

KIM HIN INDUSTRY BERHAD (018203-V)

Interim Financial Report
30 September 2019

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim Financial Report for the nine-month period ended 30 September 2019

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KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2019**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
		30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Revenue	11	98,813	106,364	278,395	302,434
Cost of sales		(72,065)	(77,964)	(211,495)	(217,516)
Gross profit		26,748	28,400	66,900	84,918
Other income		(23)	2,294	6,261	5,492
Selling and distribution costs		(12,099)	(11,467)	(35,448)	(38,026)
Administrative expenses		(18,364)	(17,467)	(55,173)	(52,380)
Other expenses		(1,677)	(2,583)	(4,520)	(10,563)
Operating (loss)/profit		(5,415)	(823)	(21,980)	(10,559)
Finance costs		(346)	(314)	(955)	(945)
Loss before tax	12	(5,761)	(1,137)	(22,935)	(11,504)
Income tax expense	13	(896)	(7,970)	(2,294)	(7,770)
(Loss)/profit for the period		(6,657)	(9,107)	(25,229)	(19,274)
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent periods:					
Exchange translation differences on foreign subsidiaries		(2,281)	(619)	(2,822)	(4,760)
Other comprehensive loss for the period, net of tax		(2,281)	(619)	(2,822)	(4,760)
Total comprehensive loss for the period		(8,938)	(9,726)	(28,051)	(24,034)
		=====	=====	=====	=====

KIM HIN INDUSTRY BHD

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Interim report for the nine-month period ended 30 September 2019**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

		Individual Quarter		Cumulative Quarter	
		3 months ended		9 months ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
Note		RM'000	RM'000	RM'000	RM'000
(Loss)/profit attributable to:					
Owners of the Company		(7,056)	(9,566)	(25,846)	(20,002)
Non-controlling interests		399	459	617	728
		<u>(6,657)</u>	<u>(9,107)</u>	<u>(25,229)</u>	<u>(19,274)</u>
		=====	=====	=====	=====
Total comprehensive loss attributable to:					
Owners of the Company		(8,969)	(9,958)	(28,242)	(24,199)
Non-controlling interests		31	232	191	165
		<u>(8,938)</u>	<u>(9,726)</u>	<u>(28,051)</u>	<u>(24,034)</u>
		=====	=====	=====	=====
(Loss)/earnings per share attributable to owners of the Company:					
- (Loss)/earnings per share for the period (basic/diluted) (sen)	14	(5.03)	(6.82)	(18.43)	(14.26)
		=====	=====	=====	=====

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2019**Condensed Consolidated Statement of Financial Position**

		30.09.2019	31.12.2018
		Unaudited	Audited
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	174,366	189,131
Investment properties	16	27,062	27,554
Other investments		24,029	22,170
Intangible assets	17	16,628	15,749
Deferred tax assets		3,250	3,270
		<hr/>	<hr/>
		245,335	257,874
Current assets			
Inventories	18	138,472	165,244
Trade and other receivables		75,798	78,489
Other current assets		6,318	4,642
Tax recoverable		2,158	4,434
Cash and bank balances	19	59,324	53,817
		<hr/>	<hr/>
		282,070	306,626
		<hr/>	<hr/>
TOTAL ASSETS		527,407	564,500
		=====	=====

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Interim report for the nine-month period ended 30 September 2019**Condensed Consolidated Statement of Financial Position (contd.)**

	Note	30.09.2019 Unaudited RM'000	31.12.2018 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	20	206,658	206,658
Treasury shares	20	(24,309)	(24,309)
Other reserves		9,600	11,996
Retained earnings		220,957	246,803
		<hr/>	<hr/>
		412,906	441,148
Non-controlling interests		16,532	16,914
		<hr/>	<hr/>
TOTAL EQUITY		429,438	458,062
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	21	16,760	18,963
Deferred tax liabilities		4,795	4,795
Provisions		415	427
Deferred capital grant		40	192
		<hr/>	<hr/>
		22,010	24,377
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	7,773	4,018
Trade and other payables		62,141	71,572
Provisions		4,046	3,701
Derivative liabilities	22	35	930
Deferred capital grant		203	203
Tax payable		1,759	1,637
		<hr/>	<hr/>
		75,957	82,061
		<hr/>	<hr/>
TOTAL LIABILITIES		97,967	106,438
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		527,405	564,500
		<hr/>	<hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.95	3.15
		<hr/>	<hr/>

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

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2019**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →					Non-controlling interests ("NCI")	Total equity	
	Share capital	Treasury shares	Reserve and enterprise expansion funds	Translation adjustment	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2019	206,658	(24,309)	4,593	7,403	246,803	441,148	16,914	458,062
Loss net of tax-	-	-	-	-	(25,846)	(25,846)	617	(25,229)
Other comparative income-	-	-	-	(2,396)	-	(2,396)	(426)	(2,822)
Total comprehensive income-	-	-	-	(2,396)	(25,846)	(28,242)	191	(28,051)
Transaction with owners								
Dividend paid to NCI	-	-	-	-	-	-	(573)	(573)
At 30 September 2019	206,658	(24,309)	4,593	5,007	220,957	412,906	16,532	429,438

KIM HIN INDUSTRY BHD

(Company No: 018203-V)

Interim report for the nine-month period ended 30 September 2018**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to equity holders of the Company →						Non-controlling interests ("NCI")	Total equity
	← Non-Distributable →			Distributable				
	Share capital RM'000	Treasury shares RM'000	Reserve and enterprise expansion funds RM'000	Translation adjustment account RM'000	Retained earnings RM'000	Total 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	-	-	-	-	(20,002)	(20,002)	728	(19,274)
Other comparative income	-	-	-	(4,197)	-	(4,197)	(563)	(4,760)
Total comprehensive income	-	-	-	(4,197)	(20,002)	(24,199)	165	(24,034)
Dividend paid	-	-	-	-	(2,805)	(2,805)	-	(2,805)
Dividend paid to NCI	-	-	-	-	-	-	(1,240)	(1,240)
Transfer between reserves	-	-	-	(12)	12	-	-	-
At 30 September 2018	206,658	(24,309)	4,219	7,633	289,467	483,668	16,795	500,463

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 nine-month period ended 30 September 2019**Condensed Consolidated Statement of Cash Flows**

	9 months ended	
	30.09.2019	30.09.2018
	RM'000	RM'000
Operating activities	Note	
Loss before tax		(11,504)
	(22,935)	(22,935)
Adjustments for:		
Amortisation of deferred capital grant	(152)	(152)
Credit losses on trade receivables, net	83	27
Depreciation of investment properties	262	261
Depreciation of property, plant and equipment	16,934	17,058
Dividend income	(106)	(563)
Gain on disposal of property, plant and equipment	(108)	(307)
(Gains)/loss on fair value changes	(2,630)	2,225
Impairment on property, plant and equipment	2,000	-
Interest expense	955	945
Interest income	(188)	(144)
Inventories written off	273	69
Loss/(gain) on disposal of other investments	3	(126)
Property, plant and equipment written off	2	5
Unrealised loss on foreign exchange	234	1,236
Write-down of inventories (reversed)/provided	(393)	647
	<hr/>	<hr/>
Operating cash flows before changes in working capital	(5,766)	9,677
Changes in working capital:		
Decrease/(increase) in inventories	24,318	(2,879)
Decrease in receivables	655	15,156
Decrease in payables	(7,310)	(6,026)
	<hr/>	<hr/>
Cash generated from operations	11,897	15,928
Interest paid	(955)	(945)
Taxes paid, net of refund	69	(6,350)
	<hr/>	<hr/>
Net cash flows from operating activities carried forward	11,011	8,633
	<hr/>	<hr/>

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Interim report for the nine-month period ended 30 September 2019

	Note	9 months ended	
		30.09.2019	30.09.2018
		RM'000	RM'000
Net cash flows from operating activities brought forward		11,011	8,633
Investing activities			
Acquisition of intangibles		(897)	-
Acquisition of other investments		(528)	(4,586)
Acquisition of property, plant and equipment		(6,817)	(8,451)
Interest received		188	144
Proceeds from disposal of other investments		500	7,446
Proceeds from disposal of property, plant and equipment		1,450	1,152
(Placement)/withdrawal in FD with maturity more than 3 months		(7,000)	5,629
Net cash flows (used in)/from investing activities		(13,104)	1,334
Financing activities			
Dividends paid		-	(2,805)
Dividend paid to non-controlling interest		(573)	(1,240)
Bank borrowings obtained		4,878	-
Repayment of term loan		(2,203)	(2,099)
Net cash flows from/(used in) financing activities		2,102	(6,144)
Net increase in cash and cash equivalents		9	3,823
Effect of foreign exchange rate changes		(379)	(1,418)
Cash and cash equivalents at 1 January		41,870	45,086
Cash and cash equivalents at 30 September	19	41,500	47,491

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 nine-month period ended 30 September 2019 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 2018. 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 2018.

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 2018, except for the adoption of the following new standards with effect from 1 January 2019:

	Effective for annual periods beginning
MFRS 16: Leases	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendments, curtailment or settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements to MFRS Standards 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combination	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the abovementioned new or revised MFRSs and amendments to MFRSs is not expected to have material impact to the financial statements of the Group.

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PART A – Explanatory Notes Pursuant to MFRS 134

3. Seasonal or cyclical factors

The business operations of the Group have been significantly affected by seasonal or cyclical factors relating to the festive season, which normally affects the construction industry in the first quarter of the year.

4. Unusual items due to their nature, size and incidence

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows of the Group for the financial period ended 30 September 2019.

5. Changes in estimates

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

6. Debt and equity securities

There were no issuances and repayments of debt and equity securities, share buy backs, shares cancellation, shares held as treasury shares and resale of treasury shares during the current financial period.

7. Dividends paid

There was no dividend paid during the financial period ended 30 September 2019.

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 2018.

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PART A – Explanatory Notes Pursuant to MFRS 134**11. Revenue**

	9 months ended	
	30.09.2019	30.09.2018
	RM'000	RM'000
Revenue from contracts with customers	278,289	301,871
Dividend income	106	563
	<u>278,395</u>	<u>302,434</u>
	=====	=====

12. Loss before tax

	9 months ended	
	30.09.2019	30.09.2018
	RM'000	RM'000
Loss for the nine-month period is arrived at after charging/(crediting):		
Amortisation of deferred capital grant	(152)	(152)
Credit losses on trade receivables, net	83	27
Depreciation of investment properties	262	261
Depreciation of property, plant and equipment	16,394	17,058
Dividend income	(106)	(563)
Gain on disposal of property, plant and equipment	(108)	(307)
(Gains)/loss on fair value changes	(2,630)	2,225
Impairment on property, plant and equipment	2,000	-
Interest expense	955	945
Interest income	(188)	(144)
Inventories written off	273	69
Loss/(gain) on disposal of other investments	3	(126)
Property, plant and equipment written off	2	5
Unrealised loss on foreign exchange	234	1,236
Write-down of inventories (reversed)/provided	(393)	647
	<u>=====</u>	<u>=====</u>

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PART A – Explanatory Notes Pursuant to MFRS 134**13. Income tax expense**

	9 months ended	
	30.09.2019	30.09.2018
	RM'000	RM'000
Current income tax:		
Malaysian income tax	1,257	478
Foreign tax	1,225	2,719
	<u>2,482</u>	<u>3,197</u>
Deferred income tax	(188)	4,573
	<u>(188)</u>	<u>4,573</u>
Income tax expense for the period	<u>2,294</u>	<u>7,770</u>
	<u>=====</u>	<u>=====</u>

The Group's effective tax rate for current financial period ended 30 September 2019 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.

14. Loss per share**Basic/Diluted**

Basic loss per share amounts are calculated by dividing loss 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 and share data used in the computation of basic loss per share:

	9 months ended	
	30.09.2019	30.09.2018
	RM'000	RM'000
Loss, net of tax attributable to owners of the Company (RM'000)	(25,846)	(20,002)
	<u>(25,846)</u>	<u>(20,002)</u>
Number of ordinary shares in issue as of 1 January ('000)	155,616	155,616
Number of treasury shares ('000)	(15,377)	(15,377)
	<u>(15,377)</u>	<u>(15,377)</u>
Weighted average number of ordinary shares in issue ('000)	140,239	140,239
	<u>140,239</u>	<u>140,239</u>
Basic loss per share (sen)	(18.43)	(14.26)
	<u>=====</u>	<u>=====</u>

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PART A – Explanatory Notes Pursuant to MFRS 134**15. Property, plant and equipment**

During the current financial period, the Group acquired property, plant and equipment at a cost of RM6,817,000 (30 September 2018: RM8,451,000)

The Group disposed of property, plant and equipment with carrying amount of RM1,342,000 during the nine-month period (30 September 2018: RM845,000), resulting in gains on disposal of RM108,000 (30 September 2018: gains of RM307,000) recognised and included in other income in the consolidated statement of profit or loss and other comprehensive income.

16. Investment properties

	30.09.2019	31.12.2018
	RM'000	RM'000
Cost		
At 1 January	29,286	21,597
Addition	-	7,689
Translation difference	(230)	-
	<u>29,056</u>	<u>29,286</u>
Accumulated depreciation		
At 1 January	1,732	1,383
Charge for the period/year	262	349
	<u>1,994</u>	<u>1,732</u>
Net carrying amount		
At 30 September/31 December	27,062	27,554
	=====	=====

17. Intangible assets

	30.09.2019	31.12.2018
	RM'000	RM'000
Cost		
Goodwill	9,838	9,838
Arrangements with franchisee	11,771	10,892
Brands	4,857	4,857
	<u>26,466</u>	<u>25,587</u>
Accumulated impairment		
At 30 September/31 December	(9,838)	(9,838)
	<u> </u>	<u> </u>
Net carrying amount		
At 30 September/31 December	16,628	15,749
	=====	=====

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

During the current financial period ended 30 September 2019, the Group recognised a reversal of write-down on inventories provided of RM393,000 (30 September 2018: a write-down of RM647,000) to net realisable value. This expense was included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

19. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	30.09.2019	31.12.2018
	RM'000	RM'000
Cash on hand and at bank	41,500	37,114
Deposits with financial institutions	17,824	16,703
	<hr/>	<hr/>
Cash and bank balances	59,324	53,817
Bank overdrafts (Note 21)	-	(1,123)
	<hr/>	<hr/>
	59,324	52,694
Deposits with maturity more than 3 months	(17,824)	(10,824)
	<hr/>	<hr/>
Cash and cash equivalents	41,500	41,870
	<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 (30 September 2018: 155,616,013) issued and fully paid ordinary shares as at 30 September 2019, 15,376,900 (30 September 2018: 15,376,900) issued and fully paid ordinary shares are held as treasury shares by the Company.

As at 30 September 2019, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (30 September 2018: 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 are as follows:

	30.09.2019	31.12.2018
	RM'000	RM'000
Current		
Bank overdrafts, secured	-	1,123
Trade facilities, unsecured	4,878	-
Term loans, secured	2,895	2,895
	<u>7,773</u>	<u>4,018</u>
Non-current		
Term loans, secured	16,760	18,963
Total loans and borrowings	<u>24,533</u>	<u>22,981</u>

Changes in liabilities arising from financing activities

At 1 January	22,981	24,711
(Repayment)/drawn down of overdraft	(1,123)	1,050
Drawn down of borrowings	4,878	-
Repayment of borrowings	(2,203)	(2,780)
At 30 September/31 December	<u>24,533</u>	<u>22,981</u>

The term loans denominated in Ringgit Malaysia, 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.

Certain borrowings of the Group are denominated in foreign currency, Australian Dollar.

	30.09.2019	31.12.2018
	RM'000	RM'000
At 30 September/31 December		
Trade facilities, current	4,878	-
	<u>4,878</u>	<u>-</u>

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

As at the end of the current financial period, 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 trade receivables and payables as part of the normal course of business. Details of the outstanding derivative financial instruments as at 30 September 2019 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	20,778	20,813	35	Strengthening of USD
	=====	=====	=====	

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

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

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

23. Financial instruments*Determination of fair value*

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

	30.09.2019		31.12.2018	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial liabilities				
Loans and borrowings	24,533	24,533	22,981	22,981
	=====	=====	=====	=====

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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
30.09.2019				
Financial assets/(liabilities)				
Other investments				
- Unquoted unit trust	24,029	24,029	-	-
Derivative liabilities	(35)	-	(35)	-
	=====	=====	=====	=====
31.12.2018				
Financial assets/(liabilities)				
Other investments				
- Unquoted unit trusts	22,170	22,170	-	-
Derivative liabilities	(930)	-	(930)	-
	=====	=====	=====	=====

There have been no transfers between any levels of the fair value hierarchy and no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset during the current interim nine-month period and the comparative period. All changes in the fair values are recognised in statement of comprehensive income.

KIM HIN INDUSTRY BHD

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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 nine-month period ended 30 September 2019 and 30 September 2018:

	9 months ended	
	30.09.2019	30.09.2018
	RM'000	RM'000
Holding company, Kim Hin (Malaysia) Sdn Bhd		
Rental of office and warehouse	1,497	1,497
Insurance commission earned as insurance agent	97	120
A subsidiary of holding company, Kam Kam Sanitaryware Sdn Bhd		
Purchases of sanitary ware for resale	803	672
Directors' interest		
Renovation and maintenance costs	112	203
Purchase of ceramic tiles for resale	42	953
Sales of ceramic tiles	32	19
	=====	=====

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

25. Capital commitments

The amount of capital expenditure for property, plant and equipment not provided for in the interim financial statements as at 30 September 2019 was as follows:

	30.09.2019	31.12.2018
	RM'000	RM'000
Authorised and contracted for	8,138	8,501
Authorised but not contracted for	6,487	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.

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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
30.09.2019					
<i>Segment Revenue</i>					
Total sales	154,904	35,903	107,866	4,549	303,222
Inter-segment sales	(23,787)	(1,040)	-	-	(24,827)
	<u>131,117</u>	<u>34,863</u>	<u>107,866</u>	<u>4,549</u>	<u>278,395</u>
<i>Segment Results</i>					
Segment operating (loss)/profit	(20,154)	3,351	(5,550)	373	(21,980)
Finance cost	(775)	-	(180)	-	(955)
(Loss)/profit before tax	(20,929)	3,351	(5,730)	373	(22,935)
Income tax expense	(1,479)	(875)	68	(8)	(2,294)
(Loss)/profit for the period	(22,408)	2,476	(5,662)	365	(25,229)
Non-controlling interest	-	(508)	-	(109)	(617)
(Loss)/profit attributable to owners of the parent	<u>(22,408)</u>	<u>1,968</u>	<u>(5,662)</u>	<u>256</u>	<u>(25,846)</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2019:

	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	335,684	86,395	102,287	3,039	527,405
Inter-segment assets	-	-	-	-	-
	<u>335,684</u>	<u>86,395</u>	<u>102,287</u>	<u>3,039</u>	<u>527,405</u>
<i>Segment Liabilities</i>					
Total liabilities	52,385	8,358	37,028	196	97,967
Inter-segment liabilities	-	-	-	-	-
	<u>52,385</u>	<u>8,358</u>	<u>37,028</u>	<u>196</u>	<u>97,967</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 quarter is as follows:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30.09.2018					
<i>Segment Revenue</i>					
Total sales	162,150	43,663	115,830	4,104	325,747
Inter-segment sales	(22,467)	(846)	-	-	(23,313)
	<u>139,683</u>	<u>42,817</u>	<u>115,830</u>	<u>4,104</u>	<u>302,434</u>
	=====	=====	=====	=====	=====
<i>Segment Results</i>					
Segment operating (loss)/profit	(16,120)	4,130	1,167	264	(10,559)
Finance cost	(907)	-	(38)	-	(945)
	<u>(17,027)</u>	<u>4,130</u>	<u>1,129</u>	<u>264</u>	<u>(11,504)</u>
Income tax expense	(5,560)	(1,096)	(1,100)	(14)	(7,770)
	<u>(22,587)</u>	<u>3,034</u>	<u>29</u>	<u>250</u>	<u>(19,274)</u>
Non-controlling interest	-	(653)	-	(75)	(728)
	<u>(22,587)</u>	<u>2,381</u>	<u>29</u>	<u>175</u>	<u>(20,002)</u>
	=====	=====	=====	=====	=====

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 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	361,887	90,897	108,150	3,566	564,500
Inter-segment assets	-	-	-	-	-
	<u>361,887</u>	<u>90,897</u>	<u>108,150</u>	<u>3,566</u>	<u>564,500</u>
	=====	=====	=====	=====	=====
<i>Segment Liabilities</i>					
Total liabilities	62,796	10,128	33,281	233	106,438
Inter-segment liabilities	-	-	-	-	-
	<u>62,796</u>	<u>10,128</u>	<u>33,281</u>	<u>233</u>	<u>106,438</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 decreased from RM302.4 million to RM278.4 million as compared with the preceding year's corresponding financial period ended 30 September 2018 due to the slow-down in domestic markets of all major geographical segments in which the Group operates, as well as in oversea markets.

The Group registered a loss before tax of RM22.9 million for the current financial period as compared to a loss before tax of RM11.5 million recorded in the preceding year's corresponding financial period due to reduced profit margin and lower revenue.

29. Comment on material change in the current financial quarter's results compared to the results of the preceding quarter

Revenue of the Group for the current financial quarter has increased slightly to RM98.8 million from RM95.7 million.

The Group recorded a lower loss before tax of RM5.8 million for the current financial quarter under review as compared to a loss before tax of RM8.7 million for the immediate preceding quarter.

30. Commentary on prospects

The Group's results for the current year continue to be affected by the performance of the national and regional economies, fluctuations in main operating costs and foreign exchange movement. However, the Group shall remain vigilant in this difficult and challenging business environment.

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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 statements 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 21 November 2019.

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 30 September 2019 (30 September 2018: Nil).

37. Disclosure of nature of outstanding derivatives

Please refer to Note 22 for details.

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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 September 2019 and 30 September 2018.

39. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

40. Realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 30 September 2019 and 30 September 2018, into realised and unrealised earnings is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 30.09.2019	As at 31.12.2018
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	213,292	240,570
- Unrealised	7,727	5,701
	<u>221,019</u>	<u>246,271</u>
Less: Consolidated adjustments	(62)	532
	<u>220,957</u>	<u>246,803</u>
Total Group's retained earnings as per financial statements	=====	=====

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**22 November 2019**