

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

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

For the 2nd quarter and financial period ended 31 October 2016 - unaudited

	Note	3 Months Ended		Financial Period Ended	
		31 Oct 2016	31 Oct 2015	31 Oct 2016	31 Oct 2015
<i>In thousands of RM</i>					
Revenue		57,006	59,332	111,403	109,342
Operating profit		3,349	6,328	8,241	10,871
Finance income		55	32	105	64
Finance costs		(930)	(653)	(1,955)	(1,264)
Profit before tax		2,474	5,707	6,391	9,671
Income tax expense	B6	(619)	(1,765)	(2,255)	(2,752)
Profit for the period	B5	1,855	3,942	4,136	6,919
Other comprehensive income, net of tax					
<i>Items that will not be reclassified</i>					
<i>subsequently to profit or loss</i>					
Share of capital reserve by					
a non-controlling interest of a subsidiary					
		-	-	78	78
<i>Items that may be reclassified</i>					
<i>subsequently to profit or loss</i>					
Foreign currency translation differences					
for foreign operations					
		1,400	3,962	2,805	5,335
Total comprehensive income for the period		3,255	7,904	7,019	12,332
Profit attributable to:					
Owners of the Company					
		1,819	3,047	3,471	5,158
Non-controlling interests					
		36	895	665	1,761
Profit for the period					
		1,855	3,942	4,136	6,919
Total comprehensive income attributable to:					
Owners of the Company					
		2,701	5,576	5,242	8,568
Non-controlling interests					
		554	2,328	1,777	3,764
Total comprehensive income for the period					
		3,255	7,904	7,019	12,332
Earnings per ordinary share					
attributable to owners					
of the Company (sen):					
Basic/ Diluted					
	B11	1.84	3.08	3.51	5.21

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 2016 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 2016 – unaudited

<i>In thousands of RM</i>	Note	As at 31 Oct 2016	As at 30 Apr 2016 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		104,000	99,645
Prepaid lease payments		6,984	6,578
Investment property		10,379	10,466
Other investments		198	198
		<u>121,561</u>	<u>116,887</u>
Current assets			
Trade and other receivables		34,795	37,158
Inventories		21,562	22,030
Cash and bank balances		36,584	31,679
		<u>92,941</u>	<u>90,867</u>
TOTAL ASSETS		<u>214,502</u>	<u>207,754</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		49,500	49,500
Reserves		56,035	50,793
		<u>105,535</u>	<u>100,293</u>
Non-controlling interests		14,463	12,686
Total equity		<u>119,998</u>	<u>112,979</u>
Non-current liabilities			
Loans and borrowings	B8	30,159	30,463
Trade and other payables		1,427	1,158
Deferred tax liabilities		4,076	4,119
		<u>35,662</u>	<u>35,740</u>
Current liabilities			
Loans and borrowings	B8	23,492	26,465
Trade and other payables		32,460	30,616
Current tax liabilities		2,890	1,954
		<u>58,842</u>	<u>59,035</u>
Total liabilities		<u>94,504</u>	<u>94,775</u>
TOTAL EQUITY AND LIABILITIES		<u>214,502</u>	<u>207,754</u>
Net assets per share attributable to owners of the Company (RM)		<u>1.07</u>	<u>1.01</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 2016 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 2016 – unaudited

	Attributable to Owners of the Company						
	Non-distributable			Distributable		Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings	Total		
<i>In thousands of RM</i>							
At 1 May 2016	49,500	2,669	2,820	45,304	100,293	12,686	112,979
Profit for the period	-	-	-	3,471	3,471	665	4,136
Other comprehensive income for the period, net of tax	-	-	1,771	-	1,771	1,112	2,883
Total comprehensive income for the period	-	-	1,771	3,471	5,242	1,777	7,019
At 31 October 2016	<u>49,500</u>	<u>2,669</u>	<u>4,591</u>	<u>48,775</u>	<u>105,535</u>	<u>14,463</u>	<u>119,998</u>
At 1 May 2015	49,500	2,669	2,210	36,969	91,348	9,868	101,216
Profit for the year	-	-	-	5,158	5,158	1,761	6,919
Other comprehensive income for the year, net of tax	-	-	3,410	-	3,410	2,003	5,413
Total comprehensive income for the year	-	-	3,410	5,158	8,568	3,764	12,332
At 31 October 2015	<u>49,500</u>	<u>2,669</u>	<u>5,620</u>	<u>42,127</u>	<u>99,916</u>	<u>13,632</u>	<u>113,548</u>

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 2016 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 2016 – unaudited

<i>In thousands of RM</i>	Financial Period Ended	
	31 Oct 2016	31 Oct 2015
Cash flows from operating activities		
Profit before tax	6,391	9,671
Adjustments for:		
Non-cash items	6,295	5,939
Non-operating items	1,850	1,200
Operating profit before changes in working capital	14,536	16,810
Changes in working capital:		
Inventories	468	172
Trade and other receivables	2,362	(3,537)
Trade and other payables	1,445	6,137
Cash generated from operations	18,811	19,582
Income tax paid	(1,362)	(1,035)
Net cash from operating activities	17,449	18,547
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,023)	(14,580)
Acquisition of investment property	-	(4,219)
Proceeds from disposal of property, plant and equipment	222	1
Decrease / (Increase) in pledged deposits with licensed banks	-	137
Interest received	57	17
Net cash used in investing activities	(6,744)	(18,644)
Cash flows from financing activities		
Proceeds from term loans	3,201	12,439
Repayment of term loans	(2,090)	(925)
Proceeds from/(Repayment of) other borrowings	602	4,813
Repayment of finance lease liabilities	(1,775)	(1,677)
Interest paid	(1,861)	(1,171)
Net cash from financing activities	(1,923)	13,479
Net increase in cash and cash equivalents	8,782	13,382
Exchange differences on translation of the financial statements of foreign operations	(553)	(102)
Cash and cash equivalents at beginning of financial year	27,343	(225)
Cash and cash equivalents at end of financial period	35,572	13,055
Cash and cash equivalents at end of financial period comprise:		
Cash and bank balances	29,153	19,576
Deposits with licensed banks	7,431	4,254
Bank overdraft	(1,012)	(10,775)
	35,572	13,055

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2016 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

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 2016. 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 2016.

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 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16, *Leases*

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 Group is currently assessing the financial impact that may arise from the adoption of MFRS 15 and MFRS 9 if any.

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 2016.

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 2016.

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 interim dividend was paid during the current quarter and financial period ended 31 October 2016 (2015: Nil).

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 2016

	<u>Manufacturing</u>	<u>Trading</u>	Investment <u>Holding</u>	<u>Adjustment</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	107,690	3,713	-	-	111,403
Inter-segment	4,693	189	-	(4,882)	-
Total revenue	112,383	3,902	-	(4,882)	111,403
Segment results	10,696	(155)	(80)	(2,220)	8,241
Finance income					105
Finance costs					(1,955)
Profit before tax					6,391
Income tax expense					(2,255)
Profit for the period					4,136

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.

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 2016.

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 31.10.2016 RM'000
Approved and contracted for	5,585
Approved but not contracted for	756
Total	<u>6,341</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 2016.

	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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Financial liabilities										
Amount due to a non- controlling interest of a subsidiary	-	-	-	-	-	-	2,620	2,620	2,620	2,620
Secured term loans	-	-	-	-	-	-	33,901	33,901	33,901	33,901
Finance lease liabilities	-	-	-	-	-	-	4,805	4,805	4,805	4,805
	-	-	-	-	-	-	41,326	41,326	41,326	41,326

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 a revenue of RM57.0 million for the current 2nd quarter as compared to the revenue of RM59.3 million reported in the corresponding quarter last year. The decrease in revenue by RM2.3 million or -4% was mainly due to the drop in sales of tooling despite the sales of parts continued its growth particularly the parts for TVs and automotive industries. However, for the 6 months ended 31 October 2016, the Group achieved a revenue of RM111.4 million as compared to the revenue of RM109.3 million last year, representing a growth of RM2.1 million or 2%. The increase in revenue was mainly attributed to stronger customer demand for parts of TVs and automotive components.

The Group reported a profit before tax ("PBT") of RM2.5 million for the current 2nd quarter as compared to PBT of RM5.7 million reported in the previous year's corresponding quarter, representing a decrease of RM3.2 million or -57%. The drop in PBT was mainly due to lower sales and also the initial set up costs of a new factory in Vietnam. The Group also reported a lower PBT of RM6.4 million for the 6 months ended 31 October 2016 as compared to the PBT of RM9.7 million achieved last year. The decrease in PBT by RM3.3 million or -34% was mainly due to the initial costs incurred by a new factory in Vietnam as it is still under gestation period and also higher foreign exchange gain recognized in the corresponding period last year.

B2. Variation of results against preceding quarter

The Group reported a lower PBT of RM2.5 million for the current 2nd quarter as compared to PBT of RM3.9 million achieved in the immediate preceding 1st quarter of the current financial year, representing a decrease of RM1.4 million or -37%. The decrease in PBT was mainly due to the initial costs incurred by a new factory in Vietnam.

B3. Prospects

According to the International Monetary Fund ("IMF"), the global growth is projected to slow to 3.1% in 2016 before recovering to 3.4% in 2017. The forecast reflects a more subdued outlook particularly for advanced economies. The results of the recent US presidential elections will also have implications for the whole global economy and may pose new threats to the already fragile world economy.

Against the above backdrop, the Group revenue is expected to encounter some fluctuation as a result of less predictable customers' demand. Nevertheless, the Board of Directors expects that the Group will achieve a satisfactory result for the financial year ending 30 April 2017.

B4. Variance of actual and forecast profit

The Group did not provide any financial estimate, forecast or projection, or profit guarantee for the financial year ending 30 April 2017.

B5. Profit for the period

	3 Months Ended 31.10.2016 RM'000	Period Ended 31.10.2016 RM'000
Profit for the period is arrived at after charging/(crediting):-		
Depreciation and amortisation	3,148	6,263
Finance costs	930	1,955
Property, plant and equipment written off	21	44
Loss/(gain) on disposal of property, plant and equipment	12	(11)
Net foreign exchange loss/(gain)	(408)	(862)
Finance income	(55)	(105)

B.6 Income tax expense

	3 Months Ended 31.10.2016 RM'000	Period Ended 31.10.2016 RM'000
Current tax expense		
- <i>Malaysian income tax</i>	491	1,925
- <i>Foreign income tax</i>	148	349
- <i>Under provision in prior year</i>	-	24
	<u>639</u>	<u>2,298</u>
Deferred tax expense	<u>(20)</u>	<u>(43)</u>
Total	<u><u>619</u></u>	<u><u>1,636</u></u>

The effective tax rate of the Group for the financial period was higher than the statutory income tax rate of 25% mainly due to non-deductibility of certain expenses.

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 (secured)

The Group loans and borrowings as at 31 October 2016 were as follows:

	Short Term RM'000	Long Term RM'000
Bank overdraft	1,012	-
Bankers' acceptance and revolving credit	7,459	-
Bills payable	6,474	-
Term loans	5,757	28,144
Finance lease liabilities	2,790	2,015
Total borrowings (secured)	<u><u>23,492</u></u>	<u><u>30,159</u></u>

The loans and borrowings are denominated in Ringgit Malaysia except for certain term loans and bills payable amounting to approximately RM13.7 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 Company had on 21 November 2016 paid a first and final single tier dividend of 3% or 1.5 sen per share totalling RM1,485,000 in respect of the last financial year ended 30 April 2016 (2015: 2% or 1 sen per share). No interim dividend was declared during the financial period ended 31 October 2016 (2015 : NIL).

B11. Basic earnings per ordinary share

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

	3 Months Ended 31.10.2016 RM'000	3 Months Ended 31.10.2015 RM'000
Earnings		
Profit attributable to owners of the Company	<u>1,819</u>	<u>3,047</u>
Weighted average number of ordinary shares in issue ('000)	<u>99,000</u>	<u>99,000</u>
Basic earnings per ordinary share (sen)	<u>1.84</u>	<u>3.08</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 2016 was not qualified.

B13. Retained earnings

The breakdown of the retained earnings of the Group as at 31 October 2016, into realised and unrealised profits, is as follows:

	As at 31.10.2016 RM'000
The retained earnings of the Company and its subsidiaries:	
- Realised	67,993
- Unrealised	<u>(6,471)</u>
	61,522
Consolidation adjustments	<u>(12,747)</u>
Total retained earnings of the Group	<u><u>48,775</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 9 December 2016.

By Order of the Board,

Yap Toon Choy
Group Managing Director
9 December 2016