KIM HIN INDUSTRY BERHAD
(018203-V)

ANNUAL REPORT 2017

Vision

To be a world class ceramic tile producer and distributor by providing products and services of superior values and by sustaining consistent long term growth in volume and profitability.

Mission

We shall strive to be a leader in the ceramic industry by

- achieving responsible and balanced commercial success
- satisfying our customers' needs
- enhancing shareholders' values and to provide fair returns to shareholders
- providing rewarding careers to our employees
- having mutually beneficial relationship with our business associates
- participating and contributing effectively towards nation building

Corporate Values

- A role model and a good corporate citizen.
- Provide the highest quality products and values to our customers.
- Commitment to our employees' welfare and well being.
- To instill a culture of discipline, intergrity, teamwork and proactivity amongst our people.

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting of KIM HIN INDUSTRY BERHAD ("Kim Hin") will be held at Kim Hin's Conference Room, 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak on Monday, 28 May 2018 at 2.00 p.m. for the following purposes:

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Directors and Auditors Reports thereon. (Please refer to Explanatory Note No. 1)	
2.	To approve the payment of Directors' fees amounting to RM264,000 for the financial year ended 31 December 2017.	Resolution 1
3.	To re-elect the following Directors who are retiring pursuant to Article 84 of the Company's Articles of Association:	
	Mr Chua Seng Huat	Resolution 2
	Mr Chua Seng Guan	Resolution 3
	Mdm Chua Yew Lin	Resolution 4
4.	To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 5
	As Special Businesses To consider, and if though fit, to pass the following resolutions with or without modifications :-	
5.	<u>**Ordinary Resolution**</u> **:** **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature *("Proposed Shareholders' Mandate")***	Resolution 6

"**THAT** approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in the Circular to shareholders dated 27 April 2018 with the specific related parties mentioned therein which are necessary for Kim Hin Group's day-to-day operations subject further to the following :-

(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders; and

(b) disclosure is made in the annual report for the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:-

- the type of the recurrent transactions made; and
- the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company.

AND THAT such approval shall continue to be in force until :-

(a) the conclusion of the next AGM of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") [but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company be hereby authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the specified Proposed Shareholders' Mandate.

AND THAT the estimated value given on the recurrent related party transactions specified in Appendix 1 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 3.5 of the Circular."

6. **Ordinary Resolution:** Resolution 7
Retention of Independent Director

"THAT Mr Fong Tshu Kwong who has served the Board as an Independent Director of the Company for more than 17 years since 21 May 2001 be and is hereby retained as an Independent Director of the Company."

7. **Ordinary Resolution:** Resolution 8
Authority to issue shares pursuant to Section 75 and 76 of the Companies Act 2016

"THAT subject always to the Act, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and hereby authorised and empowered pursuant to Section 75 and 76 of the Act to:

1) allot shares in the Company; and/or
2) grant rights to subscribe for shares in the Company;
3) convert any security into shares in the Company; and/or
4) allot shares under an agreement or option or offer,

at any time and from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided it does not exceed 10% of the total number of issued shares of the Company as prescribed by the MMLR at the time of issuance of shares and such authority under this resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is earlier, and that:

(a) approval and authority be and are hereby given to the Directors of the Company to take all such actions that may be necessary and/or desirable to give effect to this resolution and in connection therewith to enter into and execute on behalf of the Company any instrument, agreement and/or arrangement with any person, and in all cases with full power to assent to any condition, modification, variation and/or amendment (if any) in connection therewith; and

(b) the Directors of the Company be and are hereby authorised to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad

8. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Articles of Association.

BY ORDER OF THE BOARD

LOW WAI SEE (MAICSA 7051463)
Company Secretary
Kuching, Sarawak
Dated this 27th day of April 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes

1. Only members whose names appear in the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Fifth Annual General Meeting or appoint proxy/proxies to attend and/or vote on his behalf.
2. A proxy may but need not be a member of the Company.
3. To be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company at 4½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak not less than forty-eight (48) hours before the time for holding of the meeting.
4. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
5. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. If the appointer is a corporation, the Proxy Form must be executed under its common seal or under the hand of its attorney.
7. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

EXPLANATORY NOTE ON:

A. Ordinary Business

1. *To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Directors' and Auditors' Reports thereon.*

   This agenda is meant for discussion only as under Section 340(1) of the Companies Act 2016, the Audited Financial Statements do not require shareholders' approval. Hence, this matter will not be put forward for voting.

B. Special Businesses

2. *Ordinary Resolution 6 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature*

   Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which states that with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, the public listed company may seek a shareholders' mandate.

   The proposed Resolution 6, if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties as identified in Section 3.3 of the Circular to shareholders dated 27 April 2018, which are necessary for Kim Hin Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders.

   By obtaining the Shareholders' Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of Kim Hin Group or adversely affecting the business opportunities available to Kim Hin Group.

   Please refer to the Circular to Shareholders dated 27 April 2018 for further information.

3. *Ordinary resolution 7 - Proposed retention of Mr Fong Tshu Kwong as an Independent Director*

   The Board strongly believes that a director's independence cannot be determined arbitrarily with reference to a set period of time. Kim Hin Industry Berhad benefits from its long serving director, Mr Fong Tshu Kwong for his detailed knowledge in the business, commitment, experience and competence to assist the Board to discharge its duties more effectively.

   To be identified as independent, a director must be independent in character and judgement, independent of management and free from any relationships or circumstances (as set out in Chapter 1 of the Listing Requirements) which are likely to affect or could appear to affect their judgement to ensure their allegiance remains aligned with shareholders. This has been assessed by the Board, and supported by Mr Fong's own declaration.

Mr Fong as the Chairman of Nomination Committee had abstained from deliberations or voting pertaining to his own independence at the Board level.

4. *Ordinary Resolution 8 - Authority to issue shares pursuant to Section 75 and 76 of the Companies Act 2016*

   The proposed resolution, if passed, will give a renewed mandate to the Directors of the Company, pursuant to Section 75 and 76 of the Companies Act 2016 ("Renewed Mandate") for such purposes as the Directors may deem fit and in the interest of the Company. The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   As at the date of this Notice, the Directors have not utilised the mandate granted to the Directors at the last Annual General Meeting held on 25 May 2017 and the said mandate will lapse at the conclusion of the Forty-Fifth Annual General Meeting.

   The Company is seeking the approval from the shareholders on the Renewed Mandate for the purpose of possible fund raising exercise, including but not limited to placement of shares for purpose of funding future investment project(s), working capital and/or acquisitions and to avoid delay and cost in convening general meetings to approve such issue of shares.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chua Seng Huat
(Executive Chairman)

Dato' John Chua Seng Chai
(Group Managing Director)

Chua Seng Guan
(Group Executive Director)

Pauline Getrude Chua Hui Lin
Chua Yew Lin
(Executive Directors)

Fong Tshu Kwong
Ong Ah Ba
Yong Lin Lin
(Independent Directors)

COMPANY SECRETARY

Low Wai See (MAICSA 7051463)

SHARE REGISTRARS

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222

REGISTERED OFFICE

4 1/2 Mile, Kung Phin Road,
Off Penrissen Road,
93250 Kuching, Sarawak.
Tel : 082-451567
Fax : 082-452135

WEBSITE

www.kimhin.com.my

ADVOCATES & SOLICITORS

Messrs Wong Lu Peen and Tunku Alina
21-6, Block B, The Boulevard,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

AUDITORS

Ernst & Young
Chartered Accountants
3rd Floor, Wisma Bukit Mata Kuching,
Jalan Tuanku Abdul Rahman,
93100 Kuching, Sarawak.

PRINCIPAL BANKERS

CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Bhd
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK NAME

KIMHIN (Stock Code : 5371)

KIM HIN INDUSTRY BERHAD
(018203-V)

GROUP CORPORATE STRUCTURE

- 100% CERAMICA INDAH SDN. BHD.
  - 100% KIMGRES AUSTRALIA PTY. LTD.
  - 100% OUTSET HOLDINGS PTY. LTD.
  - 100% AMBER GROUP AUSTRALIA PTY. LTD.
  - 100% NORCORP PTY. LTD.
- 100% KIMGRES MARKETING SDN. BHD.
  - 70% KIMGRES VIETNAM TRADING CO. LTD.
- 100% TILEWORLD SDN. BHD.
  - 100% KIM HIN AUSTRALIA PTY. LTD.
  - 100% JOHNSON TILES PTY. LTD.
  - 100% CORAMIC AUSTRALIA PTY. LTD. Inactive
- 100% KIM HIN CERAMIC (SEREMBAN) SDN. BHD.
- 100% KIM HIN PROPERTIES SDN. BHD.
- 100% JOHNSON TILES MALAYSIA SDN. BHD.
- 100% KIM HIN INVESTMENT PTY. LTD.
- 79.5% KIM HIN CERAMICS (SHANGHAI) CO. LTD.
- 100% REFINED KOALIN INDUSTRIES SDN. BHD. Inactive
- 100% UNICORN CERAMICS SDN. BHD. Inactive
- 100% WORLD CERAMICS INTERNATIONAL SDN. BHD.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of Kim Hin Industry Berhad for the financial year ended 31 December 2017.

PERFORMANCE

The Group's revenue for the year ended 31 December 2017 improved to RM420.3 million from RM403.3 million as compared with the preceding financial year ended 31 December 2016.

The improved revenue was contributed by the Australian subsidiary company, Outset Holdings Pty Ltd, which was acquired on 1 September 2016, and partially offset by the softening of Malaysia market.

The Group registered a profit before tax of RM18.3 million for the current financial year as compared to RM41.6 million recorded in the preceding financial year due to higher selling and distribution costs, administrative expenses and other expenses.

DIVIDEND

The Board had earlier declared an interim dividend of 3 sen per ordinary share (tax exempt) which was paid on 28 December 2017.

In addition, the Board has on 28 March 2018 declared a second interim dividend of 2 sen per ordinary share (tax exempt) in respect of the financial year ended 31 December 2017, payable to the shareholders on 26 June 2018.

The dividend payouts demonstrated that the Group's commitment in rewarding a fair and equitable return of investment to its shareholders.

APPRECIATION

For my fellow directors, I would like to thank them for their invaluable contribution, advice, support and continued commitment in driving the Group forward.

Through the relentless efforts and commitment from our management and staff, our Company was awarded the prestigious Matrade Export Award 2018 under the products category of a mid-tier company, in conjunction with Matrade Export Day 2018 on 30 January 2018 by the Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamed.

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, the management and staff, our valued customers, vendors and all our stakeholders as well as business partners for their loyalty, perseverance, dedication and trust towards the Group. Together with the management and staff, we will continue to give our full commitment and strive for better performance in this challenging economic environment.

CHUA SENG HUAT
Executive Chairman
27 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors and management of Kim Hin Industry Berhad (“Kim Hin” or “the Company”) are pleased to present the Management Discussion & Analysis (“MD&A’) containing management commentary to provide investors and shareholders with a better understanding of the Group’s business and operation for the financial year ended 31 December 2017.

The MD&A should be read together with the Group’s audited financial statements for the financial year ended 31 December 2017.

Overview of Business and Operations

Profile

Kim Hin is an investment holding company, which is engaged in the provision of management services whilst its subsidiaries are involved in production and distribution of ceramic floor, homogeneous and monoprosa tiles, trading in building materials, and investment holding. The Company was founded in 1973 and is headquartered in Kuching, Malaysia. It has been listed on the Main Board of Bursa Malaysia Securities Berhad since year 1992.

The Group operates principally in the ceramic tiles industry and is organized into four operating segments according to geographical location, namely Malaysia, People’s Republic of China, Australia and Vietnam. As one of the leading ceramic tiles manufacturers in Malaysia, Kim Hin designs, manufactures and markets tiles under the brands Kimgres, Durogres, Vitrogres, Habitat, Johnson and Amber.

Kim Hin has three (3) manufacturing plants, of which, two (2) are located in Malaysia (Kuching, Sarawak and Senawang, Seremban) and the third located in Shanghai, People’s Republic of China. The marketing network of Kim Hin Group comprises sales offices situated in major cities of Malaysia (Kuching, Petaling Jaya, Johor Bharu, Ipoh and Penang), Australia (Melbourne, Sydney, Brisbane and Hobart) and Vietnam (Danang). In 2016, the Group strengthened its foothold and presence in the Australian market by acquiring Outset Holdings Pty Ltd (“Outset Holdings”). Outset Holdings is the holding company of Amber Group Australia Pty Ltd (“Amber”), which operates a network of retail stores under the Amber brand. The Amber Store Network comprises twenty-four (24) franchised stores and three (3) company-owned stores located in New South Wales, the Australian Capital Territory and Queensland, Australia. Presently, Kim Hin Group employs approximately 1,700 employees worldwide.

The Group exports about 39% of its production from the Malaysian plants overseas, mainly Australia, Middle East, Taiwan and Pakistan while its Shanghai plant exports about 43% of its products to the Australian and North American markets.

Vision

Our vision is to be a world class ceramic tiles producer and distributor by providing products and services of superior quality and value and by sustaining consistent long term growth in volume and profitability. In line with our vision to provide our customers with products and services of superior value, all manufacturing plants of Kim Hin Group are ISO 9001 certified. The International Organisation for Standardisation (“ISO”) released a revision of ISO 9001 in 2015 requiring broad modifications and updates to the current version of 9001:2008 version. Both Malaysian plants have achieved compliance with the new requirements and have been certified the 9001:2015 version in July 2016 and March 2017 for Kuching plant and Seremban plant, respectively, owing to the dedication of our people in the process.

The Group’s Malaysian operations have a fully integrated Enterprise Resource Planning (ERP) system covering Sales and Distribution, Inventory Management, Production Planning and Financial and Controlling modules using SAP software. The Group is currently using an upgraded version ie ECC 6.0 to facilitate its business processes and operation efficiency for its Malaysian segment.

Kim Hin invested significantly (over the past few years) in hardware and software assets to boost its IT infrastructure capabilities in line with its mission to progress through continuous advancement in technology.

The Group values its people and acknowledges that the success and growth of the Group over the past decades are the result of the commitment, hard work and capability of its people. As such, Kim Hin is committed to the welfare and well-being of its employees. The children of our employees who excelled in government examinations were given incentive awards and the sports club assists in the balance of work and lifestyle. At the same time, the Group continues to focus on the competency development of its employees with training hours being one of the Group’s key performance indicators. It promotes and instills a culture of discipline, integrity, teamwork and proactivity among our people.

MANAGEMENT DISCUSSION AND ANALYSIS

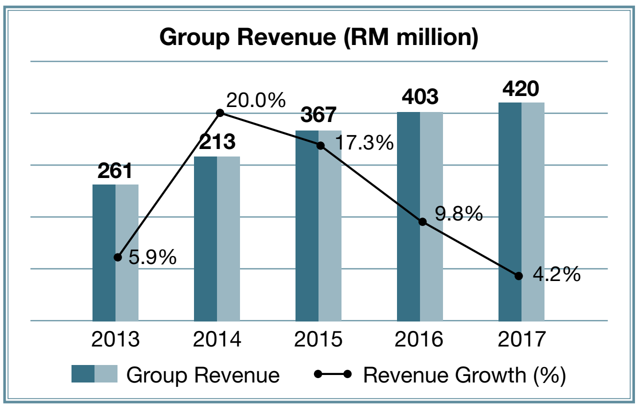
Highlights of Kim Hin Group's Financial and Share Performance for the Past 5 Financial Years

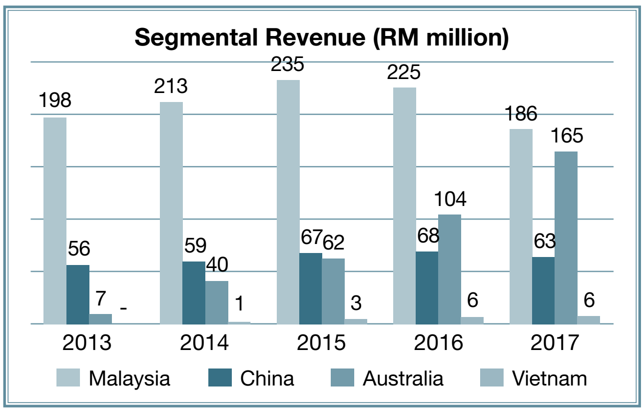
	2013 RM'000	**2014** RM'000	**2015** RM'000	**2016** RM'000	**2017** RM'000
Financial				Restated	
Revenue	261,055	313,372	367,441	403,314	420,278
Profit before interest and tax	5,621	30,040	46,181	42,807	19,696
Finance costs	102	505	454	1,247	1,437
Net profit	1,284	25,837	35,712	33,719	9,551
Shareholders' equity	439,943	457,129	496,612	514,937	510,672
Total assets	516,905	547,317	584,631	662,676	650,375
Borrowings	11,099	10,173	9,208	32,958	24,711
Debt/Equity (%)	0.03	2.22	1.85	6.40	4.84
Earnings per share (sen)	0.02	17.03	24.50	22.51	5.72
Net assets per share (RM)	3.14	3.26	3.54	3.67	3.64
Dividend per share (sen)	3.00	6.00	3.00	9.00	6.00
Share					
Year high (RM)	1.47	1.83	2.60	2.47	2.40
Year low (RM)	1.15	1.05	1.17	1.56	1.37
Year close (RM)	1.26	1.18	2.28	1.83	1.42
Trading volume ('000)	8,112	18,494	60,982	24,075	19,069
Market capitalization as at year end (RM'000)	176,701	165,482	319,745	256,638	199,139

Review of Financial Results and Financial Conditions

Revenue

The Group achieved a record high revenue of RM 420.3 million during the current financial year despite the continual softening market condition in the local housing sector since the second half of 2016. This represents an increase of 4.21% as compare to RM 403.3 million recorded in the previous financial year. The increase in revenue was solely contributed by Kim Hin's overseas operations as evidenced by the fall in revenue of the Malaysian operations by 17.3% year-on-year. The Group's overseas operations, especially Australia, managed to offset the shortfall in revenue of the Malaysian operations with the full year contribution from Outset Holdings Pty Ltd ("Outset Holdings") which was acquired on 1 September 2016. The acquisition of Outset Holdings contributed 21.7% (RM 91.2 million) and 9.5% (RM 38.3 million) of the Group's revenue for the financial year under review and the preceding financial year, respectively.

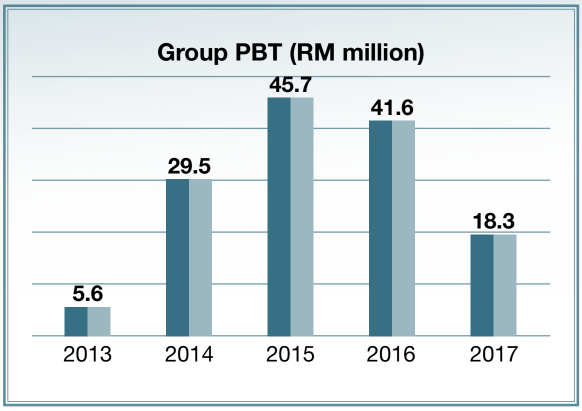


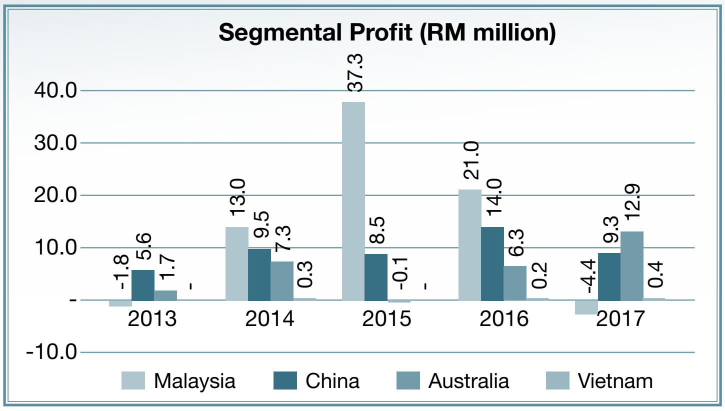


Profit Before Tax

The Group's profit before tax decreased by 56% from RM41.6 million in the previous financial year to RM18.3 million for the current financial year, mainly due to losses suffered by its Malaysian segment as a result of substantial decline in revenue, and higher operating expenses due to increased raw materials price and energy prices. Kim Hin's overseas operations contributed positively to the Group's profit before tax for the current financial year, with the Australian operations as the lead profit contributor followed by the China operations. The profit contribution from Australian operations over the Group's total profit before tax soared to 70.5% from 15.3% registered in the previous financial year due to the impact of full year contribution from Outset Holdings.

MANAGEMENT DISCUSSION AND ANALYSIS



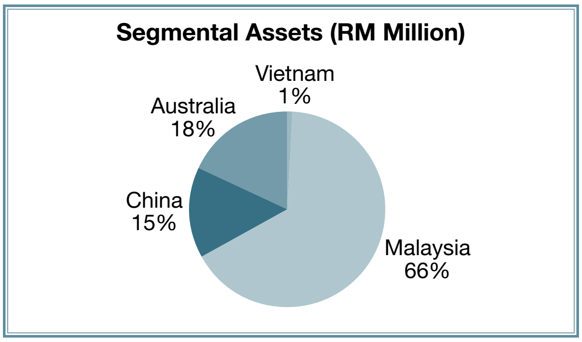


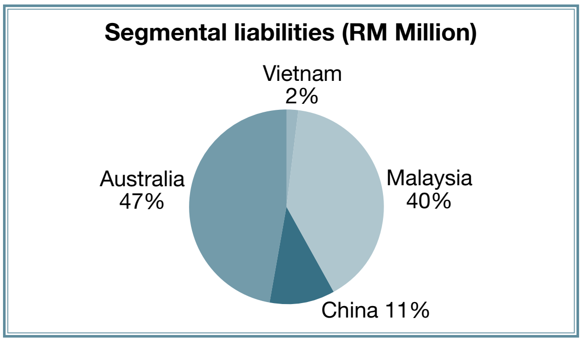
Operating expenses (excluding cost of sales) of the Group increased to RM 132.8 million during the financial year as compared to RM 106.8 million in the previous financial year. The increase was mainly due to the hike in staff costs (employee benefits expense) from RM71.2 million to RM82.9 million, contributed by the impact of the full year's contribution of the Group's Seremban manufacturing facility and Outset Holdings, which was acquired in the previous financial year.

Total finance costs increased by RM 0.2 million to RM1.4 million as the commercial bill and trade finance facility under Outset Holdings were only settled during the financial year.

The Group's income tax expense was RM 8.7 million in the previous financial year compared to RM 7.8 million for the current financial year due to the higher effective tax rate of 47.7% (2016: 18.8%).

Distribution of Segmental Assets and Liabilities of the Group as at 31 December 2017





Assets

Investment properties

During the current financial year, the Group disposed off its investment property located in Melbourne, Australia for a cash consideration of AUD 8.8 million on 4 September 2017. Consequently, the net carrying amount of its investment property has reduced to RM 20.2 million (31 December 2016: RM 46.6 million) as at end of the current financial year.

Trade and Other Receivables

Trade receivables decreased by 11.4% to RM 72.0 million as at end of the current financial year. This is in line with the decline in revenue recorded during the current financial year. Included in the Group's other receivables of RM 32.1 million was the balance of cash consideration of AUD 8.3 million (or equivalent of RM 26.3 million) receivable arising from the disposal of the Group's investment property in Australia. The other receivable has been duly received on settlement date, 4 March 2018.

Inventories

The Group's inventories increased from RM 154.9 million as at end of year 2016 to RM 177.0 million at the end of the current financial year. This mainly consists of RM 21.2 million increase in finished and trading goods held for sale.

MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities

Trade and other payables

The Group's trade and other payables increased slightly to RM 82.5 million from RM 81.7 million in the previous financial year.

Capital structure and capital resources

The Group's borrowings reduced from RM 33.0 million as at the end of the preceding financial year to RM 24.7 million as Outset Holdings has fully settled its commercial bill and trade finance facility during the current financial year. As a result, the Group's gearing ratio (total borrowings over total equity) stood at about 0.05 times as at the end of 2017 as compared to 0.06 times in the previous financial year. The continual significantly low gearing ratio is a testimony of the Group's effort in maintaining a solid financial position that enables the execution of its strategic objectives in creating value for the coming years.

Review of Operating Activities

The Group continues the rationalization of its manufacturing facilities in Malaysia and is currently upgrading the manufacturing facility (land, building and machinery) in Seremban, which was acquired from Johan Ceramic Berhad.

The marked improvement in its Australian operations and the steady growth of the Group's Vietnam operations, coupled with the stable performance of the China operations, are the result of Kim Hin's efforts in achieving revenue growth and strengthening its overseas operations. It is the first time in the Group's history that the combined revenue of its overseas operations has surpassed the Group's Malaysian revenue.

Anticipated Business Risks

The Group is exposed to external risks such as adverse economic and market conditions and internal risks related to the Group's operations and financial management.

It has to be recognised that the Group has limitations in the actions that can be taken to manage or mitigate external economic risks. However, the Group has put in place a risk management framework to identify, manage and mitigate internal operational risks. Operational procedures are in place and are constantly being reviewed to ensure operational and cost efficiency.

The main risks affecting the Kim Hin Group are as follows:-

Competition Risk

The ceramic tile industry is highly competitive. Intense industry competition and aggressive pricing strategies amongst the manufacturers, distributors and dealers is common in the industry. This is further aggravated by the influx of tiles produced by lower cost manufacturers in countries such as Thailand, Indonesia, Vietnam and China.

Tiles are installed primarily on floors, walls, countertops and other areas requiring a highly aesthetic yet durable surface. Flooring applications make up the largest share of tile demand. The flooring industry comprises five (5) major product groups namely carpet, vinyl, decorative tiles, laminated and hardwood flooring. There is further product segmentation for decorative tiles into ceramic, porcelain and glass types, as well as tiles made from such specialty materials such as natural stone, concrete and metal.

The pricing pressures due to competition and the evolution in style preference as well as the cost and availability of competitive materials will affect consumer demand for the Group's products. To remain competitive, the Group will reinforce its positioning as one of the market leaders in the ceramic tile manufacturing and sale of ceramic and porcelain tiles. This will be supported by the Group's continued efforts in promoting and organising well-established training programs for its management and employees, improving customer satisfaction and application of new technology for product improvements.

The Group's initiatives in expanding the Group's operations in its traditional stronghold market, Australia and a new geographical location (Vietnam) have successfully reduced its reliance on the Malaysian operations. The increased contributions from the Australian operations act as the shield for the Group in facing the continual softening in market conditions of its Malaysian operations. The latest addition of the Group, Outset Holdings, presents the opportunity for the Group to venture into retail activities through a renowned retail chain that further enhances the Group's distribution channels in Australia.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risks

The Group imports certain raw materials, printing materials and machinery from abroad and also exports products to overseas markets, thus exposing itself to foreign exchange risks, mainly from the fluctuation of the United States Dollar ("USD'), Australia Dollar ("AUD") and Euro against the Malaysian Ringgit ("RM"). The fluctuation in the USD/RM affect both the operation costs and exports, while the fluctuation of AUD/RM affects only exports and the fluctuation of EURO/RM influences mainly operation costs.

Rising operating costs

Disruption in the supply chain of raw materials and volatility in raw materials prices coupled with the weaker Malaysian Ringgit will result higher operational and operating costs. The "uptick" in energy price caused by the continuous gradual hike in liquefied natural gas due to the Malaysian Government's subsidy rationalization and the price of liquefied petroleum gas which is consumed by the Group's Kuching plant will affect future operational costs.

Others

Amongst other factors or concerns that may have an impact or effect on the Group's performance are:

Financial risks and cash flow risks but these are considered low due to the minimal borrowings of the Group (5% of the shareholders' equity) and is mitigated by substantial cash reserves and the flexibility of the Group in obtaining credit facilities from financial institutions thus ensuring the availability of working capital;

Interest rate risk is minimised as borrowings bear floating interest rates and Malaysia is expected to maintain a low interest rate regime although there was a 25 bps hike in overnight interest rate recently.

Credit risk where the Group adopts stringent procedures on approving credit terms to customers and close monitoring over collection of the Group's receivables.

The Group's ability to attract and retain its talent pool while managing labour costs, levy expenses and other issues impacting labour supply.

Outlook

The Group is cautiously optimistic about its outlook for the coming financial year (2018), given the weak domestic (Malaysia) economic environment and uncertainty of global trade generated by Brexit and US President Donald Trump's administration.

The property market in Malaysia is expected to remain flattish for the rest of 2018 as both high and low-end properties are not expected to see any immediate rebound and factors such as affordability, excess stock, economic and political concerns continue to influence what was once a vibrant sector. Data by the National Property Information Centre (Napic) revealed that here were 130,690 unsold residential properties in the country during the first quarter of 2017 – the highest in 10 years. The total unsold units in Napic's findings include overhang (completed, but unsold) units, unsold under construction units, as well as SoHo (small office/home office) units and serviced apartments. 83% of the unsold units constitutes the above RM250,000 category and 61% of the total unsold units comprise high-rise properties, of which 89% were priced above RM250,000. 62% of unsold residential properties are in the State of Johor, Selangor and Kuala Lumpur.

The recent measure taken by the Malaysian Government to impose development freeze on high-rise homes priced RM1 million and above is expected to affect luxury residential sector. Property developers have turned their focus to the affordable housing segment to address weaker sales volume and falling revenue, while under Budget 2018, the Government has increased allocation to address the rising cost of living and affordable housing issues among the lower to middle income segments of the population.

The Group is continually rationalizing its manufacturing facilities in Malaysia, looking at increasing the productivity of its factories, improving operating efficiency and prudent cost saving measures to counter the impact of rising operating costs. The Group remains focus in consolidating and strengthening its Australian operations following the acquisitions of Johnson and Amber as this has contributed positively to the Group's revenue growth and profitability.

Dividend policy

The Group is committed to reward its shareholders with a fair and equitable return of their investment while retaining part of the available funds to facilitate future capital expenditure and investment. This is imperative in keeping the growth momentum of the Group into the medium to long term while the Group is eyeing for new suitable investment opportunities. In addition, the quantum of such dividend payment is also dependent on other factors, amongst others, the earnings, capital commitments, general financial conditions, distributable reserves and other factors to be considered by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Malaysian Code on Corporate Governance 2017 ("MCCG") issued in April 2017 takes on a new approach to promote greater internalization of corporate governance culture. In accordance with Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR"), all listed issuers must provide an overview of the application of the Principles as set out in the MCCG, in its annual report.

In addition, the listed issuers were required to disclose how they have applied the Principles set out in the MCCG and guidance was drawn from Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad. The detailed application of each Practice as set out in the MCCG is disclosed in the Corporate Governance Report which is available on the corporate website, www.kimhin.com.my.

The Board of Directors of Kim Hin Industry Berhad ("the Board") is committed to the implementation and maintenance of good corporate governance practices in discharging its duties, with a view to enhance business prosperity and long term value for its shareholders.

THE BOARD OF DIRECTORS

The Board has the overall responsibility for corporate governance, strategic directions, formulation of policies and overseeing the investments and operations of the Company.

A BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. Board's Leadership

1.1 Strategic aims, objectives, values and standards

The Board leads and has effective controls over the Group whereby collective decision and close monitoring are conducted on issues relating to strategy, performance, resources, standards of conduct and financial matters.

The Board is also responsible for oversight and overall management of the Company. To ensure the effective discharge of its function and responsibilities, the Board established Authority Chart for the Group, which clearly sets out relevant matters reserved for the Board's approval, as well as those which the Board may delegate to the relevant Executive Directors, the Group Managing Director and Senior Management.

Some of the key responsibilities of the Board are as follows:

(i) promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
(ii) review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;
(iii) ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
(iv) supervise and assess management performance to determine whether the business is being properly managed;
(v) ensure there is a sound framework for internal controls and risk management;
(vi) understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;
(vii) ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of the board and senior management;
(viii) ensure that the Group has put in place procedures to enable effective communication with stakeholders; and
(ix) ensure the integrity of the Group's financial and non-financial reporting.

1.2 The Chairman

The Chairman holds an Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Chairman is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

1.3 Chairman and Group Managing Director

There is a clear division of responsibilities between the Executive Chairman and the Group Managing Director to ensure that there is balance of power and authority and no one individual has unfettered powers of decision. The Group Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.4 Qualified and competent Company Secretary

The Company Secretary of Kim Hin Industry Berhad is Ms Low Wai See. She holds an associateship with the Malaysian Institute of Chartered Secretaries and Administrators and is qualified to act as a Company Secretary under Section 235 of the Companies Act 2016. She has more than 15 years of professional experience in corporate secretarial practices.

The Company Secretary plays an advisory role in supporting the Board to uphold high standards of corporate governance. As a counsel to the Board, she provides the Board with periodic updates and compliance requirements from the Main Market Listing Requirements, Companies Act 2016 and other regulatory requirements.

The Company Secretary also ensures that there is good information flow within the Board, Board Committees and senior management.

She also serves as a focal point for stakeholders' communication and engagement on corporate governance issues.

1.5 Meeting materials and minutes

The Board recognises the importance of sound and timely information flow to facilitate robust board discussions. The Chairman, together with the Company Secretary and the management, are responsible for ensuring the Directors are provided with sufficient and timely information to prepare for board meetings.

The deliberations and decisions of the board are duly recorded in the Board's minutes. The draft minutes are circulated to the Executive Chairman for his review within a reasonable timeframe after the meeting. The minutes of meetings also capture the deliberations and decisions, rationale for decisions made, fundamental questions raised and key points of discussions, and any dissent views and abstentions made by the directors.

2. Demarcation of responsibilities

2.1 Board Charter

The Board is guided by its Board Charter which sets out the Board's strategic intent, roles and responsibilities of the Directors, Board membership guidelines, leadership development, Board and member evaluations, Directors' remuneration, meeting procedures and Code of Conduct for Directors.

The Board Charter shall be periodically reviewed and updated at such interval the Board deems necessary taking into consideration the needs of the Company and changes in the regulatory requirements that may affect the Directors' duties and responsibilities.

The Board Charter is available on the corporate website, www.kimhin.com.my.

3. Good business conduct and corporate culture

3.1 Code of Conduct and Ethics

The Code of Conduct and Ethics outlines the principles, policies and rules that govern the activities of the Group, and the employees are subject to a set of values and standards of conduct that is expected of them.

The Code of Conduct and Ethics shall shape the corporate culture and driving conduct within the Company. It serves as both an internal guideline and external statement of corporate values and commitment. It could also act as a central point of reference for employees to support their day-to-day decision-making.

The Board reviews and update the Code of Conduct and Ethics periodically or as and when the need arises to ensure it is kept contemporaneous.

3.2 Whistle Blowing policy

The Group has in place the Whistle Blowing Policy in 2014 with the objective of promoting and maintaining high standard of transparency, accountability and ethics as well as good corporate governance practices in the workplace.

The Whistle Blowing Policy serves as the internal complaint framework for employees or other stakeholders to raise concerns about illegal or unethical activity that they are aware of through their work, without fear of reprisals or retaliations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PART II – BOARD COMPOSITION

4. Board's objectivity

4.1 Composition of the Board

The Board comprises of eight (8) members, three (3) of which are Independent Directors.

The appointment of Mr Fong as the Senior Independent Director, provides an additional channel for the Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board.

4.2 Tenure of Independent Director

Annual shareholders' approval was obtained for Mr Fong Tshu Kwong, who has served for a cumulative term of nearly 17 years as an Independent Director since 21 May 2001.

The Board strongly believes that a director's independence cannot be determined arbitrarily with reference to a set period of time. Kim Hin Industry Berhad benefits from its long serving director, Mr Fong for his detailed knowledge in the business, commitment, experience and competence to assist the Board to discharge its duties more effectively.

4.3 Independent Director's Tenure Policy

The Company does not have a policy which limits the tenure of its independent directors to 9 years. The shareholders' approval was obtained at the annual general meeting each year for the re-appointment of Mr Fong Tshu Kwong.

4.4 Board and senior management

Appointment of the Board and senior management are based on objective criteria, merit and besides diversity in skills, experience, age, cultural background and gender.

The Group is also committed to providing an inclusive workplace that embraces and promotes diversity.

4.5 Gender diversity

The Board adopted the Boardroom and Workforce Diversity Policy in 2015.

The Board recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.

Currently, the Company has six (6) male Directors and two (2) female Directors.

4.6 Board's new candidate

The Nomination Committee is responsible for recommending suitable candidates for Directorship to the Board.

In searching for suitable candidate, the Nomination Committee may receive suggestions from existing Board Members, management, and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent executive search firms.

4.7 Nomination Committee

The Nomination Committee is responsible for recommending the right candidate with the necessary skills, experience and competencies as new Board members as well as members of Board Committees. The Nomination Committee comprises two members, who are all Independent Directors.

Each year, the Nomination Committee assesses the effectiveness of the Board and Board Committees, contributions and performance of each individual director, as well as the Group Managing Director and the Chief Financial Officer in accordance with paragraph 2.20A of the MMLR.

The objective of the assessment is to improve the Board's effectiveness, identify gaps, maximize strengths and address weaknesses of the Board. Self-assessment on the performance of the directors is used, and issues put forth for assessment are presented in a customized questionnaire. The Board oversees the overall evaluation process and responses are analysed by the Nomination Committee, being tabled and communicated to the Board.

The criteria on which assessment of the Board's effectiveness is carried out is developed, maintained and reviewed by the Nomination Committee. They include, inter alia, Board's and Board Committees' composition, Board's roles and responsibilities, and Board's operations.

The Chairman of the Nomination Committee is the Senior Independent Director.

Given that the Senior Independent Director serves as a confidant to the other directors, he is well-placed to oversee the assessment of the Board's Chairman, taking into account a broad range of perspectives.

The Terms of Reference of the Nomination Committee is set out in the Appendix D of the Board Charter and is available on the corporate website – www.kimhin.com.my.

5.0 Overall Board effectiveness

5.1 Objective annual evaluation

A detailed self-assessment is undertaken every year to review the effectiveness of the Board, Committees and individual Directors. The questionnaires are reviewed by the Nomination Committee and approved by the Board. This annual assessment provides the opportunity for the Directors to examine the effectiveness in discharging their roles and responsibilities, identify areas for improvement and to assess the overall effectiveness of the Board and Committees.

The Board meets on a quarterly basis and additional meetings are convened as and when necessary. The Board met for a total of six (6) times during the financial year ended 31 December 2017 and their attendance details are as follows:-

Directors	Attendance	Percentage of attendance
Chua Seng Huat	6/6	100%
Chua Seng Guan	6/6	100%
Dato' John Chua Seng Chai	4/6	67%
Pauline Getrude Chua Hui Lin	6/6	100%
Chua Yew Lin	5/6	83%
Fong Tshu Kwong	6/6	100%
Ong Ah Ba	6/6	100%
Yong Lin Lin	4/6	67%

The Board is satisfied with the time commitment given by the Directors to the affairs of the Company. Director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

Directors' training

The Board is mindful of the importance for its members to undergo continuous training through its Nomination Committee continue to evaluate and determine the training needs of its members to ensure continuing education is made available to the Directors in order for them to be equipped with the necessary skills and knowledge to meet the challenges of the Board. Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme within four months from the date of appointment.

During the financial year ended 31 December 2017, all Directors attended the training entitled "The Malaysian Companies Act 2016 – Its Impact and Dynamics" on 28 November 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PART III – REMUNERATION

6.0 Remuneration of Directors and senior management

6.1 Remuneration Policy

The objective of the Company's remuneration policy on directors' remuneration is to attract, retain and motivate the directors with the relevant experience and expertise to manage the Group successfully. Their remuneration reflects the level of experience and expertise they bring with them and the level of responsibility undertaken by them.

The Board has recently formalised the Directors' Compensation Policy on 26 February 2018. However, the Board has yet to formalise the remuneration policies and procedures for the senior management.

The Board intends to put in place the remuneration policies and procedures for the senior management within 3 years' period. The Board acknowledges the importance of formalisation of remuneration policies and procedures in order to attract and retain the Directors and senior management with the right talents and competencies.

6.2 Remuneration Committee

The Board has established the Remuneration Committee, comprises of a majority of Non-Executive Directors.

The Remuneration Committee responsibilities include to establish compensation strategy, compensation policies and programs, and management development plans.

7. Remuneration of Directors and senior management

7.1 Details of Directors' remuneration

The remuneration of the Directors (group basis) for 2017 are as follows:-

	Fees^ RM'000	Salaries RM'000	Bonus RM'000	Allowance RM'000	Benefits-in-kind RM'000	Other emoluments* RM'000	Total RM'000
Executive Director							
Chua Seng Huat	33	1,020	794	179	60	352	2,438
Dato' John Chua Seng Chai	33	1,158	801	25	12	360	2,389
Chua Seng Guan	33	1,020	795	179	27	351	2,405
Pauline Getrude Chua Hui Lin	33	384	192	-	39	117	765
Chua Yew Lin	33	384	192	-	21	117	747
Independent Director							
Fong Tshu Kwong	33	-	-	-	-	-	33
Ong Ah Ba	33	-	-	-	-	-	33
Yong Lin Lin	33	-	-	-	-	-	33
TOTAL	264	3,966	2,774	383	159	1,297	8,843

Note

^ Directors' fee shall be approved by the shareholders at the forthcoming Annual General Meeting.

* Other emoluments consist of Employee Provident Fund and Social Security contributions made by the employer.

7.2 Remuneration of the top five Senior Management

The remuneration of the top five senior management of the Group are as follows:

Range of remuneration	Top Five Senior Management
RM200,001 to RM250,000	1
RM250,001 to RM300,000	2
RM300,001 to RM350,000	1
RM350,001 to RM400,000	1
Total	5

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AUDIT COMMITTEE

8. Effective and independent Audit Committee

8.1 Chairman of the Audit Committee

The Board has established an Audit Committee which is chaired by the Senior Independent Director, Mr Fong Tshu Kwong. The Chairman of the Board is Mr Chua Seng Huat.

Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.

8.2 Policy on appointment of former key audit partner

In an effort to preserve the integrity and credibility of the audit process, the Audit Committee has incorporated a policy in its Terms of Reference which requires a former key audit partner to observe a cooling-off period of at least two years before appointment as a member of the Audit Committee.

8.3 Policies and procedures on external auditor

The Board has established Policies and Procedures in assessing the suitability, objectivity and independence of the external auditor.

8.4 Membership of Audit Committee

The members of the Audit Committee of the Company are all Independent Directors.

8.5 Skills of Audit Committee members

The members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and regulatory requirements.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Effective Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility and the importance of sound risk management and internal control, and for reviewing the adequacy and integrity of those system. The system of risk management and internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group. It can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial loss and fraud.

The Corporate Risk Scorecard system helped management in methodically identifying and assessing any emerging new risks, updating the business risks profiles that were previously identified, and following up with the implementation of the control plans.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

10. Effective governance, risk management and internal control framework

The Audit Committee is responsible for reviewing the adequacy of the scope, competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its work.

The Board affirms that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence. Please refer to the Corporate Governance Report under Practice 10.2 on the details of the resources of the internal audit function.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

PART I – COMMUNICATION WITH STAKEHOLDERS

11. Continuous communication between the Company and stakeholders

The Board endeavours to ensure that communication with stakeholders is conducted in a timely and effective manner.

The Company utilises the Annual Reports, announcements to Bursa Malaysia Securities Berhad, Annual General Meetings, and the Group's website to disseminate information to stakeholders.

Through our corporate website at www.kimhin.com.my, stakeholders are able to access information on the Group's background, products and services, investor relations information, press releases and events. It also acts as an avenue for them to raise any query by email or phone as primary contact details are set out in the website.

PART II – CONDUCT OF GENERAL MEETINGS

12. Shareholder participation at general meetings

The Board recognises the importance of being accountable to and communicating with its investors, and the need for shareholders to be informed of all material business matters affecting the Company.

The Company's Annual General Meeting presents opportunities for the Board to meet individual shareholders, and provide a forum to discuss and debate on key issues. All shareholders are encouraged to attend the General Meetings and participate in the proceedings. The shareholders were given the opportunity to raise questions and seek clarification from the members of the Board, management and the Auditors of the Company about the resolutions being proposed and the Group's performance and activities.

Pursuant to Paragraph 8.29A of the MMLR, all resolutions set out in the notice of general meetings shall be voted by poll and an independent scrutineer shall be appointed for validation of the votes casted.

CORPORATE GOVERNANCE KEY FOCUS AREAS AND FUTURE PRIORITIES

Key focus areas

The key focus areas of the governance practices of the Group for 2018 are ensuring the strategic plan of the Group supports its long term value creation which includes strategies on economic, environmental and social consideration underpinning sustainability, and succession planning for the Directors and senior management.

Future priorities

The Board aims to establish a formal remuneration policies and procedures for the senior management within the next 3 years.

AUDIT COMMITTEE REPORT

The Board of Directors of Kim Hin Industry Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2017.

Composition of the Audit Committee

The members of the Audit Committee during the financial year under review comprised of the following Directors:-

Fong Tshu Kwong *(Chairman)*
(Independent Non Executive Director)

Ong Ah Ba *(Member)*
(Independent Non Executive Director)

Yong Lin Lin *(Member)*
(Independent Non Executive Director)

The Audit Committee met five (5) times during the year as follows:-

1) 24 February 2017
2) 28 March 2017
3) 25 May 2017
4) 24 August 2017
5) 24 November 2017

Details of attendance at the Audit Committee Meetings are as follows:-

Name of Audit Committee member	Attendance	Percentage of attendance
Fong Tshu Kwong	5/5	100%
Ong Ah Ba	5/5	100%
Yong Lin Lin	3/5	60%

The Audit Committee also met with the External Auditors on 28 March 2017 and 24 November 2017 respectively without the presence of Executive Directors, the management and Internal Auditors.

The meetings of the Audit Committee were attended by all committee members and invitees. The invitees include the internal auditors, external auditors and the Chief Financial Officer. The Company Secretary acted as secretary at the meetings to record minutes of the proceedings of the meeting.

Terms of Reference

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its Terms of Reference.

Membership

The Audit Committee shall comprise of at least three non-executive directors, the majority of whom are independent directors. At least one member shall be a professional or qualified accountant. Any vacancy resulting in the non-compliance of the above, shall be filled within three months.

AUDIT COMMITTEE REPORT

SUMMARY OF WORK

During the financial year ended 31 December 2017, the Audit Committee's work carried out in accordance with its terms of reference.

Financial Reporting

- Reviewed the quarterly and year-to-date unaudited financial results of the Company and the Group, before recommending them for approval by the Board of Directors.
- Reviewed the annual audited financial statements of the Company and the Group with the External Auditors prior to submission to the Board of Directors for approval.

The review was to ensure that the financial reporting and disclosures are in compliance with:

- the provisions of the Companies Act 2016;
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- applicable financial reporting standards in Malaysia; and
- other relevant legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with the management and the External Auditors the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements.

Internal Audit

The Internal Audit Plan was drawn up in accordance with high risk areas identified as a result of the risk assessment carried out.

The audit scope of the Internal Auditors during the financial year covered the following processes:

Scope of review

1. Review of the Group's recurrent related party transactions.
2. Review of Goods and Service Tax reporting (Group Registration) for Kimgres Marketing Sdn. Bhd, Ceramica Indah Sdn. Bhd. and Kim Hin Ceramic (Seremban) Sdn. Bhd.
3. Operational reviews of the Group's major subsidiaries in Malaysia:

   (i) Kimgres Marketing Sdn. Bhd.

   Branch visit (Johor Bahru):
   - Inventory management;
   - Customers' credit control procedure; and
   - SOP for Showroom orders and sales.

   West Malaysia (Petaling Jaya):
   - Inventory management;
   - Related party transactions (rental);
   - Customers' complaints;
   - Customers' satisfaction survey;
   - Customers' credit control procedure;
   - Suppliers' evaluation process; and
   - Petty cash management.

   East Malaysia (Kuching):
   - Customers' credit control procedure; and
   - Customers' complaints.

   (ii) Ceramica Indah Sdn Bhd:

   - Customers' complaints;
   - Control of non-conforming products procedure;
   - Human resource;
   - Mechanical maintenance function;
   - Electrical and electronic maintenance function; and
   - Calibration procedure.

AUDIT COMMITTEE REPORT

The overall review of the internal control system for the above areas covered, reveals that controls and policies are generally adequate and functioning satisfactorily. On-going reviews are being carried out continuously to ensure the effectiveness of the system. Although the Group's internal control system has been evaluated as satisfactory, it can only provide reasonable but not absolute assurance in the event of material error or loss.

The Audit Committee reviewed the following:

- the adequacy of the scope, competency and resources of the internal audit function to carry out its work.
- the internal audit plan and internal audit reports for the Group on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- the adequacy and monitory of the status of implementation of action plans agreed by the management on the outstanding issues to ensure that all the key risks and control lapses have been addressed.

External Audit

a. Reviewed with the External Auditors:

   - their Audit Plan and scope of work for the year;
   - the results of the annual audit and their audit report and evaluate their findings and recommendations for actions to be taken.

b. The Audit Committee had two independent meetings with the External Auditors in March and November 2017 respectively, without the presence of the Executive Directors, the management and Internal Auditors. The Audit Committee enquired about the management's cooperation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.

c. On 26 February 2018, the Audit Committee undertook an annual evaluation of the quality of audit which encompassed the following areas:

   a. the quality of services and sufficiency of resources provided by the External Auditors;
   b. the quality of communication with the Audit Committee;
   c. the auditors' independence, objectivity and professional skepticism of the External Auditors.

   The Audit Committee received written confirmation from the External Auditors regarding their independence to the Group.

   The Audit Committee also obtained input from the Company's personnel who has substantial contact with the External Auditors, in relation to the external auditors' performance. The Company's personnel was given a set of questionnaire to assess the quality of services provided, the independence and professional skepticism demonstrated by the External Auditors' team and the firm.

   The Audit Committee was satisfied with the suitability of the External Auditors based on the quality of services, technical competency and sufficiency of resources they provided to the Group.

   The Board at its meeting held on 28 March 2018 approved the Audit Committee's recommendation to re-appoint Ernst & Young as the External Auditors of the Group for the financial year ending 31 December 2018, subject to the shareholders' approval to be sought at the forthcoming annual general meeting.

Related Party Transactions

- Reviewed the updates on the recurrent related party transactions entered into by the Group.
- Reviewed the Circular to Shareholders relating to Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature prior to recommending it for the Boards' approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Background

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board of Directors of Kim Hin Industry Berhad ("Board") is pleased to provide the following statement which outlines the main features and scope of the Group's risk management and internal control system during the financial year ended 31 December 2017.

This Statement is prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and Practice Note 9 of Bursa Malaysia Securities Berhad ("Bursa Securities").

Responsibility of the Board

The Board acknowledges its overall responsibility and the importance of sound risk management and internal control, and for reviewing the adequacy and integrity of those system. The system of risk management and internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group. It can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial loss and fraud.

The Group has an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of risk management and internal control when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the MMLR of Bursa Securities and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control ("SRMICG").

Risk Assessment

The Board affirms that an important element for a sound system of internal control is to have in place a risk management and control system to identify and assess the significant risks to the existing business processes of the Group and implement appropriate controls to manage such risks. The Risk Management Committee ("RMC") was established in 2001 to achieve the following objectives:

(a) To be at the forefront of the Group Wide Risk Programme and ensure that a risk management structure is embedded in day-to-day operations throughout the Group;
(b) To ensure that the risk management structure is consistently adopted throughout the Group and is within the parameters established by the Board; and
(c) To ensure compliance with external requirements such as the SRMICG.

Control Environment and Activities

The Corporate Risk Scorecard system helped management in methodically identifying and assessing any emerging new risks, updating the business risks profiles that were previously identified, and following up with the implementation of the control plans. During the financial year under review, external consultants have been engaged to facilitate the Group to reassess its Enterprise Risk Profile to ensure that all the key risks faced by the Group arising from changes in the business environment and business objectives are being identified, reprioritised and managed. Three (3) separate Risk Management Briefing and Validation Session were organised for the Group's operations in West and East Malaysia in August 2017, leading to the Group Risk Assessment Workshop held on 14 September 2017. With this exercise, the Group has updated its risk assessment criteria, identified and assessed key risks that would impact the Group's business and its ability to meet the Group's business objectives as well as formulated risk mitigation strategies.

Revenue, Inventory, Trade Receivables, Production and Foreign Exchange were identified as major risks and are monitored as Key Risk Indicators on a monthly basis. Controls were also identified and evaluated to mitigate the risks with risk owners assigned to manage these risks.

In addition, the Group has other key control processes in place for its control environment to further enhance its evaluation and managing processes for risk management and internal control:

- A formalised Board Charter and Code of Conducts for Directors;
- Establishment of Employee's Handbook and Code of Ethic;
- Well structured organisation chart with defined lines of responsibilities and duties as specified in the job terms of reference;
- Existence of Standard Operating Procedures under the governance of ISO 9001 Quality Management System for the Group's manufacturing operations in Malaysia (Kuching and Seremban) and People Republic of China (Shanghai);
- Scheduled meeting of Management Review Meetings and Management Meetings; and
- Continuous monthly monitoring of the Group's Corporate Key Performance Indicators ("KPI"), financial policy and use of Enterprise Resource Planning (ERP) by the Group's operations in Malaysia.

The Group's manufacturing facilities at Kuching and Seremban have successfully been certified and upgraded to ISO 9001: 2015 Quality Management System. The latest version of ISO 9001 has adopted a risk based approach which adds further assurance to the Group's risk management for its operations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Internal Audit ("IA")

The Group has an IA function which is outsourced to independent internal auditors. The Group's IA function reviews the effectiveness of the system of internal control in managing the key risks and report accordingly to the Audit Committee.

In carrying out its work, the Group's Internal Auditors focused on areas of priority as determined by risk assessment and in accordance with the annual operational internal audit plan approved by the Audit Committee. Where any significant weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls and business processes, with follow-up audits by Internal Auditors to assess the status of implementation thereof by management.

During the financial year under review, the Group's Internal Auditors have performed audits covering the various business processes of the Group, which includes review of the Group's recurrent related party transactions, the Goods and Service Tax reporting (Group Registration) for Kimgres Marketing Sdn. Bhd., Ceramica Indah Sdn. Bhd., and Kim Hin Ceramic (Seremban) Sdn. Bhd. In addition, the Group's Internal Auditors performed operational reviews of the Group's major subsidiaries in Malaysia.

There was a branch visit to the Johor Bahru showroom of Kimgres Marketing Sdn. Bhd., which covers inventory management, customers' credit control procedure, and Standard Operating Procedure for Showroom orders and sales. The Internal Auditors have also reviewed inventory management, customers' complaints, customers' satisfaction survey, customers' credit control procedure, suppliers' evaluation process, and petty cash management of the operations of Kimgres Marketing Sdn. Bhd. in West Malaysia. The customers' credit control procedure and customers' complaints for the Group's operations in East Malaysia were also covered during the year.

Among areas of audit carried out for the Group's production facility in Kuching were control of non-conforming products procedure, human resource, mechanical maintenance function, electrical and electronic maintenance function, and calibration procedure.

The Audit Committee reviews the IA Reports from the Group's IA function and reports to the Board on key audit findings, recommendations of action plans and implementation status of corrective actions.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2017 was in the region of RM120,000.

Board Review

The Board has taken continuous steps to assess and enhance the effectiveness of the system of risk management and internal control, and is not aware of any significant weaknesses or deficiencies in the risk management and internal control system of the Group.

In addition, written assurance were received from Group Managing Director and Chief Financial Officer by the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Hence, the Board is pleased to report that there were no significant material internal control weaknesses noted during the year under review and up to the date of approval of the annual report and financial statements.

Review by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

This statement is issued in accordance with the Board's approval on 28 March 2018.

SUSTAINABILITY STATEMENT

INTRODUCTION

As a trusted ceramic tiles manufacturer in Malaysia, Kim Hin Industry Berhad takes pride in ensuring that our business is conducted responsibly. To us, sustainability is about creating long-term shareholders value by embracing opportunities and managing risks derived from social, environmental and economic factors. We endeavor to embed sustainability considerations into the strategic direction of the business which leads to value creation for our stakeholders and business in the long term.

This is our maiden statement on sustainability management. It assessed and reviewed our Kuching Headquarters ("the Company") practices and management approach of the sustainability matters.

IDENTIFICATION AND CATEGORIZATION OF SUSTAINABILITY MATTERS

The Board of Directors is the highest authority accountable for the Company's sustainability strategy and performance. The Board is supported by the Sustainability Committee in overseeing the Company's principles, policies, objectives and strategies pertaining to sustainability.

The Sustainability Committee conducted the materiality assessment of the sustainability matters based on our operating environment and the factors which affect the achievement of our business objectives.

Some of the objectives of the materiality assessment may include, among others, the following:

- identifying relevant sustainability issues, considering their impacts and associated risks and opportunities;
- identifying material sustainability matters that need to be managed and included in sustainability disclosures (for communication with internal and external stakeholders);
- identifying future trends that may affect the organisation or its business strategy;
- identifying areas for target setting to improve business and sustainability performance;
- informing the development or revision of business strategies – to include sustainability considerations; and
- facilitating more effective engagements with internal and/or external stakeholders, with particular focus on addressing their concerns.

Through the materiality assessment process evaluated by the Sustainability Committee and taking into consideration of the various stakeholders' expectations and scrutinisation of our operations, some of the relevant sustainability matters identified include procurement practices, community investment, water management, waste & effluent, energy, environmental responsibility related to our product, materials, diversity, human rights, occupational safety and health, labour practices and social responsibility related to product.

STAKEHOLDER ENGAGEMENT

From time to time, the company engages with the following stakeholders group through meetings, discussions and surveys to better identify and understand any sustainability expectations our stakeholders may have:

- employees
- customers
- suppliers
- investors
- government
- community

PRIORITIZATION OF SUSTAINABILITY MATTERS

From the sustainability matters identified, the next step was to prioritize sustainability matters to determine the material sustainability matters, by considering the risks and opportunities associated with these matters.

The prioritization process was based on the definition of materiality, i.e. what reflects an organisation's significant economic, environment and social impacts or what substantively influences the assessments and decisions of stakeholders.

From the prioritization exercise, Kim Hin Industry Berhad shall be able to focus its efforts to manage, monitor and disclose the relevant information to its internal and external stakeholders. The internal stakeholders like the Board of Directors shall gain from the assessment outcome in developing a better informed business strategy. The external stakeholders like the investors shall make better informed investment decisions, by understanding how sustainability matters are considered and managed by the organisation.

After thorough assessment, the material sustainability matters determined were diversity, human rights, occupational safety and health, and labour practices of the Kuching Headquarters.

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS : DIVERSITY

The Board has formalized the Boardroom and Workforce Diversity Policy on 15 April 2015.

Principles of the Boardroom Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.

A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, age, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.

Principles of Workforce Diversity Policy

The Group is committed to providing an inclusive workplace that embraces and promotes diversity.

(i) The Group values, respects and leverages the unique contributions of people with diverse backgrounds, experiences and perspectives to provide exceptional service to an equally diverse community.

(ii) The Group recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

Workforce diversity for 2017 for Kuching Headquarters

Ethnicity	No. of employee	Management *	Non-management	Ethnicity (%)
Bumiputera	752	26	726	80.34
Chinese	183	52	131	19.55
Indian	0	0	0	0.00
Non-Malaysian	1	1	0	0.11
Total	**936**	**79**	**857**	**100.00**

Gender	No. of employee	Management *	Non-management	Gender Percentage (%)
Male	649	35	614	69.34
Female	287	30	257	30.66
Total	**936**	**65**	**871**	**100.00**

Note
* Management denotes Executive level and above

Age Group	No. of employee	Percentage (%)
Less than 20 years	8	0.85
20-24 years	102	10.90
25-29 years	129	13.78
30-34 years	108	11.54
35-39 years	107	11.43
40-44 years	138	14.74
45-49 years	161	17.20
50-54 years	102	10.90
55-59 years	60	6.41
More than 60 years	21	2.24
Total	**936**	**100.00**

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS: LABOUR PRACTICES

Labour practices of the Company encompasses the fair treatment of employees in regards to the terms and conditions of employment and development of employees' skills and knowledge.

We place great emphasis on employee development through training and education as this is essential for employee retention and avoiding shortages in skilled labour. The employees are given the opportunity for ongoing training and development to enhance their skills so as to meet the Company's current and future objectives. Besides, opportunities for professional development also boosts productivity by contributing to a sense of employee satisfaction.

In the reporting year of 2017, the average hours of training per employee for the following category of employee is as follows:

Employee category	Average hours of training per annum
Supervisory and above	19.9 hours
Operatives	3.2 hours

MATERIAL SUSTAINABILITY MATTERS: HUMAN RIGHTS

In accordance with the United Nations Universal Declaration on Human Rights, human rights are defined as to include the right to:

- not to be discriminated against;
- not be enslaved;
- be treated with dignity;
- to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay; and
- have freedom of opinion and expression.

Kim Hin Industry Berhad has a responsibility to respect all human rights. To respect human rights means, in the first place, to not infringe the rights of others. As our commitment, we have made provisions in our Code of Conduct and Ethics to reflect our policies and procedures in managing human rights issues. We proactively manage the following human rights issues:

<u>Non-discriminatory employment practices</u>

We are committed to equal employment opportunity and fair employment practices without discrimination against race, ethnic group, gender, religion, sexual orientation, disability, age, marital status and pregnant status.

Beyond legal compliance, we strive to create an environment that is considerate and respectful towards one another.

<u>Child labour</u>

We complied with all applicable child labour laws including those related to hiring, wages, work hours, overtime and working condition.

<u>Forced labour</u>

We shall only hire applicants who seek employment on a voluntary basis. We shall not use any form of forced labour or labour acquired through human trafficking or indentured labour, forced prison labour or slave labour.

<u>Freedom of association</u>

We respect employees' right to join or form trade union of their choice, and to bargain collectively.

MATERIAL SUSTAINABILITY MATTERS: OCCUPATIONAL SAFETY AND HEALTH

In accordance with the International Labour Organisation, occupational safety and health refers to the anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of works.

A Safety and Health Policy has been issued which provides guidance in establishing processes and procedures in managing occupational safety and health matters. We are committed to a clean, safe, and healthy workplace and environment. All aspects of our business are managed in a safe and environmentally responsible manner. We believe these actions benefit our employees, customers, shareholders and the public.

To fulfill this commitment, we shall make every effort to adhere to the relevant industry standards and comply with occupational safety and health legislation.

Safety infrastructure such as fire-fighting system and equipment, first aid boxes and Emergency Response Plan are located at various places in the operation's premises.

A Safety and Health Committee has been formed to oversee the Company's responsibility in relation to occupational safety and health matters. The Committee is led by the Group Executive Director, and the members consist of representatives from the employer and representatives from the employees.

Annually, the Company provides safety and health training to the relevant employees. For the year of 2017, a total of 60 employees or about 6 % of the total workforce in Kuching Headquarters underwent various types of training on safety and health.

The details of safety and health trainings in 2017:

Date	Types of trainings / courses	No. of participants
15 & 16.03.2017	National SOHELP Convention	1
26.04.2017	Workshop of DOSH Online Reporting System (MYKKP)	1
11.05.2017	Program Keselamatan Untuk Pekerja Yang Menunggang Basikal	28
17.05.2017	Nurturing OSH Culture for Higher Productivity	1
30 & 31.10.2017	Environmental Life Cycle Assessment Training	3
11 & 12.11.2017	Occupational First Aid and CPR Programme	26
	Total:	**60**

The details of accident / incidents in 2017:

Types	Total
Fatalities	0 incidents
Injuries	7 incidents
Lost time injuries	114 days

Medical surveillance

Medical surveillance is necessary for the protection of our employees who are exposed or likely to be exposed to chemicals which are hazardous to health. We as the employer shall carry out the medical surveillance programme annually, so as to identify the changes in health status of the relevant employees due to occupational exposure. The medical surveillance shall be carried out by an occupational health doctor. In 2017, a total of 7 employees received the medical surveillance on mineral dust and noise exposure.

PROFILE OF DIRECTORS

CHUA SENG HUAT
Executive Chairman

57 years old
Malaysian
Male

Mr. Chua Seng Huat holds a Bachelor of Business Administration degree from the University of Hawaii, Honolulu, USA. He was first appointed to the Board of Kim Hin Industry Berhad on 2 October 1981 and was actively engaged in the operations of the Company and in the strategic business planning and was promoted to the post of Executive Chairman in 1998. He resigned as a Director in June 2001 and later was re-appointed to the Board and resumed the post of the Executive Chairman on 28 August 2006. He is a member of the Remuneration Committee.

He attended all of the six (6) Board Meetings held during the financial year ended 31 December 2017.

Mr. Chua Seng Huat is the brother of Dato' John Chua Seng Chai, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin who are also the Directors of the Company.

DATO' JOHN CHUA SENG CHAI
Group Managing Director

60 years old
Malaysian
Male

Dato' John Chua Seng Chai holds a Bachelor of Arts (Economics) Honours degree from the University of Warwick, United Kingdom. He was appointed to the Board as the Production Director on 2 October 1981. He is a member of the Risk Management Committee and Option Committee.

He attended four (4) out of the six (6) Board Meetings held during the financial year ended 31 December 2017.

Dato' John Chua Seng Chai is the brother of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin who are also Directors of the Company.

CHUA SENG GUAN
Group Executive Director

60 years old
Malaysian
Male

Mr. Chua Seng Guan graduated with a Bachelor of Arts, Honours degree in Business Law from the City of London Polytechnic, United Kingdom and was called to the Bar at Gray's Inn at the end of 1983. After he had chambered and worked at Gray's Inn and Inner Temple, he returned to Malaysia and joined the Company as the Marketing Director on 22 October 1985. He is a member of the Risk Management Committee.

He attended all of the six (6) Board Meetings held during the financial year ended 31 December 2017.

Mr. Chua Seng Guan is the brother of Mr. Chua Seng Huat, Dato' John Chua Seng Chai, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin who are also Directors of the Company.

PROFILE OF DIRECTORS

PAULINE GETRUDE CHUA HUI LIN
Executive Director

56 years old
Malaysian
Female

Madam Pauline Getrude Chua Hui Lin has completed her secondary education in Kuching and she joined the Company in 1980, initially serving in the Accounts Department and was appointed to the Board of Directors of Kim Hin Industry Berhad in 1981 and later as an Alternate Director to Mr. Chua Seng Guan in 1985. Madam Pauline Getrude Chua Hui Lin was later re-appointed as Director of Kim Hin Industry Berhad on 1 January 1992. She is primarily in-charge of the administration and operating procedures of the Group.

She attended all of the six (6) Board Meetings held during the financial year ended 31 December 2017.

Madam Pauline Getrude Chua Hui Lin is the sister of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Dato' John Chua Seng Chai and Mdm. Chua Yew Lin who are also Directors of the Company.

CHUA YEW LIN
Executive Director

55 years old
Malaysian
Female

Madam Chua Yew Lin has completed her secondary education in Kuching. She joined the Company in 1980 as Office Manager and was later promoted as a Director on 2 October 1981. She oversees the overall financial and treasury operations of the Group.

She attended five (5) out of the six (6) Board Meetings held during the financial year ended 31 December 2017.

Madam Chua Yew Lin is the sister of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Dato' John Chua Seng Chai and Mdm. Pauline Getrude Chua Hui Lin who are also Directors of the Company.

FONG TSHU KWONG
Independent Director

60 years old
Malaysian
Male

Mr. Fong Tshu Kwong is a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Malaysian Institute of Corporate Governance.

He started his career in Ernst & Young and has over 18 years of professional experience in accounting, secretarial, assurance and advisory business services, taxation, management consultancy and corporate advisory services in London and Malaysia offices. From April 1996 to June 2009, he was the Managing Director of OMG Electronic Chemicals (M) Sdn Bhd, a wholly-owned subsidiary of OM Group Inc., USA, a NYSE listed company.

He was appointed to the Board as an Independent Non-Executive Director on 21 May 2001. He is a member of the Audit Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Option Committee.

He attended all of the six (6) Board Meetings held during the financial year ended 31 December 2017.

PROFILE OF DIRECTORS

ONG AH BA
Independent Director

60 years old
Malaysian
Male

Mr. Ong Ah Ba completed his Form 6 and Higher School Certificate in 1978.

He joined Khong Guan Group in early 1979. He started his career as a Management Trainee at Khong Guan Biscuit Factory (Singapore) Pte. Ltd. From 1980 to 1988, he served in Khong Guan Biscuit Factory (Borneo) Sdn Bhd and Sasinco Sdn Bhd.

He was transferred to work in Borneo Biscuit Factory Sdn Bhd in 1988. Currently, Mr Ong is the General Manager of Borneo Biscuit Factory Sdn Bhd and Executive Director of Sunshine Traders Sdn Bhd which is a subsidiary company of Borneo Biscuit Factory Sdn Bhd. He is also a director of Chung Ying Confectionary & Food Products Sdn Bhd in Sandakan, one of the biscuit factories of Khong Guan Group.

He was appointed as an Independent Director and a member of the Audit Committee on 8 December 2009. Additionally, he was also appointed by the Board as a member of the Nomination Committee, Remuneration Committee and Option Committee on 27 February 2012.

He attended all of the six (6) Board Meetings held during the financial year ended 31 December 2017.

YONG LIN LIN
Independent Director

58 years old
Malaysian
Male

Mr. Yong Lin Lin obtained his Diploma in Electrical and Electronic Engineering, Full Technical Certificate in City & Guild, England in 1985.

He joined Weida Resources Sdn Bhd from 1985 to 2003. Weida Resources Sdn Bhd was later listed on the Bursa Malaysia Securities Berhad as Weida (M) Bhd in 2000. He was an Executive Director of Weida (M) Bhd until August 2003.

Mr. Yong later attached with Naim Utilities Sdn Bhd as an Executive Director from 2006 - 2008.

In 2008, he was appointed as a director of Tenaga Suria Hybrid Sdn Bhd.

He was appointed as an Independent Director and a member of the Audit Committee on 21 August 2013.

He attended four (4) out of the six (6) Board Meetings held during the financial year ended 31 December 2017.

Save as disclosed, none of the Directors has

(i) any family relationship with any Director and/or major shareholder of the Company;
(ii) any conflict of interest with the Company; and
(iii) any conviction of offences within the past 5 years other than traffic offences.

PARTICULARS OF KEY SENIOR MANAGEMENT

1. ANG PEK LAY • General Manager, Kimgres Marketing Sdn Bhd

Nationality / age / gender:
Malaysian / 54 / Female

Date of appointment:
1 October 2015

Academic / professional qualification(s):
- Master in International Business

Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:
- Worked in H&R Johnson for 3 years (1989-1992)
- Joined Kimgres Marketing Sdn Bhd since 1993

2. PETER CHIAM TAU MIEN • Chief Finance Officer, Kim Hin Industry Berhad

Nationality / age / gender:
Malaysian / 46 / Male

Date of appointment:
1 January 2014

Academic / professional qualification(s):
- Chartered Accountant (Malaysia)
- Fellow of Association of Chartered Certified Accounts ("ACCA") (UK)

Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:
- He started his career in Ernst & Young, Kuching in 1995 and has about 10 years of professional experience in accounting, assurance and advisory business services, taxation and corporate advisory services.
- Joined Kim Hin Industry Berhad on 1 August 2005.

3. CHUA CHEE CHEANG • Factory Manager, Kim Hin Ceramics (Seremban) Sdn Bhd

Nationality / age / gender:
Malaysian / 53 / Male

Date of appointment:
1 October 2011

Academic / professional qualification(s):
- Higher School Certificate

Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:
- Has 29 years of experience in the ceramic tiles industry.
- Joined Kim Hin Group on 8 March 1989.

4. CHUA BAN CHOON @ CHUA CHUI KIM • Director & General Manager, Kim Hin (Shanghai) Co. Ltd
Operation Manager, Kim Industry Berhad

Nationality / age / gender:
Malaysian / 64 / Male

Date of appointment:
1995

Family relationship with any director and/or major shareholder
- He is the uncle of the Executive Directors*

Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:
- Has wide experience in the ceramic tiles industry and received his training. with several large ceramic manufacturing companies in Taiwan.
- Joined Kim Hin Industry Berhad in 1974.

5. WINNIE HO • Personal Assistant to Group Managing Director, Kim Hin Industry Berhad

Nationality / age / gender:
Malaysian / 51 / Female

Date of appointment:
1 October 2006

Academic / professional qualification(s):
- Master of Business Administration

Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:
- Started as a legal clerk in an advocate firm in 1986. Moved on to a management consultancy firm in 1992 as a secretary.
- Joined Kim Hin Industry Berhad in April 2000.

PARTICULARS OF KEY SENIOR MANAGEMENT

6. CAI CHUN HUI • Vice General Manager, Kim Hin (Shanghai) Co. Ltd

Nationality / age / gender: Chinese / 49 / Female	Academic / professional qualification(s): • University graduate Family relationship with any director and/or major shareholder • She is the cousin of the Executive Directors*
Date of appointment: 1995	Present Directorship: Listed entity: Nil Other public companies: Nil Working experience: • Has 24 years of experience in the ceramic tiles industry

7. AHMAD BAKHTIAR BIN ABU BAKAR • Finance and Administration Manager, Kim Hin Ceramics (Seremban) Sdn Bhd

Nationality / age / gender: Malaysian / 59 / Male	Academic / professional qualification(s): • Master in Science (Operational Research) • Bachelor of Science in Finance
Date of appointment: 1 December 2007	Present Directorship: Listed entity: Nil Other public companies: Nil Working experience: • Has 28 years of experience in the ceramic tiles industry. • Joined Kim Hin Ceramics (Seremban) Sdn Bhd on 1 October 1989.

8. CHARLINE PAN LING HWEN • Director and Chief Executive Officer, Johnson Tiles Pty Ltd

Nationality / age / gender: Malaysian / 28 / Female	Academic / professional qualification(s): • Bachelor of Commerce (Accounting & Finance) • Certified Public Accountants (Australia)
Date of appointment: 2016	Family relationship with any director and/or major shareholder • She is the daughter of Mdm Pauline Getrude Chua Hui Lin Present Directorship: Listed entity: Nil Other public companies: Nil Working experience: • Has joined Kimgres Australia Pty Ltd ("KA") since 2012 • appointed as CEO/General Manager of KA in 2013 and oversees the entire operations of KA. • Appointed as CEO of Johnson Tiles Pty Ltd in 2016

1. Save for Chua Ban Choon @ Chua Chui Kim, Cai Chun Hui and Charline Pan Ling Hwen, none of the Key Senior Management personnel has any family relationship with any Director and/or major shareholder of Kim Hin Industry Berhad.

2. None of the Key Senior Management personnel has:
   - any conflict of interest with Kim Hin Industry Berhad;
   - any conviction for offences within the past 5 years other than traffic offences; and
   - any imposition of penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

Note

* Executive Directors are Mr Chua Seng Huat, Dato' John Chua Seng Chai, Mr Chua Seng Guan, Mdm Pauline Getrude Chua Hui Lin and Mdm Chua Yew Lin.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING ANNUAL AUDITED FINANACIAL STATEMENTS

In preparing the financial statements of the Group and of the Company, the Directors are collectively responsible:-

1) for ensuring that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016, applicable Financial Reporting Standards in Malaysia and the Listing Requirements of Bursa Malaysia Securities Berhad.

2) for ensuring that the financial statements for each financial year, gives a true and fair view of the financial position of the Group and of the Company at the end of the financial year.

3) for ensuring the adoption of suitable and relevant accounting policies on a consistent basis supported by judgements and estimates that are prudent and reasonable.

4) for ensuring the Group and the Company maintain accounting records which disclose with reasonable accuracy of the financial position of the Group and of the Company.

5) for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Bursa Malaysia Securities Berhad Listing Requirements:

AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors for the financial year ended 31 December 2017 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young & its affiliates	90	637
Statutory Audit	233	358
Non-audit services including tax services		
Fees paid/payable to other auditors		
• Statutory Audit	-	98
• Non-audit services including tax services	-	97
Total	323	1,190

MATERIAL CONTRACTS

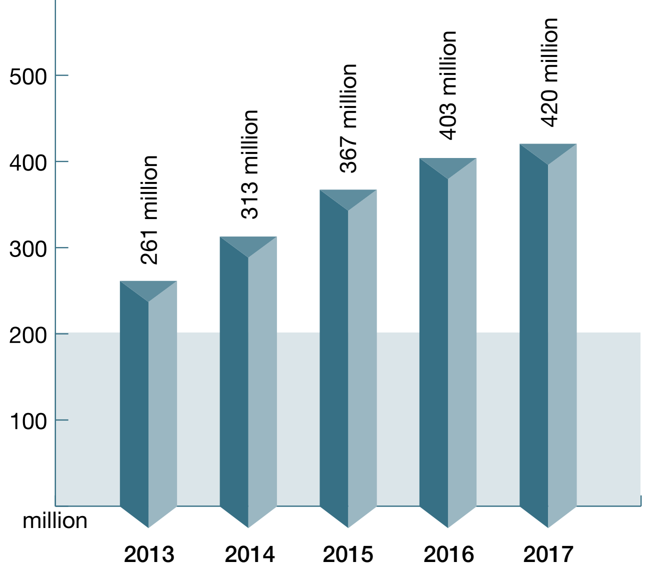
There was no material contract entered into by the Company and its subsidiary companies involving the directors and major shareholders' interest during the financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

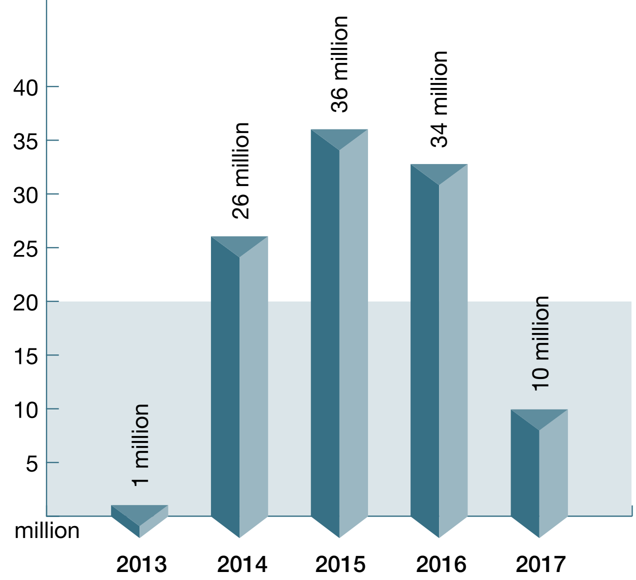
Please refer to Note 31 of the Audited Financial Statement on page 102 for the breakdown of the aggregate value of Recurrent Related Party Transactions conducted during the financial year ended 31 December 2017 pursuant to the Shareholders' mandate.

FINANCIAL HIGHLIGHTS

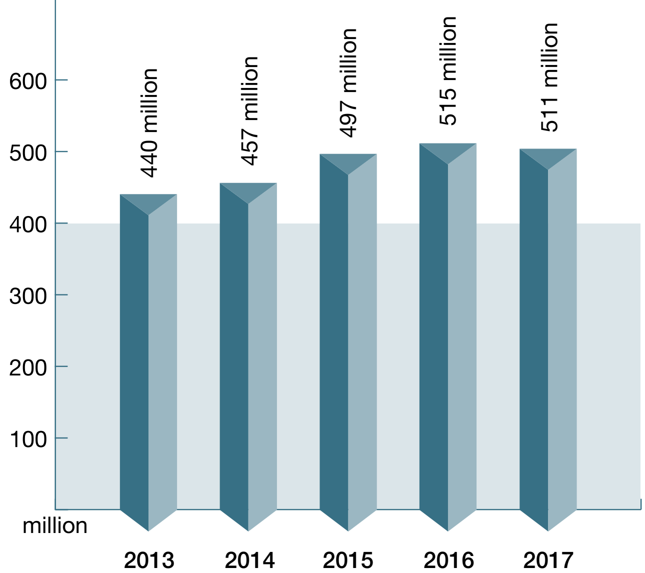
:: REVENUE



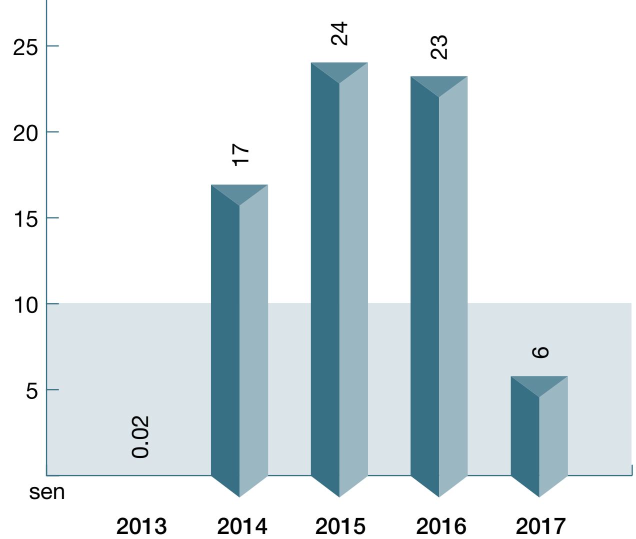
:: PROFIT NET OF TAX



:: EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT



:: EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)



WHITE MARBLE
SILVER
NEW ENGLAND
ILLUSION
MARBLE
STONEWAY
SKYTECH
indoor + outdoor tiles
ALBUM
BASIC RAW MATERIALS OF CERAMIC TILES

FINANCIAL STATEMENTS

Directors' Report and Audited Financial Statements
For the Financial Year Ended 31 December 2017

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 15 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	9,551	12,748
Profit attributable to:		
Owners of the parent	8,022	12,748
Non-controlling interests	1,529	-
	9,551	12,748

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amounts of dividends paid by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Final tax exempt dividend of 3.0 sen per ordinary share, on 140,239,113 ordinary shares, declared on 27 April 2017 and paid on 25 July 2017	4,207
In respect of the financial year ended 31 December 2017:	
Interim tax exempt dividend of 3.0 sen per ordinary share, on 140,239,113 ordinary shares, declared on 28 November 2017 and paid on 28 December 2017	4,207
	8,414

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Chua Seng Huat **	(Executive Chairman)
Dato' John Chua Seng Chai **	(Group Managing Director)
Chua Seng Guan **	(Group Executive Director)
Chua Yew Lin **	
Pauline Getrude Chua Hui Lin **	
Fong Tshu Kwong @ Fong Tshun Kwong	
Ong Ah Ba	
Yong Lin Lin	

** These directors are also directors of the Company's subsidiaries.

The directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Meera Sen Mei-Li
Vincent Gerald Khoo
Chua Chui Kim
Cicy Cai Chun Hui
Wang Chin Chieh
Wang Chin Hsiang
Charline Pan Ling Hwen
Shirley Liew Siaw Nee
Stephen James Purcell
Ngui Sam Ted
David Chua Kee Yong (Appointed on 26 March 2018)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

The directors' benefits are is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Executive				
Fees	165	165	165	165
Salaries, bonus and allowances	7,123	7,826	2,967	3,384
Defined contribution plan	1,293	1,456	595	674
Social security contribution	4	3	2	2
Estimated monetary value of benefits-in-kind	159	313	52	204
	8,744	9,763	3,781	4,429
Non-executive director				
Fees	99	99	99	99
Total directors' remuneration	8,843	9,862	3,880	4,528

Included in the analysis above is remuneration for directors' of the Group and the Company which is in accordance with the requirement of Companies Act 2016.

The Company has agreed to indemnify its directors as part of their appointment against claims by third parties. No payment has been made to indemnify the directors for the financial year ended 31 December 2017.

Directors' interests

According to the register of directors' shareholdings, the interests of the Company's directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

(a) Shareholdings in the Company registered in the name of Directors:

	Number of ordinary shares At 1.1.2017 and 31.12.2017
Chua Seng Huat	1,113,225
Dato' John Chua Seng Chai	524,650
Chua Seng Guan	566,000
Chua Yew Lin	242,400
Pauline Getrude Chua Hui Lin	328,900
Fong Tshu Kwong @ Fong Tshun Kwong	20,000
Ong Ah Ba	10,000

(b) Shareholdings in which Directors are deemed to have an interest:

	Number of ordinary shares At 1.1.2017 and 31.12.2017
Chua Seng Huat	86,189,825
Dato' John Chua Seng Chai	86,189,825
Chua Seng Guan	86,189,825
Chua Yew Lin	86,189,825
Pauline Getrude Chua Hui Lin	86,204,175

By virtue of their substantial indirect interest in shares of Kim Hin Industry Berhad, Chua Seng Huat, John Chua Seng Chai, Chua Seng Guan, Chua Yew Lin and Pauline Getrude Chua Hui Lin are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

DIRECTORS' REPORT

Treasury shares

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

As at 31 December 2017, the Company held as treasury shares a total of 15,376,900 of its 155,616,013 issued ordinary shares. Such treasury shares are held at a carrying amount of RM24,309,000. Further relevant details are disclosed in Note 22 to the financial statements.

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of a provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in respect of the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Holding company

The holding company is Kim Hin (Malaysia) Sdn. Bhd., a company incorporated and domiciled in Malaysia, with its registered office located at 4½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching.

DIRECTORS' REPORT

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 7 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

Chua Seng Huat **Dato' John Chua Seng Chai**

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Chua Seng Huat** and **Dato' John Chua Seng Chai**, being two of the directors of **Kim Hin Industry Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 48 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

Chua Seng Huat

Dato' John Chua Seng Chai

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Peter Chiam Tau Mien**, being the officer primarily responsible for the financial management of **Kim Hin Industry Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 48 to 111 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Peter Chiam Tau Mien**
at Kuching in the State of Sarawak
on 13 April 2018

Peter Chiam Tau Mien (MIA 14085)

Before me,
Phang Dah Nan
Commissioner of Oath

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIM HIN INDUSTRY BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Kim Hin Industry Berhad**, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 111.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Inventory

As of 31 December 2017, total inventory of the Group amounted to RM176.97 million representing approximately 27% of the Group's total assets and during the current financial year, the Group recorded a write-down of inventories of RM4.41 million in its profit or loss as disclosed in Note 7 to the financial statements. The write down of inventories was mainly related to slow moving inventories. We focused on this area because the carrying value of inventories and the written down of inventories are material to the financial statements and involve a high level of judgement.

Our audit procedures included assessing the evaluation of analyses and assessments made by management with respect to slow moving inventories and management's assumption and method in calculating the write-down of inventories. We have tested the net realisable value of the inventories on a sampling basis by comparing to the selling prices of products of actual sales made near or subsequent to year end. In evaluating the significant judgements and estimation made by the management, we have also assessed the reliability of the inventory aging reports provided by the management. We also assessed the adequacy of the disclosures related to inventories in Note 18 to the financial statements.

Business combination

During the financial year 31 December 2017, the Company finalized the purchase price acquisition exercise arising from the acquisition of Outset Holdings Pty Ltd as disclosed in Note 15 to the financial statements. We have determined this to be a key audit matter based on the quantitative materiality of the acquisition, the significant management judgement that the purchase price allocations requires in the identification and the determination of the fair value of the assets and the liabilities acquired, including the intangible assets.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIM HIN INDUSTRY BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

***Business combination* (contd.)**

The significant judgement mainly related to the valuation of the intangible assets. Management prepared the purchase price allocation assisted by an external valuation expert. Our audit procedure, amongst others included the assessment of the competence, objectivity, and the relevant experience of the external expert engaged by management. We engaged our internal valuation experts to support us in assessing the reasonableness of management's valuation methodologies and assumptions.

As part of our audit procedures on accounting for the acquisition, we also read the purchase agreement to obtain an understanding of the transaction and the key terms. An important element of our audit related to management's identification and determination of the fair value measurement of the acquired assets and liabilities. We tested this identification and measurement based on our discussion with management and our understanding of the business of the acquired companies. We have reviewed the purchase price allocation report methodologies and assessed the key assumptions and inputs used in measuring the fair value of the identified assets and liabilities. We also assessed the adequacy of the related disclosures in Note 15 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

YONG VOON KAR
1769/04/20 (J/PH)
Chartered Accountant

Kuching, Malaysia.
Date: 13 April 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
Revenue	4	420,278	403,314	13,625	12,461
Cost of sales		(281,709)	(273,220)	-	-
Gross profit		138,569	130,094	13,625	12,461
Negative goodwill	15	-	1,649	-	-
Other income	5	13,917	17,838	8,755	8,118
Selling and distribution costs		(49,943)	(37,025)	-	-
Administrative expenses		(72,767)	(66,305)	(8,379)	(8,703)
Other expenses		(10,080)	(3,444)	(488)	(302)
Operating profit		19,696	42,807	13,513	11,574
Finance costs	6	(1,437)	(1,247)	-	-
Profit before tax	7	18,259	41,560	13,513	11,574
Income tax expense	10	(8,708)	(7,841)	(765)	(671)
Profit net of tax		9,551	33,719	12,748	10,903
Other comprehensive income:					
Other comprehensive income that will be reclassified to profits or loss in subsequent periods (net of tax):					
Exchange translation differences on foreign subsidiaries		(4,502)	(1,009)	-	-
Other comprehensive income for the year, net of tax		(4,502)	(1,009)	-	-
Total comprehensive income for the year		5,049	32,710	12,748	10,903
Profit attributable to:					
Owners of the parent		8,022	31,564	12,748	10,903
Non-controlling interests		1,529	2,155	-	-
		9,551	33,719	12,748	10,903
Total comprehensive income attributable to:					
Owners of the parent		4,149	30,946	12,748	10,903
Non-controlling interests		900	1,764	-	-
		5,049	32,710	12,748	10,903
Earnings per share attributable to owners of the parent (sen):	11				
- Basic / Diluted		5.72	22.51		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	220,886	222,945	25,890	27,290
Investment properties	14	20,214	46,617	20,214	20,563
Investment in subsidiaries	15	-	-	162,521	162,521
Other investments	16	27,770	42,207	27,770	42,207
Intangible assets	17	24,967	24,967	-	-
Deferred tax assets	25	7,076	4,160	-	-
		300,913	340,896	236,395	252,581
Current assets					
Inventories	18	176,965	154,903	-	-
Trade and other receivables	19	104,110	87,212	132,086	109,334
Other current assets	20	5,118	5,135	6	26
Tax recoverable		1,884	1,919	1,363	1,589
Derivative assets	26	426	-	-	-
Other investments	16	2,496	11,627	-	-
Cash and bank balances	21	58,463	60,984	1,067	143
		349,462	321,780	134,522	111,092
TOTAL ASSETS		650,375	662,676	370,917	363,673
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	206,658	155,616	206,658	155,616
Share premium	22	-	51,042	-	51,042
Treasury shares	22	(24,309)	(24,309)	(24,309)	(24,309)
Other reserves	23	16,061	19,390	-	-
Retained earnings		312,262	313,198	181,330	176,996
		510,672	514,937	363,679	359,345
Non-controlling interests		17,870	19,041	-	-
Total equity		528,542	533,978	363,679	359,345
Non-current liabilities					
Loans and borrowings	24	21,822	24,844	-	-
Deferred tax liabilities	25	4,802	5,280	77	113
Provisions	28	1,353	1,218	-	-
Deferred capital grant	29	395	598	-	-
		28,372	31,940	77	113
Current liabilities					
Loans and borrowings	24	2,889	8,114	-	-
Trade and other payables	27	82,453	81,674	7,090	4,146
Provisions	28	2,951	3,019	71	69
Deferred capital grant	29	203	203	-	-
Tax payable		4,965	3,748	-	-
		93,461	96,758	7,161	4,215
Total liabilities		121,833	128,698	7,238	4,328
TOTAL EQUITY AND LIABILITIES		650,375	662,676	370,917	363,673

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to equity holders of the Company								
	Note	Share capital (Note 22) RM'000	Share premium (Note 22) RM'000	Treasury shares (Note 22) RM'000	Reserve and enterprise expansion funds (Note 23) RM'000	Translation adjustment account (Note 23) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2017										
As previously stated		155,616	51,042	(24,309)	3,675	15,715	311,549	513,288	19,041	532,329
Adjustment to negative goodwill	15	-	-	-	-	-	1,649	1,649	-	1,649
As restated		155,616	51,042	(24,309)	3,675	15,715	313,198	514,937	19,041	533,978
Profit net of tax		-	-	-	-	-	8,022	8,022	1,529	9,551
Other comprehensive income		-	-	-	-	(3,873)	-	(3,873)	(629)	(4,502)
Total comprehensive income		-	-	-	-	(3,873)	8,022	4,149	900	5,049
Transactions with owners										
Dividends	12	-	-	-	-	-	(8,414)	(8,414)	-	(8,414)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	(2,071)	(2,071)
Transition to no par value regime on 31 January 2017		51,042	(51,042)	-	-	-	-	-	-	-
Transfer between reserves		-	-	-	544	-	(544)	-	-	-
At 31 December 2017		206,658	-	(24,309)	4,219	11,842	312,262	510,672	17,870	528,542

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		← Attributable to equity holders of the Company →								
	Note	Share capital (Note 22) RM'000	Share premium (Note 22) RM'000	Treasury shares (Note 22) RM'000	Reserve and enterprise expansion funds (Note 23) RM'000	Translation adjustment account (Note 23) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016		155,616	51,042	(24,309)	2,772	17,229	294,262	496,612	18,132	514,744
Profit net of tax		-	-	-	-	-	31,564	31,564	2,155	33,719
Other comprehensive income		-	-	-	-	(618)	-	(618)	(391)	(1,009)
Total comprehensive income (restated)		-	-	-	-	(618)	31,564	30,946	1,764	32,710
Transactions with owners										
Dividends	12	-	-	-	-	-	(12,621)	(12,621)	-	(12,621)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	(855)	(855)
Transfer between reserves		-	-	-	903	(896)	(7)	-	-	-
At 31 December 2016 (restated)		155,616	51,042	(24,309)	3,675	15,715	313,198	514,937	19,041	533,978

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital (Note 22) RM'000	Share premium (Note 22) RM'000	Treasury shares (Note 22) RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017		155,616	51,042	(24,309)	176,996	359,345
Profit net of tax, representing total comprehensive income for the year		-	-	-	12,748	12,748
Transition to no par value regime on 31 January 2017		51,042	(51,042)	-	-	-
Transactions with owners						
Dividends	12	-	-	-	(8,414)	(8,414)
At 31 December 2017		206,658	-	(24,309)	181,330	363,679
At 1 January 2016		155,616	51,042	(24,309)	178,714	361,063
Profit net of tax, representing total comprehensive income for the year		-	-	-	10,903	10,903
Transactions with owners						
Dividends	12	-	-	-	(12,621)	(12,621)
At 31 December 2016		155,616	51,042	(24,309)	176,996	359,345

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000 (Restated)
Operating activities			
Profit before tax		18,259	41,560
Adjustments for:			
Amortisation of deferred capital grant	5	(203)	(284)
Bad debts written off	7	-	28
Depreciation of property, plant and equipment	7	22,012	21,405
Depreciation of investment properties	7	609	887
Dividend income	4	(362)	(822)
Gain on disposal of investment property	5	(2,062)	-
Gain on disposal of property, plant and equipment, net	5, 7	(222)	(2,039)
Gain on fair value changes	5, 7	(3,770)	(2,842)
(Gain)/loss on disposal of other investments	5, 7	(265)	270
Negative goodwill	15	-	(1,649)
Impairment loss on receivables	7	481	104
Impairment loss on trade receivables reversed	5	-	(359)
Interest expense	6	1,437	1,247
Interest income	5	(766)	(456)
Inventories written off	7	44	37
Property, plant and equipment written off	7	30	4
Unrealised loss/(gain) on foreign exchange	5, 7	2,806	(489)
Write-down of inventories, net	5, 7	4,297	1,760
Operating profit before working capital changes		42,325	58,362
Changes in working capital:			
Inventories		(26,403)	(15,265)
Receivables		(20,587)	(857)
Other current assets		17	908
Payables		67	8,219
Provision		1,326	429
Cash (used in)/generated from operations		(3,255)	51,796
Interest paid		(1,437)	(1,247)
Taxes paid, net of refund		(11,015)	(9,059)
Net cash (used in)/generated from operating activities		(15,707)	41,490
Investing activities			
Acquisition of property, plant and equipment	13	(22,194)	(53,961)
Acquisition of other investments		(10,524)	(21,061)
Dividend received		-	608
(Placement)/withdrawal in short-term deposits with maturity more than 3 months		(2,721)	1,544
Net cash outflow from acquisition of subsidiaries	15	-	(15,672)
Interest received		766	456
Proceeds from disposal of investment properties		28,593	-
Proceeds from disposal of other investments		38,063	47,192
Proceeds from disposal of property, plant and equipment		664	5,082
Proceeds received from government grant		-	1,085
Net cash generated from/(used in) investing activities		32,647	(34,727)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Financing activities			
Dividend paid		(8,414)	(12,621)
Dividend paid to non-controlling interests		(2,071)	(855)
Drawdown of term loan		-	20,000
Repayment of lease payables		(415)	(87)
Repayment of other borrowings		(4,526)	(4,413)
Repayment of term loan		(2,699)	(1,850)
Net cash (used in)/generated from financing activities		(18,125)	174
Net (decrease)/increase in cash and cash equivalents		(1,185)	6,937
Effects of foreign exchange rate changes		(3,450)	(1,838)
Cash and cash equivalents at the beginning of the year		49,721	44,622
Cash and cash equivalents at the end of the year	21	45,086	49,721

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Operating activities			
Profit before tax		13,513	11,574
Adjustments for:			
Depreciation of property, plant and equipment	7	1,472	1,389
Depreciation of investment properties	7	349	349
Dividend income	4	(12,569)	(11,405)
(Gain)/loss on disposal of other investments	5, 7	(265)	270
Gain on fair value changes	5	(3,344)	(2,547)
Interest income	5	(4,886)	(4,588)
Gain on disposal of property, plant and equipment	5	-	(69)
Unrealised loss/(gain) on foreign exchange	5, 7	488	(684)
Operating loss before working capital changes		(5,242)	(5,711)
Changes in working capital:			
Other receivables		(20,278)	(8,031)
Other current assets		20	283
Other payables		(18)	(529)
Provision		2	12
Cash used in operating activities		(25,516)	(13,976)
Taxes paid, net of refund		(575)	(876)
Net cash used in operating activities		(26,091)	(14,852)
Investing activities			
Acquisition of property, plant and equipment	13	(72)	(1,779)
Acquisition of other investments		(7,971)	(21,056)
Allotment of shares by subsidiaries		-	(13,405)
Dividends received		12,240	10,853
Interest received	5	4,886	4,588
Proceeds from disposal of other investments		26,346	46,569
Proceeds from disposal of property, plant and equipment		-	97
Net cash generated from investing activities		35,429	25,867
Financing activity			
Dividend paid	12	(8,414)	(12,621)
Net increase/(decrease) in cash and cash equivalents		924	(1,606)
Cash and cash equivalents at the beginning of the year		143	1,749
Cash and cash equivalents at the end of the year	21	1,067	143

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 4½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak.

The holding company is Kim Hin (Malaysia) Sdn. Bhd., a company incorporated and domiciled in Malaysia, with its registered office located at 4½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 15. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2017, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Annual Improvements to MFRS Standards 2014-2016 Cycle:	
Amendments to MFRS 12: Disclosure of Interests in Other Entities	
- Clarification of the Scope of Disclosure Requirements in MFRS 12	1 January 2017

Adoption of the above amendments did not have any significant effect on the financial performance and position of the Group and of the Company.

(a) Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosure in Note 34, the application of these amendments has had no impact on the Group.

(b) Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on both the Group and the Company as sufficiency of future taxable profits is assessed in a way that is consistent with these amendments.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRS 2014 - 2016 Cycle:	
(i) Amendments to MFRS 1: First-time Adoption of Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Annual Improvements to MFRS 2015 - 2017 Cycle:	
(i) Amendments to MFRS 3: Business Combination	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatment	1 January 2019
MFRS 16: Leases	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

(a) Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments to MFRS 2 address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on the financial statements.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

(b) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

The Group is in the business of manufacturing and sale of ceramic tiles.

(i) Sale of goods

The Group currently recognises revenue from sales of goods under MFRS 118 upon transfer of significant risk and rewards of ownership of the goods to the customer on delivery of goods. Under MFRS 15, sales of goods is generally expected to be the only performance obligation. The Group expects the revenue recognition to occur at a point in time when the control of the asset is transferred to the customer, generally on delivery of the goods. As such, adoption of MFRS 15 is not expected to have any impact on the Group's and the Company's revenue and profit or loss.

(ii) Variable consideration

For the sale of goods, some customers may be provided with right of return, trade discounts or rebates. Such provisions give rise to variable consideration under MFRS 15. The Group currently recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts. Under MFRS 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associate uncertainty is subsequently resolved. On the adoption of MFRS 15, the Group does not expect any significant adjustment required as the right of return, trade discounts or rebates are known in a relatively short period of time after the sale of goods.

(iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

(c) MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not required to be restated. During 2017, the Group has performed an impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

The Group and the Company does not expect a significant impact on their statements of financial position or statements of changes in equity on applying the classification and measurement requirements of MFRS 9. The Group and the Company expect to continue measuring at fair value all financial assets which are currently held at fair value. The Group's and the Company's quoted securities are currently measured at fair value through profit or loss and unquoted structured products are currently held as available-for-sale ("AFS") where any fair value gains and losses are recorded in Other Comprehensive Income will, instead be measured at fair value through profit of loss upon under MFRS 9, which will increase volatility in recorded profit or loss. Currently, there are no fair value changes recognised for unquoted structured products due to its short-term in nature.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

MFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

(d) IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and on the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

(e) Amendments to MFRS 9: Prepayment Features with Negative Compensation

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instruments is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

(f) MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting for the Group's operating leases. The Group has not assessed if there are any adjustments which are necessary because of the treatment of variable lease payments, extension or termination options. It is therefore not practicable at this juncture to estimate the amount of right-to-use assets and liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group's profit or loss and classification of cash flows going forward.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

(g) Annual Improvements to MFRS Standards 2015-2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(i) MFRS 112 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(h) IC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date. In addition, the Group and the Company may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(b) Exposure, or rights, to variable returns from its investment with the investee; and
(c) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(a) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(b) Potential voting rights held by the Company, other vote holders or other parties;
(c) Rights arising from other contractual arrangements; and
(d) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. Other contingent consideration shall be measured at fair values and such changes shall be recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.9.

2. Summary of significant accounting policies (contd.)

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within the equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owner's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under translation adjustment account in equity. The translation adjustment account is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under translation adjustment accounts relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2. Summary of significant accounting policies (contd.)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment except for freehold land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them, accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated over the residual lease period. Capital work-in-progress is not depreciated as these assets are not yet available for use.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Buildings, drainage and roads	2% to 10%
Plant, machinery and equipment	5% to 50%
Motor vehicles	20%
Furniture, fittings and office equipment	8% to 30%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses (if any) consistent with the accounting policies for property, plant and equipment as stated in Note 2.7.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2. Summary of significant accounting policies (contd.)

2.9 Intangible assets

(a) Goodwill on consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(b) Other intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (contd.)

2.10 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses (if any). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

When the carrying amount of an asset or GGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the new recoverable amount of the assets or GGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (contd.)

2.12 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables of the Group comprise of trade and other receivables (other than prepared operating expenses and tax recoverable) and cash and bank balances.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the expressed intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

There were no held-to-maturity investments during the reporting date.

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2. Summary of significant accounting policies (contd.)

2.12 Financial assets (contd.)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the assets has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income in recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (contd.)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories and work-in-progress

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials, spare parts and sundry inventories: cost is determined on a weighted average basis, which approximates actual costs and includes cost of purchase and other directly attributable costs of acquisition.

- Finished goods and work-in-progress: cost is determined on standard cost and includes cost of direct materials and labour and appropriate proportion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss during the reporting period.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss during the reporting period.

2. Summary of significant accounting policies (contd.)

2.18 Financial liabilities (contd.)

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs when the likelihood of default by the debtors is more than probable. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (contd.)

2.21 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. The Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liabilities for leave is recognised for services rendered by employees up to the reporting date.

2.22 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased asset is depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(e).

2. Summary of significant accounting policies (contd.)

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised on an accrual basis unless collectibility is in doubt.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Management fees

Management fees are recognised when services are rendered.

(e) Rental income

Rental income is accounted for a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.24 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (contd.)

2.24 Income taxes (contd.)

(b) Deferred tax (contd.)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on geographical areas which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

2. Summary of significant accounting policies (contd.)

2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.29 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorised within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

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)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

The management did not make any critical judgment in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of intangible assets

Intangible assets are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which intangible assets are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of intangible assets and sensitivity analysis to changes in the assumptions are given in Note 17.

(b) Inventories valuation

The Group reviews the adequacy of write down of inventories at each reporting date to ensure the inventories are stated at lower of cost and net realisable value. In assessing the extent of write down for slow moving inventories, the directors, having considered all available information, are of the opinion that these goods can be realised in the ordinary course of business.

4. Revenue

Revenue of the Group represents invoiced trading sales of tiles and building materials after allowance for goods returned and trade discounts. Revenue of the Company represents management fees and dividends received.

The significant categories of revenue during the year are analysed as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Sale of goods to external customers	419,916	402,492	-	-
Dividend income				
- on quoted securities in Malaysia	362	822	362	822
- from subsidiaries	-	-	12,207	10,583
Management fees from subsidiaries	-	-	1,056	1,056
	420,278	403,314	13,625	12,461

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5. Other income

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Amortisation of deferred capital grant (Note 29)	203	284	-	-
Gain on disposal of other investments	265	-	265	-
Gain on disposal of investment property	2,062	-	-	-
Gain on disposal of property, plant and equipment	222	2,149	-	69
Gain on fair value changes				
- derivatives (Note 26)	426	315	-	-
- other investments	3,344	2,527	3,344	2,547
Gain on foreign exchange				
- realised	1,214	2,519	33	-
- unrealised	462	1,384	-	684
Interest income				
- subsidiaries	-	-	4,818	4,496
- others	766	456	68	92
Impairment loss on receivables reversed				
- trade receivables (Note 19)	-	359	-	-
Rental income	791	749	227	227
Rental income from investment properties	1,006	3,651	-	-
Write-down of inventories reversed	108	-	-	-
Miscellaneous	3,048	3,445	-	3
	13,917	17,838	8,755	8,118

6. Finance costs

	Group	
	2017	**2016**
	RM'000	RM'000
Interest expense on:		
Bank overdraft	34	27
Hire purchase liabilities	1	2
Term loan	1,402	1,218
	1,437	1,247

7. Profit before tax

In addition to the amounts disclosed in Note 5, the following amounts have been included in arriving at profit before tax:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
Statutory audit				
- current year	724	631	85	75
- under provision in previous years	11	12	5	3
Other services	455	152	233	98
Bad debts written off	-	28	-	-
Depreciation of investment properties (Note 14)	609	887	349	349
Depreciation of property, plant and equipment (Note 13)	22,012	21,405	1,472	1,389
Employee benefits expense (Note 8)	82,886	71,212	4,765	5,466
Hiring of plant and machinery	21	23	-	-
Impairment loss on trade receivables (Note 19)	481	104	-	-
Inventories written off	44	37	-	-
Loss on disposal of other investments	-	270	-	270
Loss on disposal of property, plant and equipment	-	110	-	-
Loss on foreign exchange - realised	1,912	157	-	31
- unrealised	3,268	895	488	-
Non-executive directors' remuneration (Note 9)	99	99	99	99
Property, plant and equipment written off	30	4	-	-
Rental expense	10,008	6,251	-	-
Write-down of inventories	4,405	1,760	-	-

8. Employee benefits expense

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	70,267	59,755	3,929	4,347
Defined contribution plan	7,388	6,608	696	779
Social security contributions	744	530	11	10
Other staff related costs	4,487	4,319	129	330
	82,886	71,212	4,765	5,466

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration, excluding benefits-in-kind amounting to RM9,143,000 (2016: RM9,450,000) and RM3,729,000 (2016: RM4,225,000), respectively, as further disclosed in Note 9.

9. Directors' remuneration

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Executive Directors' remuneration				
Fees	165	165	165	165
Other emoluments	8,420	9,285	3,564	4,060
	8,585	9,450	3,729	4,225
Non-Executive Directors' remuneration				
Fees	99	99	99	99
Total directors' remuneration	8,684	9,549	3,828	4,324
Estimated monetary value of benefits-in-kind	159	313	52	204
Total directors' remuneration including benefits-in-kind	8,843	9,862	3,880	4,528

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and bonuses	7,123	7,826	2,967	3,384
Defined contribution plan	1,293	1,456	595	674
Social security contributions	4	3	2	2
	8,420	9,285	3,564	4,060
Estimated monetary value of benefits-in-kind	159	313	52	204
Executive Directors' remuneration (Note 31(c))	8,579	9,598	3,616	4,264
Fees	165	165	165	165
	8,744	9,763	3,781	4,429
Non-Executive (Note 7):				
Fees	99	99	99	99
	8,843	9,862	3,880	4,528

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	3,346	4,821	794	667
Foreign tax	8,365	5,480	-	-
Under provision in previous years:				
Malaysian income tax	85	70	7	12
Foreign tax	347	-	-	-
	12,143	10,371	801	679
Deferred income tax (Note 25):				
Relating to origination and reversal of temporary differences	(3,759)	(2,298)	(10)	(2)
Under/(over) provision in previous years	324	(232)	(26)	(6)
	(3,435)	(2,530)	(36)	(8)
Income tax expense recognised in profit or loss	8,708	7,841	765	671

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

Income tax for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions. The above reconciliation below is prepared by aggregating separate reconciliations for each national jurisdiction.

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
	RM'000	RM'000
Group		
Accounting profit before tax	18,259	41,560
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	4,382	9,974
Effect of different tax rates in other countries	1,762	848
Effect of non-deductible expenses for tax purpose	4,452	2,867
Effect of income not subject to tax	(434)	(956)
Effect of utilisation of previously unrecognised deferred tax assets	(394)	(1,043)
Deferred tax assets recognised on capital allowances	(1,459)	(2,653)
Utilisation of current year reinvestment allowance	(357)	(1,034)
Under provision of income tax in respect of previous years	432	70
Under /(over) provision of deferred tax in respect of previous years	324	(232)
Income tax expense recognised in profit or loss	8,708	7,841
Tax savings recognised during the year arising from:		
Utilisation of previously unrecognised capital allowances and tax losses	394	1,043

10. Income tax expense (contd.)

	2017 RM'000	2016 RM'000
Company		
Accounting profit before tax	13,513	11,574
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	3,243	2,778
Effect of income not subject to tax	(3,326)	(3,065)
Effect of non-deductible expenses for tax purpose	867	952
Under provision of income tax in respect of previous years	7	12
Over provision of deferred tax in respect of previous years	(26)	(6)
Income tax expense recognised in profit or loss	765	671

11. Earnings per share (sen)

Basic

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

The following table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2017	2016 (Restated)
Profit net of tax attributable to owners of the parent (RM'000)	8,022	31,564
Number of ordinary shares in issuance as of 1 January ('000)	155,616	155,616
Number of treasury shares ('000)	(15,377)	(15,377)
Weighted average number of ordinary shares for basic earnings per share computation ('000)	140,239	140,239
Basic earnings per share (sen)	5.72	22.51

The diluted earnings per share is the same as basis earning per share as there are no dilutive potential ordinary shares outstanding.

12. Dividends

	Group and Company	
	2017 RM'000	2016 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
Final dividend for 2016: 3.0 sen per ordinary share, tax exempt (3.0 sen net per ordinary share)	4,207	-
Interim dividend for 2017: 3.0 sen per ordinary share, tax exempt (3.0 sen net per ordinary share)	4,207	-
Interim dividend for 2015: 3.0 sen per ordinary share, tax exempt (3.0 sen net per ordinary share)	-	4,207
Final dividend for 2015: 3.0 sen per ordinary share, tax exempt (3.0 sen net per ordinary share)	-	4,207
Interim dividend for 2016: 3.0 sen per ordinary share, tax exempt (3.0 sen net per ordinary share)	-	4,207
	8,414	12,621

13. Property, plant and equipment

	Freehold land, buildings, drainage and roads RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
At 31 December 2017								
Cost								
At 1 January 2017	183,067	50,083	19,501	343,896	18,973	30,302	8,844	654,666
Additions	2,145	-	-	11,769	271	3,453	4,556	22,194
Disposals/write off	-	-	-	(147)	(186)	(693)	-	(1,026)
Reclassification	2,757	-	-	4,038	-	849	(7,644)	-
Translation differences	(1,451)	(509)	-	(168)	(110)	1,898	(71)	(411)
At 31 December 2017	186,518	49,574	19,501	359,388	18,948	35,809	5,685	675,423
Accumulated depreciation								
At 1 January 2017	94,716	17,103	5,932	280,171	13,996	19,803	-	431,721
Depreciation charge for the year (Note 7)	3,940	1,213	246	12,655	1,241	2,717	-	22,012
Disposals/write off	-	-	-	(118)	(184)	(252)	-	(554)
Reclassification	-	-	-	568	-	(568)	-	-
Translation differences	(882)	(146)	-	340	6	2,040	-	1,358
At 31 December 2017	97,774	18,170	6,178	293,616	15,059	23,740	-	454,537
Net carrying amount								
At 31 December 2017	88,744	31,404	13,323	65,772	3,889	12,069	5,685	220,886

13. Property, plant and equipment (contd.)

	Freehold land, buildings, drainage and roads RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
At 31 December 2016								
Cost								
At 1 January 2016	168,907	48,006	8,062	359,232	18,432	26,076	853	629,568
Acquisition of subsidiaries (Note 15)	-	-	-	222	5	1,500	-	1,727
Additions	15,439	2,478	11,439	10,800	2,076	3,079	8,650	53,961
Disposals/write off	(342)	-	-	(25,240)	(1,498)	(607)	-	(27,687)
Reclassification	206	-	-	438	-	-	(644)	-
Translation differences	(1,143)	(401)	-	(1,556)	(42)	254	(15)	(2,903)
At 31 December 2016	183,067	50,083	19,501	343,896	18,973	30,302	8,844	654,666
Accumulated depreciation								
At 1 January 2016	91,818	15,995	5,767	291,132	14,201	18,084	-	436,997
Depreciation charge for the year (Note 7)	3,911	1,201	165	12,822	1,186	2,120	-	21,405
Disposals/write off	(285)	-	-	(22,463)	(1,407)	(485)	-	(24,640)
Translation differences	(728)	(93)	-	(1,320)	16	84	-	(2,041)
At 31 December 2016	94,716	17,103	5,932	280,171	13,996	19,803	-	431,721
Net carrying amount								
At 31 December 2016	88,351	32,980	13,569	63,725	4,977	10,499	8,844	222,945

13. **Property, plant and equipment (contd.)**

	Buildings, drainage and roads RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company								
31 December 2017								
Cost								
At 1 January 2017	15,353	27,808	115	1,078	1,268	6,429	1,580	53,631
Additions	19	-	-	-	(11)	45	19	72
Reclassification	1,586	-	-	-	-	-	(1,586)	-
At 31 December 2017	16,958	27,808	115	1,078	1,257	6,474	13	53,703
Accumulated depreciation								
At 1 January 2017	8,776	10,665	114	1,078	573	5,135	-	26,341
Depreciation charge for the year (Note 7)	284	744	-	-	163	281	-	1,472
At 31 December 2017	9,060	11,409	114	1,078	736	5,416	-	27,813
Net carrying amount								
At 31 December 2017	7,898	16,399	1	-	521	1,058	13	25,890

13. **Property, plant and equipment (contd.)**

	Buildings, drainage and roads RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company								
31 December 2016								
Cost								
At 1 January 2016	15,402	27,808	115	1,078	952	6,254	814	52,423
Additions	-	-	-	-	834	179	766	1,779
Disposals	(49)	-	-	-	(518)	-	-	(567)
Write off	-	-	-	-	-	(4)	-	(4)
At 31 December 2016	15,353	27,808	115	1,078	1,268	6,429	1,580	53,631
Accumulated depreciation								
At 1 January 2016	8,564	9,921	114	1,077	952	4,867	-	25,495
Depreciation charge for the year (Note 7)	233	744	-	1	139	272	-	1,389
Disposals	(21)	-	-	-	(518)	-	-	(539)
Write off	-	-	-	-	-	(4)	-	(4)
At 31 December 2016	8,776	10,665	114	1,078	573	5,135	-	26,341
Net carrying amount								
At 31 December 2016	6,577	17,143	1	-	695	1,294	1,580	27,290

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13. Property, plant and equipment (contd.)

Analysis of land, buildings, drainage and roads:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
At cost				
Freehold land	14,128	14,128	-	-
Leasehold land	69,075	69,584	27,923	27,923
Buildings and improvements	170,527	167,021	16,653	15,048
Drainage and roads	1,863	1,918	305	305
	255,593	252,651	44,881	43,276

(a) Included in property, plant and equipment of the Group are assets acquired on finance lease arrangements with a net carrying amount of RMNil (2016: RM204,774).

Details of the finance leases are disclosed in Note 30(b).

(b) Included in property, plant and equipment of the Group with a net carrying amount of RM43,653,029 (2016: RM45,137,611) has been pledged as security for the Group's loans and borrowings as disclosed in Note 24.

14. Investment properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
At 31 December 2017			
Cost			
At 1 January	4,160	47,652	51,812
Disposal	-	(30,931)	(30,931)
Translation differences	-	716	716
31 December	4,160	17,437	21,597
Accumulated depreciation			
At 1 January	-	5,195	5,195
Depreciation charge for the year (Note 7)	-	609	609
Disposal	-	(4,559)	(4,559)
Translation differences	-	138	138
At 31 December	-	1,383	1,383
Net carrying amount	4,160	16,054	20,214
Fair value of investment properties	8,000	23,000	31,000
At 31 December 2016			
Cost			
At 1 January	4,160	46,528	50,688
Translation differences	-	1,124	1,124
31 December	4,160	47,652	51,812
Accumulated depreciation			
At 1 January	-	4,145	4,145
Depreciation charge for the year (Note 7)	-	887	887
Translation differences	-	163	163
At 31 December	-	5,195	5,195
Net carrying amount	4,160	42,457	46,617
Fair value of investment properties	11,000	57,000	68,000

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14. Investment properties (contd.)

	Freehold land RM'000	Buildings RM'000	Total RM'000
Company			
31 December 2017			
Cost			
At 1 January and 31 December 2017	4,160	17,436	21,596
Accumulated depreciation			
At 1 January	-	1,033	1,033
Depreciation charge for the year (Note 7)	-	349	349
At 31 December	-	1,382	1,382
Net carrying amount	4,160	16,054	20,214
Fair value of investment properties	8,000	23,000	31,000
31 December 2016			
Cost			
At 1 January and 31 December 2016	4,160	17,436	21,596
Accumulated depreciation			
At 1 January	-	684	684
Depreciation charge for the year (Note 7)	-	349	349
At 31 December	-	1,033	1,033
Net carrying amount	4,160	16,403	20,563
Fair value of investment properties	11,000	23,000	34,000

As at 31 December 2017 and 2016, the fair values of the properties are based on directors' valuation. The valuation techniques used is market comparable approach. Price per square foot of comparable properties adjusted based on management's assumptions for key attributes such as property size.

	Group		Company	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Rental income from investment properties	1,006	3,651	-	-
Direct operating expenses generating rental income	(883)	(1,224)	-	-
Direct operating expenses that did not generate rental income	(453)	(403)	(453)	(403)
(Loss)/profit arising from investment properties	(330)	2,024	(453)	(403)

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15. Investments in subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost	162,521	162,521

Details of the subsidiaries are as follows:

Names of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2017	Proportion of ownership interest 2016
Held by the Company:				
Ceramica Indah Sdn. Bhd.*	Manufacture and sale of ceramic floor, homogeneous and monoporosa tiles	Malaysia	100%	100%
Kimgres Marketing Sdn. Bhd.*	Trading in building materials	Malaysia	100%	100%
Kim Hin Ceramic (Seremban) Sdn. Bhd.*	Manufacture and sale of ceramic tiles	Malaysia	100%	100%
Kim Hin Ceramics (Shanghai) Co. Ltd.**	Manufacture and sale of ceramic tiles	People's Republic of China	79.5%	79.5%
Kim Hin Properties Sdn. Bhd.*	Property and investment holding	Malaysia	100%	100%
Kim Hin Investment Pty. Ltd.***	Property letting	Australia	100%	100%
Tileworld Sdn. Bhd.*	Investment holding	Malaysia	100%	100%
Refined Koalin Industries Sdn. Bhd.*	Inactive	Malaysia	100%	100%
Unicorn Ceramics Sdn. Bhd.*	Inactive	Malaysia	100%	100%
World Ceramics International Sdn. Bhd.*	Property letting	Malaysia	100%	100%
Johnson Tiles Malaysia Sdn. Bhd.*	Trading in building materials	Malaysia	100%	100%

15. Investments in subsidiaries (contd.)

Names of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2017	Proportion of ownership interest 2016
Held through Ceramica Indah Sdn. Bhd.:				
Kimgres Australia Pty. Ltd.***	Wholesaler and retailer of ceramic tiles	Australia	100%	100%
Outset Holdings Pty. Ltd.**	Investment holding	Australia	100%	100%
Held through Outset Holdings Pty. Ltd.				
Amber Group Australia Pty. Ltd.**	Wholesaler and retailer of pavers, tiles, natural stone and retaining walls	Australia	100%	100%
Held through Amber Group Australia Pty. Ltd.				
Norcorp Pty. Ltd.**	Retailer of pavers, tiles, natural stone and retaining walls	Australia	100%	100%
Held through Kimgres Marketing Sdn. Bhd.:				
Kimgres Vietnam Trading Co. Ltd.***	Trading in building materials	Vietnam	70%	70%
Held through Tileworld Sdn. Bhd.:				
Kim Hin Australia Pty. Ltd.**	Investment holding	Australia	100%	100%
Held through Kim Hin Australia Pty. Ltd.:				
Johnson Tiles Pty. Ltd.**	Importing and distributing of ceramic wall and floor files	Australia	100%	100%
Held through Johnson Tiles Pty. Ltd.:				
Coramic Australia Pty. Ltd.**	Inactive	Australia	100%	100%

* Audited by Ernst & Young, Malaysia
** Audited by member firms of Ernst & Young Global in the respective countries
*** Audited by firms other than Ernst & Young

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15. Investments in subsidiaries (contd.)

(a) Acquisition of a subsidiary – Outset Holdings Pty. Ltd. ("OHPL") and its subsidiaries ("OHPL Group")

On 1 September 2016, the Group acquired 100% equity interest in OHPL for a cash consideration of Australian Dollar ("AUD") 6.31 million (or equivalent to RM20,058,941). Upon its acquisition, OHPL became a subsidiary of the Group and the Group indirectly hold the entire issued and paid-up share capital of its subsidiaries, namely Amber Group Australia Pty Limited ("Amber Group") and Norcorp Pty Limted ("Norcorp"). OHPL and its subsidiaries are incorporated in Australia.

For financial year ended 31 December 2016, the accounting of business combination for the acquisition of OHPL was based on provisional fair values of its identiable assets, liabilities and contingent liabilities. Subsequently, the Group had finalised its Purchase Price Allocation ("PPA") in accordance with MFRS 3 and based on the fair values of net assets of OHPL, a negative goodwill of AUD520,000 (or equivalent to RM1.65 million) was recognised and adjusted into the retained earnings as at 31 December 2016.

The fair values of the identifiable assets and liabilities of OHPL Group as at the date of acquisition were:

	RM'000
Property, plant and equipment (Note 13)	1,727
Intangible assets (Note 17)	15,749
Deferred tax assets (Note 25)	1,471
Inventories	20,604
Trade and other receivables	11,317
Cash and bank balances	4,387
	55,255
Loans and borrowings	(9,206)
Trade and other payables	(17,861)
Tax payable	(178)
Provisions (Note 28)	(1,577)
Deferred tax liabilities (Note 25)	(4,725)
Net identifiable assets	21,708

Total cost of combination

The total cost of combination is as follows:

Cash paid	20,059

The effect of the acquisition on cash flows as follows:

Total cost of the business combination	20,059
Less: Cash and cash equivalents of OHLP Group acquired	(4,387)
Net cash outflow from acquisition of a subsidiary	15,672

Negative goodwill arising on acquisition

Fair value of net identifiable assets	21,708
Negative goodwill on acquisition	(1,649)
Cost of combination	20,059

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15. Investments in subsidiaries (contd.)

(b) Summarised financial information of Kim Hin Ceramics (Shanghai) Co. Ltd. And Kimgres Vietnam Trading Co. Ltd.

The Group's material non-controlling interests relate to its subsidiaries, Kim Hin Ceramics (Shanghai) Co. Ltd. and Kimgres Vietnam Trading Co. Ltd.. Hence, the summarised financial information of the two companies, before elimination of any intra-group transactions, are presented below.

(i) Summarised statements of financial position

	Kim Hin Ceramics (Shanghai) Co. Ltd.		Kimgres Vietnam Trading Co. Ltd.		Total	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Non-current assets	32,904	33,952	233	325	33,137	34,277
Current assets	66,840	73,816	3,532	3,787	70,372	77,603
Total assets	99,744	107,768	3,765	4,112	103,509	111,880
Current liabilities	(13,701)	(15,551)	(2,998)	(3,658)	(16,699)	(19,209)
Net assets	86,043	92,217	767	454	86,810	92,671
Equity attributable to owners of the Company	68,403	73,312	537	318	68,940	73,630
Non-controlling interests	17,640	18,905	230	136	17,870	19,041
	86,043	92,217	767	454	86,810	92,671

(ii) Summarised statements of profit or loss and other comprehensive income

	Kim Hin Ceramics (Shanghai) Co. Ltd.		Kimgres Vietnam Trading Co. Ltd.		Total	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Revenue	64,925	69,406	6,502	5,817	71,427	75,223
Profit for the year	6,904	10,218	376	201	7,280	10,419
Other comprehensive income for the year	(2,976)	(1,933)	(63)	18	(3,039)	(1,915)
Total comprehensive income for the year	3,928	8,285	313	219	4,241	8,504
Total comprehensive income attributable to:						
Owners of the Company	3,122	6,586	219	154	3,341	6,740
Non-controlling interests	806	1,699	94	65	900	1,764
	3,928	8,285	313	219	4,241	8,504
Dividend paid to non-controlling interests	2,071	855	-	-	2,071	855

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. Investments in subsidiaries (contd.)

(b) Summarised financial information of Kim Hin Ceramics (Shanghai) Co. Ltd. And Kimgres Vietnam Trading Co. Ltd. (contd.)

(iii) Summarised statements of cash flows

	Kim Hin Ceramics (Shanghai) Co. Ltd.		Kimgres Vietnam Trading Co. Ltd.		Total	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from/ (used in) operating activities	4,366	17,007	114	(25)	4,480	16,982
Net cash generated from/ (used in) investing activities	6,580	(2,227)	1	(31)	6,581	(2,258)
Net cash used in financing activities	(10,101)	(4,169)	-	-	(10,101)	(4,169)
Net increase/(decrease) in cash and cash equivalents	845	10,611	115	(56)	960	10,555
Effect of foreign exchange rate changes	(783)	349	(19)	2	(802)	351
Cash and cash equivalents at beginning of the year	40,209	29,249	195	249	40,404	29,498
Cash and cash equivalents at end of the year	40,271	40,209	291	195	40,562	40,404

16. Other investments

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-current				
Financial assets at fair value through profit or loss				
Quoted securities in Malaysia:				
Unit trusts, at cost	12,043	28,207	12,043	28,207
Fair value changes	11,685	10,855	11,685	10,855
Quoted securities outside Malaysia:				
Unit trusts, at cost	2,278	2,043	2,278	2,043
Fair value changes	1,764	1,102	1,764	1,102
	27,770	42,207	27,770	42,207
Current				
Available-for-sale financial assets				
Unquoted structured products:				
Outside Malaysia	2,496	11,627	-	-
Total other investments	30,266	53,834	27,770	42,207
Fair value as at 31 December:				
Quoted securities	27,770	42,207	27,770	42,207
Unquoted structured products	2,496	11,627	-	-

17. Intangible asssets

	Goodwill RM'000	Arrangements with Franchisee RM'000	`Brand RM'000	Total RM'000
Group				
Cost				
At 1 January 2016	9,838	-	-	9,838
Acquisition of subsidiaries (Note 15)	-	10,892	4,857	15,749
At 31 December 2016 and 2017	9,838	10,892	4,857	25,587
Accumulated impairment				
At 1 January/31 December 2016 and 2017	(620)	-	-	(620)
Net carrying amount				
At 31 December 2017	9,218	10,892	4,857	24,967
At 31 December 2016	9,218	10,892	4,857	24,967

Intangible assets arising from business combinations has been allocated to cash-generating units ("CGU") for impairment testing. The carrying amount of the intangible assets are allocated to two CGUs for impairment testing as follows:

- Kim Hin Ceramic (Seremban) Sdn. Bhd. ("KHCS") that is primarily involved in manufacturing and sale of ceramic tiles.
- Outset Holdings Pty. Ltd. ("OHPL") that is primarily involved in wholesale and retail of tiles, pavers, natural stone and retaining walls in Australia.

	KHCS		OHPL		Total	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Goodwill	9,218	9,218	-	-	9,218	9,218
Arrangements with Franchisee	-	-	10,892	10,892	10,892	10,892
Brand	-	-	4,857	4,857	4,857	4,857

Impairment testing of intagible assets

The recoverable amount of these CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. As a result of the analysis, management did not identify any impairment for these CGU and major assumptions are as follows:

	2017		2016	
	KHCS	**OHPL**	**KHCS**	**OHPL**
Pre-tax discount rate	15%	24%	18%	18%
Growth rate	0%	2%	1%	2%
Budgeted gross margin	24% - 26%	36%	23% - 25%	36%

(a) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year. A decrease in demand can lead to a decline in gross margin. A decrease in gross margin by 2.0% (2016: 8.0%) and 9.0% (2016: 9.0%) for KHCS and OHPL would result in impairment in the respective CGUs.

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17. Intangible asssets (contd.)

(b) Growth rate

The forecasted growth rate are based on the Group's estimates and do not exceed the long-term average growth rate for the industry relevant to the CGU.

(c) Discount rate

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in pre-tax discount rate to 16% (i.e. + 1%) and 26% (i.e. + 2%) for KHCS and OHPL respectively would result in impairment.

18. Inventories

	Group	
	2017	**2016**
	RM'000	RM'000
At cost		
Raw materials	24,812	24,181
Work-in-progress	3,959	3,917
Finished goods	115,233	98,457
Packing materials	2,857	2,260
Spare parts and stores	11,500	11,889
	158,361	140,704
At net realisable value		
Finished goods	18,604	14,199
	176,965	154,903

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM281,709,000 (2016: RM273,220,000).

19. Trade and other receivables

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade receivables				
Third parties	75,432	84,292	-	-
Less: Allowances for impairment	(3,421)	(3,053)	-	-
	72,011	81,239	-	-
Other receivables				
Amount due from subsidiaries				
- Interest bearing	-	-	115,073	92,609
- Non-interest bearing	-	-	15,725	16,261
	-	-	130,798	108,870
Sundry receivables	29,817	4,805	1,162	340
Deposits	2,282	1,168	126	124
	32,099	5,973	132,086	109,334
Total trade and other receivables	104,110	87,212	132,086	109,334
Cash and bank balances (Note 21)	58,463	60,984	1,067	143
Total loans and receivables	162,573	148,196	133,153	109,477

(a) Trade receivables

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors.

The Group's normal trade credit term ranges from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Trade debts, which were fully provided for in previous years of RM50,370 (2016: RMNil) were written off during the current financial year against the provision made.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Neither past due nor impaired	42,089	48,906
1 to 30 days past due not impaired	17,113	19,909
31 to 60 days past due not impaired	6,555	5,386
61 to 90 days past due not impaired	3,662	4,369
91 to 120 days past due not impaired	1,630	1,722
More than 121 days past due not impaired	962	947
	29,922	32,333
Impaired	3,421	3,053
	75,432	84,292

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM29,922,000 (2016: RM32,333,000) that are past due at the reporting date but not impaired.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2017	**2016**
	RM'000	RM'000
Trade receivables - nominal amounts	3,421	3,053
Allowance for impairment	(3,421)	(3,053)
	-	-

Movement in allowance accounts:

	Group	
	2017	**2016**
	RM'000	RM'000
At 1 January	3,053	2,759
Acquisition of subsidiaries	-	521
Charge for the year (Note 7)	481	104
Reversal of impairment losses (Note 5)	-	(359)
Written off	(50)	-
Translation differences	(63)	28
At 31 December	3,421	3,053

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. Certain of these receivables are either secured by collateral or certain forms of credit enhancements.

(b) Amount due from subsidiaries

These amount are unsecured and repayable on demand. A certain portion of the amount due from these subsidiaries bore interest of 4.25% to 8% (2016: 4.25% to 8%) per annum.

20. Other current assets

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Prepayments	5,118	5,135	6	26

The Group's prepayments for the current financial year included down payments made of RM1,107,000 (2016: RM2,655,000) for plant and machinery and raw materials procured by its subsidiaries which were delivered subsequent to year-end.

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21. Cash and bank balances

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash on hand and at banks	42,083	49,667	1,067	143
Deposits with financial institutions	16,380	11,317	-	-
Total cash and bank balances (Note 19)	58,463	60,984	1,067	143

The interest rates of the Group's deposits at the reporting date range from 0.50% to 3.70% (2016: 1.65% to 4.25%) per annum. The tenure of the Group's deposits at the reporting date are between 60 days to 3 years (2016: 60 days to 3 years).

For the purpose of cash flow statement, cash and cash equivalents comprise the following at reporting date:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash and bank balances	58,463	60,984	1,067	143
Less: Bank overdraft (Note 24)	(73)	(680)	-	-
Less: Short-term deposits with maturity more than 3 months	(13,304)	(10,583)	-	-
Cash and cash equivalents	45,086	49,721	1,067	143

22. Share capital, share premium and treasury shares

	Number of ordinary shares		Amount			
	Share capital (Issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Share capital and share premium RM'000	Treasury shares RM'000
Group and Company						
At 1 January 2016 and 31 December 2016	155,616	(15,377)	155,616	51,042	206,658	(24,309)
At 1 January 2017	155,616	(15,377)	155,616	51,042	206,658	(24,309)
Transition to no par value regime on 31 January 2017	-	-	51,042	(51,042)	-	-
At 31 December 2017	155,616	(15,377)	206,658	-	206,658	(24,309)

Transition to no par value regime on 31 January 2017

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM51,042,000 for purpose as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

22. Share capital, share premium and treasury shares (contd.)

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance. During the financial year, the Company has not purchased any of its own shares. Of the total 155,616,013 (2016: 155,616,013) issued and fully paid ordinary shares as at 31 December 2017, 15,376,900 (2016: 15,376,900) are held as treasury shares by the Company. As at 31 December 2017, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (2016: 140,239,113) ordinary shares.

23. Other reserves

	Group	
	2017	**2016**
	RM'000	RM'000
Reserve and Enterprise Expansion Funds		
At 1 January	3,675	2,772
Transfer from retained earnings	544	903
At 31 December	4,219	3,675
Translation adjustment account		
At 1 January	15,715	17,229
Translation difference in subsidiaries	(3,873)	(618)
Transfer to retained earnings	-	(896)
At 31 December	11,842	15,715
Total reserves	16,061	19,390

The nature and purpose of each category of reserve are as follows:

(a) Reserve and Enterprise Expansion Funds

The Reserve and Enterprise Expansion Funds are maintained in compliance with the governing authority of the People's Republic of China for the purpose of working capital and expansion respectively.

(b) Translation adjustment account

The translation adjustment account represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

24. Loans and borrowings

	Maturity	Group 2017 RM'000	Group 2016 RM'000
Current			
Secured:			
Bank overdraft (Note 21)	On demand	73	680
Obligation under finance lease (Note 30)		-	220
Term loan:			
RM loan at BLR - 2.2% p.a.	2018	1,094	1,050
RM loan at BLR - 1.75% p.a.	2018	1,722	1,638
Commercial bill facility		-	2,438
Trade finance facility		-	2,088
		2,889	8,114
Non-current			
Secured:			
Obligation under finance lease (Note 30)		-	195
Term loan:			
RM loan at BLR - 2.2% p.a.	2019 - 2023	6,047	7,141
RM loan at BLR - 1.75% p.a.	2019 - 2026	15,775	17,508
		21,822	24,844
Total loans and borrowings (Note 27)		24,711	32,958

The remaining maturities of the loans and borrowings are as follows:

	Group 2017 RM'000	Group 2016 RM'000
On demand or not later than 1 year	2,889	8,114
Later than 1 year and not later than 2 years	2,955	2,943
Later than 2 years and not later than 5 years	9,767	9,378
Later than 5 years	9,100	12,523
	24,711	32,958

(a) Term loan

The term loan is secured by way of fixed charge over landed properties of Kim Hin Ceramics (Seremban) Sdn. Bhd. as disclosed in Note 13 and corporate guarantee from the Company.

(b) Commercial bill and trade finance facility

The facilities were secured by a fixed and floating charge over the whole assets of Outsets Holdings Pty. Ltd. as disclosed in Note 13 and undertakings including uncalled capital and called but unpaid capital together with relative insurance policies assigned to the financial institution.

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25. Deferred tax (assets)/liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,120	432	113	121
Acquisition of subsidiaries	-	3,254	-	-
Recognised in profit or loss (Note 10)	(3,435)	(2,530)	(36)	(8)
Translation differences	41	(36)	-	-
At 31 December	(2,274)	1,120	77	113
Presented after appropriate offsetting as follows:				
Deferred tax assets	(7,076)	(4,160)	-	-
Deferred tax liabilities	4,802	5,280	77	113
	(2,274)	1,120	77	113

The components and movements of deferred tax (assets)/liabilities during the financial year are as follows:

Deferred tax (assets)/liabilities of the Group:

	Unutilised reinvestment and capital allowances	**Unutilised business losses**	**Provisions**	**Property, plant and equipment**	**Intangible Assets**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	(7,822)	-	-	8,254	-	432
Acquisition of subsidiaries	-	-	-	(1,471)	4,725	3,254
Recognised in profit or loss	6,957	(380)	(1,279)	(7,828)	-	(2,530)
Translation differences	-	-	-	(36)	-	(36)
At 31 December 2016	(865)	(380)	(1,279)	(1,081)	4,725	1,120
Recognised in profit or loss	(1,260)	-	(1,190)	(985)	-	(3,435)
Translation differences	-	-	-	41	-	41
At 31 December 2017	(2,125)	(380)	(2,469)	(2,025)	4,725	(2,274)

Analysed as:	Deferred tax assets		Deferred tax liabilities	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Unutilised reinvestment and capital allowances	(2,125)	(865)	-	-
Unutilised business losses	(380)	(380)	-	-
Provisions	(2,469)	(1,279)	-	-
Property, plant and equipment	(2,102)	(1,636)	77	555
Intangible assets	-	-	4,725	4,725

Deferred tax liability of the Company

Property, plant and equipment	RM'000
At 1 January 2016	121
Recognised in profit or loss	(8)
At 31 December 2016	113
Recognised on profit or loss	(36)
At 31 December 2017	77

25. Deferred tax (assets)/liabilities (contd.)

Deferred tax assets have not been recognised in respect of the following items for both Malaysian and foreign subsidiaries:

	Group 2017 RM'000	Group 2016 RM'000
Unutilised tax losses	151,459	154,870

As at 31 December 2017 and 2016, the deferred tax assets were not recognised as it was not probable that future taxable profits will be available against which the unutilised tax losses and unabsorbed capital allowances can be utilised. The unutilised tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits of the respective companies subject to guidelines issued by the tax authority in respective jurisdiction.

26. Derivative assets

	Group			
	2017		2016	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Non-hedging derivatives:				
Current				
Forward currency contracts	13,213	426	-	-

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

At 31 December 2017, forward currency contracts were used to hedge the Group's sales denominated in USD and AUD for which firm commitments, extended to December 2018 (Note 35(d)).

As at 31 December 2017, the Group recognised a net gain of RM426,000 (2016: RM315,000) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

27. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables				
Third parties	58,010	54,686	-	-
Other payables				
Amount due to a subsidiary	-	-	4,389	1,427
Sundry payables	11,481	12,882	851	244
Rebates and incentive	380	684	-	-
Payroll expenses accrued	7,000	8,686	1,785	2,438
Other accruals	5,582	4,736	65	37
	24,443	26,988	7,090	4,146
Total trade and payables	82,453	81,674	7,090	4,146
Total loans and borrowings (Note 24)	24,711	32,958	-	-
Total financial liabilities carried at amortised cost	107,164	114,632	7,090	4,146

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27. Trade and other payables (contd.)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 120 day (2016: 30 to 120 day) terms.

(b) Sundry payables

The amount are non-interest bearing. Sundry payables are normally settled on an average term of 30 days (2016: 30 days). An amount of RM971,590 (2016: RM1,877,075) including in the sundry payables represents Marketing Fund of Amber Group Australia Pty Ltd. ("the Fund"). The Fund receives contributions from franchisees based on a percentage of store sales and is used for the advertising and marketing of products under Amber brand.

(c) Amount due to a subsidiary

The amount is unsecured, non-interest bearing and is repayable on demand.

28. Provisions

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Long service leave and annual leave				
At 1 January	4,237	2,231	69	57
Acquisition of subsidiaries (Note 15)	-	1,577	-	-
Provided during the year	1,257	1,266	36	34
Utilised during the year	(1,084)	(857)	(34)	(22)
Unused amounts forfeited	(25)	(64)	-	-
Translation differences	(81)	84	-	-
At 31 December	4,304	4,237	71	69
Analysed as:				
Current	2,951	3,019	71	69
Non-current	1,353	1,218	-	-
At 31 December	4,304	4,237	71	69

29. Deferred capital grant

	Group	
	2017	**2016**
	RM'000	RM'000
Cost:		
At 1 January	1,085	-
Received during financial year	-	1,085
At 31 December	1,085	1,085
Accumulated amortisation:		
At 1 January	284	-
Amortisation (Note 5)	203	284
At 31 December	487	284
Net carrying amount:		
Current	203	203
Non-current	395	598
At 31 December	598	801

Deferred capital grant relates to the foreign government grant received by the Group's subsidiary in the People Republic of China for undertaking and implementing environmental friendly plant and machineries. There are no unfulfilled conditions or contingencies attached to these grants.

30. Commitments

(a) Capital commitments

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Property, plant and equipment:				
Authorised and contracted for	10,709	2,594	-	38
Authorised but not contracted for	10,000	1,677	-	-

(b) Finance lease commitments

The Group has finance leases for certain items of motor vehicles. These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Future minimum lease payments:		
Not later than 1 year	-	243
Later than 1 year and not later than 2 years	-	134
Later than 2 years and not later than 5 years	-	72
Total future minimum lease payments	-	449
Less: Future finance charges	-	(34)
Present value of hire purchase liabilities	-	415
Analysis of present value of payments:		
Not later than 1 year	-	220
Later than 1 year and not later than 2 years	-	124
Later than 2 years and not later than 5 years	-	71
Present value of hire purchase liabilities	-	415
Amount due within 12 months (Note 24)	-	(220)
Amount due after 12 months (Note 24)	-	195

The hire purchase liabilities bore interest at the reporting date at Nil (2016: 2.95%) per annum.

31. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements the following transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(a) Transactions with Directors and/or companies in which certain Directors and their close family members have substantial financial interest:				
Income:				
(i) Sale of ceramic tiles: Pan Chyi Construction and Development Sdn. Bhd. [a]	8	28	-	-
Expenditure:				
(ii) Rental of office and warehouses: Kim Hin (Malaysia) Sdn. Bhd. [b]	1,996	1,996	-	-
(iii) Purchases of sanitaryware for resale: Kam Kam Sanitaryware Sdn. Bhd. [c]	902	1,093	-	-
(iv) Renovation and maintenance costs: Pan Chyi Construction and Development Sdn. Bhd. [a]	554	985	-	3
(v) Insurance commission earned as insurance agent: Kim Hin (Malaysia) Sdn. Bhd. [b]	123	120	5	8
(vi) Legal services: Alex, Jason & Co. [d]	15	4	-	-
(vii) Supply of materials and spare parts from: Kam Kam Sanitaryware Sdn. Bhd. [c]	-	98	-	-
(viii) Purchase of ceramic tiles for resale: Shanghai Kim Hin United Buildings Materials Co. Ltd. [e]	4,827	8,784	-	-
(ix) Rental of office and warehouse: Kimmui Investments Pty. Ltd. [f]	428	774	-	-

Identity of related parties

[a] Pauline Getrude Chua Hui Lin is a director of Pan Chyi Construction and Development Sdn Bhd ("Pan Chyi") of which Kimgres Marketing Sdn Bhd supplied ceramic tiles. Pan Chyi provided renovation and maintenance work to the Group.

[b] The Group rents land, office and warehouse in Kuching and Petaling Jaya from Kim Hin (Malaysia) Sdn Bhd, which Chua Seng Huat, Dato' John Chua Seng Chai, Chua Seng Guan, Pauline Getrude Chua Hui Lin and Chua Yew Lin are directors and major shareholders. Kim Hin (Malaysia) Sdn Bhd earned insurance commission as insurance agent for the Group.

31. Related party disclosures (contd.)

(a) Transactions with Directors and/or companies in which certain Directors and their close family members have substantial financial interest: (contd.)

Identity of related parties (contd.)

(c) Chua Seng Guan, Chua Seng Huat and Dato' John Chua Seng Chai are the directors of Kam Kam Sanitaryware Sdn Bhd ("Kam Kam"). Kimgres Marketing Sdn Bhd purchased sanitaryware and accessories from Kam Kam for resale to customers. Besides, Ceramica Indah Sdn Bhd bought raw materials and spare parts from Kam Kam for urgent stock replenishment.

(d) Alex, Jason and Company provided legal services to the Group, a law firm in which Pauline Getrude Chua Hui Lin's son-in-law is the major shareholder.

(e) The Group purchased ceramic tiles from Shanghai Kim Hin United Building Materials Co. Ltd., which Chua Seng Huat, Dato' John Chua Seng Chai and Chua Seng Guan are the major shareholders.

(f) Kimgres Australia Pty. Ltd. rented office and warehouse in Melbourne from Kimmui Investments Pty. Ltd., a company in which Chua Seng Huat, Dato' John Chua Seng Chai, Chua Seng Guan and Chua Yew Lin are directors and major shareholders. Pauline Getrude Chua Hui Lin is the major shareholder of Kimmui Investments Pty. Ltd.

(b) Transactions with subsidiaries:

	Company	
	2017	**2016**
	RM'000	RM'000
Dividend income	12,207	10,583
Management fees	1,056	1,056
Rental income	227	227
Interest income	4,818	4,496

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	18,171	12,028	3,550	3,939
Social security costs	35	28	5	4
Defined contribution plan	2,415	1,932	654	731
Benefits-in-kind	261	397	56	209
	20,882	14,385	4,265	4,883
Included in the total remuneration of key management personnel are:				
Executive directors' remuneration (Note 9)	8,579	9,598	3,616	4,264

32. Fair value of financial instruments

Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade and other receivables (current)	19
Cash and bank balances	21
Loans and borrowings	24
Trade and other payables (current)	27

(i) Cash and bank balances, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short term nature.

(ii) Trade receivables and trade payables

The carrying amounts of these of trade receivables and trade payables approximate their fair value because they are subject to normal trade credit terms.

(iii) Loans and borrowings

The carrying value of bank borrowings and term loans approximate their fair values as they bear interest rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

(iv) Derivatives

The fair values of forward currency contracts are the amounts that would be payable or receivable on termination of the outstanding position arising and are determined by reference to the contracted rate and forward exchange rates at the reporting date for contracts with similar maturity profiles.

33. Fair value measurement

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.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2017 and 2016

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

	Note	Date of valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group						
Assets measured at fair value						
Quoted unit trusts	16	31 December 2017	27,770	-	-	27,770
		31 December 2016	42,207	-	-	42,207
Unquoted structured products	16	31 December 2017	-	2,496	-	2,496
		31 December 2016	-	11,627	-	11,627
Derivative assets	26	31 December 2017	-	426	-	426
Assets for which fair values are disclosed						
Investment properties	14	31 December 2017	-	-	31,000	31,000
		31 December 2016	-	-	68,000	68,000

33. Fair value measurement (contd.)

Fair value hierarchy (contd.)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2017 and 2016 (contd.)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	Note	Date of valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company						
Assets measured at fair value						
Quoted unit trusts	16	31 December 2017	27,770	-	-	27,770
		31 December 2016	42,207	-	-	42,207
Assets for which fair value are disclosed						
Investment properties	14	31 December 2017	-	-	31,000	31,000
		31 December 2016	-	-	34,000	34,000

34. Changes in liabilities arising from financing activities

	2017 RM'000
Group's borrowings	
At 1 January 2017	32,958
Repayment of borrowings	(8,247)
At 31 December 2017	24,711

35. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group has not undertaken any derivatives throughout the current and previous financial year except for the use of forward currency contracts. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The Group's credit risk is primarily attributable to trade receivables.

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis via the Group's management reporting procedures so that the Group's exposure to bad debts is minimised. Exposure to credit risks is also managed in part by obtaining collaterals from the debtors.

35. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM24,711,000 (2016: RM28,017,000) relating to corporate guarantees provided by the Company to banks for bank borrowings granted to certain subsidiaries of the Company.

Credit risk concentration profile

The Group does not have any significant or concentration of credit risk that may arise from exposures to a single debtor or to groups of related debtors.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks and other financial are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM '000	**One to five years** RM '000	**Over five years** RM '000	**Total** RM'000
Group				
Financial liabilities				
2017				
Trade and other payables	82,453	-	-	82,453
Loans and borrowings	4,025	15,811	9,835	29,671
Total undiscounted financial liabilities	86,478	15,811	9,835	112,124
2016				
Trade and other payables	81,674	-	-	81,674
Loans and borrowings	9,374	15,983	13,796	39,153
Total undiscounted financial liabilities	91,048	15,983	13,796	120,827

35. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM '000	One to five years RM '000	Over five years RM '000	Total RM'000
Company				
Financial liabilities				
2017				
Other payables	7,090	-	-	7,090
Financial guarantees*	24,711	-	-	24,711
Total undiscounted financial liabilities	31,801	-	-	31,801
2016				
Other payables	4,146	-	-	4,146
Financial guarantees*	28,017	-	-	28,017
Total undiscounted financial liabilities	32,163	-	-	32,163

* Based on the maximum that can be called for under the financial guarantee contracts.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates arises primarily from its long-term debt obligations with floating interest rates. Interest rate exposure is managed by maintaining a balanced mix of fixed and floating rate borrowings and regular reviews of its debt portfolio.

Information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

Sensitivity analysis for interest rate risk

At the reporting date, it is estimated that a ten (10) basis points increase in interest rate, with all other variables held constant, would decrease the Group's profit net of tax by approximately RM26,000 (2016: RM26,000), arising mainly as a result of higher interest expense on net floating borrowing position. A decrease in interest rate would have had equal but opposite effect on the aforesaid amount, on the basis that all other variables remained constant.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

35. Financial risk management objectives and policies (contd.)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Ringgit Malaysia ("RM"), Australian Dollar ("AUD") and Renminbi ("RMB"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), AUD and EURO ("EUR").

The Group uses forward currency contracts to eliminate the currency exposures after it has entered into a firm commitment for a sale. The forward currency contracts must be in the same currency as the hedged item.

At 31 December 2017, the Group hedged 20% of its foreign currency denominated sales, for which firm commitments extended to December 2018.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, the Group's foreign currency balances denominated in AUD and EURO amount to RM133,064 (2016: RM1,343,202) for its Malaysian operations.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including People's Republic of China, Australia and Vietnam.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonably possible strengthening/weakening of the USD, AUD and EUR exchange rates against the functional currency of the Group and of the Company, with all other variables held constant.

		Group Profit net of tax		**Company Profit net of tax**	
		2017	**2016**	**2017**	**2016**
		RM'000	RM'000	RM'000	RM'000
USD	- Strengthen 11% (2016: 1%)	2,640	136	-	-
	- Weaken 7% (2016: 15%)	(293)	(878)	-	-
AUD	- Strengthen 9% (2016: 3%)	532	1,010	1,496	560
	- Weaken 3% (2016: 10%)	(177)	(3,356)	(497)	(1,869)
EUR	- Strengthen 6% (2016: 2%)	562	13	-	-
	- Weaken 7% (2016: 7%)	(282)	(45)	-	-

36. Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and enhance its shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, risk inherent in its business operations or expansion plan of the Group. The initiatives in maintaining the Group's capital structure include issuance of shares, adjusting dividend payment to shareholders, or returning capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

As disclosed in Note 23(a), a subsidiary of the Group is required by the Foreign Enterprise Law of the People's Republic of China to contribute to and maintain a non-distributable reserve fund whose utilisation is subject to the approval by the relevant foreign authority. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, and loans and borrowings, less cash and bank balances. Capital includes equity attributable to the owners of the parent less translation adjustment account, and the above-mentioned restricted reserve fund.

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		RM'000	RM'000 (Restated)	RM'000	RM'000
Trade and other payables	27	82,453	81,674	7,090	4,146
Loans and borrowings	24	24,711	32,958	-	-
Less: Cash and cash balances	21	(58,463)	(60,984)	(1,067)	(143)
Net debt		48,701	53,648	6,023	4,003
Equity attributable to equity holder of the Company		510,672	514,937	363,679	359,345
Less: Other reserves	23	(16,061)	(19,390)	-	-
Capital		494,611	495,547	363,679	359,345
Net debt		48,701	53,648	6,023	4,003
Capital		494,611	495,547	363,679	359,345
Total capital plus net debt		543,312	549,195	369,702	363,348
Gearing ratio		8.96%	9.77%	1.63%	1.10%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Segmental reporting

The Group operates principally in one industry and is organised into four operating segments according to geographical locations based on information reported internally.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on profit or loss net of tax and non-controlling interests.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are set on mutually agreed terms. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Vietnam operation RM'000	Total RM'000
31 December 2017					
Revenue					
Total sales	215,065	64,925	164,809	6,502	451,301
Less: Inter-segment sales	(28,998)	(2,025)	-	-	(31,023)
	186,067	62,900	164,809	6,502	420,278
Results					
Segment operating profit	(3,073)	9,346	13,024	399	19,696
Finance costs	(1,284)	-	(153)	-	(1,437)
Profit before tax	(4,357)	9,346	12,871	399	18,259
Income tax expense	(1,449)	(2,442)	(4,794)	(23)	(8,708)
Profit for the year	(5,806)	6,904	8,077	376	9,551
Non-controlling interests	-	(1,416)	-	(113)	(1,529)
Profit attributable to owners of parent	(5,806)	5,488	8,077	263	8,022
Assets					
Segment assets	384,371	96,676	101,370	3,765	586,182
Other investments	27,770	2,496	-	-	30,266
Intangible assets	9,218	-	15,749	-	24,967
Tax recoverable	1,884	-	-	-	1,884
Deferred tax assets	5,078	-	1,998	-	7,076
Total assets	428,321	99,172	119,117	3,765	650,375
Liabilities					
Segment liabilities	23,493	10,273	50,016	2,975	86,757
Loan and borrowings	24,711	-	-	-	24,711
Tax payable	18	2,830	2,094	23	4,965
Deferred tax liabilities	77	-	4,725	-	4,802
Deferred capital grant	-	598	-	-	598
Total liabilities	48,299	13,701	56,835	2,998	121,833
Other information					
Depreciation	18,861	2,237	1,460	63	22,621

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Segmental reporting (contd.)

	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Vietnam operation RM'000	Total RM'000
31 December 2016					
Revenue					
Total sales	247,211	69,406	107,136	5,817	429,570
Less: Inter-segment sales	(21,513)	(1,365)	(3,378)	-	(26,256)
	225,698	68,041	103,758	5,817	403,314
Results (Restated)					
Segment operating profit	22,114	13,973	4,870	201	41,158
Negative goodwill	-	-	1,649	-	1,649
Finance costs	(1,068)	-	(179)	-	(1,247)
Profit before tax	21,046	13,973	6,340	201	41,560
Income tax expense	(2,361)	(4,238)	(1,242)	-	(7,841)
Profit for the year	18,685	9,735	5,098	201	33,719
Non-controlling interests	-	(2,095)	-	(60)	(2,155)
Profit attributable to owners of parent	18,685	7,640	5,098	141	31,564
Assets (Restated)					
Segment assets	381,309	95,902	96,473	4,112	577,796
Other investments	42,207	11,627	-	-	53,834
Intangible assets	9,218	-	15,749	-	24,967
Tax recoverable	1,919	-	-	-	1,919
Deferred tax assets	2,654	-	1,506	-	4,160
Total assets	437,307	107,529	113,728	4,112	662,676
Liabilities					
Segment liabilities	29,503	11,704	41,046	3,658	85,911
Loan and borrowings	28,432	-	4,526	-	32,958
Tax payable	78	3,046	624	-	3,748
Deferred tax liabilities	555	-	4,725	-	5,280
Deferred capital grant	-	801	-	-	801
Total liabilities	58,568	15,551	50,921	3,658	128,698
Other information					
Depreciation	18,567	2,498	1,169	58	22,292

38. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2017 were authorised for issue by the Board in accordance with a resolution of the directors on 13 April 2018.

STATISTICS ON SHAREHOLDINGS
AS AT 30 MARCH 2018

Analysis by Size of Shareholdings as at 30 March 2018

Total number of issued shares	:	155,616,013
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary shares

Category	No. of Shareholders	% of Shareholders	No. of Shares◆	% of Shares◆
1 to 99	95	2.978	3,564	0.003
100 to 1,000	671	21.034	493,852	0.352
1,001 to 10,000	1,864	58.433	7,461,997	5.321
10,001 to 100,000	501	15.705	14,989,300	10.688
100,001 to less than 5% issued shares	57	1.787	31,100,575	22.177
5% and above of issued shares	2	0.063	86,189,825	61.459
TOTAL	**3,190**	**100.000**	**140,239,113**	**100.000**

List of Thirty (30) Largest Shareholders as at 30 March 2018

No.	Name	No. of Shares◆	%◆
1.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB For Kim Hin (Malaysia) Sdn. Bhd. (PB)	62,254,025	44.391
2.	Kim Hin (Malaysia) Sdn Bhd	23,935,800	17.068
3.	Lim Pei Tiam @ Liam Ahat Kiat	3,967,500	2.828
4.	Galister International Ltd.	3,900,000	2.781
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore For Yeoman 3-Rights Value Asia Fund (PTSL)	3,525,000	2.513
6.	UOBM Nominees (Asing) Sdn Bhd United Overseas Bank Nominees (Pte) Ltd For China Cruise Company Ltd	2,582,400	1.841
7.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An For Bank of Singapore Limited	2,000,000	1.426
8.	Chua Seng Huat	1,113,225	0.794
9.	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt An For DBS Vickers Securities (Singapore) Pte Ltd (Clients)	850,800	0.607
10.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Pay Kaon	800,000	0.570
11.	Gan Kho @ Gan Hong Leong	667,300	0.476
12.	Goh Thong Beng	667,000	0.476
13.	Nican Asia Limited	650,000	0.463
14.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd For Lim Mee Hwa	600,000	0.428
15.	Dato' John Chua Seng Chai	524,650	0.374
16.	Tan Aik Choon	507,200	0.362
17.	Asia Selatan (M) Sdn. Bhd.	490,000	0.349
18.	Taman Bunga Merlimau Sdn. Bhd.	486,000	0.347

STATISTICS ON SHAREHOLDINGS
AS AT 30 MARCH 2018

19.	Tham Kin Foong (John)	470,100	0.335
20.	Maybank Nominees (Tempatan) Sdn Bhd Chua Eng Ho Wa'a @ Chua Eng Wah	309,400	0.221
21.	Chua Seng Guan	296,000	0.211
22.	Pauline Getrude Chua Hui Lin	295,000	0.210
23.	Tam Soon Sian	292,000	0.208
24.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liau Thai Min	275,700	0.197
25.	Chua Seng Guan	270,000	0.193
26.	KAF Trustee Berhad KIFB For Altima, Inc	266,400	0.190
27.	CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB Securities (Singapore) Pte Ltd	225,100	0.161
28.	Liew Kon Mun	218,100	0.156
29.	HSBC Nominees (Asing) Sdn Bhd Exempt An For The Hongkong And Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	208,000	0.148
30.	Eletechnics Sdn Bhd	200,000	0.143

List of Directors' Shareholdings as at 30 March 2018

No.	Name	Direct	Indirect
1.	Chua Seng Huat	1,113,225	86,189,825 *
2.	Dato' John Chua Seng Chai	524,650	86,189,825 *
3.	Chua Seng Guan	566,000	86,189,825 *
4.	Pauline Getrude Chua Hui Lin	328,900	86,204,175 *∆
5.	Chua Yew Lin	242,400	86,189,825 *
6.	Fong Tshu Kwong	20,000	-
7.	Ong Ah Ba	10,000 @	-
8.	Yong Lin Lin	-	-

List of Substantial Shareholders as at 30 March 2018

		No. of shares			
No.	**Name of Substantial Shareholders**	**Direct**	**%◆**	**Indirect**	**%◆**
1.	Kim Hin (Malaysia) Sdn Bhd	86,189,825 ^	61.459	-	-
2.	Chua Seng Guan	566,000	0.404	86,189,825 *	61.459
3.	Dato' John Chua Seng Chai	524,650	0.374	86,189,825 *	61.459
4.	Chua Seng Huat	1,113,225	0.794	86,189,825 *	61.459
5.	Pauline Getrude Chua Hui Lin	328,900	0.235	86,204,175 *∆	61.469
6.	Chua Yew Lin	242,400	0.173	86,189,825 *	61.459
7.	Chua Seng Khoon	-	-	86,189,825 *	61.459

Notes:
◆ Exclude treasury shares of 15,376,900 as at 30 March 2018
* Deemed interest by virtue of shareholdings in Kim Hin (Malaysia) Sdn Bhd.
∆ Deemed interested by virtue of 14,350 shares held by her spouse, Mr Charles Pan Chyi.
^ Shares held through CIMSEC Nominees (Tempatan) Sdn. Bhd.<CIMB for Kim Hin (Malaysia) Sdn Bhd (PB)> - 62,254,025
@ Shares held through BHLB Trustee Berhad Exempted – Trust Account for EPF Investment for Member Savings Scheme

PARTICULARS OF THE GROUP'S PROPERTIES

No	Location	Description / Existing Use	Year of Revaluation/ Acquisition	Approximate Age Of Building (Year)	Land/Area M2	Leasehold Expiry Date	NBV '000 (RM)
1	**Sarawak** Lot 2124 Block 226 Kuching North Land District (KNLD)	Country Land/ Mixed Zone Land; 3 Storeys Old Office Block	1992	33	60,187	13/07/2057	12,891
	Lot 96, 929 & 930, Block 226, KNLD	Factory Building, Worker Quarters, Warehouse, 3 Storeys New Office	1992	26 26 26 22	66,330	31/12/2038	
2	**Johor** PTD No 135903-135906 GM Lot 1284, Batu 8 Jalan Skudai, Mukim Pulai, Daerah Johore Bharu	Warehouse/Office/ Showroom	2007	11	3,554	freehold	3,989
3	PTD 106708, HS (D) 61844 (Asiatic) Mukim Senai-Kulai, Indahpura Industrial Park, Johor Bharu	Industrial Vacant Land	1997	-	16,340	freehold	4,160
4	**Federal Territory** B-31-05, Pavillion Residences 2, No.77, Jalan Raja Chulan, 50200 Kuala Lumpur*	Service Residences	2009	10	223	31/12/2099	1,935
5	**Negeri Sembilan** HS(D) 43950 to HS(D) 43963 Lot 10807 to Lot 10820 Mukim Rentau District of Seremban	Industrial Land; Factory & expansion Office Building	1989	- 28, 7 20	61,500	freehold	27,965
6	Lot 10806, GRN 116899 Tuanku Jaafar Industrial Estate Sungai Gadut District of Seremban	Industrial Land Warehouse	2013	22	44,456	freehold	16,178
7	Hakmilik PN229220, Lot 1780, Pekan Senawang, Daerah Seremban, Negeri Sembilan	Industrial Land;	2016		12,173	20/7/2052	
	Hakmilik H.S.(D) 128462, P.T. 1329 (Plot 75B), Mukim Ampangan, Daerah seremban, Negeri Sembialn	Industrial Land; Factory & Office Building	2016	30	16,187	8/7/2080	26,740
	Hakmilik PN 48805, Lot 61215, Pekan Senawang, Daerah Seremban, Negeri Sembilan	Industrial Land; Factory Office Building	2016	38	40,000	11/12/2074	
8	**Singapore** #08-10 Goodwood Residence 263, Bukit Timah Road 259704 Singapore	Condominium	2010	4	233	freehold	14,119
9	**The People Republic of China** Zhujing Development Area Jinshan Country, Shanghai	Industrial Land, Factory/Office Building	1992	- 23	216,396	05/11/2042	21,757
10	No 3, 32nd Floor, Alley 333, Jing An Si Ji Yuan Apt, Lorong 42 Nanjing West Road Shanghai	Condominium	2008	10	193	18/7/2071	2,253

* Title has yet to be issued

Form of Proxy

The Company Secretary,
Kim Hin Industry Berhad (018203-V)
4 1/2 Mile, Kung Phin Road, Off Penrissen Road,
93250 Kuching, Sarawak.

I/We ____

of ____ being a member/members of

KIM HIN INDUSTRY BERHAD hereby appoint ____

of ____

or failing whom, ____

of ____

as my/our proxy to vote for me/us and on my/our behalf at the Forty-Fifth Annual General Meeting to be held at Kim Hin's Conference Room, 4 1/2 Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak, on Monday, 28 May 2018, at 2.00 p.m. and, at every adjournment thereof in the manner indicated below:-

	For	Against		For	Against
Resolution 1			**Resolution 5**		
Resolution 2			**Resolution 6**		
Resolution 3			**Resolution 7**		
Resolution 4			**Resolution 8**		

(Please indicate with a cross (X) in the space provided whether you wish your votes to be cast for or against the Resolution. In the absence of specific directions, your Proxy will vote or abstain as he/she thinks fit)

Dated day of 2018.

No. of shares held

______________________________ ______________________________

Signature / Seal of Shareholder(s)

NOTES:

1. *Only members whose names appear in the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Fifth Annual General Meeting or appoint proxy/proxies to attend and/or vote on his behalf.*
2. *A proxy may but need not be a member of the Company.*
3. *To be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company at 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak not less than forty-eight (48) hours before the time for holding of the meeting.*
4. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.*
5. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
6. *If the appointer is a corporation, the Proxy Form must be executed under its common seal or under the hand of its attorney.*
7. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
8. *An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*

Affix Stamp

The Company Secretary

Kim Hin Industry Berhad (018203-V)

4 ½ Mile, Kung Phin Road,
Off Penrissen Road,
93250 Kuching, Sarawak.

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(018203-V)

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