

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

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

For the 1st quarter and financial period ended 31 July 2017 - unaudited

	Note	3 Months Ended		Financial Period Ended	
		31 Jul 2017	31 Jul 2016	31 Jul 2017	31 Jul 2016
<i>In thousands of RM</i>					
Revenue		59,725	54,397	59,725	54,397
Operating profit		3,245	4,892	3,245	4,892
Finance income		93	50	93	50
Finance costs		(1,011)	(1,025)	(1,011)	(1,025)
Profit before tax		2,327	3,917	2,327	3,917
Income tax expense	B6	(247)	(1,636)	(247)	(1,636)
Profit for the period	B5	2,080	2,281	2,080	2,281
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		97	78	97	78
<i>Items that may be reclassified</i>					
<i>subsequently to profit or loss</i>					
Foreign currency translation differences					
for foreign operations		(476)	1,405	(476)	1,405
Total comprehensive income for the period		1,701	3,764	1,701	3,764
Profit attributable to:					
Owners of the Company		1,480	1,652	1,480	1,652
Non-controlling interests		600	629	600	629
Profit for the period		2,080	2,281	2,080	2,281
Total comprehensive income attributable to:					
Owners of the Company		1,179	2,541	1,179	2,541
Non-controlling interests		522	1,223	522	1,223
Total comprehensive income for the period		1,701	3,764	1,701	3,764
Earnings per ordinary share					
attributable to owners					
of the Company (sen):					
Basic/ Diluted	B11	1.49	1.67	1.49	1.67

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 2017 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 July 2017 – unaudited

<i>In thousands of RM</i>	Note	As at 31 Jul 2017	As at 30 Apr 2017
ASSETS			
Non-current assets			
Property, plant and equipment		106,684	106,510
Prepaid lease payments		6,898	7,020
Investment property		10,249	10,292
Other investments		198	198
		<u>124,029</u>	<u>124,020</u>
Current assets			
Trade and other receivables		40,473	39,118
Inventories		24,179	25,154
Cash and bank balances		37,333	33,429
		<u>101,985</u>	<u>97,701</u>
TOTAL ASSETS		<u>226,014</u>	<u>221,721</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		52,169	52,169
Reserves		57,068	55,889
		<u>109,237</u>	<u>108,058</u>
Non-controlling interests		15,814	15,292
Total equity		<u>125,051</u>	<u>123,350</u>
Non-current liabilities			
Loans and borrowings	B8	27,593	28,880
Trade and other payables		1,585	1,062
Deferred tax liabilities		4,126	4,126
		<u>33,304</u>	<u>34,068</u>
Current liabilities			
Loans and borrowings	B8	35,083	29,664
Trade and other payables		32,745	34,403
Current tax liabilities		(169)	236
		<u>67,659</u>	<u>64,303</u>
Total liabilities		<u>100,963</u>	<u>98,371</u>
TOTAL EQUITY AND LIABILITIES		<u>226,014</u>	<u>221,721</u>
Net assets per share attributable to owners of the Company (RM)		<u>1.10</u>	<u>1.09</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 2017 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 July 2017 – unaudited

	Attributable to Owners of the Company						Non-controlling interests	Total equity
	Non-distributable			Distributable		Total		
	Share capital	Share premium	Translation reserve	Retained earnings				
<i>In thousands of RM</i>								
At 1 May 2017	52,169	-	5,020	50,869	108,058	15,292	123,350	
Profit for the period	-	-	-	1,480	1,480	600	2,080	
Other comprehensive income for the period, net of tax	-	-	(301)	-	(301)	(78)	(379)	
Total comprehensive income for the period, net of tax	-	-	(301)	1,480	1,179	522	1,701	
At 31 July 2017	<u>52,169</u>	<u>-</u>	<u>4,719</u>	<u>52,349</u>	<u>109,237</u>	<u>15,814</u>	<u>125,051</u>	
At 1 May 2016	49,500	2,669	2,820	45,304	100,293	12,686	112,979	
Profit for the period	-	-	-	1,652	1,652	629	2,281	
Other comprehensive income for the period, net of tax	-	-	889	-	889	594	1,483	
Total comprehensive income for the period	-	-	889	1,652	2,541	1,223	3,764	
At 31 July 2016	<u>49,500</u>	<u>2,669</u>	<u>3,709</u>	<u>46,956</u>	<u>102,834</u>	<u>13,909</u>	<u>116,743</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 2017 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 July 2017 – unaudited

<i>In thousands of RM</i>	Financial Period Ended	
	31 Jul 2017	31 Jul 2016
Cash flows from operating activities		
Profit before tax	2,327	3,917
Adjustments for:		
Non-cash items	3,440	3,114
Non-operating items	918	975
Operating profit before changes in working capital	6,685	8,006
Changes in working capital:		
Inventories	975	(568)
Trade and other receivables	(1,355)	(121)
Trade and other payables	30	4,120
Cash generated from operations	6,335	11,437
Income tax paid	(652)	(823)
Net cash from operating activities	5,683	10,614
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,251)	(4,693)
Proceeds from disposal of property, plant and equipment	288	111
Interest received	71	27
Net cash used in investing activities	(3,892)	(4,555)
Cash flows from financing activities		
Proceeds from term loans	1,144	1,062
Repayment of term loans	(1,524)	(978)
Proceeds from other borrowings	4,788	2,455
Repayment of finance lease liabilities	(1,144)	(906)
Interest paid	(968)	(980)
Net cash from financing activities	2,296	653
Net increase in cash and cash equivalents	4,087	6,712
Exchange differences on translation of the financial statements of foreign operations	(98)	(341)
Cash and cash equivalents at beginning of financial year	26,628	27,343
Cash and cash equivalents at end of financial period	30,617	33,714
Cash and cash equivalents at end of financial period comprise:		
Cash and bank balances	28,712	28,174
Deposits with licensed banks	8,121	6,885
Bank overdraft	(6,216)	(1,345)
	30,617	33,714

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2017 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 2017. 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 2017.

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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendment to MFRS1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendment to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendment to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendment to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MRFS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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 of the Group upon their first adoption. Nevertheless, the Group is currently assessing the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

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 ended 31 July 2017.

A5. Material changes in estimates

There were no changes in estimates that have had material effect for the current quarter ended 31 July 2017.

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 under review.

On 21 July 2017, the Company has announced a proposed bonus issue which entails an issuance of 9,900,000 bonus shares on the basis of one (1) bonus share for every ten (10) existing shares of the Company held by the shareholders whose names appear in the record of depositors of the Company at the close of business on the entitlement date ("Proposed Bonus Issue"). Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Bonus Issue is expected to be completed before December 2017.

A7. Dividend Paid

No interim dividend was paid during the current quarter ended 31 July 2017 (2016: 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 July 2017

	<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	57,278	2,447	-	-	59,725
Inter-segment	3,352	86	-	(3,438)	-
Total revenue	60,630	2,533	-	(3,438)	59,725
Segment results	3,061	96	(89)	177	3,245
Finance income					93
Finance costs					(1,011)
Profit before tax					2,327
Income tax expense					(247)
Profit for the period					2,080

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 ended 31 July 2017.

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
	31.7.2017
	RM'000
Total approved and contracted for	6,023

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 July 2017.

	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	-	-	-	-	-	-	2,488	2,488	2,488	2,488
Secured term loans	-	-	-	-	-	-	31,485	31,485	31,485	31,485
Finance lease liabilities	-	-	-	-	-	-	6,097	6,097	6,097	6,097
	-	-	-	-	-	-	40,070	40,070	40,070	40,070

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

B1. Review of performance

Financial Review for Current Quarter:

	1st Quarter Ended		Changes	
	31 Jul 2017	31 Jul 2016		
<i>(In thousands of RM)</i>				
Revenue	59,725	54,397	5,328	10%
Operating Profit	3,245	4,892	(1,647)	-34%
Profit Before Tax ("PBT")	2,327	3,917	(1,590)	-41%
Profit After Tax	2,080	2,281	(201)	-9%
Profit Attributable to Owners of the Company	1,480	1,652	(172)	-10%

The Group achieved higher revenue with a growth of 10% mainly attributed to stronger customer demand for parts/metal components used in TV, fridge, printer and automotive industries. The increase in sales contributed by Malaysia operation and Vietnam operation respectively were analysed as follows:

	1st Quarter Ended		Changes	
	31 Jul 2017	31 Jul 2016		
<i>(In thousands of RM)</i>				
Malaysia Operation	39,052	36,843	2,209	6%
Vietnam Operation	20,673	17,554	3,119	18%
Total Revenue	59,725	54,397	5,328	10%

Despite the increase in revenue, the Group reported lower PBT for the current quarter mainly due to the impact from the overhead incurred by the new factory located in Hai Phong, Vietnam as it has yet to achieve the optimal production and sales, higher depreciation charge from new machines invested and the escalating labour costs as a consequence of constraints in labour supply in Malaysia Operation coupled with the wage inflation experienced in Vietnam Operation.

Nevertheless, the Group's financial position strengthened with the net profit and the equity attributable to Owners of the Company stood at RM109 million as at 31 July 2017, which was translated to Net Assets per share of RM1.10.

The Group's cash and bank balances also increased from RM33 million as at 30 April 2017 to RM37 million as at 31 July 2017. The Group prudent management always maintains sufficient cash and available funds through an adequate amount of committed credit facilities and cash reserves.

B2. Variation of results against preceding quarter

Financial Review for Current Quarter (compared with immediate preceding quarter):

	Quarter Ended		Changes	
<i>(In thousands of RM)</i>	<u>31 Jul 2017</u>	<u>30 Apr 2017</u>		
Revenue	59,725	55,558	4,167	8%
Operating Profit	3,245	2,608	637	24%
Profit Before Tax ("PBT")	2,327	1,666	661	40%
Profit After Tax	2,080	1,881	199	11%
Profit Attributable to Owners of the Company	1,480	1,657	(177)	-11%

The Group achieved higher revenue with a growth of 8% mainly attributed to stronger customer demand for parts/metal components used in TV, fridge, printer and automotive industries. The increase in sales contributed by Malaysia operation and Vietnam operation respectively were analysed as follows:

	Quarter Ended		Changes	
<i>(In thousands of RM)</i>	<u>31 Jul 2017</u>	<u>30 Apr 2017</u>		
Malaysia Operation	39,052	36,071	2,981	8%
Vietnam Operation	20,673	19,487	1,186	6%
Total Revenue	<u>59,725</u>	<u>55,558</u>	4,167	8%

Following the increase in revenue, the Group also registered higher PBT of RM2.3 million for the current quarter under review.

B3. Prospects

According to the International Monetary Fund, the Global Growth for 2017 and 2018 is projected to be 3.5% and 3.6% respectively. However, there is wide dispersion of possible outcome around the projections, given uncertainty surrounding the policy stance of the current U.S. Administration and its global ramifications. This will have implications for the whole global economy and may pose new threats to the already fragile world economy. In Malaysia, the constraint in labour supply will continue to be a critical issue as it directly affects the production and manpower planning.

Against the above operating environment, the Group revenue is expected to encounter some fluctuation as a result of the less predictable customers' demand. Nevertheless, the Board of Directors expects that the Group will achieve a satisfactory result relative to those companies in the same industry for the financial year ending 30 April 2018.

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 2018.

B5. Profit for the period

	3 Months Ended 31.7.2017 RM'000	Period Ended 31.7.2017 RM'000
Profit for the period is arrived at after charging/(crediting):-		
Depreciation and amortisation	3,431	3,431
Finance costs	1,011	1,011
Property, plant and equipment written off	2	2
Loss on disposal of property, plant and equipment	7	7
Net foreign exchange loss	277	277
Finance income	(93)	(93)

B.6 Income tax expense

	3 Months Ended 31.7.2017 RM'000	Period Ended 31.7.2017 RM'000
Current tax expense		
- <i>Malaysian income tax</i>	134	134
- <i>Foreign income tax</i>	113	113
- <i>Under / (Over) provision in prior year</i>	-	-
	<u>247</u>	<u>247</u>
Deferred tax expense	<u>-</u>	<u>-</u>
Total	<u><u>247</u></u>	<u><u>247</u></u>

The effective tax rate of the Group for the financial period was lower than the statutory income tax rate of 24% mainly due to tax incentive.

B7. Status of corporate proposal announced

There were no corporate proposals announced but not completed as at the date of this report save and except the following:

On 21 July 2017, the Company has announced a proposed bonus issue which entails an issuance of 9,900,000 bonus shares on the basis of one (1) bonus share for every ten (10) existing shares of the Company held by the shareholders whose names appear in the record of depositors of the Company at the close of business on the entitlement date ("Proposed Bonus Issue"). The Proposed Bonus Issue will be effected by way of capitalising up to RM4,950,000 from the entire amount standing to the credit of the share premium account and part of the retained earnings of the Company to make up for any shortfall to facilitate the Proposed Bonus Issue. Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Bonus Issue is expected to be completed before December 2017.

B8. Group loans and borrowings (secured)

The Group loans and borrowings as at 31 July 2017 (compared with that of the last financial year) were as follows:

	As at 31 July 2017					
	Long Term (Secured)		Short Term (Secured)		Total Borrowings (Secured)	
	Foreign	RM	Foreign	RM	Foreign	RM
	Denomination	Denomination	Denomination	Denomination	Denomination	Denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	14,870	10,385	4,222	2,008	19,092	12,393
Finance lease liabilities	-	2,338	-	3,759	-	6,097
Bankers' acceptance	-	-	-	11,094	-	11,094
Bills payable	-	-	7,784	-	7,784	-
Bank overdrafts	-	-	-	6,216	-	6,216
Total	14,870	12,723	12,006	23,077	26,876	35,800
Grand Total		27,593		35,083		62,676

	As at 30 April 2017					
	Long Term (Secured)		Short Term (Secured)		Total Borrowings (Secured)	
	Foreign	RM	Foreign	RM	Foreign	RM
	Denomination	Denomination	Denomination	Denomination	Denomination	Denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	15,018	10,900	4,193	1,970	19,211	12,870
Finance lease liabilities	-	2,962	-	3,111	-	6,073
Bankers' acceptance	-	-	-	9,142	-	9,142
Bills payable	-	-	4,948	-	4,948	-
Bank overdrafts	-	-	-	6,300	-	6,300
Total	15,018	13,862	9,141	20,523	24,159	34,385
Grand Total		28,880		29,664		58,544

The Group loans and borrowings are denominated in Ringgit Malaysia except for certain term loans and bills payable amounting to approximately RM14.5 million (as at 30 April 2017: RM12.2 million) and RM12.4 million (as at 30 April 2017: RM12.0 million) which are denominated in US Dollar and Vietnam Dong respectively. The repayment of these foreign denomination loans and borrowings are funded by the net cash generated from operating activities in the foreign denomination respectively.

The increase in the Group loans and borrowings was mainly due to utilisation of trade facilities namely bankers' acceptance and bills payable for financing of the purchase of raw materials for production following higher sales orders.

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 Board of Directors has proposed a first and final single tier dividend of 1.5 sen per ordinary share totalling RM1,485,000 in respect of the last financial year ended 30 April 2017 (2016: 1.5 sen per share). No interim dividend was declared during the current financial period ended 31 July 2017 (2016: 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 1st quarter under review as follows:-

	3 Months Ended 31.7.2017 RM'000	3 Months Ended 31.7.2016 RM'000
Earnings		
Profit attributable to Owners of the Company	<u>1,480</u>	<u>1,652</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>1.49</u>	<u>1.67</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 2017 was unmodified.

B13. Retained earnings

The breakdown of the retained earnings of the Group as at 31 July 2017, into realised and unrealised profits, is as follows:

	As at 31.7.2017 RM'000
The retained earnings of the Company and its subsidiaries:	
- Realised	72,378
- Unrealised	<u>(6,489)</u>
	65,889
Consolidation adjustments	<u>(13,540)</u>
Total retained earnings of the Group	<u><u>52,349</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 22 September 2017.

By Order of the Board,

Yap Toon Choy
Group Managing Director
22 September 2017