690)	41,490
Investing activities		
Acquisition of other investments	(8,027)	(21,061)
Acquisition of property, plant and equipment	(22,635)	(53,961)
Acquisition of subsidiaries	-	(15,672)
Dividend received	88	608
Interest received	536	456
Proceeds from disposal of other investments	35,283	47,192
Proceeds from disposal of property, plant and equipment	665	5,082
Proceeds from disposal of investment property	28,593	-
Proceeds received from government grant	-	1,085
(Placement)/withdrawal in FD with maturity more than 3 months	(5,085)	1,544
Net cash flows from/(used in) investing activities	<u>29,418</u>	<u>(34,727)</u>
Financing activities		
Dividends paid	(8,414)	(12,621)
Dividend paid to non-controlling interest	(2,071)	(855)
Repayment of lease payables	(421)	(87)
Repayment of term loan and borrowings	(7,293)	(6,263)
Loan and borrowings obtained	-	20,000
Net cash flows (used in)/from financing activities	<u>(18,199)</u>	<u>174</u>
Net (decrease)/increase in cash and cash equivalents	(4,471)	6,937
Effect of foreign exchange rate changes	(1,465)	(1,838)
Cash and cash equivalents at 1 January	49,721	44,622
Cash and cash equivalents at 31 December	19 <u>43,785</u>	<u>49,721</u>

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 year ended 31 December 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 year ended 31 December 2017.

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PART A – Explanatory Notes Pursuant to MFRS 134**5. Changes in estimates**

There were no changes in estimates of amounts that have had a material effect on the results of the current financial 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 during the current financial year.

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.

An interim dividend in respect of the financial year ended 31 December 2017, 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 28 December 2017.

8. Material subsequent events

There was no material event subsequent to the end of the financial year reported that have not been reflected in these interim financial statements.

9. Changes in composition of the Group

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

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		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Sales of goods	107,690	118,611	420,500	402,492
Dividend income	98	57	361	822
	<u>107,788</u>	<u>118,668</u>	<u>420,861</u>	<u>403,314</u>
	=====	=====	=====	=====

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

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Profit for the year is arrived at after charging/(crediting):		
Amortisation of deferred capital grant	(203)	(284)
Bad debts written off	-	28
Depreciation of investment properties	609	887
Depreciation of property, plant and equipment	22,012	21,405
Dividend income	(361)	(822)
Gain on disposal of investment property	(2,221)	-
(Gain)/loss on disposal of other investments	(265)	270
Gain on disposal of property, plant and equipment	(219)	(2,039)
Gains on fair value changes	(3,770)	(2,842)
Impairment loss on trade receivables provided/(reversed)	80	(255)
Interest expense	1,437	1,247
Interest income	(536)	(456)
Inventories written off	85	37
Property, plant and equipment written off	31	4
Unrealised loss/(gain) on foreign exchange	2,929	(489)
Write-down of inventories provided	2,941	1,760
	<u> </u>	<u> </u>

13. Income tax expense

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Current income tax:		
Malaysian income tax	4,203	4,821
Foreign tax	8,562	5,480
Under provision of income tax		
Malaysian income tax	84	70
Foreign tax	1,770	-
	<u> </u>	<u> </u>
	14,619	10,371
Deferred income tax:		
Current year movement	(1,938)	(2,298)
Overprovision in prior year	(1,428)	(232)
	<u> </u>	<u> </u>
	(3,366)	(2,530)
Income tax expense for the year	<u> </u>	<u> </u>
	11,253	7,841
	<u> </u>	<u> </u>

The Group's effective tax rate for both current financial year ended 31 December 2017 and the preceding year's corresponding year 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 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	
	31.12.2017	31.12.2016
	RM'000	RM'000
Profit, net of tax attributable to owners of the Company (RM'000)	7,430	29,915
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)	5.30	21.33

15. Property, plant and equipment

During the current financial year, the Group acquired property, plant and equipment at a cost of RM22,635,000 (31 December 2016: RM53,961,000)

The Group disposed of property, plant and equipment with carrying amount of RM446,000 during the year (31 December 2016: RM3,043,000), resulting in gains on disposal of RM219,000 (31 December 2016: gains of RM2,039,000) 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

	31.12.2017	31.12.2016
	RM'000	RM'000
Cost		
At 1 January	51,812	50,688
Disposal during the year	(30,866)	-
Translation difference	650	1,124
	<u>21,596</u>	<u>51,812</u>
At 31 December		
Accumulated depreciation		
At 1 January	5,195	4,145
Charge for the year	608	887
Disposal during the year	(4,514)	-
Translation difference	93	163
	<u>1,382</u>	<u>5,195</u>
At 31 December		
Net carrying amount		
At 31 December	<u><u>20,214</u></u>	<u><u>46,617</u></u>

17. Goodwill on consolidation

	31.12.2017	31.12.2016
	RM'000	RM'000
Cost		
At 1 January	19,472	9,838
Acquisition of subsidiaries	-	9,375
Translation differences	128	259
	<u>19,600</u>	<u>19,472</u>
At 31 December		
Accumulated impairment		
At 31 December	<u>(620)</u>	<u>(620)</u>
Net carrying amount		
At 31 December	<u><u>18,980</u></u>	<u><u>18,852</u></u>

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

During the current financial year ended 31 December 2017, the Group recognised a write-down on inventories of RM2,941,000 (31 December 2016: a write-down of RM1,760,000) 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:

	31.12.2017	31.12.2016
	RM'000	RM'000
Cash on hand and at bank	44,656	49,667
Deposits with financial institutions	14,796	11,317
	<hr/>	<hr/>
Cash and bank balances	59,452	60,984
Bank overdrafts (Note 21)	-	(680)
	<hr/>	<hr/>
Deposits with maturity more than 3 months	59,452 (15,667)	60,304 (10,583)
	<hr/>	<hr/>
Cash and cash equivalents	43,785	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 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 2016: 155,616,013) issued and fully paid ordinary shares as at 31 December 2017, 15,376,900 (31 December 2016: 15,376,900) are held as treasury shares by the Company.

As at 31 December 2017, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (31 December 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:

	31.12.2017	31.12.2016
	RM’000	RM’000
<i>Financial lease liabilities</i>		
Current	-	220
Non-current	-	195
	<u>-</u>	<u>415</u>
<i>Term loan, secured</i>		
Current	2,783	2,688
Non-current	21,855	24,649
	<u>24,638</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	-	680
	<u>-</u>	<u>680</u>
Total loans and borrowings	<u>24,638</u>	<u>32,958</u>
<i>Disclosed as:</i>		
Current	2,783	8,114
Non-current	21,855	24,844
	<u>24,638</u>	<u>32,958</u>

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

As at the end of the current financial year, the derivatives (including financial instruments designated as hedging instruments) entered into by the Group consist of forward foreign exchange contracts entered regularly by the Group with licensed financial institutions to hedge against currency fluctuation for its accounts receivables and payables as part of the normal course of business. Details of the outstanding derivative financial instruments as at 31 December 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	13,213	12,787	426	Strengthening of MYR & RMB against USD
	=====	=====	=====	

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. 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:

	31.12.2017		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	21,855	21,855	24,649	24,649
	=====	=====	=====	=====
	21,855	21,855	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.

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31.12.2017				
Financial assets				
Other investments				
- unit trust funds	27,770	27,770	-	-
- unquoted structure products	2,496	-	2,496	-
Derivative assets	426	-	426	-
	<u>30,692</u>	<u>27,770</u>	<u>2,922</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 year and the comparative year. 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 year ended 31 December 2017 and 31 December 2016:

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Insurance commission earned as insurance agent	123	120
Rental of office and warehouse	1,996	1,996
A subsidiary of holding company, Kam Kam (Sanitaryware) Sdn Bhd		
Purchases of sanitary ware for resale	902	1,093
Purchases of raw materials for production use	-	98
Directors' interest		
Provision of legal services	16	4
Purchase of ceramic tiles for resale	4,827	8,784
Renovation and maintenance costs	554	985
Rental of office and warehouse	428	774
Sale of ceramic tiles	8	-
	=====	=====

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 31 December 2017 was as follows:

	31.12.2017	31.12.2016
	RM'000	RM'000
Authorised and contracted for	10,471	2,594
Authorised and not contracted for	10,806	1,677
	=====	=====

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 year is as follows:

	Malaysia RM'000	China RM'000	Australia RM'000	Vietnam RM'000	Total RM'000
31.12.2017					
<i>Segment Revenue</i>					
Total sales	215,066	65,596	164,720	6,502	451,884
Inter-segment sales	(28,998)	(2,025)	-	-	(31,023)
	<u>186,068</u>	<u>63,571</u>	<u>164,720</u>	<u>6,502</u>	<u>420,861</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	(1,388)	9,143	13,507	399	21,661
Finance cost	(1,284)	-	(153)	-	(1,437)
Profit/(loss) before tax	(2,672)	9,143	13,354	399	20,224
Income tax expense	(1,465)	(2,380)	(7,385)	(23)	(11,253)
Profit/(loss) for the year	(4,137)	6,763	5,969	376	8,971
Non-controlling interest	-	(1,428)	-	(113)	(1,541)
Profit/(loss) attributable to owners of the parent	<u>(4,137)</u>	<u>5,335</u>	<u>5,969</u>	<u>263</u>	<u>7,430</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2017:

	Malaysia RM'000	China RM'000	Australia RM'000	Vietnam RM'000	Total RM'000
<i>Segment Assets</i>					
Total assets	<u>423,691</u>	<u>97,414</u>	<u>121,969</u>	<u>3,781</u>	<u>646,855</u>
<i>Segment Liabilities</i>					
Total liabilities	<u>48,609</u>	<u>11,820</u>	<u>53,645</u>	<u>3,014</u>	<u>117,088</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 year is as follows:

	Malaysia RM'000	China RM'000	Australia RM'000	Vietnam RM'000	Total RM'000
31.12.2016					
Revenue					
Total sales	247,211	69,406	107,136	5,817	429,570
Less: Inter-segment sales	(21,513)	(1,365)	(3,378)	-	(26,256)
	<u>225,698</u>	<u>68,041</u>	<u>103,758</u>	<u>5,817</u>	<u>403,314</u>
Results					
Segment operating profit	22,114	13,973	4,870	201	41,158
Finance costs	(1,068)	-	(179)	-	(1,247)
	<u>21,046</u>	<u>13,973</u>	<u>4,691</u>	<u>201</u>	<u>39,911</u>
Income tax expense	(2,361)	(4,238)	(1,242)	-	(7,841)
	<u>18,685</u>	<u>9,735</u>	<u>3,449</u>	<u>201</u>	<u>32,070</u>
Non-controlling interests	-	(2,095)	-	(60)	(2,155)
	<u>18,685</u>	<u>7,640</u>	<u>3,449</u>	<u>141</u>	<u>29,915</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2016:

	Malaysia RM'000	China RM'000	Australia RM'000	Vietnam RM'000	Total RM'000
<i>Segment Assets</i>					
Total assets	437,307	107,529	107,613	4,112	656,561
Inter-segment assets	-	-	-	-	-
	<u>437,307</u>	<u>107,529</u>	<u>107,613</u>	<u>4,112</u>	<u>656,561</u>
<i>Segment Liabilities</i>					
Total liabilities	58,569	15,551	46,196	3,658	123,974
Inter-segment liabilities	-	-	-	-	-
	<u>58,569</u>	<u>15,551</u>	<u>46,196</u>	<u>3,658</u>	<u>123,974</u>

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

28. Performance review

Current financial year as compared with preceding year

During the current financial year under review, revenue of the Group increased to RM420.9 million from RM403.3 million as compared with the preceding financial year ended 31 December 2016.

The improved revenue was contributed by the Australian subsidiary company, Outset Holdings Pty Ltd, which was acquired on 1 September 2016, and partially offset by the softening of Malaysia market.

The Group registered a profit before tax of RM20.2 million for the current financial year as compared to RM39.9 million recorded in the preceding financial year due to higher selling and distribution costs, administrative expenses 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 decreased from RM114.3 million to RM107.8 million.

The Group recorded a profit before tax of RM3.5 million for the current financial quarter under review as compared to a profit before tax of RM10.4 million for the immediate preceding quarter. The decline is mainly due to lower revenue and unfavorable foreign exchange movements during the current financial quarter.

30. Commentary on prospects

The Group's results for the financial year ending 31 December 2018 are subject to the performance of the national and regional economies, fluctuations in main operating costs and foreign exchange movement.

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

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 27 February 2018.

On 5 September 2017, the Group announced the disposal of an investment property owned by its wholly owned subsidiary, Kim Hin Investment Pty. Ltd. 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 this disposal and the balance of consideration receivable of AUD8,400,000 (equivalent of RM26,610,000) has been included under other receivables for the current financial year.

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

An interim cash dividend of 3.0 sen per ordinary share, tax exempt, for the financial year ended 31 December 2017 has been declared and paid on 28 December 2017 (31 December 2016: 3 sen, tax exempt).

37. Disclosure of nature of outstanding derivatives

Please refer to Note 22 for details.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 December 2017 and 31 December 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

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PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**40. Realised and unrealised earnings**

The breakdown of the retained earnings of the Group as at 31 December 2017 and 31 December 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 31.12.2017	As at 31.12.2016
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	291,229	296,614
- Unrealised	20,692	14,054
	<hr/>	<hr/>
	311,921	310,668
Add: Consolidated adjustments	1,090	881
	<hr/>	<hr/>
Total Group's retained earnings as per financial statements	313,011	311,549
	<hr/> <hr/>	<hr/> <hr/>

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

27 February 2018