KIM HIN INDUSTRY BERHAD
(018203-V)

ANNUAL REPORT 2016

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.

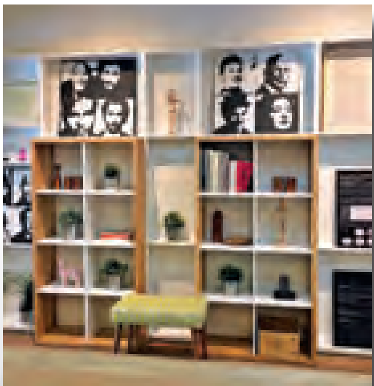
Mission

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.



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Fourth 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 Thursday, 25 May 2017 at 2.00 p.m. for the following purposes:

AGENDA

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2016 and the Directors and Auditors Reports thereon.
(Please refer to Explanatory Note A)

2. To approve a final dividend of 3% (tax exempt) for the financial year ended 31 December 2016 as recommended by the Directors. Resolution 1

3. To approve the payment of Directors' fees amounting to RM264,000 for the financial year ended 31 December 2016. Resolution 2

4. To re-elect the following Directors who are retiring pursuant to Article 84 of the Company's Articles of Association:

   Mr John Chua Seng Chai Resolution 3
   Mdm Pauline Getrude Chua Hui Lin Resolution 4
   Mr Ong Ah Ba Resolution 5

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 6

As Special Businesses
To consider, and if though fit, to pass the following resolutions with or without modifications :-

6. <u>**Ordinary Resolution:**</u> Resolution 7
Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature *("Proposed Shareholders' Mandate")*

"**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 28 April 2017 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;

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."

7. **Ordinary Resolution:**
Retention of Independent Director Resolution 8

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

8. **Ordinary Resolution:**
Authority to Directors pursuant to Section 75 of the Companies Act 2016 Resolution 9

"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 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 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.

9. 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.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 3% (tax exempt) for the year ended 31 December 2016, if approved by the shareholders at the Forty-Fourth Annual General Meeting, will be paid on 25 July 2017 to Depositors whose names appear in the Record of Depositors at the close of business on 5 July 2017.

A depositor shall qualify for entitlement to the dividend only in respect of:

a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 5 July 2017 in respect of ordinary transfers; and

b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LOW WAI SEE (MAICSA 7051463)
Company Secretary
Kuching, Sarawak
Dated this 28th day of April 2017

Notes

1. Only members whose names appear in the Record of Depositors on 18 May 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Fourth 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.

Explanatory Note A

This agenda is meant for discussion only as under Section 340(1)(a) of the Companies Act 2016, the audited financial statements do not require a formal approval of the shareholders. Hence, this matter will not be put forward for voting.

Notice of Annual General Meeting

Explanatory Notes on Special Business

1. *Ordinary Resolution 7*
   Proposed Renewal of Shareholders' Mandate and New 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 7, 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 28 April 2017, 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 28 April 2017 for further information.

2. *Ordinary Resolution 8*
   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 directors, such as Mr Fong Tshu Kwong, with detailed knowledge of the business and with proven commitment, experience and competence to effectively advise the Board.

   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.

3. *Ordinary Resolution 9*
   Authority to Directors pursuant to Section 75 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 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 26 May 2016 and the said mandate will lapse at the conclusion of the Forty-Fourth 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*)

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 Tunku Abdul Rahman,
93100 Kuching, Sarawak.

PRINCIPAL BANKERS

CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
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)

Corporate Governance Statement

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 Malaysian Code on Corporate Governance 2012 ("the Code") was issued in March 2012. In accordance with Paragraph 15.25 of the Main Market Listing Requirements ("MMLR"), all listed issuers with financial years ending on or after 31 December 2012 must disclose how they have applied the Principles set out in the Code to particular circumstances, having regard to the Recommendations stated under each Principle.

Nonetheless and in the spirit of our commitment to high standards of corporate governance, the Group has, as far as possible, endeavoured to apply the Recommendations of the Code.

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.

Roles and Responsibilities of the Board

The Board is 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.

The Group Managing Director is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions.

The Board has approved Board Charter which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:-

- Overview of Board of Directors' functions
- Duties and Responsibilities of Directors
- Selection and composition of the Board
- Leadership development
- Board Committees
- Board and member evaluations
- Directors' remuneration
- Meeting procedures
- Access to independent professional advice
- Code of Conduct for Directors

The approval and adoption of the Board Charter and the Code of Conduct for Directors formalizes the standard of ethical values and behavior that is expected of its Directors at all times. The Board Charter and the Code of Conduct for directors are available at the Company's website at www.kimhin.com.my. The Board shall periodically review the Board Charter to ensure their relevance and compliance.

Furthermore, 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 Group is also committed to sustainable development. Employees' welfare and community responsibilities are integral to the way in which the Group conducts its business.

Board Balance

The Board has eight (8) members, comprising three (3) Independent Non-Executive Directors and five (5) Executive Directors. The Board's composition brings to the Group a diverse wealth of skills, knowledge as well as a balanced mix of experience and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. Generally, the Executive Directors are responsible for making and implementing operational and corporate decisions. Non-Executive Directors play a pivotal role in corporate accountability by providing unbiased and independent views in the sharing of knowledge and experience, towards the formulation of policies and in the decision-making process. A brief profile of each Director is presented on pages 25 to 27 of this Annual Report.

Corporate Governance Statement

Although all Directors have equal responsibility for the Group's operations, the presence of Independent Directors is particularly important as they provide independent views, assessment, advice and judgment to the Group.

Mr Fong Tshu Kwong has been appointed as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

Reinforce independence

The Board assessed the independence of independent directors annually pursuant to a declaration made by the said directors that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the company.

The Recommendation 3.2 of the Code states that the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

Notwithstanding that Mr Fong Tshu Kwong would have served more than 9 years on the Board by 31 December 2016, the Board recommended to retain him as an Independent Director.

The Board opined 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 directors, such as Mr Fong Tshu Kwong, with detailed knowledge of the business and with proven commitment, experience and competence to effectively advise the Board.

Mr Fong Tshu Kwong as the Chairman of the Nomination Committee would abstain from any deliberations or voting pertaining to his own independence at the Board level.

The Board would table a proposal to retain Mr Fong Tshu Kwong as an Independent Director to the Shareholders for approval at the upcoming Annual General Meeting.

Executive 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 Executive Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

Recommendation 3.5 of the Code states that the Board must comprise a majority of independent directors where the Chairman is not an independent director. Kim Hin Industry Berhad's Chairman is not an independent director. The Board believes that the interests of shareholders are best served by a Chairman who is sanctioned by shareholders and who will act in the best interests of shareholders as a whole. As the Chairman has a significant interest in Kim Hin, he is well placed to act on behalf of shareholders and in their best interests. The current size and composition of the Board are considered adequate to provide an optimum mix of skills and experience. The Board shall continue to monitor and review the Board's size and composition as may be needed.

Board Meetings

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 2016 and their attendance details are as follows:-

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

Corporate Governance Statement

Appointment to the Board

The Nomination Committee is responsible for making recommendation for appointment to the Board. The decision on appointment rests on the Board as a whole after considering the recommendation of the Nomination Committee. In making these recommendations, the Nomination Committee assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

Recommendation and Commentary 2.2 of the Code states that the board should establish a policy formalizing its approach to boardroom diversity. In 2015, the Group adopted the Boardroom and Workforce Diversity Policy.

Boardroom Diversity

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.

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 the 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.

The Nomination Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. It also oversees the conduct of the annual assessment of Board effectiveness.

Workforce Diversity

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.

The Group's Workforce Diversity Policy framework is aimed to achieve the following:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- continue to recognise and celebrate our multicultural diversity and grow our workforce to reflect the diversity of the Group's population;
- to incrementally grow and recruit more women in senior roles across the Group;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity.

Re-election of Directors

In accordance with the Company's Constitution, one-third of the Directors for the time being shall retire from office and eligible for re-election. All directors including the Group Managing Director, are subject to retirement and re-election by the shareholders at least once every 3 years.

Corporate Governance Statement

Supply of Information

At the beginning of every year, a yearly timetable of meetings is scheduled and circulated in advance. Due notice is given for all scheduled meetings.

Prior to all meetings, the Directors are given an agenda and a full set of board papers. The board papers provide updates on the business, operational and corporate developments and it also contains explanatory notes and other useful information to be discussed at the meeting.

All directors have access to the advice and services of the Company Secretary. The Company Secretary is qualified to act as Company Secretary under Section 235 of the Companies Act 2016 ("CA"). The Company Secretary plays an advisory role to the Board in respect of current corporate governance best practices, directors' fiduciary and statutory duties, the Board's reporting and disclosure obligations, proper meeting procedures and compliance with the MMLR, CA and other regulatory requirements.

The Company Secretary also ensures that there is good information flow within the Board, Board committees and senior management. The Board is provided with Board papers in advance of seven days before each Board meeting.

In discharging directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

If a director considers that such advice is necessary, the director shall first discuss with the Chairman and, having done so shall be free to proceed. The director should provide proper notice to the Company Secretary of the intention to seek independent advice and shall provide the name(s) of the professional advisor(s) that he / she intends to contact, together with a brief summary of the subject matter for which professional advice is sought. The Company Secretary shall provide written acknowledgement of acceptance of notification. In the event that one or more directors seek to appoint one or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus.

Fees for the independent professional advice will be payable by the Company but proper approval of the Chairman will be required.

Time commitment of accepting new directorships

Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company. Any 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 2016, all Directors attended the training entitled "Environment, Social & Governance Practices for Corporate Sustainability" on 25 August 2016.

The Board Committees
During the financial year ended 31 December 2016, the following Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee, Executive Share Option Scheme Committee ("Option Committee") and Risk Management Committee assisted the Board in discharging its fiduciary duties.

The respective Committees are delegated with specific authority and they operate under approved terms of reference.

(a) **Audit Committee**
The composition and terms of reference of this Committee together with its report are presented on pages 22 to 24.

(b) **Nomination Committee**
The 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.

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.

During the financial year ended 31 December 2016, the Committee held one meeting which was attended by all members.

The composition and category of directors in the nomination committee are as follows:-

Category	No. of directors
Independent Non-Executive Directors	2
Executive Director	0
Total	**2**

The duties of the Nomination Committee are as follows:-

(a) Nomination and screening of board member candidates;
(b) Review of required mix of skills and experience and other qualities required for the Board to function completely and efficiently;
(c) Evaluation of the performance of the Board, committees and its members. The Nomination Committee takes into account the review of the audit committee as specified in paragraph 15.20 of the Listing Requirements;
(d) Evaluation of the chief financial officer's character, experience, integrity, competence and time to effectively discharge his role in accordance with Paragraph 2.20A of the Listing Requirements.
(e) Review, on an annual basis, the independence of Independent Directors.
(f) Termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons;
(g) Coordination of Board Agenda and Meeting Schedules;
(h) Assignment of Committee membership and review the directors' rotational retirement;
(i) Training and Orientation of directors; and
(j) In conjunction with the Group Managing Director ("GMD") and the Remuneration Committee, development of the GMD's mission and objectives, and annual evaluation of the performance of GMD;
(k) Establish succession planning process for executive directors and senior executives, officers and key group managers.

(c) **Remuneration Committee**

The composition and category of directors in the Remuneration Committee are as follows:-

Category	No. of directors
Independent Non-Executive Directors Executive Director	2 1
Total	**3**

The duties of the Remuneration Committee are as follows:-

(1) Establish a compensation strategy;
(2) Establish compensation policies and programs;
(3) Establish compensation levels of directors, Managing Director, top officers and management group;
(4) Establish management development plans;
(5) Establish compensation and employee benefit plans;
(6) Administration of stock bonus plans, stock option plans; and
(7) Establishment of other executive and director compensation arrangements.

During the financial year ended 31 December 2016, the Committee held one meeting which was attended by all members.

(d) **Option Committee**

The Option Committee was established on 19 April 2002.

The composition of the Option Committee is as follows:-

Category	No. of directors
Independent Non-Executive Directors Executive Director	2 1
Total	**3**

The duty of the Option Committee is to administer the Executive Share Option Scheme of the Company in accordance to its Bye-Laws.

(e) **Risk Management Committee**

The composition of the Risk Management Committee is as follows:-

Category	No. of directors/staff
Independent Non-Executive Director Executive Directors Management Staff	1 2 6
Total	**9**

The duties of the Risk Management Committee are as follows:-

- review and recommend overall risk management policies and processes, risk management tolerances and parameters used in establishing these tolerances;
- review the Company's risk profile and the mitigation plans to address significant residual risks;
- monitor significant risks through review of risk-related performance measures, and progress on action plans; and
- review the Corporate Risk Management Policy and Risk Management Framework annually to ensure that they are both relevant and viable in providing context for risk management activities at all levels of the Group.

Specific Duties:-

- Act as an agent of the Board to ensure that all decisions relating to risk activities taken by the Board are implemented and monitored throughout the Group;
- Design and implement an appropriate and robust Group Governance infrastructure and ensure it reflects the risk appetite set by the Board;
- Monitor the effectiveness of the Group Governance infrastructure (including the internal control environment) as a whole and make recommendations on improvements, to the Board where necessary;
- Ensure mitigation strategies/action plans have been enacted by relevant business units and are operating effectively;
- Align and promulgate policy guidelines with the business objectives set by the Board;
- Ensure that risk responsibility is being correctly transacted throughout the Group;
- Ensure that changing risk circumstances within the Group are communicated to the Board;
- Communicate and advise on expected standards in risk management and decisions taken to all areas of the business;
- Approve policy framework, set by relevant sub-committees, for measuring the controlling Group market, liquidity, credit and operational risks;
- Review all Group compliance monitoring reports on the members of the Group to ensure that requisite action is taken promptly to correct any deficiencies and report exceptions to the Board;
- Provide a quarterly report for the Board on the effectiveness of the risk management.

Other miscellaneous activities;

- Risk management training
- Publishing risk management policies and procedures
- Risk management communication with the business
- Technology to support Group Governance infrastructure

DIRECTORS' REMUNERATION

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 directors' aggregate remuneration categorized into appropriate components for the financial year is as follows:-

	Executive Directors RM'000	Non-Executive Directors RM'000
Fees[1]	165	99
Other Emoluments	9,285	-
Benefits in kind	313	-
TOTAL	**9,763**	**99**

Note:
1. To be approved by shareholders at the forthcoming Annual General Meeting.

The number of Directors of the Company who served during the financial year and whose aggregate remuneration falling within the respective band is as follows:-

	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM 850,001 – RM 900,000	2	-
RM2,550,001 – RM2,600,000	1	-
RM2,650,001 – RM2,700,000	1	-
RM2,750,001 – RM2,800,000	1	-

Corporate Governance Statement

ACCOUNTABILITY AND AUDIT

(a) **Financial Reporting**
The annual financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board of Directors prior to public release. A statement by the directors explaining the Board's responsibility for preparing the annual financial statements is set out on page 19 of this Annual Report.

(b) **Risk Management and Internal Control**
A statement on Risk Management and Internal Control which provides an overview of the state of risk management and internal control within the Group's disclosed on page 20 to 21 of this Annual Report.

(c) **Relationship with the Auditors**
Through the Audit Committee, the Company has established a formal and transparent relationship with the auditors, both internal and external. The external auditors are invited to discuss the annual financial statements, their audit plan, audit findings and other special matters that require the Board's attention. The Audit Committee meets with the external auditors without any executive director's presence at least twice a year.

TIMELY AND HIGH QUALITY DISCLOSURE

As recommended by the Code, the Company will leverage on the latest information technology to promote efficient and effective dissemination of information to the stakeholders and shareholders. The Company's Annual Report, announcements to Bursa Malalaysia Securities Berhad (including the announcements of quarterly results), Board Charter, amongst others, have been made available on the Company's website.

The Board has adopted the Corporate Disclosure Policy, which shall serve as a guide to the Board, management, officers and employees on the Company's disclosure requirements and practices. The Policy provides guidelines and policies in disseminating corporate information to, and in dealing with shareholders, stakeholders, analysts, media, regulators and the investing public.

INVESTORS RELATION AND SHAREHOLDERS COMMUNICATION

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 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, poll voting will be implemented at the 44th Annual General Meeting and an independent scrutineer will be appointed for validation of the votes casted.

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 2016.

PERFORMANCE

The Group recorded an improved revenue of RM403.3 million for the financial year ended 31 December 2016 as compared to RM367.4 million for the preceding financial year. The increase in the Group's revenue was contributed by the better performance in all geographical segments, except for its Malaysia operations, particularly the contribution from the recently acquired subsidiary, Outset Holdings Pty Limited.

However, the Group's profit before tax for the current financial year declined from RM45.7 million to RM39.9 million mainly due to the increase in operating expenses.

DIVIDEND

In addition to an interim dividend of 3% (tax exempt) declared and paid on 23 December 2016, the Board now recommends a final dividend of 3% (tax exempt) to be paid in respect of the financial year ended 31 December 2016.

The recommended final dividend, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid to shareholders in July 2017. The dividend payouts demonstrated that the Group's commitment in rewarding a fair and equitable return of investment to its shareholders.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the importance of being a socially responsible corporate entity and endeavours to treat its stakeholders to whom our business has an impact on, be it directly or indirectly, in a responsible manner.

Kim Hin Group focuses on continuous care, responsibility and commitment towards its stakeholders in particularly the employees, the environment and local communities.

Annually, the Group makes cash contributions to various charitable organisations with the hope of making a positive difference to the lives of the less fortunate. Kimgres Marketing Sdn Bhd, a wholly-owned subsidiary, has committed in contributing 1% of its retail sales annually to the following charitable organizations:

- Society of Severely Mentally Handicapped Children;
- Persatuan Kebajikan Kristian Aman, Selangor (Shalom House);
- Little Sisters of the Poor; and
- Pertubuhan Membantu Pesakit Parah Miskin Malaysia.

As part of our efforts to support and give back to the communities, the Group donated ceramic tiles to various schools, charitable and not-for-profit organizations in 2016. Among the beneficiaries are SJK Chung Hua No. 1 Kuching, SJK Chung Hua Sg Lubak, SMK Taman Tuanku Jaafar, SK St. Aidan, SMK Jalan Bukit, SK Seliau, and Church of the Holy Rosary.

HUMAN CAPITAL MANAGEMENT

Being a leading ceramic tiles manufacturer in the state, it is the Group's core value to ensure the provision of a conducive working environment in which talented individuals will be inspired to excel. The Group continues to impart the knowledge and company philosophy by promoting and organizing well-established training programs for its management and employees.

The Group's commitment in embracing and promoting workforce diversity is reflected in its Workforce Diversity Policy. Through workforce diversity, the Group can have access to the benefits of a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent, which in turn will result in improved services to its customers and enhancing the returns to its shareholders. Diversity includes, but not limited to, gender, age, ethnicity and cultural background.

Besides, the Group also embraces that employees are its best asset and are able to steer the Group to greater heights. Hence, various learning and development programs have been conducted throughout the year so as to equip and develop our workforce with both technical and soft skills.

In an effort to recognize the valuable services of its resigned senior employees, the management presents service awards to them for their dedicated services and loyalty to the Group for the past two decades.

Chairman's Statement

In addition, the Group also presents achievement awards to our employees' children who excel in government examinations. Sports and other activities were carried out with the full support and commitment of our employees, through Kimgres Club, the Group's sports club, with a view of providing a healthy lifestyle for our employees.

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.

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
28 April 2017

Additional Compliance Information

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

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 ("RRPT")

In accordance with Section 3.1.5 of Practice Note 12 and Paragraph 10.09(2)(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a breakdown of the aggregate value of RRPT conducted during the financial year ended 31 December 2016, pursuant to the Shareholders' Mandate are disclosed as follows:

Type of RRPT	Name of the Related Party	Value of RRPT made during the financial year ended 31 December 2016 (RM'000)
Purchase of ceramic tiles from Shanghai Kim Hin United Building Materials Co. Ltd ("Shanghai United") by Kim Hin Ceramics (Shanghai) Co. Ltd. and Johnson Tiles Pty. Ltd.	Shanghai United	8,784

<u>Relationship of the Related Party with Kim Hin Industry Berhad Group:</u>

Mr Chua Seng Huat, Mr John Chua Seng Chai and Mr Chua Seng Guan are the directors and major shareholders of Kim Hin Industry Berhad. Mr Chua Seng Huat and Mr John Chua Seng Chai own 10% each of the shares in Shanghai United respectively, whilst Mr Chua Seng Guan owns 13.33% of the shares in Shanghai United.

AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors for the financial year ended 31 December 2016 are set out below:

Fees paid/ payable to the external auditors	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young & its affiliates		
• Statutory Audit	78	530
• Non-audit services including tax services	106	197
-		
Fees paid/payable to other auditors		
• Statutory Audit	-	113
• Non-audit services including tax services	-	86
TOTAL	**184**	**926**

Statement of Directors' Responsibility in Preparing Annual Audited Financial 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, 1965, applicable Malaysian Financial Reporting Standards 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.

Statement on Risk Management & 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 2016.

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.

The duties and responsibilities of the RMC are detailed under the Corporate Governance Statement.

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, the Group has reaffirmed its criteria used in defining the level of significance as well as impact of risks affecting the business.

The Group identified Revenue, Inventory, Trade Receivables, Production and Foreign Exchange as its major risks and these major risks 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: 2008 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.

Statement on Risk Management & Internal Control

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

The Group's Kuching plant has 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.

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 Showroom Operation including Sales and Petty Cash Management, Customers' Credit Control Procedure, Inventory Management, Customer Satisfaction, Preventive and Maintenance, Procurement including Approval process for Purchase Requisition and Purchase Orders, Security, and Related Party Transactions.

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 2016 was in the region of RM128,000.

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.

This statement has been reviewed by the external auditors as required under paragraph 15.23 of the MMLR. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG, nor is the statement factually inaccurate.

This statement is issued in accordance with the Board's approval on 28 March 2017.

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 2016.

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) 25 February 2016
2) 28 March 2016
3) 26 May 2016
4) 25 August 2016
5) 25 November 2016

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

Name of Audit Committee member	Attendance	Percentage of attendance
Fong Tshu Kwong	4/5	80%
Ong Ah Ba	5/5	100%
Yong Lin Lin	5/5	100%

The Audit Committee also met with the External Auditors on 28 March 2016 and 25 November 2016 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 be comprised 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 2016, 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, 1965;
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- applicable approved 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
Kimgres Marketing Sdn Bhd: • Showroom orders, sales recording and petty cash management; • Customers' credit control procedure; • Inventory management; and • Customers satisfaction. Ceramica Indah Sdn Bhd: • Repair and maintenance of plant, kiln & machinery; • Procurement; • Approval process for Purchase Requisitions and Purchase Orders; and • Inventory control of spare parts. Kim Hin Ceramic (Seremban) Sdn Bhd • Repair and maintenance of plant, kiln and machinery; • Procurement; and • Inventory control of spare parts

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, functions, competency and resources of the internal audit functions to carry out its work.
- 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 Planning Memorandum 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 2016 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 24 February 2017, 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 2017 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 2017, 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.

Profile Of Directors

CHUA SENG HUAT
Executive Chairman
56 years of age / 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 2016.

Mr Chua Seng Huat is the brother of Mr 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.

JOHN CHUA SENG CHAI
Group Managing Director
59 years of age / Malaysian / Male

Mr 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 five (5) out of the six (6) Board Meetings held during the financial year ended 31 December 2016.

Mr 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
59 years of age / 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 2016.

Mr Chua Seng Guan is the brother of Mr Chua Seng Huat, Mr 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
55 years of age / Malaysian / Female

Mdm 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. Mdm 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 2016.

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

CHUA YEW LIN
Executive Director
54 years of age / Malaysian / Female

Mdm 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 2016.

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

FONG TSHU KWONG
Independent Director
59 years of age / 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 five (5) of the six (6) Board Meetings held during the financial year ended 31 December 2016.

Profile Of Directors

ONG AH BA
Independent Director
59 years of age / 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 2016.

YONG LIN LIN
Independent Director
57 years of age / 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.

He later attached with Naim Utilities Sdn Bhd as an Executive Director from 2006 to 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 all of the six (6) Board Meetings held during the financial year ended 31 December 2016.

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, public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Particulars of Key Senior Management

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

Nationality/ Age/ Gender:	Academic/ Professional Qualification(s):	Present Directorship:	Working experience:
Malaysian/ 53/ Female Date of appointment: 1 October 2015	• Master in International Business	Listed entity: Nil Other public companies: Nil	• Worked in H&R Johnson for 3 years (1989-1992) • Joined Kimgres Marketing Sdn Bhd since 1993

2. **PETER CHIAM TAU MIEN** Chief Financial Officer, Kim Hin Industry Berhad

Nationality/ Age/ Gender:	Academic/ Professional Qualification(s):	Present Directorship:	Working experience:
Malaysian/ 45/ Male Date of appointment: 1 January 2014	• Chartered Accountant (Malaysia) • Fellow of Association of Chartered Certified Accounts ("ACCA") (UK)	Listed entity: Nil Other public companies: Nil	• He started his career with Ernst & Young, Kuching in 1995 and has 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** Plant Manager, Kim Hin Ceramics (Seremban) Sdn Bhd

Nationality/ Age/ Gender:	Academic/ Professional Qualification(s):	Present Directorship:	Working experience:
Malaysian/ 52/ Male Date of appointment: 1 October 2011	• Higher School Certificate	Listed entity: Nil Other public companies: Nil	• Has 28 years of experience in the ceramic tiles industry • Joined Kim Hin Group on 8 March 1989

4. **LIM LIP BOON** Plant Manager, Ceramica Indah Sdn Bhd

Nationality/ Age/ Gender:	Academic/ Professional Qualification(s):	Present Directorship:	Working experience:
Malaysian/ 50/ Male Date of appointment: 1 December 2014	• Higher School Certificate	Listed entity: Nil Other public companies: Nil	• Has 23 years of experience in the ceramic tiles industry • Joined Niro Indonesia as Senior Plant Manager from 2009 to 2013 • Joined Mulia Industry as Plant Manager (2013-2014) • Joined Kim Hin Group on 1 December 2014

5. **JOHN FRANCIS SCHROOTEN** Chief Operating Officer, Amber Group Australia Pty Ltd **("Amber Group")**

Nationality/ Age/ Gender:	Academic/ Professional Qualification(s):	Present Directorship:	Working experience:
Australian/ 42/ Male Date of appointment: November 2016	• Bachelor of Business • Diploma of Information Technology	Listed entity: Nil Other public companies: Nil	• Has joined Amber Group for 17 years and has held various key management positions in Finance, Logistics, and Information Systems

Particulars of Key Senior Management

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

Nationality/ Age/ Gender:
Malaysian/ 63/ 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 training with several large ceramic manufacturing companies in Taiwan
- Joined Kim Hin Industry Berhad in 1974

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

Nationality/ Age/ Gender:
Malaysian/ 50/ 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.

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

Nationality/ Age/ Gender:
Chinese/ 48/ Female

Date of appointment:
1995

Academic/ Professional Qualification(s):
- University graduate

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

Present Directorship:
Listed entity:
Nil

Other public companies:
Nil

Working experience:
- Has 24 years of experience in the ceramic tiles industry

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

Nationality/ Age/ Gender:
Malaysian/ 58/ Male

Date of appointment:
1 December 2007

Academic/ Professional Qualification(s):
- Master in Science (Operational Research)
- Bachelor of Science in Finance

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

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

Nationality/ Age/ Gender:
Malaysian/ 27/ Female

Date of appointment:
2016

Academic/ Professional Qualification(s):
- Bachelor of Commerce (Accounting & Finance)
- Certified Public Accountants

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:
- 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

Particulars of Key Senior Management

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 Managment personnel has:
   - any conflict of interest with Kim Hin Industry Berhad
   - any conviction for offences within the past 5 years other than traffic offences
   - any imposition of penalty by the relevant regulatory bodies during the financial year ended 31 December 2016

Note

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

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 the investors and shareholders with a better understanding of the Group's business and operation for the financial year ended 31 December 2016.

The MD&A should be read together with the Group's audited financial statements for the financial year ended 31 December 2016.

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, property 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.

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). Presently, Kim Hin Group employs approximately 1,560 employees worldwide.

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.

The Group exports about 30% of its production from the Malaysia plants to Australia, Middle East, Taiwan and Pakistan while its Shanghai plant exports about 55% 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 values 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 quality and 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. We are proud to report that the Kuching plant has achieved compliance with the new requirements and has been certified to 9001:2015 version in July 2016 with the dedication of our people to the process.

The Group's Malaysian operations has 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 ECC 6.0 to facilitate its business processes and operation efficiency for its Malaysian segment.

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

The Group values its people and acknowledges the success and growth of the Group over the past decades are the result of the commitment, hard work and capability of our 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 sport club assists in the balance of work and lifestyle. At the same time, the Group continues to focus on the competency development of our employees with training hours being one of the Group's key performance indicators. We promote and instill 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

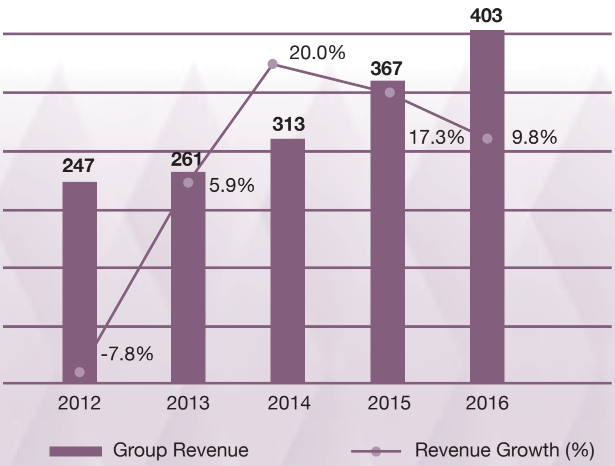
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Financial					
Revenue	246,559	261,055	313,372	367,441	403,314
Profit before interest and tax	7,425	5,621	30,040	46,181	41,158
Finance costs	15	102	505	454	1,247
Net profit	2,437	1,284	25,837	35,712	32,070
Shareholders' equity	440,654	439,943	457,129	496,612	513,546
Total assets	499,314	516,905	547,317	584,631	656,561
Borrowings	63	11,099	10,173	9,208	32,958
Debt/Equity (%)	~	0.03	2.22	1.85	6.42
Earnings per share (sen)	1.23	0.02	17.03	24.50	21.33
Net assets per share (RM)	3.14	3.14	3.26	3.54	3.66
Dividend per share (sen)	3.00	3.00	6.00	3.00	9.00
Share					
Year high (RM)	1.44	1.47	1.83	2.60	2.47
Year low (RM)	1.20	1.15	1.05	1.17	1.56
Year close (RM)	1.25	1.26	1.18	2.28	1.83
Trading volume ('000)	7,533	8,112	18,494	60,982	24,075
Market capitalization as at year end (RM'000)	175,299	176,701	165,482	319,745	256,638

~ negligible

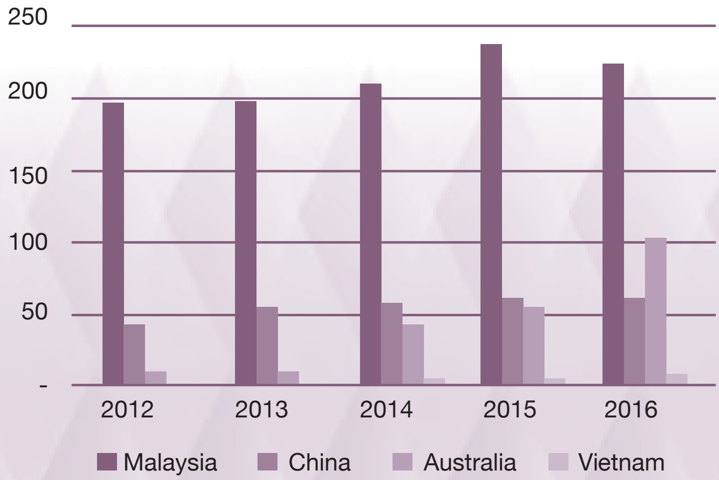
Review of Financial Results and Financial Conditions

Revenue

The Group's revenue increased from RM 367.4 million to RM 403.3 million during the financial year, an increase of 9.76% as compared to the previous financial year. The increase in revenue was mainly contributed by Kim Hin's overseas operations. This is evident as revenue of the Malaysian operations fell by 3.8% year-on-year due to a slowdown in the local housing sector. In general, the tightening of lending requirements by banks in Malaysia has caused sluggish sales of new residential properties which led to sales from the Malaysian segment slowing in the second half of the year. About 70% of the Group's sales are derived from large residential projects. However, the Group's overseas operations, especially Australia, managed to offset the shortfall with the contribution from the recently acquired subsidiary, Outset Holdings Pty Ltd. ("Outset Holdings"). Outset Holdings is the holding company of Amber Group Australia Pty Ltd, which operates a network of twenty-four (24) franchised stores and three (3) company-owned stores in Australia. The acquisition of Outset Holdings contributed RM 38.8 million (9.5%) of the total group's revenue for the financial year under review.



Group Revenue (RM Million)

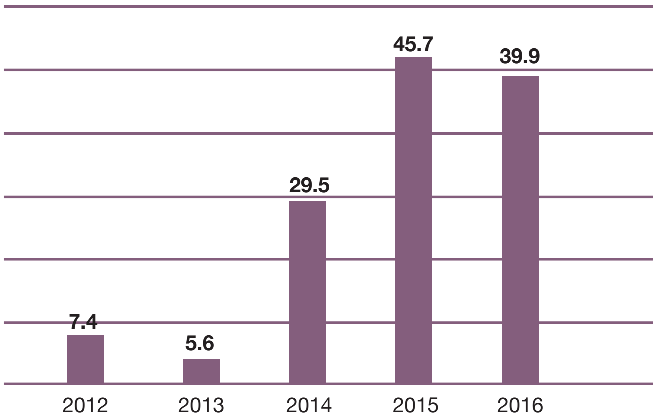


Revenue by Segment (RM Million)

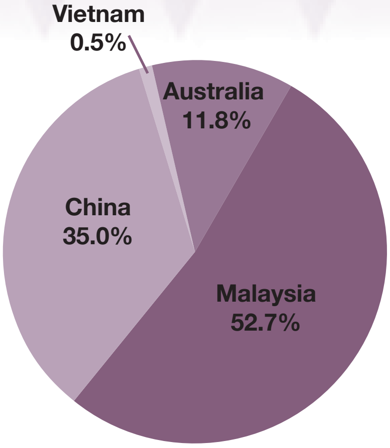
Management Discussion And Analysis

Profit Before Tax

The Group's profit before tax decreased by 12.7% from RM 45.7 million in the previous financial year to RM39.9 million for the current financial year, mainly due to lower profit margin of its Malaysian segment as a result of higher operating expenses due to increased raw materials price and energy prices. While the Malaysia property market remains subdued, Kim Hin's overseas operations contributed 47.3% of the Group's profit before tax for the current financial year, which soared from 18.3% registered in the previous financial year, with the China operations being the largest profit contributor among the Group's overseas operations.



Group PBT (RM Million)



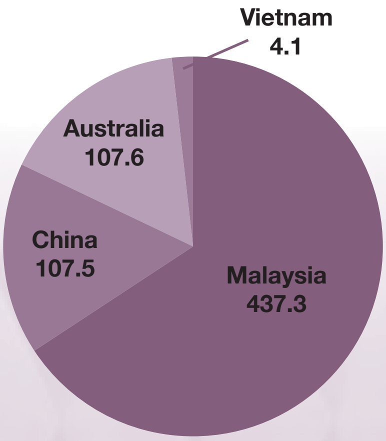
2016 Segmental Contributions

Operating expenses (excluding cost of sales) of the Group increased by to RM 106.8 million during the financial year as compared to RM 95.2 million in the previous financial year. The increase was mainly due to the hike in staff costs (employee benefits expense) from RM58.0 million to RM71.2 million, contributed by the operation of an additional manufacturing facility acquired and the newly acquired subsidiary in Australia during the current financial year.

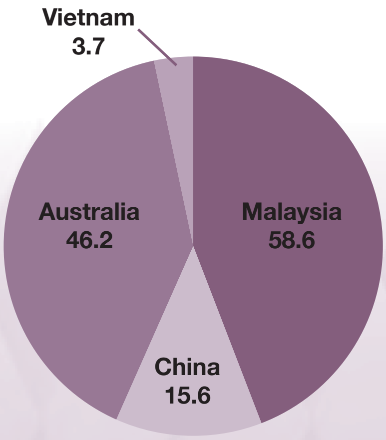
Total finance costs which increased from RM 0.5 million to RM1.2 million was mainly attributable to the increase in borrowings of RM 23.8 million (from RM 9.2 million as at 31 December 2015 to RM 33.0 million as at 31 December 2016) principally used to fund the acquisition of a manufacturing plant in Seremban, Malaysia.

The Group's income tax expenses reduced from RM 10.0 million in the previous financial year to RM 7.8 million for the current financial year due to the lower effective tax rate of 19.6% (2015: 21.9%). The recognition of deferred tax asset on unutilized capital allowances amounting to RM 2.7 million and utilization of the current year's reinvestment allowance of RM1.0 million have resulted in a much lower effective tax rate for the current financial year of the Group.

Distribution of Segmental Assets and Liabilities of the Group as at 31 December 2016



Assets (RM Million)



Liabilities (RM Million)

Management Discussion And Analysis

Assets

Trade Receivables

Trade receivables increased by 23.8% to RM 81.2 million during the financial year. This was primarily due to the acquisition of the new subsidiary, Outset Holdings which accounts for of the increase, and higher revenue during the current financial year.

Inventories

There was significant increase in inventories to RM 154.9 million from RM 120.8 million at the end of the previous financial year. This mainly consists of RM 30.2 million increase in finished and trading goods held for sales, as well as an increase in raw material stocks relating to the Group's manufacturing activities (RM2.5 million).

Liabilities

Trade and other payables

The Group's trade and other payables increased by 46.3% from RM 55.8 million in the previous financial year to RM 81.7 million. This was primarily due to the consolidation of Outset Holdings group which accounted for some RM 16.1 million.

Capital structure and capital resources

The Group's borrowings increased by more than 2.6 times to RM 33.0 million from RM 9.2 million at the end of the previous financial year primarily due to the drawdown of RM20 million term loan in May 2016 to finance the acquisition of three (3) adjoining parcels of leasehold land and all buildings, structure fittings, machinery and equipment situated therein for a cash consideration of RM 28 million (exclude GST) from Johan Ceramic Berhad and the inclusion of commercial bill and trade finance facility of RM 4.5 million as at the end of current financial year arising from acquisition of Outset Holdings.

Nevertheless with the above additional borrowings, the Group's gearing ratio (total borrowings over total equity) remains low at about 0.06 times as at the end of 2016 as compared to 0.02 times in the previous financial year. The significantly low gearing ratio albeit with an increase in borrowing during the year, reflects the Group's intention to remain prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value for the coming years.

Review of Operating Activities

During the year, the Group completed the acquisition of a manufacturing facility (land, building and machinery) in Seremban from Johan Ceramic Berhad in April 2016 as we continue the rationalization of the Group's manufacturing facilities in Malaysia.

Kim Hin has been on an acquisition trail in its effort to achieve revenue growth as well as strengthening its foothold and presence in the Group's main export market, Australia.

The initiative of setting up marketing network in selected countries where the Group has no presence has started to bear fruit as evident from the Vietnam operations contributing positively to the Group's bottom line for the first time with the revenue of the segment surging by 64.2%, as compared to the previous financial year.

Management Discussion And Analysis

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 recognized that the Group has limitation 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 customers' satisfaction and application of new technology for product improvements.

One of the key initiatives that was successfully achieved was the reduction in our reliance on the Malaysian operations with the expansion of the Group's operation in a new geographical location (Vietnam) and the strengthening of the Group's Australian operations with two (2) acquisitions in the span of three years. The latest addition to the Group, Outset Holdings which owns a renowned retail chain will enhance the Group's distribution channels in Australia.

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. In addition, the Group has minimal exposure to Sterling Pound ("GBP"), Singaporean Dollar ("SGD") and Brunei Dollar ("BND").

Management Discussion And Analysis

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 in higher operational and operating costs. The “uptick” in energy price caused by the continuous gradual hike in liquified natural gas due to the Malaysian Government’s subsidy rationalization and the price of liquified 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 (6% 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 both Malaysia and Australia are maintaining low interest rates and are not expected to increase so soon;

Credit risk where the Group adopts stringent procedures on approving credit terms to customers and closely monitoring the collection of the Group’s receivables;

The Group’s ability to attract and retain 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 (2017), given the weak domestic (Malaysia) economic environment and uncertainty of global trade generated by Brexit and US President Donald Trump’s administration.

According to CBRE | WTW’s 2017 Asia Pacific Real Estate Market outlook report, the property market is expected to remain flat as the outlook continues to be challenging and this does not bode well for Kim Hin as demand for tiles is sensitive to changes in residential, non-residential and new construction activities.

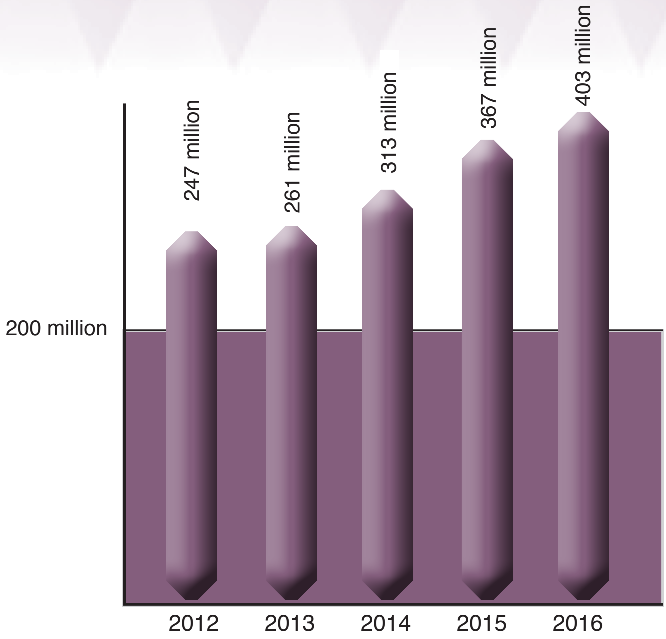
The Group is continually rationalizing its manufacturing facilities in Malaysia, looking at increasing the productivity of its factories, improving operating efficiency and prudent cost saving measures to counter the impact of rising operating costs. With the acquisition of Outset Holdings completed on 1 September 2016, the full year consolidation of its financial results is expected to contribute positively to the Group’s revenue growth and profitability in the coming years. The acquisition has also strengthened the Group’s presence in Australia after the Group’s acquisition of Kim Hin Australia Pty Ltd (previously known as Norcros Industry Pty Ltd), which imports and distributes tiles under Johnson brand, in 2014.

Dividend policy

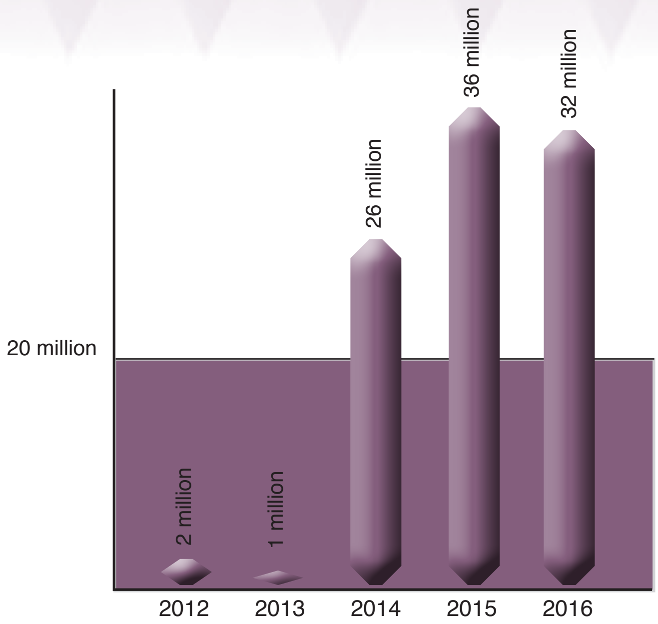
The Group is committed to reward its shareholders with a fair and equitable return of their investment while retaining part of the available funds to accommodate future capital expenditure and investment. This is imperative in keeping the growth momentum of the Group into the medium to long term while 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.

FINANCIAL HIGHLIGHTS

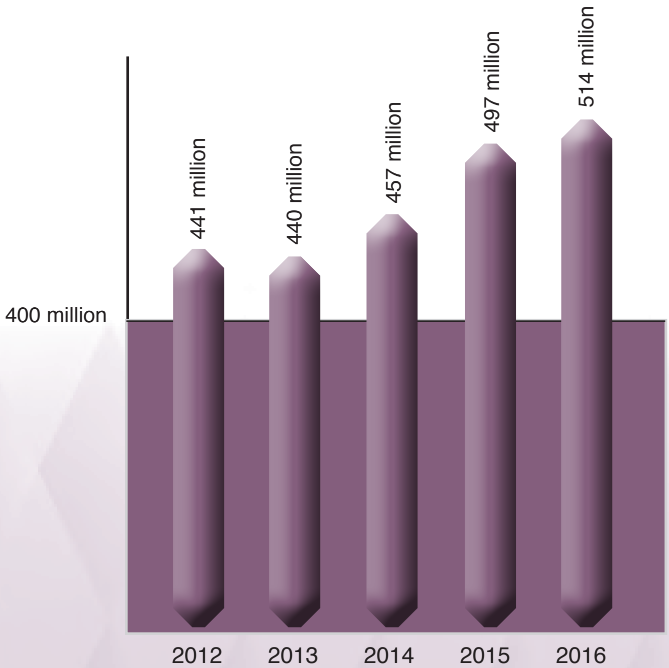
• REVENUE (RM)



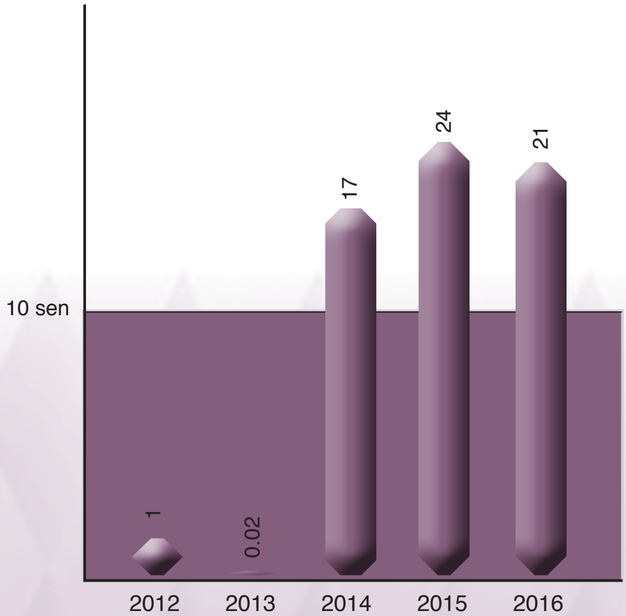
• PROFIT NET OF TAX (RM)



• EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (RM)



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



KIM HIN INDUSTRY BERHAD
(018203-V)

Group Corporate Structure

Chua Seng Huat
(Executive Chairman)

John Chua Seng Chai
(Group Managing Director)

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

- • Kimgres Australia Pty. Ltd. and Outset Holdings Pty. Ltd. are wholly-owned subsidiaries of Ceramica Indah Sdn. Bhd.
- * Kimgres Vietnam Trading Ltd. Co. is a subsidiary of Kimgres Marketing Sdn. Bhd.
- Δ Kim Hin Australia Pty. Ltd. is a wholly-owned subsidiary of Tileworld Sdn Bhd.
- # Johnson Tiles Pty. Ltd. is a wholly-owned subsidiary of Kim Hin Australia Pty. Ltd.
- ~ Coramic Australia Pty. Ltd. is a wholly-owned subsidiary of Johnson Tiles Pty. Ltd.
- º Amber Group Australia Pty. Ltd. is a wholly-owned subsidiary of Outset Holdings Pty. Ltd.
- ♦ Norcorp Pty. Ltd. is a wholly-owned subsidiary of Amber Group Australia Pty. Ltd.

Financial Statements

Directors' Report and Audited Financial Statements
For The Financial Year Ended 31 December 2016

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 2016.

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	32,070	10,903
Profit attributable to:		
Owners of the parent	29,915	10,903
Non-controlling interests	2,155	-
	32,070	10,903

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 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as reported in the directors' report of that year:	
Interim tax exempt dividend of 3.0 sen per ordinary share, on 140,239,113 ordinary shares, declared on 15 March 2016 and paid on 13 May 2016	4,207
Final tax exempt dividend of 3.0 sen per ordinary share, on 140,239,113 ordinary shares, declared on 28 April 2016 and paid on 20 July 2016	4,207
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Interim tax exempt dividend of 3.0 sen per ordinary share, on 140,239,113 ordinary shares, declared on 25 November 2016 and paid on 23 December 2016	4,207
	12,621

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2016, of 3.0% on 140,239,113 ordinary shares, amounting to dividend payable of RM4,207,000 (3.0 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this dividend. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

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

Directors (contd.)

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
Cai Chun Hui
Wang Chin Chieh
Wang Chin Hsiang
Charline Pan Ling Hwen
Shirley Liew Siaw Nee
Stephen James Purcell
Ngui Sam Ted

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 in Note 9 to the financial statements) 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 32 to the financial statements.

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 registered in the name of Directors:

	Number of ordinary shares of RM1 each 1.1.2016 and 31.12.2016
Chua Seng Huat	1,113,225
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 of RM1 each At 1.1.2016 and 31.12.2016
Chua Seng Huat	86,189,825
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 2016, 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.

Directors' Report

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.

Significant events

Details of significant events are disclosed in Note 15 to the financial statements.

Auditors

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

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 April 2017.

Chua Seng Huat

John Chua Seng Chai

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, **Chua Seng Huat** and **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 110 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 39 to the financial statements has been presented in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 April 2017.

Chua Seng Huat

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 7 April 2017.

Peter Chiam Tau Mien

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 2016 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 110.

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 2016, 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, 1965 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.

Goodwill

As at 31 December 2016, the carrying value of goodwill was RM18.85 million as stated in Note 17 to the financial statements. Goodwill is required to be tested for impairment annually.

The Group estimated the recoverable amount of the CGUs to which the goodwill is allocated based on the value in use ("VIU"). Estimating the VIU of CGUs involves estimating the future cash inflows and outflows that will be generated by the CGUs, and discounting them at an appropriate rate. The annual impairment test for goodwill is significant to our audit as the assessment process is complex and highly judgmental. Significant judgement is required in determining the assumptions to be used to estimate the recoverable amount of the CGUs to which the above goodwill have been allocated to and is based on assumptions that are affected by expected future demand or economic conditions. The assumptions used include estimates of future sales volumes, prices, operating cost, terminal value growth rates and the discount rates.

Our audit procedures, among others, included assessing whether the assumptions on which the cash flow projections are based are consistent with past actual outcomes, in particular the assumptions about estimated revenue growth rates and possible variations in the timing of those future cash flows.

We also assessed the discount rate used by involving a valuation expert, to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that inventors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expected to derive from the asset.

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

Key audit matters (contd.)

Goodwill (contd.)

In addition, we also evaluated the adequacy of the disclosures of the key assumptions on which the Group has based its cash flow projections. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 17 to the financial statements.

Inventory

As of 31 December 2016, total inventory of the Group amounted to RM154.90 million representing approximately 24% of the Group's total assets and during the current financial year, the Group also recorded a write-down of inventories of RM1.76 million in its profit or loss as disclosed in Note 7 to the financial statements. The write down of inventories mainly relates to slow moving inventories. We focused on this area because the 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 management's assumption and method in calculating the write-down of inventories. We have tested the net realisable value of the inventory 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.

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 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.

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:

- 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 reporting responsibilities

The supplementary information set out in Note 39 on page 111 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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
1769/04/18 (J/PH)
Chartered Accountant

Kuching, Malaysia
Date: 7 April 2017

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	4	403,314	367,441	12,461	24,861
Cost of sales		(273,220)	(244,517)	-	-
Gross profit		130,094	122,924	12,461	24,861
Other income	5	17,838	18,434	8,118	11,398
Selling and distribution costs		(37,025)	(27,174)	-	-
Administrative expenses		(66,305)	(60,723)	(8,703)	(8,468)
Other expenses		(3,444)	(7,280)	(302)	(94)
Operating profit		41,158	46,181	11,574	27,697
Finance costs	6	(1,247)	(454)	-	-
Share of profit of an associate		-	-	-	-
Profit before tax	7	39,911	45,727	11,574	27,697
Income tax expense	10	(7,841)	(10,015)	(671)	(936)
Profit net of tax		32,070	35,712	10,903	26,761
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		(751)	12,058	-	-
Other comprehensive income for the year, net of tax		(751)	12,058	-	-
Total comprehensive income for the year		31,319	47,770	10,903	26,761
Profit attributable to:					
Owners of the parent		29,915	34,362	10,903	26,761
Non-controlling interests		2,155	1,350	-	-
		32,070	35,712	10,903	26,761
Total comprehensive income attributable to:					
Owners of the parent		29,555	44,465	10,903	26,761
Non-controlling interests		1,764	3,305	-	-
		31,319	47,770	10,903	26,761
Earnings per share attributable to owners of the parent (sen):	11				
- Basic / Diluted		21.33	24.50		

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

Statements of Financial Position
As at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	222,945	192,571	27,290	26,928
Investment properties	14	46,617	46,543	20,563	20,912
Investment in subsidiaries	15	-	-	162,521	149,116
Other investments	16	42,207	64,891	42,207	64,891
Goodwill on consolidation	17	18,852	9,218	-	-
Deferred tax assets	26	4,160	109	-	-
		334,781	313,332	252,581	261,847
Current assets					
Inventories	18	154,903	120,831	-	-
Trade and other receivables	19	87,212	73,651	109,334	100,786
Other current assets	20	5,135	6,043	26	309
Tax recoverable		1,919	1,422	1,589	1,392
Other investments	16	11,627	12,603	-	-
Cash and bank balances	21	60,984	56,749	143	1,749
		321,780	271,299	111,092	104,236
TOTAL ASSETS		656,561	584,631	363,673	366,083
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	155,616	155,616	155,616	155,616
Share premium	22	51,042	51,042	51,042	51,042
Treasury shares	22	(24,309)	(24,309)	(24,309)	(24,309)
Other reserves	23	19,648	20,001	-	-
Retained earnings	24	311,549	294,262	176,996	178,714
		513,546	496,612	359,345	361,063
Non-controlling interests		19,041	18,132	-	-
Total equity		532,587	514,744	359,345	361,063
Non-current liabilities					
Loans and borrowings	25	24,844	8,199	-	-
Deferred tax liabilities	26	556	541	113	121
Provisions	29	1,218	900	-	-
Deferred capital grant	30	598	-	-	-
		27,216	9,640	113	121
Current liabilities					
Loans and borrowings	25	8,114	1,009	-	-
Derivative liabilities	27	-	315	-	-
Trade and other payables	28	81,674	55,831	4,146	4,842
Provisions	29	3,019	1,331	69	57
Deferred capital grant	30	203	-	-	-
Tax payable		3,748	1,761	-	-
		96,758	60,247	4,215	4,899
Total liabilities		123,974	69,887	4,328	5,020
TOTAL EQUITY AND LIABILITIES		656,561	584,631	363,673	366,083

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 2016

		Attributable to equity holders of the Company								
			Non-distributable							
	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		-	-	-	-	-	29,915	29,915	2,155	32,070
Other comprehensive income		-	-	-	-	(360)	-	(360)	(391)	(751)
Total comprehensive income		-	-	-	-	(360)	29,915	29,555	1,764	31,319
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		155,616	51,042	(24,309)	3,675	15,973	311,549	513,546	19,041	532,587

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2016

	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
		← Attributable to equity holders of the Company →								
			← Non-distributable →							
At 1 January 2015		155,616	51,042	(24,309)	2,362	7,126	265,292	457,129	22,312	479,441
Profit net of tax		-	-	-	-	-	34,362	34,362	1,350	35,712
Other comprehensive income		-	-	-	-	10,103	-	10,103	1,955	12,058
Total comprehensive income		-	-	-	-	10,103	34,362	44,465	3,305	47,770
Transactions with owners										
Dividends	12	-	-	-	-	-	(4,207)	(4,207)	-	(4,207)
Acquisition of non-controlling interest		-	-	-	-	-	(775)	(775)	(5,439)	(6,214)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	(2,046)	(2,046)
Transfer between reserves		-	-	-	410	-	(410)	-	-	-
At 31 December 2015		155,616	51,042	(24,309)	2,772	17,229	294,262	496,612	18,132	514,744

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 2016

			← *Non-Distributable*	→	*Distributable*	
	Note	**Share capital** (Note 22) RM'000	**Share premium** (Note 22) RM'000	**Treasury shares** (Note 22) RM'000	**Retained earnings** (Note 24) RM'000	**Total equity** RM'000
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
At 1 January 2015		155,616	51,042	(24,309)	156,160	338,509
Profit net of tax, representing total comprehensive income for the year		-	-	-	26,761	26,761
Transactions with owners						
Dividends	12	-	-	-	(4,207)	(4,207)
At 31 December 2015		155,616	51,042	(24,309)	178,714	361,063

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 2016

	Note	2016 RM'000	2015 RM'000
Operating activities			
Profit before tax		39,911	45,727
Adjustments for:			
Amortisation of deferred capital grant	5	(284)	-
Bad debts written off	7	28	35
Depreciation of property, plant and equipment	7	21,405	20,811
Depreciation of investment properties	7	887	881
Dividend income	4	(822)	(684)
Net gain on disposal of property, plant and equipment	5, 7	(2,039)	(103)
Gain on fair value changes	5, 7	(2,842)	(5,276)
Loss on disposal of other investments	7	270	25
Impairment loss on receivables	7	104	467
Impairment loss on trade receivables reversed	5	(359)	-
Interest expense	6	1,247	454
Interest income	5	(456)	(1,514)
Inventories written off	7	37	926
Property, plant and equipment written off	7	4	289
Provision of retirement benefits		-	7
Unrealised gain on foreign exchange	5, 7	(489)	(4,515)
Write-down of inventories, net	5, 7	1,760	2,664
Operating profit before working capital changes		58,362	60,194
Changes in working capital:			
Inventories		(15,265)	(8,802)
Receivables		(857)	(3,135)
Other current assets		908	(2,709)
Payables		8,219	7,339
Provision		429	138
Cash generated from operations		51,796	53,025
Interest paid		(1,247)	(454)
Taxes paid, net of refund		(9,059)	(6,579)
Net cash generated from operating activities		41,490	45,992
Investing activities			
Acquisition of non-controlling interest in a subsidiary		-	(6,214)
Acquisition of property, plant and equipment	13	(53,961)	(16,275)
Acquisition of investment properties	14	-	(9)
Acquisition of other investments		(21,061)	(14,382)
Dividend received		608	-
Withdrawal/(placement) in short-term deposits with maturity more than 3 months		1,544	(714)
Net cash outflow from acquisition of subsidiaries	15	(15,672)	-
Interest received		456	1,514
Proceeds from disposal of other investments		47,192	11,578
Proceeds from disposal of property, plant and equipment		5,082	329
Proceeds received from government grant		1,085	-
Net cash used in investing activities		(34,727)	(24,173)

Consolidated Statement of Cash Flows
For the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Financing activities			
Dividend paid		(12,621)	(8,414)
Dividend paid to non-controlling interests		(855)	(2,046)
Drawdown of term loan		20,000	-
Repayment of lease payables		(87)	(14)
Repayment of other borrowings		(4,413)	-
Repayment of term loan		(1,850)	(951)
Net cash generated from/(used in) from financing activities		174	(11,425)
Net increase in cash and cash equivalents		6,937	10,394
Effects of foreign exchange rate changes		(1,838)	1,987
Cash and cash equivalents at the beginning of the year		44,622	32,241
Cash and cash equivalents at the end of the year	21	49,721	44,622

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 2016

	Note	2016 RM'000	2015 RM'000
Operating activities			
Profit before tax		11,574	27,697
Adjustments for:			
Depreciation of property, plant and equipment	7	1,389	1,189
Depreciation of investment properties	7	349	348
Dividend income	4	(11,405)	(23,805)
Loss on disposal of other investments	7	270	25
Gain on fair value changes	5	(2,547)	(4,861)
Interest income	5	(4,588)	(4,404)
Gain on disposal of property, plant and equipment	5	(69)	-
Unrealised gain on foreign exchange	5	(684)	(1,906)
Operating loss before working capital changes		(5,711)	(5,717)
Changes in working capital:			
Other receivables		(8,031)	1,228
Other current assets		283	(296)
Other payables		(529)	916
Provision		12	6
Cash used in operating activities		(13,975)	(3,863)
Taxes paid, net of refund		(876)	(82)
Net cash used in operating activities		(14,852)	(3,945)
Investing activities			
Acquisition of property, plant and equipment	13	(1,779)	(2,217)
Acquisition of investment properties	14	-	(9)
Acquisition of other investments		(21,056)	(12,000)
Acquisition of shares by subsidiaries		-	(6,214)
Allotment of shares by subsidiaries		(13,405)	(350)
Dividends received		10,853	23,241
Interest received	5	4,588	4,404
Proceeds from disposal of other investments		46,569	6,271
Proceeds from disposal of property, plant and equipment		97	-
Net cash generated from investing activities		25,867	13,126
Financing activity			
Dividend paid	12	(12,621)	(8,414)
Net (decrease)/increase in cash and cash equivalents		(1,606)	767
Cash and cash equivalents at the beginning of the year		1,749	982
Cash and cash equivalents at the end of the year	21	143	1,749

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

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, 1965 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 January 2016, the Group and the Company adopted the following new and amended MFRSs and Annual Improvements which are mandatory for annual financial periods beginning on or after 1 January 2016, where applicable.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016

(a) Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

2. **Summary of significant accounting policies (contd.)**

2.2 Changes in accounting policies (contd.)

(b) Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are applied retrospectively and do not have any impact on the Group's and the Company's financial statements.

(c) Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

(d) Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have a material impact on the Group's and the Company's financial statements.

(e) Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS.

These amendments do not have any impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(f) Annual Improvements to MFRSs 2012 - 2014 Cycle

The Annual Improvements to MFRSs 2012 - 2014 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 5: Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

(ii) MFRS 7: Financial Instruments - Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

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
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 - 2016 Cycle:	
(i) Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
(ii) Amendments to MFRS 1: First-time Adoption of Financial Reporting Standards	1 January 2018
(iii) 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
MFRS 16: Leases	1 January 2019
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 107: Disclosures Initiatives

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. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

2. **Summary of significant accounting policies (contd.)**

2.3 Standards issued but not yet effective (contd.)

(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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

(c) 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.

(d) 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.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

(e) MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard 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 compulsory. The adoption of MFRS 9 will not have an effect on the classification and measurement of the Group's financial assets and financial liabilities.

(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. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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 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.

(g) Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2. Summary of significant accounting policies (contd.)

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.

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.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Business combinations (contd.)

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. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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.

2.5 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.

2. Summary of significant accounting policies (contd.)

2.6 Foreign currency (contd.)

(b) Foreign currency transactions (contd.)

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.

2.7 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. **Summary of significant accounting policies (contd.)**

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.

2.9 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 of, 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 of 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.

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. Summary of significant accounting policies (contd.)

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.

2.12 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.

2. **Summary of significant accounting policies (contd.)**

2.12 Financial asset (contd.)

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

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.

(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.

2. **Summary of significant accounting policies (contd.)**

2.12 Financial asset (contd.)

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.

2.14 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. **Summary of significant accounting policies (contd.)**

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.

(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.

2. Summary of significant accounting policies (contd.)

2.18 Financial liabilities (contd.)

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.

2.21 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. **Summary of significant accounting policies (contd.)**

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).

2.23 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. Summary of significant accounting policies (contd.)

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.

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.

2. Summary of significant accounting policies (contd.)

2.24 Income taxes (contd.)

(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.

2.26 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.

2. Summary of significant accounting policies (contd.)

2.29 Fair value measurement (contd.)

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 goodwill

Goodwill is 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 goodwill is 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 goodwill and sensitivity analysis to changes in the assumptions are given in Note 17.

3. **Significant accounting judgements and estimates (contd.)**

3.2 **Key sources of estimation uncertainty (contd.)**

(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	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Sale of goods to external customers	402,492	366,757	-	-
Dividend income				
- on quoted securities in Malaysia	822	684	822	684
- from subsidiaries	-	-	10,583	23,121
Management fees from subsidiaries	-	-	1,056	1,056
	403,314	367,441	12,461	24,861

5. **Other income**

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Amortisation of deferred capital grant (Note 30)	284	-	-	-
Gain on disposal of property, plant and equipment	2,149	113	69	-
Gain on fair value changes				
- derivatives (Note 27)	315	434	-	-
- other investments	2,527	4,861	2,547	4,861
Gain on foreign exchange				
- realised	2,519	1,128	-	-
- unrealised	1,384	4,515	684	1,906
Interest income				
- subsidiaries	-	-	4,496	4,324
- others	456	1,514	92	80
Impairment loss on receivables reversed				
- trade receivables (Note 19)	359	-	-	-
Rental income	749	735	227	227
Rental income from investment properties	3,651	3,374	-	-
Write-down of inventories reversed	-	107	-	-
Miscellaneous	3,445	1,653	3	-
	17,838	18,434	8,118	11,398

6. Finance costs

	Group	
	2016	2015
	RM'000	RM'000
Interest expense on:		
Bank overdraft	27	1
Hire purchase liabilities	2	2
Term loan	1,218	451
	1,247	454

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
Statutory audit				
- current year	631	552	75	72
- under provided in previous years	12	5	3	2
Other services	152	95	98	95
Bad debts written off	28	35	-	-
Depreciation of investment properties (Note 14)	887	881	349	348
Depreciation of property, plant and equipment (Note 13)	21,405	20,811	1,389	1,189
Employee benefits expense (Note 8)	71,212	57,992	5,466	5,213
Hiring of plant and machinery	23	41	-	-
Impairment loss on trade receivables (Note 19)	104	467	-	-
Inventories written off	37	926	-	-
Loss on disposal of other investments	270	25	270	25
Loss on fair value changes				
- derivatives (Note 27)	-	19	-	-
Loss on disposal of property, plant and equipment	110	10	-	-
Loss on foreign exchange				
-realised	157	1,096	31	69
-unrealised	895	-	-	-
Non-executive directors' remuneration (Note 9)	99	99	99	99
Property, plant and equipment written off	4	289	-	-
Rental expense	6,215	2,728	-	-
Write-down of inventories	1,760	2,771	-	-

8. Employee benefits expense

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	59,755	48,970	4,347	4,349
Social security contributions	530	1,012	10	9
Defined contribution plan	6,608	4,981	779	775
Other staff related costs	4,319	3,029	330	80
	71,212	57,992	5,466	5,213

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration, excluding benefits-in-kind amounting to RM9,450,000 (2015: RM9,119,000) and RM4,225,000 (2015: RM4,167,000), respectively, as further disclosed in Note 9.

9. Directors' remuneration

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Executive Directors' remuneration				
Fees	165	165	165	165
Other emoluments	9,285	8,954	4,060	4,002
	9,450	9,119	4,225	4,167
Non-Executive Directors' remuneration				
Fees	99	99	99	99
Total directors' remuneration	9,549	9,218	4,324	4,266
Estimated monetary value of benefits-in-kind	313	227	204	89
Total directors' remuneration including benefits-in-kind	9,862	9,445	4,528	4,355

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and bonuses	7,826	7,526	3,384	3,337
Defined contribution plan	1,459	1,428	676	665
	9,285	8,954	4,060	4,002
Estimated monetary value of benefits-in-kind	313	227	204	89
	9,598	9,181	4,264	4,091
Fees	165	165	165	165
	9,763	9,346	4,429	4,256
Non-Executive (Note 7):				
Fees	99	99	99	99
	9,862	9,445	4,528	4,355

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2016	**2015**
Executive directors:		
RM850,001 - RM900,000	2	2
RM2,450,001 - RM2,500,000	-	1
RM2,500,001 - RM2,550,000	-	1
RM2,550,001 - RM2,600,000	1	-
RM2,600,001 - RM2,650,000	-	1
RM2,650,001 - RM2,700,000	1	-
RM2,750,001 - RM2,800,000	1	-
Non-executive directors:		
Nil - RM50,000	3	3

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016 RM'000	**2015** RM'000	**2016** RM'000	**2015** RM'000
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	4,821	4,747	667	822
Foreign tax	5,480	2,386	-	-
Under/(over) provision in previous years:				
Malaysian income tax	70	3	12	(7)
	10,371	7,136	679	815
Deferred income tax (Note 26):				
Relating to origination and reversal of temporary differences	(2,298)	2,151	(2)	52
(Over)/under provision in previous years	(232)	728	(6)	69
	(2,530)	2,879	(8)	121
Income tax expense recognised in profit or loss	7,841	10,015	671	936

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) 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 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 2016 and 2015 are as follows:

	2016 RM'000	**2015** RM'000
Group		
Accounting profit before tax	39,911	45,727
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	9,579	11,432
Effect of different tax rates in other countries	848	590
Effect of non-deductible expenses for tax purpose	2,867	1,226
Effect of income not subject to tax	(561)	(557)
Effect of utilisation of previously unrecognised deferred tax assets	(1,043)	(3,264)
Deferred tax assets not recognised	-	447
Deferred tax assets recognised on capital allowances	(2,653)	(590)
Utilisation of current year reinvestment allowances	(1,034)	-
Under provision of income tax in respect of previous years	70	3
(Over)/under provision of deferred tax in respect of previous years	(232)	728
Income tax expense recognised in profit or loss	7,841	10,015
Tax savings recognised during the year arising from:		
Utilisation of previously unrecognised capital allowances and tax losses	1,043	3,264

10. Income tax expense (contd.)

	2016 RM'000	2015 RM'000
Company		
Accounting profit before tax	11,574	27,697
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	2,778	6,924
Effect of income not subject to tax	(3,065)	(6,299)
Effect of non-deductible expenses for tax purpose	952	249
Under/(over) provision of income tax in respect of previous years	12	(7)
(Over)/under provision of deferred tax in respect of previous year	(6)	69
Income tax expense recognised in profit or loss	671	936

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	
	2016	2015
Profit net of tax attributable to owners of the parent (RM'000)	29,915	34,362
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)	21.33	24.50

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	
	2016 RM'000	2015 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
Final dividend for 2014: 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	-
	12,621	4,207

13. **Property, plant and equipment**

Group	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
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	654,665
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.)**

	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 2015								
Cost								
At 1 January 2015	161,570	45,864	8,062	341,678	17,374	25,454	1,644	601,646
Additions	1,095	-	-	9,395	1,910	3,574	301	16,275
Disposals/write off	-	-	-	(1,358)	(911)	(3,339)	-	(5,608)
Reclassification	285	-	-	977	-	-	(1,262)	-
Translation differences	5,957	2,142	-	8,540	59	387	170	17,255
At 31 December 2015	168,907	48,006	8,062	359,232	18,432	26,076	853	629,568
Accumulated depreciation								
At 1 January 2015	83,692	14,319	5,728	272,271	13,800	19,353	-	409,163
Depreciation charge for the year (Note 7)	4,027	1,159	39	12,680	1,340	1,566	-	20,811
Disposals/write off	-	-	-	(1,264)	(826)	(3,046)	-	(5,136)
Translation differences	4,099	517	-	7,445	(113)	211	-	12,159
At 31 December 2015	91,818	15,995	5,767	291,132	14,201	18,084	-	436,997
Net carrying amount								
At 31 December 2015	77,089	32,011	2,295	68,100	4,231	7,992	853	192,571

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

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 2015								
Cost								
At 1 January 2015	14,781	27,808	115	1,078	1,109	5,387	86	50,364
Additions	621	-	-	-	-	868	728	2,217
Disposals	-	-	-	-	(157)	(1)	-	(158)
At 31 December 2015	15,402	27,808	115	1,078	952	6,254	814	52,423
Accumulated depreciation								
At 1 January 2015	8,330	9,177	114	1,076	1,083	4,684	-	24,464
Depreciation charge for the year (Note 7)	234	744	-	1	26	184	-	1,189
Disposals	-	-	-	-	(157)	(1)	-	(158)
At 31 December 2015	8,564	9,921	114	1,077	952	4,867	-	25,495
Net carrying amount								
At 31 December 2015	6,838	17,887	1	1	-	1,387	814	26,928

13. Property, plant and equipment (contd.)

Analysis of land, buildings, drainage and roads:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Freehold land	14,128	14,128	-	-
Leasehold land	69,584	56,068	27,923	27,923
Buildings and improvements	167,021	152,821	15,048	15,097
Drainage and roads	1,918	1,958	305	305
	252,651	224,975	43,276	43,325

(a) Included in property, plant and equipment of the Group are assets acquired on finance lease arrangements with a net carrying amount of RM204,774 (2015: RM46,867).

Details of the finance leases are disclosed in Note 31(b).

(b) Included in property, plant and equipment of the Group with a net carrying amount of RM45,137,611 (2015: RM16,515,532) has been pledged as security for the Group's loans and borrowings as disclosed in Note 25.

14. Investment properties

	Freehold land	**Buildings**	**Total**
	RM'000	RM'000	RM'000
Group			
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

14. Investment properties (contd.)

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
At 31 December 2015			
Cost			
At 1 January	4,160	43,842	48,002
Addition	-	9	9
Translation differences	-	2,677	2,677
31 December	4,160	46,528	50,688
Accumulated depreciation			
At 1 January	-	2,963	2,963
Depreciation charge for the year (Note 7)	-	881	881
Translation differences	-	301	301
At 31 December	-	4,145	4,145
Net carrying amount	4,160	42,383	46,543
Fair value of investment properties	11,000	53,000	64,000

	Freehold land RM'000	Buildings RM'000	Total RM'000
Company			
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

14. Investment properties (contd.)

	Freehold land RM'000	Buildings RM'000	Total RM'000
Company			
31 December 2015			
Cost			
At 1 January	4,160	17,427	21,587
Addition	-	9	9
At 31 December	4,160	17,436	21,596
Accumulated depreciation			
At 1 January	-	336	336
Depreciation charge for the year (Note 7)	-	348	348
At 31 December	-	684	684
Net carrying amount	4,160	16,752	20,912
Fair value of investment properties	11,000	20,000	31,000

As at 31 December 2016 and 2015, 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	
	2016 RM'000	**2015** RM'000	**2016** RM'000	**2015** RM'000
Rental income from investment properties	3,671	3,374	-	-
Direct operating expenses generating rental income	(1,224)	(1,022)	-	-
Direct operating expenses that did not generate rental income	(403)	(446)	(403)	(446)
Profit/(loss) arising from investment properties	2,044	1,906	(403)	(446)

15. Investments in subsidiaries

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	162,521	149,166
Impairment loss	-	(50)
	162,521	149,116

Details of the subsidiaries are as follows:

Names of subsidiaries	**Principal activities**	**Country of incorporation**	**Proportion of ownership interest 2016**	**Proportion of ownership interest 2015**
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.* (i)	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.* (iii)	Inactive	Malaysia	100%	100%
World Ceramics International Sdn. Bhd.* (iii)	Inactive	Malaysia	100%	100%
Miyama Ceramics Sdn. Bhd.* (ii)	Wound up	Malaysia	-	100%
Johnson Tiles Malaysia Sdn. Bhd.("JTM") * (iii)	Inactive	Malaysia	100%	50%

15. Investments in subsidiaries (contd.)

Names of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2016	2015
Held through Ceramica Indah Sdn. Bhd.:				
Kimgres Australia Pty. Ltd***	Wholesaler and retailer of ceramic tiles	Australia	100%	100%
Outset Holdings Pty. Ltd** (iv)	Investment holding	Australia	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%	-
Held through Amber Group Australia Pty. Ltd.				
Norcorp Pty. Ltd.	Retailer of pavers, tiles, natural stone and retaining walls	Australia	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

(i) On 15 April 2016, the Company subscribed for an additional 10,000,000 ordinary shares of RM1 each in Kim Hin Ceramic (Seremban) Sdn. Bhd. for a total cash consideration of RM10,000,000.

(ii) On 12 July 2016, the Company successfully wound up Miyama Ceramics Sdn. Bhd.

(iii) On 25 November 2016, the Company subscribed additional 5,000, 400,000 and 2,999,998 ordinary shares of RM1 each in Unicon Ceramics Sdn. Bhd., World Ceramics International Sdn. Bhd. and Johnson Tiles Malaysia Sdn. Bhd. for a total cash consideration of RM500,000, RM400,000 and RM2,999,998 respectively.

15. Investments in subsidiaries (contd.)

(iv) 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") 6.37 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.

Amber Group is a leading specialty wholesaler and retailer of premium quality pavers, tiles, natural stone and retaining walls in New South Wales, Australia. Amber Group and Norcorp currently operates franchised Amber stores. All retail stores operate under the Amber brand. Amber Group also operates a wholesaling business which is comprised of a distribution centre located at Blacktown, Sydney, New South Wales, which sources, warehouses and supplies tiles, natural stone, pavers and retaining walls to the Amber store network. With the acquisition of OHPL Group which has an existing established Australia market, the Group will be able to enhance its operations in that market. Furthermore, the Group is also able to expand and diversify its customer base within the region.

<u>Impact of acquisition in statement of profit or loss and other comprehensive income</u>

From the date of acquisition, OHPL Group has contributed RM38,384,000 of revenue and RM2,950,000 of profit net of tax to the Group, respectively. If the combination has taken place at the beginning of the year, OHPL Group would have contributed revenue and profit net of tax amounting to RM115,152,000 and RM8,850,000, respectively.

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
Goodwill (Note 17)	9,375
Deferred tax assets (Note 26)	1,471
Inventories	20,604
Trade and other receivables	11,317
Cash and bank balances	4,387
	48,881
Loans and borrowings	(9,206)
Trade and other payables	(17,861)
Tax payable	(178)
Provisions (Note 29)	(1,577)
Net identifiable assets	20,059

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

The accounting of business combination for the acquisition of OHPL was based on provisional fair values of its identifiable assets, liabilities and contingent liabilities. Pursuant to MFRS 3, the Group will be carrying out the Purchase Price Allocation exercise within twelve months from the date of acquisition.

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 Sdn. Bhd.		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	33,952	37,017	325	345	34,277	37,362
Current assets	73,816	65,648	3,787	3,260	77,603	68,908
Total assets	107,768	102,665	4,112	3,605	111,880	106,270
Current liabilities	(15,551)	(14,564)	(3,658)	(3,369)	(19,209)	(17,933)
Net assets	92,217	88,101	454	236	92,671	88,337
Equity attributable to owners of the Company	73,312	70,040	318	165	73,630	70,205
Non-controlling interests	18,905	18,061	136	71	19,041	18,132
	92,217	88,101	454	236	92,671	88,337

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

	Kim Hin Ceramics (Shanghai) Co. Ltd.		Kimgres Vietnam Trading Sdn. Bhd.		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	69,406	68,408	5,817	3,541	75,223	71,949
Profit/(loss) for the year	10,218	6,798	201	(145)	10,419	6,653
Other comprehensive income for the year	(1,933)	9,763	18	37	(1,915)	9,800
Total comprehensive income for the year	8,285	16,561	219	(108)	8,504	16,453
Total comprehensive income attributable to:						
Owners of the Company	6,586	13,224	154	(76)	6,740	13,148
Non-controlling interests	1,699	3,337	65	(32)	1,764	3,305
	8,285	16,561	219	(108)	8,504	16,453
Dividend paid to non-controlling interests	855	2,046	-	-	855	2,046

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 Sdn. Bhd.		Total	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from/(used in) operating activities	17,007	11,283	(25)	146	16,982	11,429
Net cash (used in)/ generated from investing activities	(2,227)	3,550	(31)	(14)	(2,258)	3,536
Net cash used in financing activities	(4,169)	(7,181)	-	-	(4,169)	(7,181)
Net increase/(decrease) in cash and cash equivalents	10,611	7,652	(56)	132	10,555	7,784
Effect of foreign exchange rate changes	349	1,604	2	16	351	1,620
Cash and cash equivalents at beginning of the year	29,249	19,993	249	101	29,498	20,094
Cash and cash equivalents at end of the year	40,209	29,249	195	249	40,404	29,498

16. Other investments

	Group		Company	
	2016	2015	2016	2015
	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	28,207	44,658	28,207	44,658
Fair value changes	10,855	17,905	10,855	17,905
Quoted securities outside Malaysia:				
Unit trusts, at cost	2,043	1,609	2,043	1,609
Fair value changes	1,102	719	1,102	719
	42,207	64,891	42,207	64,891
Current				
Available-for-sale financial assets				
Unquoted structured products:				
Outside Malaysia	11,627	12,603	-	-
Total other investments	53,834	77,494	42,207	64,891
Fair value as at 31 December:				
Quoted securities	42,207	64,891	42,207	64,891
Unquoted structured products	11,627	12,603	-	-

17. Goodwill on consolidation

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At 1 January	9,838	9,838
Acquisition of subsidiaries (Note 15)	9,375	-
Translation differences	259	-
At 31 December	19,472	9,838
Accumulated impairment		
At 1 January/31 December	(620)	(620)
Net carrying amount		
At 31 December	18,852	9,218

Goodwill arising from business combinations has been allocated to cash-generating units ("CGU") for impairment testing. The carrying amount of the goodwill is 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.

Impairment testing of goodwill

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:

	KHCS	OHPL
Pre-tax discount rate	18%	18%
Growth rate	1%	2%
Budgeted gross margin	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 8.0% and 9% for KHCS and OHPL of the gross margin would result in impairment in the respective CGUs.

(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 22% (i.e. + 4%) and 20% (i.e. + 2%) for KHCS and OHPL respectively would result in impairment.

18. Inventories

	Group 2016 RM'000	Group 2015 RM'000
At cost		
Raw materials	24,181	21,695
Work-in-progress	3,917	4,291
Finished goods	98,457	71,956
Packing materials	2,260	1,704
Spare parts and stores	11,889	10,693
	140,704	110,339
At net realisable value		
Finished goods	14,199	10,492
	154,903	120,831

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM273,220,000 (2015: RM244,517,000).

19. Trade and other receivables

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Trade receivables				
Third parties	84,292	68,368	-	-
Less: Allowances for impairment	(3,053)	(2,759)	-	-
	81,239	65,609	-	-
Other receivables				
Amount due from subsidiaries				
- Interest bearing	-	-	92,609	85,174
- Non-interest bearing	-	-	16,261	15,480
	-	-	108,870	100,654
Sundry receivables	4,805	5,403	340	6
Deposits	1,168	2,639	124	126
	5,973	8,042	109,334	100,786
Total trade and other receivables	87,212	73,651	109,334	100,786
Cash and bank balances (Note 21)	60,984	56,749	143	1,749
Total loans and receivables	148,196	130,400	109,477	102,535

(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 (2015: 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 RM Nil (2015: RM108,710) were written off during the current financial year against the provision made.

19. **Trade and other receivables (contd.)**

(a) **Trade receivables (contd.)**

Ageing analysis of trade receivables

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

	Group 2016 RM'000	Group 2015 RM'000
Neither past due nor impaired	48,906	45,295
1 to 30 days past due not impaired	19,909	14,422
31 to 60 days past due not impaired	5,386	3,764
61 to 90 days past due not impaired	4,369	1,210
91 to 120 days past due not impaired	1,722	226
More than 121 days past due not impaired	947	692
	32,333	20,314
Impaired	3,053	2,759
	84,292	68,368

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 RM32,333,000 (2015: RM20,314,000) 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 2016 RM'000	Group Individually impaired 2015 RM'000
Trade receivables - nominal amounts	3,053	2,759
Allowance for impairment	(3,053)	(2,759)
	-	-

Movement in allowance accounts:

	Group 2016 RM'000	Group 2015 RM'000
At 1 January	2,759	2,401
Acquisition of subsidiaries	521	-
Charge for the year (Note 7)	104	467
Reversal of impairment losses (Note 5)	(359)	-
Written off	-	(109)
Translation differences	28	-
At 31 December	3,053	2,759

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.

19. Trade and other receivables (contd.)

(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% (2015: 4.25% to 8%) per annum.

20. Other current assets

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Prepayments	5,135	6,043	26	309

The Group's prepayments for the current financial year included down payments made of RM2,655,000 (2015: RM3,950,000) for properties, plant and machinery procured by its subsidiaries which were delivered subsequent to year-end.

21. Cash and bank balances

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	49,667	34,250	143	1,749
Deposits with financial institutions	11,317	22,499	-	-
Total cash and bank balances (Note 19)	60,984	56,749	143	1,749

The interest rates of the Group's deposits at the balance sheet date range from 1.65% to 4.25% (2015: 1.75% to 4.25%) per annum. The tenure of the Group's deposits at the balance sheet date are between 60 days to 3 years (2015: 30 days to 1 year).

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	60,984	56,749	143	1,749
Less: Bank overdraft (Note 25)	(680)	-	-	-
Less: Short-term deposits with maturity more than 3 months	(10,583)	(12,127)	-	-
Cash and cash equivalents	49,721	44,622	143	1,749

22. Share capital, share premium and treasury shares

	Number of ordinary shares of RM1 each		← 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 31 December 2015 and 31 December 2016	155,616	(15,377)	155,616	51,042	206,658	(24,309)

	Number of ordinary shares of RM1 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised share capital				
At 1 January and 31 December	500,000	500,000	500,000	500,000

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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 (2015: 155,616,013) issued and fully paid ordinary shares as at 31 December 2016, 15,376,900 (2015: 15,376,900) are held as treasury shares by the Company. As at 31 December 2016, the number of outstanding ordinary shares in issue after the set off is therefore 140,239,113 (2015: 140,239,113) ordinary shares of RM1 each.

23. Other reserves

	Group	
	2016 RM'000	2015 RM'000
Reserve and Enterprise Expansion Funds		
At 1 January	2,772	2,362
Transfer from retained earnings	903	410
At 31 December	3,675	2,772
Translation adjustment account		
At 1 January	17,229	7,126
Translation difference in subsidiaries	(360)	10,103
Transfer to retained earnings	(896)	-
At 31 December	15,973	17,229
Total reserves	19,648	20,001

23. **Other reserves (contd.)**

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. **Retained earnings**

The Company may distribute dividends from its earns retained earnings under the single tier system.

25. **Loans and borrowings**

		Group	
	Maturity	**2016**	**2015**
		RM'000	RM'000
Current			
Secured:			
Bank overdraft (Note 21)	On demand	680	-
Obligation under finance lease (Note 31)	2017	220	14
Term loan:			
RM loan at BLR - 2.2% p.a.	2017	1,050	995
RM loan at BLR - 1.75% p.a.	2017	1,638	-
Commercial bill facility	2017	2,438	-
Trade finance facility	2017	2,088	-
		8,114	1,009
Non-current			
Secured:			
Obligation under finance lease (Note 31)	2018	195	7
Term loan:			
RM loan at BLR - 2.2% p.a.	2018 - 2023	7,141	8,192
RM loan at BLR - 1.75% p.a.	2018 - 2026	17,508	-
		24,844	8,199
Total loans and borrowings (Note 28)		32,958	9,208

25. Loans and borrowings (contd.)

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

	Group	
	2016	2015
	RM'000	RM'000
On demand or not later than 1 year	8,114	1,009
Later than 1 year and not later than 2 years	2,943	1,049
Later than 2 years and not later than 5 years	9,378	3,435
Later than 5 years	12,523	3,715
	32,958	9,208

(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 are 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.

26. Deferred tax (assets)/liabilities

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	432	(2,447)	121	-
Acquisition of subsidiaries (Note 15)	(1,471)	-	-	-
Recognised in profit or loss (Note 10)	(2,530)	2,879	(8)	121
Translation differences	(35)	-	-	-
At 31 December	(3,604)	432	113	121
Presented after appropriate offsetting as follows:				
Deferred tax assets	(4,160)	(109)	-	-
Deferred tax liabilities	556	541	113	121
	(3,604)	432	113	121

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

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 RM'000	Unutilised business losses RM'000	Provisions RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2015	(11,633)	-	-	9,186	(2,447)
Recognised in profit or loss	3,811	-	-	(932)	2,879
At 31 December 2015	(7,822)	-	-	8,254	432
Acquisition of subsidiaries	-	-	-	(1,741)	(1,471)
Recognised in profit or loss	6,957	(380)	(1,279)	(7,828)	(2,530)
Translation differences	-	-	-	(35)	(35)
At 31 December 2016	(865)	(380)	(1,279)	(1,080)	(3,604)

Deferred tax liability of the Company

	Property, plant and equipment RM'000
At 1 January 2015	-
Recognised in profit or loss	121
At 31 December 2015	121
Recognised on profit or loss	(8)
At 31 December 2016	113

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2016 RM'000	2015 RM'000
Unutilised tax losses	154,870	152,204
Unabsorbed capital allowances	-	7,320
Others	-	5,593
	154,870	165,117

As at 31 December 2016 and 2015, 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.

27. Derivative liabilities

	Group			
	2016		2015	
	Contract/ notional amount	Liabilities	Contract/ notional amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
Non-hedging derivatives:				
Current				
Forward currency contracts	-	-	22,919	(315)

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 2015, forward currency contracts were used to hedge the Group's sales denominated in USD for which firm commitments, extended to October 2016 (Note 35(e)).

During the previous financial year, the Group recognised a net gain of RM315,000 (2015: RM415,000) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

28. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	54,686	32,535	-	-
Other payables				
Amount due to a subsidiary	-	-	1,427	1,594
Sundry payables	12,882	12,583	244	770
Rebates and incentive	684	303	-	-
Payroll expenses accrued	8,686	9,325	2,438	2,442
Other accruals	4,736	1,085	37	36
	26,988	23,296	4,146	4,842
Total trade and payables	81,674	55,831	4,146	4,842
Total loans and borrowings (Note 25)	32,958	9,208	-	-
Total financial liabilities carried at amortised cost	114,632	65,039	4,146	4,842

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 120 day (2015: 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 (2015: 30 days). An amount of RM1,877,075 (2015: Nil) including in the sundry payables is Amber Group Australia Pty Ltd. Marketing Fund ("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.

29. Provisions

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Long service leave and annual leave				
At 1 January	2,231	1,973	57	51
Acquisition of subsidiaries (Note 15)	1,577	-	-	-
Provided during the year	1,266	917	34	38
Utilised during the year	(857)	(761)	(22)	(32)
Unused amounts forfeited	(64)	(11)	-	-
Translation differences	84	113	-	-
At 31 December	4,237	2,231	69	57
Analysed as:				
Current	3,019	1,331	69	57
Non-current	1,218	900	-	-
At 31 December	4,237	2,231	69	57

30. Deferred capital grant

	Group 2016 RM'000	Group 2015 RM'000
Cost:		
At 1 January	-	-
Received during financial year	1,085	-
At 31 December	1,085	-
Accumulated amortisation:		
At 1 January	-	-
Amortisation (Note 5)	284	-
At 31 December	284	-
Net carrying amount:		
Current	203	-
Non-current	598	-
At 31 December	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.

31. Commitments

(a) Capital commitments

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Property, plant and equipment:				
Authorised and contracted for	2,594	23,723	38	804
Authorised but not contracted for	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 2016 RM'000	Group 2015 RM'000
Future minimum lease payments:		
Not later than 1 year	243	15
Later than 1 year and not later than 2 years	134	9
Later than 2 years and not later than 5 years	72	-
Total future minimum lease payments	449	24
Less: Future finance charges	(34)	(3)
Present value of hire purchase liabilities	415	21
Analysis of present value of payments:		
Not later than 1 year	220	14
Later than 1 year and not later than 2 years	124	7
Later than 2 years and not later than 5 years	71	-
Present value of hire purchase liabilities	415	21
Amount due within 12 months (Note 25)	(220)	(14)
Amount due after 12 months (Note 25)	195	7

The hire purchase liabilities bore interest at the reporting date at 2.95% (2015: 2.95%) per annum.

32. 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 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 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 Realty Sdn. Bhd.	28	18	-	-
(ii) Sale of ceramic tiles: Kim Hin (Malaysia) Sdn. Bhd.	-	36	-	-
Expenditure:				
(iii) Rental of office and warehouses: Kim Hin (Malaysia) Sdn. Bhd.	1,996	1,996	-	-
(iv) Purchases of sanitaryware for resale: Kam Kam Sanitaryware Sdn. Bhd.	1,093	1,525	-	-
(v) Renovation and maintenance costs: Pan Chyi Construction and Development Sdn. Bhd.	985	424	3	8
(vi) Insurance commission earned as insurance agent: Kim Hin (Malaysia) Sdn. Bhd.	120	126	8	9
(vii) Legal services: Alex, Jason & Co.	4	-	-	-
(viii) Supply of materials and spare parts from: Kam Kam Sanitaryware Sdn. Bhd.	98	9	-	-
(ix) Purchase of ceramic tiles for resale: Shanghai Kim Hin United Buildings Materials Co. Ltd.	8,784	8,507	-	-
(x) Rental of office and warehouse: Kimmui Investment Pty. Ltd.	774	-	-	-
(b) Transactions with subsidiaries:				
Dividend income			10,583	23,121
Management fees			1,056	1,056
Rental income			227	227
Interest income			4,496	4,324

32. Related party disclosures (contd.)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	12,028	11,132	3,939	3,884
Social security costs	28	21	4	3
Defined contribution plan	1,932	1,859	731	723
Benefits-in-kind	397	271	209	92
	14,385	13,283	4,883	4,702
Included in the total remuneration of key management personnel are:				
Executive directors' remuneration (Note 9)	9,763	9,346	4,429	4,256

33. Fair value of financial instruments

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		2016		2015	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		RM'000	RM'000	RM'000	RM'000
Group					
Financial liabilities					
Loans and borrowings (non-current)					
- Obligations under finance leases	25	195	195	7	7

(b) 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 (current and non-current, except non-current obligations under finance lease)	25
Trade and other payables (current)	28

(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.

33. Fair value of financial instruments (contd.)

(b) Determination of fair value (contd.)

(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.

34. 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.

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2016 and 2015

	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 2016	42,207	-	-	42,207
		31 December 2015	64,891	-	-	64,891
Unquoted structured products	16	31 December 2016	-	11,627	-	11,627
		31 December 2015	-	-	12,603	12,603
Liabilities measured at fair value						
Derivative liabilities	27	31 December 2015	-	315	-	315
Assets for which fair values are disclosed						
Investment properties	14	31 December 2016	-	-	68,000	68,000
		31 December 2015	-	-	68,000	68,000
Liabilities for which fair values are disclosed						
Obligation under finance lease	33(a)	31 December 2016	-	195	-	195
		31 December 2015	-	7	-	7
Company						
Assets measured at fair value						
Quoted unit trusts	16	31 December 2016	42,207	-	-	42,207
		31 December 2015	64,891	-	-	64,891
Assets for which fair values are disclosed						
Investment properties	14	31 December 2016	-	-	34,000	34,000
		31 December 2015	-	-	31,000	31,000

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.

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 RM28,017,000 (2015: RM9,187,000) 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.

35. Financial risk management objectives and policies (contd.)

(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				
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
2015				
Trade and other payables	55,831	-	-	55,831
Loans and borrowings	1,417	5,615	3,971	11,003
Derivatives liabilities	315	-	-	315
Total undiscounted financial liabilities	57,563	5,615	3,971	67,149
Company				
Financial liabilities				
2016				
Other payables	4,146	-	-	4,146
Financial guarantees*	28,017	-	-	28,017
Total undiscounted financial liabilities	32,163	-	-	32,163
2015				
Other payables	4,842	-	-	4,842
Financial guarantees*	9,187	-	-	9,187
Total undiscounted financial liabilities	14,029	-	-	14,029

* Based on the maximum that can be called for under the financial guarantee contracts.

35. Financial risk management objectives and policies (contd.)

(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 (2015: RM9,000), 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.

(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 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 2015, the Group hedged 20% of its foreign currency denominated sales, for which firm commitments extended to October 2016.

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 RM1,343,202 (2015: RM3,705,000) for its Malaysia 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 interest rate 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**	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
USD - Strengthen 1% (2015: 5%)	136	323	-	-
- Weaken 15% (2015: 20%)	(878)	(1,300)	-	-
AUD - Strengthen 3% (2015: 5%)	1,010	1,919	560	981
- Weaken 10% (2015: 10%)	(3,356)	(3,838)	(1,869)	(1,963)
EUR - Strengthen 2% (2015: 5%)	13	119	-	-
- Weaken 7% (2015: 10%)	(45)	(238)	-	-

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 2016 and 31 December 2015.

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 2016 and 2015.

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 hire purchase liabilities, 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	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Trade and other payables	28	81,674	55,831	4,146	4,842
Loans and borrowings	25	32,958	9,208	-	-
Less: Cash and cash balances	21	(60,984)	(56,749)	(143)	(1,749)
Net debt		53,648	8,290	4,003	3,093
Equity attributable to equity holder of the Company		513,546	496,612	359,345	361,063
Less: Other reserves	23	(19,648)	(20,001)	-	-
Capital		493,898	476,611	359,345	361,063
Net debt		53,648	8,290	4,003	3,093
Capital		493,898	476,611	359,345	361,063
Total capital plus net debt		547,546	484,901	363,348	364,156
Gearing ratio		9.80%	1.71%	1.10%	0.85%

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 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					
Segment operating profit	22,114	13,973	4,870	201	41,158
Finance costs	(1,068)	-	(179)	-	(1,247)
Profit before tax	21,046	13,973	4,691	201	39,911
Income tax expense	(2,361)	(4,238)	(1,242)	-	(7,841)
Profit for the year	18,685	9,735	3,449	201	32,070
Non-controlling interests	-	(2,095)	-	(60)	(2,155)
Profit attributable to owners of parent	18,685	7,640	3,449	141	29,915
Assets					
Segment assets	381,309	95,902	96,473	4,112	577,796
Other investments	42,207	11,627	-	-	53,834
Goodwill on consolidation	9,218	-	9,634	-	18,852
Tax recoverable	1,919	-	-	-	1,919
Deferred tax assets	2,654	-	1,506	-	4,160
Total assets	437,307	107,529	107,613	4,112	656,561
Liabilitie					
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	556	-	-	-	556
Deferred capital grant	-	801	-	-	801
Total liabilities	58,569	15,551	46,196	3,658	123,974
Other information					
Depreciation	18,567	2,498	1,169	58	22,292

37. Segmental reporting (contd.)

31 December 2015	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Vietnam operation RM'000	Total RM'000
Revenue					
Total sales	254,489	68,408	61,956	3,542	388,395
Less: Inter-segment sales	(19,807)	(1,147)	-	-	(20,954)
	234,682	67,261	61,956	3,542	367,441
Results					
Segment operating profit/(loss)	37,810	8,526	(11)	(144)	46,181
Finance costs	(454)	-	-	-	(454)
Profit/(loss) before tax	37,356	8,526	(11)	(144)	45,727
Income tax expense	(7,628)	(2,387)	-	-	(10,015)
Profit/(loss) for the year	29,728	6,139	(11)	(144)	35,712
Non-controlling interests	-	(1,394)	-	44	(1,350)
Profit/(loss) attributable to owners of parent	29,728	4,745	(11)	(100)	34,362
Assets					
Segment assets	336,076	89,802	66,905	3,605	496,388
Other investments	64,891	12,603	-	-	77,494
Goodwill on consolidation	9,218	-	-	-	9,218
Tax recoverable	1,422	-	-	-	1,422
Deferred tax assets	109	-	-	-	109
Total assets	411,716	102,405	66,905	3,605	584,631
Liabilities					
Segment liabilities	25,876	13,247	15,885	3,369	58,377
Loan and borrowings	9,208	-	-	-	9,208
Tax payable	443	1,318	-	-	1,761
Deferred tax liabilities	541	-	-	-	541
Total liabilities	36,068	14,565	15,885	3,369	69,887
Other information					
Depreciation	18,370	2,446	822	54	21,692

38. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2016 were authorised for issue by the Board in accordance with a resolution of the directors on 7 April 2017.

39. Supplementary information - Breakdown of the Retained Profits into Realised and Unrealised

The breakdown of the retained profit of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Total retained profit of the Company and its subsidiaries:				
- Realised	296,614	276,568	165,039	160,450
- Unrealised	14,054	17,877	11,957	18,264
	310,668	294,445	176,996	178,714
Less: Consolidation adjustments	881	(183)	-	-
Retained profit as per financial statements	311,549	294,262	176,996	178,714

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

Statistics on Shareholdings
as at 31 March 2017

Analysis by Size of Shareholdings as at 31 March 2017

Authorised share capital	: RM500,000,000
Issued and fully paid up-capital	: RM155,616,013
Class of shares	: Ordinary shares of RM1.00 each fully paid

Category	No. of Shareholders	% of Shareholders	No. of Shares◆	% of Shares◆
1 to 99	98	2.887	3,648	0.003
100 to 1,000	710	20.913	522,018	0.372
1,001 to 10,000	2,022	59.558	8,214,997	5.858
10,001 to 100,000	498	14.669	14,658,350	10.452
100,001 to less than 5% Issued shares	65	1.914	30,650,275	21.856
5% and above of Issued shares	2	0.059	86,189,825	61.459
TOTAL	**3,395**	**100.000**	**140,239,113**	**100.000**

List of Thirty (30) Largest Shareholders as at 31 March 2017

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	17.067
3.	Galister International Ltd.	3,900,000	2.780
4.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore For Yeoman 3-Rights Value Asia Fund (PTSL)	3,500,000	2.496
5.	UOBM Nominees (Asing) Sdn Bhd United Overseas Bank Nominees (Pte) Ltd For China Cruise Company Ltd	2,582,400	1.841
6.	Lim Pei Tiam @ Liam Ahat Kiat	2,333,600	1.664
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	0.793
9.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Pay Kaon	1,000,000	0.713
10.	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt An For DBS Vickers Securities (Singapore) Pte Ltd (Clients)	741,800	0.529
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ronie Tan Choo Seng	700,000	0.499
12.	Goh Thong Beng	667,000	0.476
13.	Nican Asia Limited	650,000	0.463
14.	Gan Kho @ Gan Hong Leong	647,300	0.462
15.	John Chua Seng Chai	524,650	0.374
16.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ronie Tan Choo Seng (Margin)	500,000	0.356
17.	Asia Selatan (M) Sdn. Bhd.	490,000	0.349
18.	Tham Kin Foong (John)	489,300	0.349
19.	Taman Bunga Merlimau Sdn. Bhd.	486,000	0.346

20.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd For Lim Mee Hwa	475,000	0.339
21.	Universal Trustee (Malaysia) Berhad KAF Dana ADIB	378,600	0.270
22.	Chua Seng Guan	296,000	0.211
23.	Pauline Getrude Chua Hui Lin	295,000	0.210
24.	Tan Aik Choon	291,200	0.207
25.	Chua Seng Guan	270,000	0.192
26.	Public Invest Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients)	229,300	0.163
27.	HSBC Nominees (Asing) Sdn Bhd Exempt An For The Hongkong And Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	208,000	0.148
28.	Liew Kon Mun	203,100	0.145
29.	Eletechnics Sdn Bhd	200,000	0.143
30.	Gan Hong Hu	200,000	0.143

<u>List of Directors' Shareholdings as at 31 March 2017</u>

No.	Name	Direct	Indirect
1.	Chua Seng Huat	1,113,225	86,189,825 *
2.	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	-	-

<u>List of Substantial Shareholders as at 31 March 2017</u>

		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	0.403	86,189,825 *	61.459
3.	John Chua Seng Chai	524,650	0.374	86,189,825 *	61.459
4.	Chua Seng Huat	1,113,225	0.793	86,189,825 *	61.459
5.	Pauline Getrude Chua Hui Lin	328,900	0.234	86,204,175 * ∆	61.469
6.	Chua Yew Lin	242,400	0.172	86,189,825 *	61.459
7.	Chua Seng Khoon	-	-	86,189,825 *	61.459

<u>Notes:</u>

◆ Exclude treasury shares of 15,376,900 as at 31 March 2017

* 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 Kenanga Nominees (Tempatan) Sdn Bhd

@ Shares held through BHLB Trustee Berhad Exempted – Trust Account for EPF Investment for Member Savings Scheme

Particulars of the Group's Properties

Details of the top 10 properties of the Group as at 31 December 2016, all of which are leasehold/freehold properties, set out below:

No	Location	Description / Existing Use	Year of Revaluation/ Acquisition	Approximate Age Of Building (Year)	Land/Area M²	Leasehold Expiry Date	NBV '000 (RM)
	Sarawak						
1	Lot 2124 Block 226 Kuching North Land District (KNLD)	Country Land/ Mixed Zone Land, 3 Storeys Old Office Block	1992	32	60,187	13/07/2057	13,663
	Lot 96, 929 & 930, Block 226, KNLD	Factory Building, Worker Quarters, Warehouse, 3 Storeys New Office	1992	25 25 25 21	66,330	31/12/2038	
	Johor						
2	PTD No 135903-135906 GM Lot 1284, Batu 8 Jalan Skudai, Mukim Pulai, Daerah Johore Bharu	Warehouse/Office/ Showroom	2007	10	3,554	freehold	4,341
3	PTD 106708, HS (D) 61844 (Asiatic) Mukim Senai-Kulai, Indahpura Industrial Park, Johor Bharu	Industrial Vacant Land	1997	-	16,340	freehold	4,160
	Negeri Sembilan						
4	HS(D) 43950 to HS(D) 43963 Lot 10807 to Lot 10820 Mukim Rentau District of Seremban	Industrial Land, Factory & expansion Office Building	1989	- 27, 6 19	61,500	freehold	27,981
5	Lot 10806, GRN 116899 Tuanku Jaafar Industrial Estate Sungai Gadut District of Seremban	Industrial Land Warehouse	2013	21	44,456	freehold	17,006
6	Hakmilik PN 229220, 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 Sembilan	Industrial Land; Factory & Office Building	2016	29	16,187	8/7/2080	27,233
	Hakmilik PN 48805, Lot 61215, Pekan Senawang, Daerah Seremban, Negeri Sembilan	Industrial Land; Factory & Office Building	2016	37	40,000	11/12/2074	
	Singapore						
7	#08-10 Goodwood Residence 263, Bukit Timah Road 259704 Singapore	Condominium	2010	3	233	freehold	14,421
	The People Republic of China						
8	Zhujing Development Area Jinshan County, Shanghai	Industrial Land, Factory/Office Building	1992	- 22	216,396	05/11/2042	19,948
9	No 3, 32nd Floor, Alley 333, Jing An Si Ji Yuan Apt, Lorong 42 Nanjing West Road Shanghai	Condominium	2008	9	193	18/7/2071	2,534
	Australia						
10	362 Wellington Road, Mulgrave Business Park, Mulgrave, Victoria, Australia	High Profile Two Level Office Building	2012	29	8,719	freehold	26,054

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-Fourth 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 Thursday, 25 May 2017, at 2.00 p.m. and, at every adjournment thereof in the manner indicated below:-

	For	Against		For	Against
Resolution 1			**Resolution 6**		
Resolution 2			**Resolution 7**		
Resolution 3			**Resolution 8**		
Resolution 4			**Resolution 9**		
Resolution 5					

(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 2017.

No. of shares held

____________________ ____________________________________

Signature / Seal of Shareholder(s)

NOTES:

1. *Only members whose names appear in the Record of Depositors on 18 May 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Fourth 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 1/2 Mile, Kung Phin Road,
Off Penrissen Road,
93250 Kuching, Sarawak.

KIM HIN INDUSTRY BERHAD
(018203-V)

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