

KIM HIN INDUSTRY BERHAD (018203-V)

Interim Financial Report

31 March 2018

Interim Financial Report for the three-month period ended 31 March 2018

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KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the three-month period ended 31 March 2018**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
		31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Revenue	11	98,852	94,810	98,852	94,810
Cost of sales		(69,079)	(65,466)	(69,079)	(65,466)
Gross profit		29,773	29,344	29,773	29,344
Other income		1,005	6,232	1,005	6,232
Selling and distribution costs		(12,709)	(11,900)	(12,709)	(11,900)
Administrative expenses		(16,861)	(17,376)	(16,861)	(17,376)
Other expenses		(6,871)	(2,773)	(6,871)	(2,773)
Operating (loss)/profit		(5,663)	3,527	(5,663)	3,527
Finance costs		(333)	(397)	(333)	(397)
(Loss)/profit before tax	12	(5,996)	3,130	(5,996)	3,130
Income tax expense	13	500	(1,148)	500	(1,148)
(Loss)/profit for the period		(5,496)	1,982	(5,496)	1,982
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent periods:					
Exchange translation differences on foreign subsidiaries		(3,162)	1,218	(3,162)	1,218
Other comprehensive income for the period, net of tax		(3,162)	1,218	(3,162)	1,218
Total comprehensive income for the period		(8,658)	3,200	(8,658)	3,200

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the three-month period ended 31 March 2018**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
(Loss)/profit attributable to:					
Owners of the Company		(5,376)	1,815	(5,376)	1,815
Non-controlling interests		(120)	167	(120)	167
		<u>(5,496)</u>	<u>1,982</u>	<u>(5,496)</u>	<u>1,982</u>
Total comprehensive income attributable to:					
Owners of the Company		(8,329)	3,145	(8,329)	3,145
Non-controlling interests		(329)	55	(329)	55
		<u>(8,658)</u>	<u>3,200</u>	<u>(8,658)</u>	<u>3,200</u>
(Loss)/earnings per share attributable to owners of the Company:					
- (Loss)/earnings per share for the period (basic/diluted) (sen)	14	<u>(3.83)</u>	<u>1.29</u>	<u>(3.83)</u>	<u>1.29</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 three-month period ended 31 March 2018**Condensed Consolidated Statement of Financial Position**

		31.03.2018	31.12.2017
		Unaudited	Audited
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	218,048	220,886
Investment properties	16	20,127	20,214
Other investments		22,522	27,770
Intangible assets	17	24,967	24,967
Deferred tax assets		8,315	7,076
		<hr/>	<hr/>
		293,979	300,913
		<hr/>	<hr/>
Current assets			
Inventories	18	177,430	176,965
Trade and other receivables		84,702	104,110
Other current assets		3,153	5,118
Tax recoverable		2,078	1,884
Derivative assets		498	426
Other investments		2,463	2,496
Cash and bank balances	19	65,375	58,463
		<hr/>	<hr/>
		335,699	349,462
		<hr/>	<hr/>
TOTAL ASSETS		629,678	650,375
		<hr/> <hr/>	<hr/> <hr/>

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the three-month period ended 31 March 2018**Condensed Consolidated Statement of Financial Position (contd.)**

		31.03.2018	31.12.2017
	Note	Unaudited RM'000	Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	20	206,658	206,658
Treasury shares	20	(24,309)	(24,309)
Other reserves		13,096	16,061
Retained earnings		306,898	312,262
		<hr/>	<hr/>
		502,343	510,672
Non-controlling interests		17,541	17,870
		<hr/>	<hr/>
TOTAL EQUITY		519,884	528,542
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	21	21,163	21,822
Deferred tax liabilities		4,802	4,802
Provisions		1,311	1,353
Deferred capital grant		344	395
		<hr/>	<hr/>
		27,620	28,372
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	6,145	2,889
Trade and other payables		70,164	82,453
Provisions		2,210	2,951
Deferred capital grant		203	203
Tax payable		3,452	4,965
		<hr/>	<hr/>
		82,174	93,461
		<hr/>	<hr/>
TOTAL LIABILITIES		109,794	121,833
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		629,678	650,375
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.58	3.64
		<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 three-month period ended 31 March 2018

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 RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests ("NCI") RM'000	
At 1 January 2018	206,658	-	(24,309)	4,219	11,842	312,262	510,672	17,870	528,542
Loss net of tax	-	-	-	-	-	(5,376)	(5,376)	(120)	(5,496)
Other comparative income	-	-	-	-	(2,953)	-	(2,953)	(209)	(3,162)
Total comprehensive income	-	-	-	-	(2,953)	(5,396)	(8,329)	(329)	(8,658)
Transfer between reserves	-	-	-	-	(12)	12	-	-	-
At 31 March 2018	206,658	-	(24,309)	4,219	8,877	306,898	502,343	17,541	519,884
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	-	-	-	-	-	1,815	1,815	167	1,982
Other comparative income	-	-	-	-	1,330	-	1,330	(112)	1,218
Total comprehensive income	-	-	-	-	1,330	1,815	3,145	55	3,200
At 31 March 2017	155,616	51,042	(24,309)	3,675	17,303	313,364	516,691	19,096	535,787

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

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Interim report for the three-month period ended 31 March 2018**Condensed Consolidated Statement of Cash Flows**

	3 months ended	
Note	31.03.2018	31.03.2017
	RM'000	RM'000
Operating activities		
(Loss)/profit before tax	(5,996)	3,130
Adjustments for:		
Depreciation of investment properties	87	220
Depreciation of property, plant and equipment	5,630	5,556
Dividend income	(157)	(83)
Gains on disposal of other investments	(126)	(225)
Gains on disposal of property, plant and equipment	(113)	(191)
Impairment loss on trade receivables	9	10
Interest expense	333	397
Interest income	(2)	(22)
Inventories written off	39	15
Loss/(gains) on fair value changes	457	(1,654)
Provision for annual leave	2	(7)
Unrealised loss/(gain) on foreign exchange	1,690	(1,036)
Write-down of inventories provided	6	1,017
Operating cash flows before changes in working capital	<u>1,859</u>	<u>7,127</u>
Changes in working capital:		
(Increase)/decrease in inventories	(5,317)	89
Decrease in receivables	22,277	10,848
Decrease in payables	(12,279)	(20,841)
Cash generated/(used in) from operations	<u>6,540</u>	<u>(2,777)</u>
Interest paid	(333)	(397)
Taxes paid, net of refund	(2,415)	(2,965)
Net cash flows from/(used in) operating activities carried forward	<u>3,792</u>	<u>(6,139)</u>

KIM HIN INDUSTRY BHD

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Interim report for the three-month period ended 31 March 2018**Condensed Consolidated Statement of Cash Flows (contd.)**

	Note	3 months ended	
		31.03.2018	31.03.2017
		RM'000	RM'000
Net cash flows from/(used in) operating activities brought forward		3,792	(6,139)
Investing activities			
Acquisition of property, plant and equipment		(3,700)	(7,706)
Interest received		2	22
Proceeds from disposal of other investments		5,000	12,556
Proceeds from disposal of property, plant and equipment		113	346
Withdrawal/(placement) in short-term deposits with maturity more than 3 months		2,732	(8,832)
Net cash flows from/(used in) investing activities		<u>4,147</u>	<u>(3,614)</u>
Financing activities			
Repayment of lease payables		-	(357)
Repayment of term loan		(692)	(2,963)
Net cash flows used in financing activities		<u>(692)</u>	<u>(3,320)</u>
Net increase/(decrease) in cash and cash equivalents		7,247	(13,073)
Effect of foreign exchange rate changes		(892)	182
Cash and cash equivalents at 1 January		<u>45,086</u>	<u>49,721</u>
Cash and cash equivalents at 31 March	19	<u><u>51,441</u></u>	<u><u>36,830</u></u>

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134

1. Basis of preparation

The condensed consolidated interim financial statements, for the three-month period ended 31 March 2018 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 2017. 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 2017.

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 2017, except for the adoption of the following new standards with effect from 1 January 2018:

MFRS 9: Financial Instruments

The Group adopted MFRS 9, Financial Instruments on 1 January 2018, MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The three principal classification categories for financial assets are measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the accounting for the Group’s financial assets and financial liabilities upon initial application of the new classification requirements as the Group only has simple financial instruments. The Group does not apply hedge accounting.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

PART A – Explanatory Notes Pursuant to MFRS 134

2. Changes in accounting policies (contd.)

MFRS 9: Financial Instruments (contd.)

MFRS 9 also replaces the incurred loss approach in MFRS 139 with a forward-looking expected credit loss approach. Under MFRS 9, loss allowances will be measured on either 12-month expected credit loss or lifetime expected credit loss. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

MFRS 15: Revenue from Contracts with Customers

The Group has adopted MFRS 15 in the current financial period. Under MFRS 15, the Group recognises revenue from contracts with customers when a performance obligation is satisfied, which is when control of the goods underlying the particular performance obligation is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of MFRS 15 did not have an impact on the timing of revenue recognition.

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 quarter ended 31 March 2018.

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 quarter.

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 quarter.

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PART A – Explanatory Notes Pursuant to MFRS 134**7. Dividends paid**

There was no dividend paid during the financial quarter ended 31 March 2018.

8. Material subsequent events

There were no material event subsequent to the end of the financial quarter 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 quarter.

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 2017.

11. Revenue

	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Sales of goods	98,695	94,727
Dividend income	157	83
	<u>98,852</u>	<u>94,810</u>

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

	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Profit for the three-month period is arrived at after charging/ (crediting):		
Depreciation of investment properties	87	220
Depreciation of property, plant and equipment	5,630	5,556
Dividend income	(157)	(83)
Gains on disposal of other investments	(126)	(225)
Gains on disposal of property, plant and equipment	(113)	(191)
Impairment loss on trade receivables	9	10
Interest expense	333	397
Interest income	(2)	(22)
Inventories written off	39	15
Loss/(gains) on fair value changes	457	(1,654)
Provision for annual leave	2	(7)
Unrealised loss/(gain) on foreign exchange	1,690	(1,036)
Write-down of inventories provided	6	1,017
	<u>=====</u>	<u>=====</u>

13. Income tax expense

	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Current income tax:		
Malaysian income tax	603	401
Foreign tax	397	747
	<u>1,000</u>	<u>1,148</u>
Deferred income tax	(1,500)	-
Income tax expense for the period	<u>=====</u> (500)	<u>=====</u> 1,148

The Group's effective tax rate for both current financial quarter ended 31 March 2018 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.

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PART A – Explanatory Notes Pursuant to MFRS 134**14. (Loss)/earnings per share****Basic/Diluted**

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/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 (loss)/profit and share data used in the computation of basic (loss)/earnings per share:

	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
(Loss)/profit, net of tax attributable to owners of the Company (RM'000)	<u>(5,376)</u>	<u>1,815</u>
Number of ordinary shares in issue as of 1 January ('000)	155,616	155,616
Number of treasury shares ('000)	<u>(15,377)</u>	<u>(15,377)</u>
Weighted average number of ordinary shares in issue ('000)	<u>140,239</u>	<u>140,239</u>
Basic (loss)/earnings per share (sen)	<u><u>(3.83)</u></u>	<u><u>1.29</u></u>

15. Property, plant and equipment

During the current financial quarter, the Group acquired property, plant and equipment at a cost of RM3,700,000 (31 March 2017: RM7,706,000)

The Group disposed of property, plant and equipment with carrying amount of RM NIL during the three-month period (31 March 2017: RM155,000), resulting in gains on disposal of RM113,000 (31 March 2017: gains of RM191,000) recognised and included in other income in the consolidated statement of profit or loss and other comprehensive income.

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

	31.03.2018	31.12.2017
	RM'000	RM'000
Cost		
At 1 January	21,597	51,812
Disposal	-	(30,931)
Translation difference	-	716
	<hr/>	<hr/>
At 31 March/31 December	21,597	21,597
	<hr/>	<hr/>
Accumulated depreciation		
At 1 January	1,383	5,195
Charge for the period	87	609
Disposal	-	(4,559)
Translation difference	-	138
	<hr/>	<hr/>
At 31 March/31 December	1,470	1,383
	<hr/>	<hr/>
Net carrying amount		
At 31 March/31 December	20,127	20,214
	<hr/> <hr/>	<hr/> <hr/>

17. Intangible assets

	31.03.2018	31.12.2017
	RM'000	RM'000
Cost		
Goodwill	9,838	9,838
Arrangements with franchisee	10,892	10,892
Brands	4,857	4,857
	<hr/>	<hr/>
At 31 March/31 December	25,587	25,587
	<hr/>	<hr/>
Accumulated impairment		
At 31 March/31 December	(620)	(620)
	<hr/>	<hr/>
Net carrying amount		
At 31 March/31 December	24,967	24,967
	<hr/> <hr/>	<hr/> <hr/>

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

During the current financial quarter ended 31 March 2018, the Group recognised a write-down on inventories of RM6,000 (31 March 2017: a write-down of RM1,017,000) 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:

	31.03.2018	31.12.2017
	RM'000	RM'000
Cash on hand and at bank	54,803	42,083
Deposits with financial institutions	10,572	16,380
	<hr/>	<hr/>
Cash and bank balances	65,375	58,463
Bank overdrafts (Note 21)	(3,362)	(73)
	<hr/>	<hr/>
Deposits with maturity more than 3 months	62,013	58,390
	(10,572)	(13,304)
	<hr/>	<hr/>
Cash and cash equivalents	51,441	45,086
	<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 quarter.

Treasury shares

During the current financial quarter, the Company has not purchased any of its own shares.

Of the total 155,616,013 (31 March 2017: 155,616,013) issued and fully paid ordinary shares as at 31 March 2018, 15,376,900 (31 March 2017: 15,376,900) issued and fully paid ordinary shares are held as treasury shares by the Company.

As at 31 March 2018, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (31 March 2017: 140,239,113) ordinary shares of RM1 each.

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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:

	31.03.2018	31.12.2017
	RM'000	RM'000
<i>Term loan, secured</i>		
Current	2,783	2,816
Non-current	21,163	21,822
	<u>23,946</u>	<u>24,638</u>
 <i>Bank overdrafts, secured</i>		
Current	3,362	73
	<u>27,308</u>	<u>24,711</u>
 <i>Disclosed as:</i>		
Current	6,145	2,889
Non-current	21,163	21,822
	<u>27,308</u>	<u>24,711</u>
 Changes in liabilities arising from financing activities		
At 1 January	24,711	32,958
Drawn down of overdraft	3,289	(607)
Repayment of borrowings	(692)	(7,640)
	<u>27,308</u>	<u>24,711</u>

All borrowings are based on the floating interest rate and are secured by way of fixed charge over certain landed properties of a wholly owned subsidiary of the Group and corporate guarantee of the Company.

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

As at the end of the current financial quarter, 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 March 2018 are tabulated below:

	Contract value RM'000	Fair value RM'000	Gain/(loss) on fair value RM'000	Reason for gain/(loss)
Maturity within 1 year	<u>20,104</u>	<u>19,606</u>	<u>498</u>	Weakening of USD and AUD

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

	31.03.2018		31.12.2017	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial liabilities				
Interest-bearing borrowings:				
- Term loan	<u>23,946</u>	<u>23,946</u>	<u>24,638</u>	<u>24,638</u>

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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
31.03.2018				
Financial assets				
Other investments				
- unit trust funds	22,522	22,522	-	-
- unquoted structure products	2,463	-	2,463	-
Derivative assets	498	-	498	-
	<u>25,483</u>	<u>22,522</u>	<u>2,961</u>	<u>-</u>
31.12.2017				
Financial assets				
Other investments				
- Quoted unit trusts	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>

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 three-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 three-month period ended 31 March 2018 and 31 March 2017:

	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Rental of office and warehouse	499	499
Insurance commission earned as insurance agent	110	109
A subsidiary of holding company, Kam Kam Sanitaryware Sdn Bhd		
Purchases of sanitary ware for resale	153	377
Purchases of raw materials for production use	-	7
Directors' interest		
Rental of office and warehouse	-	231
Renovation and maintenance costs	42	70
Provision of legal services	-	14
Purchase of ceramic tiles for resale	362	1,270
	<u> </u>	<u> </u>

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 March 2018 was as follows:

	31.03.2018	31.12.2017
	RM'000	RM'000
Authorised and contracted for	10,186	10,709
Authorised but not contracted for	10,806	10,000
	<u> </u>	<u> </u>

26. Changes in contingent liabilities and contingent assets

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

KIM HIN INDUSTRY BHD

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

The Group operates principally in one industry and the information for each of the Group's geographical segments for the current financial quarter is as follows:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.03.2018					
<i>Segment Revenue</i>					
Total sales	55,556	13,937	38,446	1,057	108,996
Inter-segment sales	(9,864)	(280)	-	-	(10,144)
	<u>45,692</u>	<u>13,657</u>	<u>38,446</u>	<u>1,057</u>	<u>98,852</u>
<i>Segment Results</i>					
Segment operating (loss)/profit	(5,254)	(695)	286	*	(5,663)
Finance cost	(310)	-	(23)	-	(333)
(Loss)/profit before tax	<u>(5,564)</u>	<u>(695)</u>	<u>263</u>	<u>*</u>	<u>(5,996)</u>
Income tax expense	899	60	(459)	-	500
Loss for the period	<u>(4,665)</u>	<u>(635)</u>	<u>(196)</u>	<u>*</u>	<u>(5,496)</u>
Non-controlling interest	-	120	-	*	120
Loss attributable to owners of the parent	<u>(4,665)</u>	<u>(515)</u>	<u>(196)</u>	<u>*</u>	<u>(5,376)</u>

* denotes value less than RM500

The following table presents segment assets and liabilities of the Group's operating segments as at 31 March 2018:

	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	434,349	95,433	95,958	3,938	629,678
Inter-segment assets	-	-	-	-	-
	<u>434,349</u>	<u>95,433</u>	<u>95,958</u>	<u>3,938</u>	<u>629,678</u>
<i>Segment Liabilities</i>					
Total liabilities	46,887	10,881	48,815	3,211	109,794
Inter-segment liabilities	-	-	-	-	-
	<u>46,887</u>	<u>10,881</u>	<u>48,815</u>	<u>3,211</u>	<u>109,794</u>

KIM HIN INDUSTRY BHD

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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 quarter is as follows:

	Malaysia Operation RM'000	China Operation RM'000	Australia Operation RM'000	Vietnam Operation RM'000	Total RM'000
31.03.2017					
<i>Segment Revenue</i>					
Total sales	46,242	14,429	37,541	959	99,171
Inter-segment sales	(4,097)	(264)	-	-	(4,361)
	<u>42,145</u>	<u>14,165</u>	<u>37,541</u>	<u>959</u>	<u>94,810</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	84	1,150	2,341	(48)	3,527
Finance cost	(334)	-	(63)	-	(397)
	<u>(250)</u>	<u>1,150</u>	<u>2,278</u>	<u>(48)</u>	<u>3,130</u>
Profit/(loss) before tax	(250)	1,150	2,278	(48)	3,130
Income tax expense	(401)	(312)	(435)	-	(1,148)
	<u>(651)</u>	<u>838</u>	<u>1,843</u>	<u>(48)</u>	<u>1,982</u>
Profit/(loss) for the period	(651)	838	1,843	(48)	1,982
Non-controlling interest	-	(181)	-	14	(167)
	<u>(651)</u>	<u>657</u>	<u>1,843</u>	<u>(34)</u>	<u>1,815</u>
Profit/(loss) attributable to owners of the parent	(651)	657	1,843	(34)	1,815

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

	Malaysia Operation RM'000	China Operation RM'000	Australia Operation RM'000	Vietnam Operation RM'000	Total RM'000
<i>Segment Assets</i>					
Total assets	428,321	99,172	119,117	3,765	650,375
Inter-segment assets	-	-	-	-	-
	<u>428,321</u>	<u>99,172</u>	<u>119,117</u>	<u>3,765</u>	<u>650,375</u>
<i>Segment Liabilities</i>					
Total liabilities	48,299	13,701	56,835	2,998	121,833
Inter-segment liabilities	-	-	-	-	-
	<u>48,299</u>	<u>13,701</u>	<u>56,835</u>	<u>2,998</u>	<u>121,833</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 quarter as compared with preceding year's corresponding quarter

During the current financial quarter under review, revenue of the Group increased from RM94.8 million to RM98.9 million as compared with the preceding year's corresponding financial quarter ended 31 March 2017.

The Group registered a loss before tax of RM6.0 million for the current financial quarter as compared to a profit before tax of RM3.1 million recorded in the preceding year's corresponding financial quarter due to reduced profit margin and unfavorable movement in foreign exchange.

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 RM107.2 million to RM98.9 million, due to seasonal factors as disclosed in Note 3, which normally affects sales in the first quarter.

The Group recorded a loss before tax of RM6.0 million for the current financial quarter under review as compared to a profit before tax of RM1.5 million for the immediate preceding quarter, due to lower revenue and reduced profit margin, and unfavorable movement in foreign exchange.

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

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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 25 May 2018.

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 quarter ended 31 March 2018 (31 March 2017: 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 31 March 2018 and 31 March 2017.

39. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

40. Realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 March 2018 and 31 March 2017, 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 31.03.2018	As at 31.12.2017
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	293,349	298,104
- Unrealised	13,669	16,149
	<u>307,018</u>	<u>314,253</u>
Less: Consolidated adjustments	(120)	(889)
Total Group's retained earnings as per financial statements	<u><u>306,898</u></u>	<u><u>313,364</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 May 2018