

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the quarter and financial period ended 31 October 2014 - unaudited

<i>In thousands of RM</i>	Note	3 Months Ended		Financial Period Ended	
		31 Oct 2014	31 Oct 2013	31 Oct 2014	31 Oct 2013
Revenue		<u>48,930</u>	<u>41,046</u>	<u>97,385</u>	<u>79,626</u>
Operating profit		1,689	1,725	4,771	2,465
Investment income		113	42	187	81
Finance costs		(523)	(455)	(1,011)	(963)
Share of profit of equity-accounted associate, net of tax		-	41	-	88
Profit before tax		<u>1,279</u>	<u>1,353</u>	<u>3,947</u>	<u>1,671</u>
Income tax expense	B6	(429)	(212)	(1,082)	(409)
Profit for the period	B5	<u>850</u>	<u>1,141</u>	<u>2,865</u>	<u>1,262</u>
Other comprehensive income, net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Share of capital reserve by a non-controlling interest of a subsidiary		-	-	114	-
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		383	(629)	(291)	681
Fair value of available-for-sale financial assets		<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>
Total comprehensive income for the period		<u>1,234</u>	<u>514</u>	<u>2,689</u>	<u>1,944</u>
Profit attributable to:					
Owners of the Company		<u>535</u>	<u>712</u>	<u>2,102</u>	<u>522</u>
Non-controlling interests		<u>315</u>	<u>429</u>	<u>763</u>	<u>740</u>
Profit for the period		<u>850</u>	<u>1,141</u>	<u>2,865</u>	<u>1,262</u>
Total comprehensive income attributable to:					
Owners of the Company		<u>779</u>	<u>313</u>	<u>1,914</u>	<u>972</u>
Non-controlling interests		<u>455</u>	<u>201</u>	<u>775</u>	<u>972</u>
Total comprehensive income for the period		<u>1,234</u>	<u>514</u>	<u>2,689</u>	<u>1,944</u>
Earnings per share attributable to owners of the Company (sen):					
Basic/ Diluted	B11	<u>0.54</u>	<u>0.72</u>	<u>2.12</u>	<u>0.53</u>

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 October 2014 – unaudited

<i>In thousands of RM</i>	Note	As at 31 Oct 2014	As at 30 Apr 2014 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		85,651	83,653
Prepaid lease payments		3,879	3,981
Other investments		696	696
		<u>90,226</u>	<u>88,330</u>
Current assets			
Trade and other receivables		31,522	28,468
Inventories		26,231	18,069
Cash and bank balances		17,632	16,960
Assets classified as held for sale		-	1,400
		<u>75,385</u>	<u>64,897</u>
TOTAL ASSETS		<u>165,611</u>	<u>153,227</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		49,500	49,500
Reserves		39,531	37,617
		<u>89,031</u>	<u>87,117</u>
Non-controlling interests		8,777	8,002
Total equity		<u>97,808</u>	<u>95,119</u>
Non-current liabilities			
Loans and borrowings	B8	8,644	8,973
Trade and other payables		1,566	1,014
Deferred tax liabilities		3,981	4,081
		<u>14,191</u>	<u>14,068</u>
Current liabilities			
Loans and borrowings	B8	23,092	19,611
Trade and other payables		29,409	23,580
Current tax liabilities		1,111	849
		<u>53,612</u>	<u>44,040</u>
Total liabilities		<u>67,803</u>	<u>58,108</u>
TOTAL EQUITY AND LIABILITIES		<u>165,611</u>	<u>153,227</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.90</u>	<u>0.88</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the financial period ended 31 October 2014 – unaudited

	Attributable to Owners of the Company							Non-controlling interests	Total equity
	Non-distributable				Distributable		Total		
	Share capital	Share premium	Translation reserve	Fair value reserve	Retained earnings				
<i>In thousands of RM</i>									
At 1 May 2014 (audited)	49,500	2,669	802	(3)	34,149	87,117	8,002	95,119	
Profit for the period	-	-	-	-	2,102	2,102	763	2,865	
Other comprehensive income for the period, net of tax	-	-	(189)	1	-	(188)	12	(176)	
Total comprehensive income for the period	-	-	(189)	1	2,102	1,914	775	2,689	
At 31 October 2014	49,500	2,669	613	(2)	36,251	89,031	8,777	97,808	
At 1 May 2013	49,500	2,669	(149)	(3)	34,006	86,023	6,063	92,086	
Profit for the period	-	-	-	-	522	522	740	1,262	
Other comprehensive income for the period, net of tax	-	-	449	1	-	450	232	682	
Total comprehensive income for the period	-	-	449	1	522	972	972	1,944	
Acquisition of non-controlling interests	-	-	-	-	2	2	(5)	(3)	
At 31 October 2013	49,500	2,669	300	(2)	34,530	86,997	7,030	94,027	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the financial period ended 31 October 2014 – unaudited

<i>In thousands of RM</i>	Financial Period Ended	
	31 Oct 2014	31 Oct 2013
Cash flows from operating activities		
Profit before tax	3,947	1,671
Adjustments for:		
Non-cash items	5,998	5,722
Non-operating items	824	882
Operating profit before changes in working capital	10,769	8,275
Changes in working capital:		
Inventories	(8,162)	820
Trade and other receivables	(3,053)	(2,670)
Trade and other payables	6,635	2,099
Cash generated from operations	6,189	8,524
Income tax paid	(920)	(983)
Net cash generated from operating activities	5,269	7,541
Cash flows from investing activities		
Acquisition of non-controlling interests' share in a subsidiary	-	(3)
Acquisition of property, plant and equipment	(6,713)	(3,884)
Proceeds from disposal of asset held for sales	1,400	-
Proceeds from disposal of property, plant and equipment	179	42
Dividend received	-	50
Interest received	141	36
Net cash used in investing activities	(4,993)	(3,759)
Cash flows from financing activities		
Advances from a non-controlling interest in a subsidiary	196	-
Proceeds from term loans	1,161	1,640
Repayment of advances to Directors	(380)	(200)
Repayment of term loans	(1,615)	(1,314)
Proceeds from/(Repayment of) other borrowings	53	(1,050)
Repayment of finance lease liabilities	(1,204)	(1,850)
Interest paid	(923)	(874)
Net cash used in financing activities	(2,712)	(3,648)
Net (decrease)/increase in cash and cash equivalents	(2,436)	134
Exchange differences on translation of the financial statements of foreign operations	25	(75)
Cash and cash equivalents at beginning of financial year	10,345	7,384
Cash and cash equivalents at end of financial period	7,934	7,443
Cash and cash equivalents at end of financial period comprise:		
Cash & bank balances	11,421	8,606
Deposits with licensed banks (excluding pledged deposits)	6,078	6,745
Bank overdraft	(9,565)	(7,908)
	7,934	7,443

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2014 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

PART A: NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A1. Basis of preparation

First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

The condensed consolidated interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of *MFRS 134: Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities' Listing Requirements").

The condensed consolidated interim financial statements should also be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 30 April 2014. These 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 last financial year ended 30 April 2014.

The supplementary information set out in Note B13, which is not part of the financial statements, is disclosed in accordance with the Guidance of *Special Matter No.1, Determination of Realised and Unrealised Profits or Losses* in the context of Disclosure Pursuant to Bursa Securities' Listing Requirements.

A2. Changes in accounting policies

The Group has adopted the MFRSs, Amendments to MFRSs and IC Interpretation (if applicable) which become effective during the current financial year. The adoption of these pronouncements did not have any impact on the financial statements of the Group:

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*

- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 11, *Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation)*
- Amendments to MFRS 138, *Intangible Assets (Clarification of Acceptable Methods of Amortisation)*
- Amendment to MFRS 127, *Equity Method in Separate Financial Statement*
- Amendments to MFRS 10 and MFRS 128, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (IFRS 9 Financial Instruments as issued by IASB in July 2014)*

The initial applications of these MFRSs, Amendments and Interpretations, if applicable, are not expected to have any material financial impacts to the current and prior periods' consolidated financial statements upon their first adoption.

The MFRSs, Amendments and Interpretations which were issued but not yet effective have not been early adopted by the Group.

A3. Seasonal and cyclical factors

The Group's business operation results were not materially affected by any major seasonal and/or cyclical factors.

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period ended 31 October 2014.

A5. Material changes in estimates

There were no changes in estimates that have had material effect for the current quarter and financial period ended 31 October 2014.

A6. Issuances and repayment of debt and equity securities

There were no issuance, repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares or resale of treasury shares during the current quarter and financial period under review.

A7. Dividend Paid

No dividend was paid during the current quarter and financial period ended 31 October 2014.

A8. Segmental information

Segmental information is presented in respect of the Group's business segments as follows:-

Results for the financial period ended 31 October 2014

	<u>Manufacturing</u>	<u>Trading</u>	<u>Investment</u> <u>Holding</u>	<u>Adjustment</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	93,335	4,050	-	-	97,385
Inter-segment	4,130	234	-	(4,364)	-
Total revenue	97,465	4,284	-	(4,364)	97,385
Segment results	4,565	205	753	(752)	4,771
Investment income					187
Finance costs					(1,011)
Profit before tax					3,947
Income tax expense					(1,082)
Profit for the period					2,865

A9. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter under review save as disclosed below:

- (a) Kein Hing Industry Sdn. Bhd. ("KHI"), a wholly-owned subsidiary of the Company had on 24 November 2014 awarded a construction contract to a third party main contractor in Malaysia for the proposed construction of a factory on the freehold industrial land located at Lot 5038, Jalan Perindustrian HP4, HICOM Industrial Park, Mukim Pegoh, 78000 Alor Gajah, Melaka owned by KHI for a total construction cost of approximately RM6.1 million. The intended use of the factory upon completion can be for own use and/or rent out.
- (b) The Company had on 4 December 2014 injected USD700,000 or equivalent to approximately RM2,439,000 into Kein Hing Thai Nguyen (Vietnam) Co., Ltd ("KHTV"), a wholly-owned subsidiary of the Company (refer to Note A10) as part of KHTV's Contributed Capital. The funds injected is intended to be used for a proposed acquisition of a vacant industrial land in Vietnam measuring approximately 17,900 square meters at a cash consideration of VND13,699,944,000 or equivalent to approximately RM2,247,000.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period ended 31 October 2014.

Subsequent to the financial period, there were changes as follows:

- (a) The Company had on 11 November 2014 incorporated a wholly-owned subsidiary company namely Kein Hing Thai Nguyen (Vietnam) Co., Ltd. ("KHTV") in Vietnam. The proposed principal activities of KHTV will be sheet metal stamping, precision machining, assembly of components and manufacturing and fabrication of tools and dies.
- (b) The Company had on 26 November 2014 received a written approval from the Hanoi Industrial and Export Processing Zone Authority ("HIZA"), Vietnam that Kein Hing Polychrome (Vietnam) Co. Ltd. ("KHPV"), an 80% owned subsidiary of the Company, had been dissolved on a voluntary basis by its shareholders and the dissolution shall take effect from 25 November 2014.

A11. Changes in contingent liabilities

There were no changes in contingent liabilities or contingent assets of a material nature since the last annual reporting period.

A12. Capital commitments

Capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at end of the reporting period were as follows:-

	As at 31.10.2014 RM'000
Approved and contracted for	9,638
Approved but not contracted for	3,350
Total	<u>12,988</u>

A13. Fair Value Information

The Group uses the following hierarchy for determining the fair value of financial instruments carried at fair value and amortised cost, the different levels have been identified as follows:

Level 1 – Fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the financial assets and liabilities.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the Statement of Financial Position as at 31 October 2014.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Financial assets										
Other investments	-	498	-	498	-	-	-	-	498	498
	-	498	-	498	-	-	-	-	498	498
Financial liabilities										
Amount due to a non-controlling interest	-	-	-	-	-	-	2,597	2,597	2,597	2,597
Secured term loans	-	-	-	-	-	-	8,690	8,690	8,690	8,690
Unsecured term loans	-	-	-	-	-	-	451	451	451	451
Finance lease liabilities	-	-	-	-	-	-	4,834	4,834	4,834	4,834
	-	-	-	-	-	-	16,572	16,572	16,572	16,572

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

The Group registered revenue of RM48.9 million and RM97.4 million for the 2nd quarter and financial period ended 31 October 2014 as compared to RM41.0 million and RM79.6 million reported in the corresponding quarter and period last year, representing an increase in sales by RM7.9 million or 19% and RM17.8 million or 22% respectively. The growth in sales was mainly attributed to the additional orders for components of TV, automotive parts and printer's components in both Malaysia and Vietnam. In Malaysia, our revenue had recovered from the drastic decrease in sales in 2012 and 2013 (mainly due to the decline in customer's order for flat panel TV's components in previous years). Whereas, the revenue from a subsidiary company in Vietnam continued to experience year-on-year growth with stronger customers' demand.

Despite the increase in sales during the current quarter under review, the Group reported a profit before tax ("PBT") of RM1.28 million, a slight decrease of RM74,000 or -5% as compared to the PBT of RM1.35 million reported in the corresponding quarter last year. The drop in PBT was mainly due to initial costs and expenses incurred for new items of both existing and new customers. Nevertheless, in tandem with the increase in revenue, the Group achieved a PBT of RM3.95 million for the six (6) months ended 31 October 2014 as compared to the PBT of RM1.67 million reported last year, representing a significant improvement of RM2.28 million or 136%.

B2. Variation of results against preceding quarter

The Group reported a PBT of RM1.28 million for the 2nd quarter as compared to PBT of RM2.67 million reported in the immediate preceding 1st quarter of the current financial year, representing a decrease of RM1.39 million or -52%. The decrease in PBT was mainly due to initial costs and expenses incurred for new items of both existing and new customers during the current quarter under review.

B3. Prospects

The world economy is expected to accelerate in 2014 and 2015, with updated growth rates of 2.8 per cent and 3.4 per cent respectively. In Malaysia, it is expected that customers' orders will be sustainable at the current level going forward. Whereas, the growth prospects in Vietnam is expected to be better than previous year in view of stronger customers' demand. Against the above backdrop, the Board of Directors foresees that the Group will achieve a satisfactory result for the financial year ending 30 April 2015.

B4. Variance of actual and forecast profit

The Group did not provide any profit forecast or profit guarantee for the financial year ending 30 April 2015.

B5. Profit for the period

	3 Months Ended 31.10.2014 RM'000	Period Ended 31.10.2014 RM'000
Profit for the period is arrived at after charging/(crediting):-		
Depreciation and amortisation	2,788	5,521
Finance costs	523	1,011
Property, plant and equipment written off	266	348
Loss on disposal of property, plant and equipment	11	129
Net foreign exchange loss	47	62
Investment income	(113)	(187)

B.6 Income tax expense

	3 Months Ended 31.10.2014 RM'000	Period Ended 31.10.2014 RM'000
Current tax expense		
- Malaysian income tax	223	654
- Foreign income tax	256	365
- Under provision in prior year	-	163
	<u>479</u>	<u>1,182</u>
Deferred tax expense	(50)	(100)
Total	<u><u>429</u></u>	<u><u>1,082</u></u>

The effective tax rates of the Group for the current quarter and financial period were higher than the statutory income tax rate of 25% mainly due to non-availability of group relief.

B7. Status of corporate proposal announced

There were no corporate proposals announced but not completed as at the date of this report.

B8. Group loans and borrowings

The Group loans and borrowings as at 31 October 2014 were as follows:

	Short Term RM'000	Long Term RM'000
<u>Unsecured</u>		
Bank overdraft	3,486	-
Bankers' acceptance	3,533	-
Term loans	236	215
	<u>7,255</u>	<u>215</u>
<u>Secured</u>		
Bank overdraft	6,078	-
Bills payable	4,664	-
Term loans	2,740	5,950
Finance lease liabilities	2,355	2,479
	<u>15,837</u>	<u>8,429</u>
Total borrowings	<u>23,092</u>	<u>8,644</u>

The loans and borrowings are denominated in Ringgit Malaysia except for certain term loans and bills payable amounting to approximately RM8.5 million which are denominated in US Dollar.

B9. Changes in material litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

B10. Dividend payable

The first and final single tier dividend of 2% or 1 sen per share totalling RM990,000 in respect of the last financial year ended 30 April 2014 had been paid on 20 November 2014 (2013 : Tax exempt dividend of 2% or 1 sen per share).

No interim dividend was declared during the financial period ended 31 October 2014 (2013 : NIL).

B11. Basic earnings per share

The basic earnings per share are calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current 2nd quarter under review as follows:-

	3 Months Ended 31.10.2014 RM'000	3 Months Ended 31.10.2013 RM'000
Earnings		
Profit attributable to owners of the Company	<u>535</u>	<u>712</u>
Weighted average number of ordinary shares in issue ('000)	<u>99,000</u>	<u>99,000</u>
Basic earnings per share (sen)	<u>0.54</u>	<u>0.72</u>

B12. Auditors' report on preceding annual financial statements

The independent auditors' report on the audited annual financial statements of the Group and of the Company for the last financial year ended 30 April 2014 was not qualified.

B13. Retained earnings

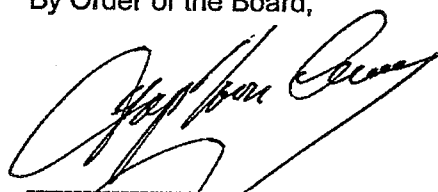
The breakdown of the retained earnings of the Group as at 31 October 2014, into realised and unrealised profits, is as follows:

	As at 31.10.2014 RM'000
The retained earnings of the Company and its subsidiaries:	
- Realised	47,578
- Unrealised	<u>(6,441)</u>
	41,137
Consolidation adjustments	<u>(4,886)</u>
Total retained earnings of the Group	<u><u>36,251</u></u>

B14. Authorisation for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 December 2014.

By Order of the Board,



Yap Toon Choy
Group Managing Director
16 December 2014