

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

**Interim Financial Report**

30 June 2018

**Interim Financial Report for the six-month period ended 30 June 2018**

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**Interim report for the six-month period ended 30 June 2018**

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarters 6 months ended	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Revenue	11	97,218	103,922	196,070	198,732
Cost of sales		(70,473)	(69,201)	(139,552)	(134,667)
<b>Gross profit</b>		26,745	34,721	56,518	64,065
Other income		2,193	1,745	3,198	7,977
Selling and distribution costs		(13,850)	(12,344)	(26,559)	(24,244)
Administrative expenses		(18,052)	(18,001)	(34,913)	(35,377)
Other expenses		(1,109)	(2,490)	(7,980)	(5,263)
<b>Operating (loss)/profit</b>		(4,073)	3,631	(9,736)	7,158
Finance costs		(298)	(372)	(631)	(769)
<b>(Loss)/profit before tax</b>	12	(4,371)	3,259	(10,367)	6,389
Income tax expense	13	(300)	(2,095)	200	(3,243)
<b>(Loss)/profit for the period</b>		(4,671)	1,164	(10,167)	3,146
<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		(979)	(2,524)	(4,141)	(1,306)
<b>Other comprehensive loss for the period, net of tax</b>		(979)	(2,524)	(4,141)	(1,306)
<b>Total comprehensive loss for the period</b>		(5,650)	(1,360)	(14,308)	1,840

**KIM HIN INDUSTRY BHD**

(Company No: 018203-V)

**Interim report for the six-month period ended 30 June 2018****Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(Loss)/profit attributable to:</b>				
Owners of the Company	(5,060)	561	(10,436)	2,376
Non-controlling interests	389	603	269	770
	<u>(4,671)</u>	<u>1,164</u>	<u>(10,167)</u>	<u>3,146</u>
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company	(5,913)	(1,672)	(14,241)	1,433
Non-controlling interests	263	352	(66)	407
	<u>(5,650)</u>	<u>(1,360)</u>	<u>(14,308)</u>	<u>1,840</u>
<b>(Loss)/earnings per share attributable to owners of the Company:</b>				
- (Loss)/earnings per share for the period (basic/diluted) (sen)	14			
	<u>(3.61)</u>	<u>0.40</u>	<u>(7.44)</u>	<u>1.69</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 six-month period ended 30 June 2018**

**Condensed Consolidated Statement of Financial Position**

		<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>Note</b>	Unaudited RM'000	Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	213,525	220,886
Investment properties	16	20,040	20,214
Other investments		23,545	27,770
Intangible assets	17	24,967	24,967
Deferred tax assets		9,819	7,076
		<hr/>	<hr/>
		291,896	300,913
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	18	177,624	176,965
Trade and other receivables		78,908	104,110
Other current assets		3,751	5,118
Tax recoverable		2,294	1,884
Derivative assets		191	426
Other investments		-	2,496
Cash and bank balances	19	61,360	58,463
		<hr/>	<hr/>
		324,128	349,462
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>616,024</b>	<b>650,375</b>
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**KIM HIN INDUSTRY BHD**  
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**Interim report for the six-month period ended 30 June 2018**

**Condensed Consolidated Statement of Financial Position (contd.)**

	<b>Note</b>	<b>30.06.2018</b> Unaudited RM'000	<b>31.12.2017</b> Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	206,658	206,658
Treasury shares	20	(24,309)	(24,309)
Other reserves		12,243	16,061
Retained earnings		299,033	312,262
		<u>493,625</u>	<u>510,672</u>
<b>Non-controlling interests</b>		16,563	17,870
		<u>510,188</u>	<u>528,542</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	20,464	21,822
Deferred tax liabilities		4,802	4,802
Provisions		1,313	1,353
Deferred capital grant		294	395
		<u>26,873</u>	<u>28,372</u>
<b>Current liabilities</b>			
Loans and borrowings	21	3,666	2,889
Trade and other payables		70,148	82,453
Provisions		2,237	2,951
Deferred capital grant		203	203
Tax payable		2,709	4,965
		<u>78,963</u>	<u>93,461</u>
<b>TOTAL LIABILITIES</b>		<u>105,836</u>	<u>121,833</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>616,024</u>	<u>650,375</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<u>3.52</u>	<u>3.64</u>

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

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

**Interim report for the six-month period ended 30 June 2018**

**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →		Distributable		Non-controlling interests ("NCI")	Total equity
	Treasury shares RM'000	Reserve and enterprise expansion funds RM'000	Translation adjustment account RM'000	Retained earnings RM'000		
<b>At 1 January 2018</b>	206,658	4,219	11,842	312,262	17,870	528,542
Loss net of tax	-	-	-	(10,436)	269	(10,167)
Other comparative income	-	-	(3,806)	-	(335)	(4,141)
<b>Total comprehensive income</b>	-	-	(3,806)	(10,436)	(66)	(14,308)
Dividend paid	-	-	-	(2,805)	-	(2,805)
Dividend paid to NCI	-	-	-	-	(1,241)	(1,241)
Transfer between reserves	-	-	(12)	12	-	-
<b>At 30 June 2018</b>	206,658	4,219	8,024	299,033	16,563	510,188

**KIM HIN INDUSTRY BHD**  
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**Interim report for the six-month period ended 30 June 2018**

**Condensed Consolidated Statement of Changes in Equity (contd.)**

	← Attributable to equity holders of the Company →		Distributable		Non-controlling interests ("NCI")	Total equity
	Share capital RM'000	Treasury shares RM'000	Reserve and expansion funds RM'000	Translation adjustment account RM'000		
<b>At 1 January 2017</b>	206,658	(24,309)	3,675	15,973	311,549	513,546
Profit net of tax	-	-	-	-	2,376	2,376
Other comparative income	-	-	-	(943)	-	(943)
Total comprehensive income	-	-	-	(943)	2,376	1,433
Dividend paid to NCI	-	-	-	-	-	-
<b>At 30 June 2017</b>	206,658	(24,309)	3,675	15,030	313,925	514,979
					19,041	532,587
					770	3,146
					(363)	(1,306)
					407	1,840
					(2,071)	(2,071)
					17,377	532,356

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



**Interim report for the six-month period ended 30 June 2018**

**Condensed Consolidated Statement of Cash Flows**

	Note	6 months ended	
		30.06.2018	30.06.2017
		RM'000	RM'000
<b>Operating activities</b>			
(Loss)/profit before tax		(10,367)	6,389
Adjustments for:			
Depreciation of investment properties		174	434
Depreciation of property, plant and equipment		11,378	11,085
Dividend income		(158)	(87)
Gains on disposal of other investments		(126)	(255)
Gains on disposal of property, plant and equipment		(307)	(169)
Impairment loss on trade receivables		18	20
Interest expense		631	769
Interest income		(99)	(96)
Inventories written off		61	46
Loss/(gains) on fair value changes		1,271	(2,142)
Property, plant and equipment written off		1	27
Unrealised loss on foreign exchange		1,502	787
Write-down of inventories provided		362	1,058
		<hr/>	<hr/>
Operating cash flows before changes in working capital		4,341	17,866
Changes in working capital:			
Increase in inventories		(5,566)	(4,813)
Decrease in receivables		27,638	12,238
Decrease in payables		(12,540)	(14,714)
		<hr/>	<hr/>
Cash generated from operations		13,873	10,577
Interest paid		(631)	(769)
Taxes paid, net of refund		(5,171)	(5,808)
		<hr/>	<hr/>
Net cash flows from operating activities carried forward		8,071	4,000
		<hr/>	<hr/>

**KIM HIN INDUSTRY BHD**  
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**Interim report for the six-month period ended 30 June 2018**

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

		<b>6 months ended</b>	
	<b>Note</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
		RM'000	RM'000
Net cash flows from operating activities brought forward		8,071	4,000
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(6,057)	(11,654)
Acquisition of other investments		(1,530)	(7,028)
Interest received		99	96
Proceeds from disposal of other investments		7,469	18,106
Proceeds from disposal of property, plant and equipment		1,152	368
Decrease/(increase) in short-term deposits with maturity more than three months		2,674	(8,409)
Net cash flows from/(used in) investing activities		<u>3,807</u>	<u>(8,521)</u>
<b>Financing activities</b>			
Dividend paid		(2,805)	-
Dividend paid to non-controlling interest		(1,241)	(2,071)
Repayment of lease payables		-	(382)
Repayment of term loan		(1,391)	(3,824)
Net cash flows used in financing activities		<u>(5,437)</u>	<u>(6,277)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,441</b>	<b>(10,798)</b>
<b>Effect of foreign exchange rate changes</b>		<b>(1,680)</b>	<b>(639)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>45,086</b>	<b>49,721</b>
<b>Cash and cash equivalents at 30 June</b>	<b>19</b>	<b><u>49,847</u></b>	<b><u>38,284</u></b>

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

**PART A – Explanatory Notes Pursuant to MFRS 134**

**1. Basis of preparation**

The condensed consolidated interim financial statements, for the six-month period ended 30 June 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.

**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 period ended 30 June 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 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.

**KIM HIN INDUSTRY BHD**

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

A second interim dividend in respect of the financial period ended 31 December 2017, of 2.0 sen per ordinary share, tax exempt, on 140,239,113 ordinary shares, amounting to RM2,804,782 has been paid on 28 June 2018.

**8. Material subsequent events**

There were 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 2017.

**11. Revenue**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	RM'000	RM'000	RM'000	RM'000
Sales of goods	97,217	103,918	195,912	198,645
Dividend income	1	4	158	87
	<u>97,218</u>	<u>103,922</u>	<u>196,070</u>	<u>198,732</u>
	=====	=====	=====	=====

**KIM HIN INDUSTRY BHD**

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**PART A – Explanatory Notes Pursuant to MFRS 134****12. (Loss)/profit before tax**

	<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	RM'000	RM'000
(Loss)/profit for the six-month period is arrived at after charging/(crediting):		
Depreciation of investment properties	174	434
Depreciation of property, plant and equipment	11,378	11,085
Dividend income	(158)	(87)
Gains on disposal of other investments	(126)	(255)
Gains on disposal of property, plant and equipment	(307)	(169)
Loss/(gains) on fair value changes		
- derivatives	232	(7)
- other investments	1,039	(2,135)
Impairment loss on trade receivables	18	20
Interest expense	631	769
Interest income	(99)	(96)
Inventories written off	61	46
Property, plant and equipment written off	1	27
Unrealised loss on foreign exchange	1,502	787
Write-down of inventories provided	362	1,058
	<u>=====</u>	<u>=====</u>

**13. Income tax expense**

	<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	RM'000	RM'000
Current income tax:		
Malaysian income tax	1,105	1,306
Foreign tax	1,695	4,981
	<u>2,800</u>	<u>6,287</u>
Deferred income tax	(3,000)	(3,044)
Income tax expense for the period	<u>(200)</u>	<u>3,243</u>

The Group's effective tax rate for both current financial period ended 30 June 2018 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.

**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:

	<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	RM'000	RM'000
(Loss)/profit, net of tax attributable to owners of the Company (RM'000)	(10,436)	2,376
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 (loss)/earnings per share (sen)	<u>(7.44)</u>	<u>1.69</u>

**15. Property, plant and equipment**

During the current financial period, the Group acquired property, plant and equipment at a cost of RM6,057,000 (30 June 2017: RM11,654,000)

The Group disposed of property, plant and equipment with carrying amount of RM845,000 during the six-month period (30 June 2017: RM199,000), resulting in gains on disposal of RM307,000 (30 June 2017: gains of RM169,000) 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**

	<b>30.06.2018</b>	<b>31.12.2017</b>
	RM'000	RM'000
<b>Cost</b>		
At 1 January	21,597	51,812
Disposal	-	(30,931)
Translation difference	-	716
	<u>21,597</u>	<u>21,597</u>
At 30 June/31 December	<u>21,597</u>	<u>21,597</u>
<b>Accumulated depreciation</b>		
At 1 January	1,383	5,195
Charge for the period	174	609
Disposal	-	(4,559)
Translation difference	-	138
	<u>1,557</u>	<u>1,383</u>
At 30 June/31 December	<u>1,557</u>	<u>1,383</u>
<b>Net carrying amount</b>		
At 30 June/31 December	<u><u>20,040</u></u>	<u><u>20,214</u></u>

**17. Intangible assets**

	<b>30.06.2018</b>	<b>31.12.2017</b>
	RM'000	RM'000
<b>Cost</b>		
Goodwill	9,838	9,838
Arrangements with franchisee	10,892	10,892
Brands	4,857	4,857
	<u>25,587</u>	<u>25,587</u>
At 30 June/31 December	<u>25,587</u>	<u>25,587</u>
<b>Accumulated impairment</b>		
At 30 June/31 December	<u>(620)</u>	<u>(620)</u>
<b>Net carrying amount</b>		
At 30 June/31 December	<u><u>24,967</u></u>	<u><u>24,967</u></u>



**PART A – Explanatory Notes Pursuant to MFRS 134**

**18. Inventories**

During the current financial period ended 30 June 2018, the Group recognised a write-down on inventories of RM362,000 (30 June 2017: a write-down of RM1,058,000) 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>30.06.2018</b>	<b>31.12.2017</b>
	RM'000	RM'000
Cash on hand and at bank	50,730	42,083
Deposits with financial institutions	10,630	16,380
	<hr/>	<hr/>
Cash and bank balances	61,360	58,463
Bank overdrafts (Note 21)	(883)	(73)
	<hr/>	<hr/>
Deposits with maturity more than 3 months	60,477	58,390
	(10,630)	(13,304)
	<hr/>	<hr/>
Cash and cash equivalents	49,847	45,086
	<hr/> <hr/>	<hr/> <hr/>

**20. Share capital and treasury shares**

*Issue of shares*

There was no issuance of ordinary shares during the current financial period.

*Treasury shares*

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

Of the total 155,616,013 (30 June 2017: 155,616,013) issued and fully paid ordinary shares as at 30 June 2018, 15,376,900 (30 June 2017: 15,376,900) issued and fully paid ordinary shares are held as treasury shares by the Company.

As at 30 June 2018, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (30 June:2017 140,239,113) ordinary shares of RM1 each.

**KIM HIN INDUSTRY BHD**

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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:

	<b>30.06.2018</b>	<b>31.12.2017</b>
	RM'000	RM'000
<i>Term loan, secured</i>		
Current	2,783	2,816
Non-current	20,464	21,822
	<u>23,247</u>	<u>24,638</u>
 <i>Bank overdrafts, secured</i>		
Current	883	73
Total loans and borrowings	<u>24,130</u>	<u>24,711</u>
 <i>Disclosed as:</i>		
Current	3,666	2,889
Non-current	20,464	21,822
	<u>24,130</u>	<u>24,711</u>
 <b>Changes in liabilities arising from financing activities</b>		
At 1 January	24,711	32,958
Drawn down of overdraft	810	(607)
Repayment of borrowings	(1,391)	(7,640)
At 30 June/31 December	<u>24,130</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.

**PART A – Explanatory Notes Pursuant to MFRS 134**

**22. Derivative assets**

As at the end of the current financial period, derivatives (including financial instruments designated as hedging instruments) entered into by the Group consist of forward foreign exchange contracts entered regularly by the Group with licensed financial institutions to hedge against currency fluctuation for its accounts receivables and payables as part of the normal course of business. Details of the outstanding derivative financial instruments as at 30 June 2018 are tabulated below:

	<b>Contract value RM'000</b>	<b>Fair value RM'000</b>	<b>Gain/(loss) on fair value RM'000</b>	<b>Reason for gain/(loss)</b>
Maturity within 1 year	<u>29,110</u>	<u>29,301</u>	<u>191</u>	Weakening of AUD

The fair value of forward foreign exchange contract is determined by using the market rates at the end of reporting six-month period and changes in the fair value is recognised in the profit or loss. The subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognised as an asset or a liability with the corresponding gain or loss recognised in the profit or loss.

The derivative financial instrument is subjected to credit risk arising from the possibility of default of the counter party in meeting its contractual obligations in which the Group has a gain in the contract. This, however, is minimised as the financial instrument is executed with creditworthy financial institutions.

The Group had sufficient internal funds for its settlement as and when it falls due.

**23. Financial instruments**

*Determination of fair value*

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	<b>30.06.2018</b>		<b>31.12.2017</b>	
	<b>Carrying Amount RM'000</b>	<b>Fair Value RM'000</b>	<b>Carrying Amount RM'000</b>	<b>Fair Value RM'000</b>
<b>Financial liabilities</b>				
Interest-bearing borrowings:				
- Term loan	<u>23,247</u>	<u>23,247</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
<b>30.06.2018</b>				
<b>Financial assets</b>				
Other investments				
- unit trust funds	23,545	23,545	-	-
Derivative assets	191	-	191	-
	<u>23,736</u>	<u>23,545</u>	<u>191</u>	<u>-</u>
<b>31.12.2017</b>				
<b>Financial assets</b>				
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 six-month period and the comparative period. All changes in the fair values are recognised in statement of comprehensive income.

**PART A – Explanatory Notes Pursuant to MFRS 134**

**24. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties during the six-month period ended 30 June 2018 and 30 June 2017:

	<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Rental of office and warehouse	998	998
Insurance commission earned as insurance agent	115	111
A subsidiary of holding company, Kam Kam Sanitaryware Sdn Bhd		
Purchases of sanitary ware for resale	371	602
Directors' interest		
Rental of office and warehouse	-	428
Renovation and maintenance costs	98	175
Provision of legal services	-	15
Purchase of ceramic tiles for resale	690	3,588
..Sale of ceramic tiles	10	-
	=====	=====

The transactions have been entered into with related parties on terms and conditions that are not more favorable to the related party than those generally available to the public.

**25. Capital commitments**

The amount of capital expenditure for property, plant and equipment not provided for in the interim financial statements as at 30 June 2018 was as follows:

	<b>30.06.2018</b>	<b>31.12.2017</b>
	RM'000	RM'000
Authorised and contracted for	9,763	10,709
Authorised but not contracted for	10,806	10,000
	=====	=====

**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 Operation</b>	<b>China Operation</b>	<b>Australia Operation</b>	<b>Vietnam Operation</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30.06.2018</b>					
<i>Segment Revenue</i>					
Total sales	103,292	28,049	77,477	2,301	211,119
Inter-segment sales	(14,545)	(504)	-	-	(15,049)
	<u>88,747</u>	<u>27,545</u>	<u>77,477</u>	<u>2,301</u>	<u>196,070</u>
<i>Segment Results</i>					
Segment operating (loss)/profit	(12,605)	1,491	1,303	75	(9,736)
Finance cost	(613)	-	(18)	-	(631)
(Loss)/profit before tax	(13,218)	1,491	1,285	75	(10,367)
Income tax expense	1,413	(388)	(825)	-	200
Loss for the period	(11,805)	1,103	460	75	(10,167)
Non-controlling interest	-	(247)	-	(22)	(269)
Loss attributable to owners of the parent	<u>(11,805)</u>	<u>856</u>	<u>460</u>	<u>53</u>	<u>(10,436)</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2018:

	<b>Malaysia Operation</b>	<b>China Operation</b>	<b>Australia Operation</b>	<b>Vietnam Operation</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Segment Assets</i>					
Total assets	430,015	90,523	92,263	3,223	616,024
Inter-segment assets	-	-	-	-	-
	<u>430,015</u>	<u>90,523</u>	<u>92,263</u>	<u>3,223</u>	<u>616,024</u>
<i>Segment Liabilities</i>					
Total liabilities	46,535	11,097	45,812	2,392	105,836
Inter-segment liabilities	-	-	-	-	-
	<u>46,535</u>	<u>11,097</u>	<u>45,812</u>	<u>2,392</u>	<u>105,836</u>

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

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

	<b>Malaysia Operation</b>	<b>China Operation</b>	<b>Australia Operation</b>	<b>Vietnam Operation</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30.06.2017</b>					
<i>Segment Revenue</i>					
Total sales	98,712	32,958	75,323	2,298	209,291
Inter-segment sales	(9,866)	(693)	-	-	(10,559)
	<u>88,846</u>	<u>32,265</u>	<u>75,323</u>	<u>2,298</u>	<u>198,732</u>
<i>Segment Results</i>					
Segment operating profit/(loss)	(2,801)	4,914	5,042	3	7,158
Finance cost	(659)	-	(110)	-	(769)
Profit/(loss) before tax	(3,460)	4,914	4,932	3	6,389
Income tax expense	319	(1,264)	(2,298)	-	(3,243)
Profit/(loss) for the period	(3,141)	3,650	2,634	3	3,146
Non-controlling interest	-	(769)	-	(1)	(770)
Profit/(loss) attributable to owners of the parent	<u>(3,141)</u>	<u>2,881</u>	<u>2,634</u>	<u>2</u>	<u>2,376</u>

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

	<b>Malaysia Operation</b>	<b>China Operation</b>	<b>Australia Operation</b>	<b>Vietnam Operation</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	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 period as compared with preceding year's corresponding period*

During the current financial period under review, revenue of the Group declined marginally from RM198.7 million to RM196.1 million as compared with the preceding year's corresponding financial period ended 30 June 2017.

The Group registered a loss before tax of RM10.4 million for the current financial period as compared to a profit before tax of RM6.4 million recorded in the preceding year's corresponding financial period due to the decline in profit margin, unfavorable movement in foreign exchange, and lower other income.

**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 marginally from RM98.9 million to RM97.2 million.

The Group recorded a loss before tax of RM4.4 million for the current financial quarter under review as compared to a loss before tax of RM6.0 million for the immediate preceding quarter.

**30. Commentary on prospects**

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



**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 August 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 period ended 30 June 2018 (30 June 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 30 June 2018 and 30 June 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 30 June 2018 and 30 June 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.

	<b>As at 30.06.2018</b>	<b>As at 31.12.2017</b>
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	284,764	294,601
- Unrealised	14,347	16,494
	<u>299,111</u>	<u>311,095</u>
Less: Consolidated adjustments	(78)	1,167
Total Group's retained earnings as per financial statements	<u><u>299,033</u></u>	<u><u>312,262</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 August 2018