

KIM HIN INDUSTRY BERHAD

REGISTRATION No.:197301003569 (18203-V)

Interim Financial Report

30 September 2020

KIM HIN INDUSTRY BHD

Registration No.: 197301003569 (18203-V)

Interim Financial Report for the nine-month period ended 30 September 2020

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KIM HIN INDUSTRY BHD

Registration No.: 197301003569 (18203-V)

Interim report for the nine-month period ended 30 September 2020**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
		30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Revenue	11	105,024	98,813	239,045	278,395
Cost of sales		(75,764)	(72,065)	(182,762)	(211,495)
Gross profit		29,260	26,748	56,283	66,900
Other income		4,972	(23)	9,468	6,261
Selling and distribution costs		(10,968)	(12,099)	(28,679)	(35,448)
Administrative expenses		(16,668)	(18,364)	(49,142)	(55,173)
Other expenses		(1,873)	(1,677)	(3,708)	(4,520)
Operating profit/(loss)		4,723	(5,415)	(15,778)	(21,980)
Finance costs		(527)	(346)	(2,338)	(955)
Profit/(loss) before tax	12	4,196	(5,761)	(18,116)	(22,935)
Income tax expense	13	(464)	(896)	(494)	(2,294)
Profit/(loss) for the period		3,732	(6,657)	(18,610)	(25,229)
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent periods:					
Exchange translation differences on foreign subsidiaries		300	(2,281)	2,227	(2,822)
Other comprehensive income/(loss) for the period, net of tax		300	(2,281)	2,227	(2,822)
Total comprehensive income/(loss) for the period		4,032	(8,938)	(16,383)	(28,051)

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Interim report for the nine-month period ended 30 September 2020**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (contd.)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Profit/(loss) attributable to:					
Owners of the Company		3,679	(7,056)	(18,748)	(25,846)
Non-controlling interests		53	399	138	617
		<u>3,732</u>	<u>(6,657)</u>	<u>(18,610)</u>	<u>(25,229)</u>
		=====	=====	=====	=====
Total comprehensive income/(loss) attributable to:					
Owners of the Company		3,918	(8,969)	(16,955)	(28,242)
Non-controlling interests		114	31	572	191
		<u>4,032</u>	<u>(8,938)</u>	<u>(16,383)</u>	<u>(28,051)</u>
		=====	=====	=====	=====
Earnings/(loss) per share attributable to owners of the Company:					
- Earnings/(loss) per share for the period (basic/diluted) (sen)	14	2.62	(5.03)	(13.37)	(18.43)
		=====	=====	=====	=====

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.

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Interim report for the nine-month period ended 30 September 2020**Condensed Consolidated Statement of Financial Position**

		30.09.2020	31.12.2019
		Unaudited	Audited
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	123,745	130,478
Right-of-use assets		63,895	71,594
Investment properties	16	27,038	26,984
Other investments		26,758	25,526
Intangible assets	17	16,643	16,643
Deferred tax assets		4,459	4,352
		<hr/>	<hr/>
		262,538	275,577
Current assets			
Inventories	18	127,285	134,540
Trade and other receivables		76,743	75,675
Other current assets		2,862	2,494
Derivatives assets	22	209	6
Other investments		27,525	-
Tax recoverable		1,486	2,709
Cash and bank balances	19	63,273	62,645
		<hr/>	<hr/>
		299,383	278,069
		<hr/>	<hr/>
TOTAL ASSETS		561,921	553,646
		<hr/> <hr/>	<hr/> <hr/>

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Interim report for the nine-month period ended 30 September 2020**Condensed Consolidated Statement of Financial Position (contd.)**

		30.09.2020	31.12.2019
	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		12,137	10,344
Retained earnings		195,408	214,156
		<hr/>	<hr/>
		389,894	406,849
Non-controlling interests		12,516	12,686
		<hr/>	<hr/>
TOTAL EQUITY		402,410	419,535
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	21	14,817	15,846
Lease liabilities		17,654	20,998
Deferred tax liabilities		4,813	4,813
Provisions		415	402
		<hr/>	<hr/>
		37,699	42,059
		<hr/>	<hr/>
Current liabilities			
Loans and borrowings	21	8,057	7,069
Lease liabilities		7,075	10,323
Trade and other payables		102,011	68,347
Provisions		3,725	3,872
Deferred capital grant		40	192
Tax payable		904	2,249
		<hr/>	<hr/>
		121,812	92,052
		<hr/>	<hr/>
TOTAL LIABILITIES		159,511	134,111
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		561,921	553,646
		<hr/>	<hr/>
Net assets per share attributable to ordinary equity holders of the Company (RM)		2.87	2.90
		<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.

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Interim report for the nine-month period ended 30 September 2020**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 account	Retained earnings			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2020	206,658	(24,309)	4,791	5,553	214,156	406,849	12,686	419,535
Loss net of tax	-	-	-	-	(18,748)	(18,748)	138	(18,610)
Other comparative income	-	-	-	1,793	-	1,793	434	2,227
Total comprehensive income	-	-	-	1,793	(18,748)	(16,955)	572	(16,383)
Transaction with owners								
Dividend paid to NCI	-	-	-	-	-	-	(742)	(742)
At 30 September 2020	206,658	(24,309)	4,791	7,346	195,408	389,894	12,516	402,410

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Interim report for the nine-month period ended 30 September 2020**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 account	Retained earnings			Total
	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

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 2020**Condensed Consolidated Statement of Cash Flows**

	Note	9 months ended	
		30.09.2020	30.09.2019
		RM'000	RM'000
Operating activities			
Loss before tax		(18,116)	(22,935)
Adjustments for:			
Amortisation of deferred capital grant		(152)	(152)
Credit losses on trade receivables, net		(231)	83
Depreciation of investment properties		261	262
Depreciation of property, plant and equipment And right-of-use assets		22,827	16,934
Dividend income		(132)	(106)
Gains on disposal of property, plant and equipment, net		(113)	(108)
Gains on fair value changes, net		(1,306)	(2,630)
Impairment on property, plant and equipment		570	2,000
Interest expense		2,338	955
Interest income		(192)	(188)
Inventories written off		48	273
Loss on disposal of other investments		-	3
Property, plant and equipment written off		-	2
Unrealised (gain)/loss on foreign exchange		(1,361)	234
Write-down of inventories, net		(967)	(393)
Operating cash flows before changes in working capital		3,474	(5,766)
Changes in working capital:			
Decrease in inventories		8,879	24,318
(Increase)/decrease in receivables		(465)	655
Increase/(Decrease) in payables		32,709	(7,310)
Cash generated from operations		44,597	11,897
Interest paid		(2,338)	(955)
Taxes paid, net of refund		(675)	69
Net cash flows from operating activities carried forward		41,584	11,011

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Interim report for the nine-month period ended 30 September 2020**Condensed Consolidated Statement of Cash Flows (contd.)**

	Note	9 months ended	
		30.09.2020 RM'000	30.09.2019 RM'000
Net cash flows from operating activities brought forward		41,584	11,011
Investing activities			
Acquisition of other assets		-	(897)
Acquisition of other investments		(27,525)	(528)
Acquisition of property, plant and equipment		(8,161)	(6,817)
Interest received		192	188
Proceeds from disposal of other investments		-	500
Proceeds from disposal of property, plant and equipment		1,100	1,450
Decrease/(increase) in short-term deposits with maturity more than three months		433	(7,000)
Net cash flows used in investing activities		<u>(33,961)</u>	<u>(13,104)</u>
Financing activities			
Drawdown of borrowings, net		973	4,878
Dividend paid to non-controlling interest		(742)	(573)
Lease payment		(7,121)	-
Term loan repaid		(1,029)	(2,203)
Net cash flows (used in)/from financing activities		<u>(7,919)</u>	<u>2,102</u>
Net (decrease)/increase in cash and cash equivalents		(296)	9
Effect of foreign exchange rate changes		1,357	(379)
Cash and cash equivalents at 1 January		45,121	41,870
Cash and cash equivalents at 30 September	19	46,182 =====	41,500 =====

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 2020 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 2019. 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 2019.

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 2019, except for the adoption of the following amendments to MFRSs with effect from 1 January 2020:

	Effective for annual periods beginning
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020

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

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 2020.

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 2020.

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 2019.

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

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
Revenue from contracts with customers	238,913	278,289
Dividend income	132	106
	<u>239,045</u>	<u>278,395</u>
	=====	=====

12. Loss before tax

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
Profit for the nine-month period is arrived at after charging/ (crediting):		
Amortisation of deferred capital grant	(152)	(152)
Credit losses on trade receivables, net	(231)	83
Depreciation of investment properties	261	262
Depreciation of property, plant and equipment and right-of-use assets	22,827	16,394
Dividend income	(132)	(106)
Gains on disposal of property, plant and equipment	(113)	(108)
Gains on fair value changes, net	(1,306)	(2,630)
Impairment on property, plant and equipment	570	2,000
Interest expense	2,338	955
Interest income	(192)	(188)
Inventories written off	48	273
Loss on disposal of other investments	-	3
Property, plant and equipment written off	-	2
Unrealised (gains)/loss on foreign exchange	(1,361)	234
Write-down of inventories, net	(967)	(393)
	<u>=====</u>	<u>=====</u>

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

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
Current income tax:		
Malaysian income tax	566	1,162
Foreign tax	288	1,058
Under/(over) provision in previous year:		
Malaysian income tax	(40)	95
Foreign tax	(320)	167
	<u>494</u>	<u>2,482</u>
Deferred income tax	-	(188)
	<u>494</u>	<u>2,294</u>
Income tax expense for the period	<u>====</u>	<u>====</u>

The Group's effective tax rate for current financial period ended 30 September 2020 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. Earnings/(loss) per share**Basic/Diluted**

Basic earnings/(loss) per share amounts are calculated by dividing profit/(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	
	30.09.2020	30.09.2019
	RM'000	RM'000
Loss, net of tax attributable to owners of the Company (RM'000)	<u>(18,748)</u>	<u>(25,846)</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 per share (sen)	<u>(13.37)</u>	<u>(18.43)</u>
	<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 RM8,161,000 (30 September 2019: RM6,817,000)

The Group disposed of property, plant and equipment with carrying amount of RM987,000 during the nine-month period (30 September 2019: RM1,342,000), resulting in gains on disposal of RM113,000 (30 September 2019: gains of RM108,000) recognised and included in other income in the consolidated statement of profit or loss and other comprehensive income.

16. Investment properties

	30.09.2020	31.12.2019
	RM'000	RM'000
Cost		
At 1 January	29,065	29,286
Addition	-	-
Translation difference	315	(221)
	<u>29,380</u>	<u>29,065</u>
Accumulated depreciation		
At 1 January	2,081	1,732
Charge for the period	261	349
	<u>2,342</u>	<u>2,081</u>
Net carrying amount		
At 30 September/31 December	<u>27,038</u>	<u>26,984</u>
	=====	=====

17. Intangible assets

	30.09.2020	31.12.2019
	RM'000	RM'000
Cost		
Goodwill	9,838	9,838
Arrangements with franchisee	11,786	11,786
Brands	4,857	4,857
	<u>26,481</u>	<u>26,481</u>
Accumulated impairment		
At 30 September/31 December	<u>(9,838)</u>	<u>(9,838)</u>
Net carrying amount		
At 30 September/31 December	<u>16,643</u>	<u>16,643</u>
	=====	=====

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

During the current financial period ended 30 September 2020, the Group recognised a reversal of write-down on inventories provided of RM967,000 (30 September 2019: a reversal of write-down of RM393,000) to net realisable value. This expense was included in other income 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:

	30.09.2020	31.12.2019
	RM'000	RM'000
Cash on hand and at bank	46,182	45,121
Deposits with financial institutions	17,091	17,524
	<hr/>	<hr/>
Cash and bank balances	63,273	62,645
Deposits with maturity more than 3 months	(17,091)	(17,524)
	<hr/>	<hr/>
Cash and cash equivalents	46,182	45,121
	=====	=====

20. Share capital, share premium and treasury shares*Issue of shares*

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

Treasury shares

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

Of the total 155,616,013 (30 September 2019: 155,616,013) issued and fully paid ordinary shares as at 30 September 2020, 15,376,900 (30 September 2019: 15,376,900) issued and fully paid ordinary shares are held as treasury shares by the Company.

As at 30 September 2020, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (30 September 2019: 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:

	30.09.2020	31.12.2019
	RM'000	RM'000
Current		
Trade facilities, unsecured	4,972	3,983
Term loans, secured	3,085	3,086
	<u>8,057</u>	<u>7,069</u>
Non-current		
Term loans, secured	14,817	15,846
Total loans and borrowings	<u>22,874</u>	<u>22,915</u>

Changes in liabilities arising from financing activities

At 1 January	22,915	22,981
(Repayment)/drawn down of overdraft	-	(1,123)
Drawn down of borrowings	973	3,983
Repayment of borrowings	(1,029)	(2,926)
Translation differences	15	-
	<u>22,874</u>	<u>22,915</u>
At 30 September/31 December	<u>22,874</u>	<u>22,915</u>

The term loans 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.

	30.09.2020	31.12.2019
	RM'000	RM'000
At 30 September/31 December	<u>580</u>	<u>3,983</u>

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 trade receivables and payables as part of the normal course of business. Details of the outstanding derivative financial instruments as at 30 September 2020 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	14,387	14,178	209	Strengthening of MYR
	=====	=====	=====	

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:

	30.09.2020		31.12.2019	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial liabilities				
Loans and borrowings	22,874	22,874	22,915	22,915
	=====	=====	=====	=====

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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
30.09.2020				
Financial assets				
Other investments				
- unquoted unit trust	54,283	54,283	-	-
Derivative assets	209	-	209	-
	=====	=====	=====	=====
31.12.2019				
Financial assets				
Other investments				
- Unquoted unit trusts	25,526	25,526	-	-
Derivative assets	6	-	6	-
	=====	=====	=====	=====

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.

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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 2020 and 30 September 2019:

	9 months ended	
	30.09.2020	30.09.2019
	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	98	97
A subsidiary of holding company, Kam Kam Sanitaryware Sdn Bhd		
Purchases of sanitary ware for resale	653	803
Directors' interest		
Renovation and maintenance costs	242	112
Purchase of ceramic tiles for resale	104	42
Sales of ceramic tiles	-	32
	=====	=====

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 2020 was as follows:

	30.09.2020	31.12.2019
	RM'000	RM'000
Authorised and contracted for	8,144	7,950
Authorised but not contracted for	5,942	5,942
	=====	=====

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 period is as follows:

	Malaysia Operation	China Operation	Australia Operation	Vietnam Operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30.09.2020					
<i>Segment Revenue</i>					
Total sales	131,554	24,375	100,140	3,213	259,282
Inter-segment sales	(18,933)	(1,304)	-	-	(20,237)
	<u>112,621</u>	<u>23,071</u>	<u>100,140</u>	<u>3,213</u>	<u>239,045</u>
<i>Segment Results</i>					
Segment operating (loss)/profit	(16,510)	498	333	(99)	(15,778)
Finance cost	(786)	-	(1,552)	-	(2,338)
(Loss)/profit before tax	<u>(17,296)</u>	<u>498</u>	<u>(1,219)</u>	<u>(99)</u>	<u>(18,116)</u>
Income tax expense	(814)	320	-	-	(494)
(Loss)/profit for the period	<u>(18,110)</u>	<u>818</u>	<u>(1,219)</u>	<u>(99)</u>	<u>(18,610)</u>
Non-controlling interest	-	(168)	-	30	(138)
(Loss)/profit attributable to owners of the parent	<u>(18,110)</u>	<u>650</u>	<u>(1,219)</u>	<u>(69)</u>	<u>(18,748)</u>

The following table presents segment assets and liabilities of the Group's operating segments as at 30 September 2020:

	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	339,850	94,047	124,313	3,711	561,921
Inter-segment assets	-	-	-	-	-
	<u>339,850</u>	<u>94,047</u>	<u>124,313</u>	<u>3,711</u>	<u>561,921</u>
<i>Segment Liabilities</i>					
Total liabilities	66,064	35,721	57,617	109	159,511
Inter-segment liabilities	-	-	-	-	-
	<u>66,064</u>	<u>35,721</u>	<u>57,617</u>	<u>109</u>	<u>159,511</u>

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:

	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>

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

Revenue of the Group for the current financial period declined to RM239.0 million from RM278.4 million recorded in the preceding year's corresponding financial period ended 30 September 2019.

The decline was due to the disruptions of productions and sales activities in Malaysia during the implementation of the Movement Control Order which came into effect from 18 March to 4 May 2020 in connection with the global Covid-19 pandemic situation. Similarly, the Group's sales activities in Australia was also adversely impacted arising from lockdowns instituted in the country. The Group's production activity in Shanghai was also shut down during the first two months of year 2020 and the month of June 2020.

The Group registered a lower loss before tax of RM18.1 million for the current financial period as compared to a loss before tax of RM22.9 million suffered in the preceding year's corresponding financial period due mainly to financial assistances received from both the Malaysian and Australian governments.

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

The Group's revenue for the current financial quarter has increased from RM61.3 million to RM105.0 million, as its operation in the second financial quarter was significantly affected by adverse operational conditions including economic lockdown and restrictions implemented by the governments of various countries in the geographical segments where the Group operates to curb the spread of Covid-19 pandemic.

The Group recorded a profit before tax of RM4.2 million for the current financial quarter under review as compared to a loss before tax of RM4.5 million for the immediate preceding quarter, mainly due to higher revenue recorded.

30. Commentary on prospects

The Group's results are dependent on the performance of the national and regional economies, which are greatly affected by the extent and duration of the unprecedented Covid-19 pandemic, besides relentless importation of tiles from neighbouring countries, fluctuations in main operating costs and foreign exchange movement. Nevertheless, the Group strives to remain cautious of the uncertainty surrounding the Covid-19 pandemic which has become a worldwide phenomenon.

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 23 November 2020.

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 September 2020 (30 September 2019: Nil). On 26 August 2020, the Board approved the declaration of an interim dividend of 2 sen per ordinary share, tax exempt, for the financial year ending 31 December 2020, which was paid on 28 October 2020.

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 2020 and 30 September 2019.

39. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

40. Realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 30 September 2020 and 31 December 2019, 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 30.09.2020	As at 31.12.2019
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	182,784	202,930
- Unrealised	12,390	10,980
	<u>195,174</u>	<u>213,910</u>
Less: Consolidated adjustments	234	246
Total Group's retained earnings as per financial statements	<u>195,408</u>	<u>214,156</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

24 November 2020