

KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the forth financial quarter ended 31 December 2013

Notes to the Interim Financial Report

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group as at 31 December 2013 are consistent with those adopted in audited financial statements for the year ended 31 December 2012.

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group :

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
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MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)
MFRS 128	Investment in Associates and Joint Ventures (as amended by IASB in May 2011)
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IC Interpretation 20	Stripping costs in the Production Phase of a Surface Mine
Amendments to MFRS 1	Government Loans
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009 – 2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009 – 2011 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009 -2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009 – 2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009 – 2011 Cycle)

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2. Significant Accounting Policies (continued)

Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
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MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
Amendments to MFRS 7	Disclosures – Mandatory effective date of MFRS 9 and transition disclosures

3. Audit qualification

The auditor's report on the financial statements of the Group and the Company for the year ended 31 December 2012 was not subject to any qualification.

4. Seasonal or cyclical factors

Generally, sales of our products are enhanced during festive seasons celebrated in Malaysia.

5. Unusual items

Other than those stated in the notes, there were no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

6. Changes in estimates

There were no changes in estimates for the financial period under review.

7. Issuance or repayment of debts and equity securities

There were no other issuance and repayment of debt and equity securities, share buybacks, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year to date.

8. Dividend paid

The Company paid an interim tax exempt dividend of 10.00 sen per ordinary share totalling RM4,005,900 in respect of the year ended 31 December 2013 on 30 September 2013.

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9. Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units.

- (i) Investment holdings – includes the holding of investment in subsidiaries
- (ii) Trading and service – includes trading of electrical products and providing general repair and rework services
- (iii) Manufacturing – includes manufacturing and distribution of electrical products

	Investment holding		Trading & service		Manufacturing		Elimination		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Turnover										
External										
Local	-	-	173,271	157,664	15,077	6,664			188,348	164,328
Overseas	-	-	122,999	110,859	13,688	13,404			136,687	124,263
Internal	16,983	14,842	6,918	5,915	68,990	56,369	(92,891)	(77,126)	-	-
Total revenue	<u>16,983</u>	<u>14,842</u>	<u>303,188</u>	<u>274,438</u>	<u>97,755</u>	<u>76,437</u>	<u>(92,891)</u>	<u>(77,126)</u>	<u>325,035</u>	<u>288,591</u>
Segment results	<u>8,087</u>	<u>5,898</u>	<u>15,097</u>	<u>12,956</u>	<u>8,568</u>	<u>5,503</u>	<u>(12,891)</u>	<u>(8,491)</u>	<u>18,861</u>	<u>15,866</u>
Other income									4,187	-
Finance cost									(3,241)	(2,734)
Interest income									295	266
Profit before tax									<u>20,102</u>	<u>13,398</u>
Tax expense									(3,855)	(2,792)
Net profit									<u>16,247</u>	<u>10,606</u>

Year 2013 refers to 12 months period ended 31.12.2013 as compare to the corresponding 12 months in the preceding year.

10. Valuation of property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual financial statements.

11. Material subsequent events

As at the date of issue of this quarterly report, there were no material events subsequent to the end of this period reported on that have not been reflected in the financial statement for the said period.

12. Changes in the composition of the group

There were no changes in the composition of the Group during the current quarter.

13. Contingent liabilities

As at 31.12.2013, the company has given corporate guarantee for banking facilities obtained by subsidiaries to meet the liabilities and financial obligations of its subsidiaries amounting to RM142.50 million. The contingent liabilities of its subsidiaries pertaining to utilise trade line facilities amounted to RM8.58 million.

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14. Capital and other commitment

	RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided	<u>3,840</u>

15. Key management personnel compensation

Total compensation to Directors of the Company and other members of key management during the quarter under review are as follows:

	31/12/13 RM'000	31/12/12 RM'000
Directors of the Company	1,925	1,783
Other key management personnel	6,149	5,931

16. Related party transactions

Transactions with related parties during the quarter under review are as follows:-

	Transaction value 12 months ended		Balance as at	
	31/12/13 RM'000	31/12/12 RM'000	31/12/13 RM'000	31/12/12 RM'000
<i>Sales to :-</i>				
HSL E & E Corp (M) Sdn Bhd	-	65	14	14
<i>Purchase from :-</i>				
- Hupson Industries Sdn Bhd	-	188	-	1

These transactions had been entered into in the normal course of business and had been established under negotiated terms.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

1. Review of Performance

Comparison results of current quarter and previous corresponding quarter

The Group recorded revenue of RM80.58 million for the current quarter under review representing an increase of 4.8% over revenue of RM76.87 million of previous corresponding quarter.

The Group recorded profit before tax of RM3.44 million for the current quarter under review representing a decrease of 23.6% over profit before tax of RM4.50 million of previous corresponding quarter. The decrease was mainly due to the drop in overall gross profit margin, caused by high production costs and stock write-down in the final quarter.

Comparison results of current year-to-date and previous year-to-date

The Group's revenue for the current period rose to RM325.03 million, representing an increase of 12.6% as compared to RM288.59 million in the preceding financial period. The increase was mainly due to market improvement in both local and overseas market.

The Group's profit before tax for the current period rose to RM20.10 million, representing an increase of 50.0% as compared to RM13.40 million in the preceding financial period. The increase was mainly attributed to overall increase in revenue coupled with improvement in cost control and gains from disposing of investment properties by the Company and its subsidiary.

The performance of the business segments for the current period is described as below:

1) Investment Holdings Division

The Division recorded a substantial amount of profit in the current period mainly due to dividend received from subsidiaries and gain from disposing a unit of investment property.

2) Trading and Service Division

The revenue in Trading and Service Division recorded an increase of 10.5% as compared to previous corresponding period mainly due to the market improvement especially from overseas market.

In tandem with the increase in revenue and gain on disposal of properties, profit before tax increased by 38.0% as compared to last corresponding period.

3) Manufacturing Division

The 27.9% increase in revenue of Manufacturing Division was attributed to higher demand from local market as well as stronger support from inter companies.

Profit before tax improved by 64.5% as compared to previous corresponding period mainly due to higher revenue and effective cost controlling.

2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM80.58 million for the current quarter under review, representing a decrease of 7.3% as compared to RM86.91 million in the immediate preceding quarter. Meanwhile, the Group recorded profit before tax of RM3.44 million, representing a decrease of 45.4% as compared to the preceding quarter of RM6.30 million.

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3. Commentary on prospect

The Board of Director is pleased with the good performance achieved in the financial year under review, which was mainly attributed to the Group's adoption of right measures and aggressive marketing strategies.

The BOD is optimistic on the Group's outlook for financial year 2014.

4. Profit forecast

Not applicable as no profit forecast was published.

5. Tax expense

	<u>Individual period</u>		<u>Cumulative period</u>	
	31/12/13 RM'000	31/12/12 RM'000	31/12/13 RM'000	31/12/12 RM'000
- Current tax expense	1,317	762	5,088	2,817
- Deferred tax expense	(1,060)	(177)	(1,233)	(25)
Total	<u>257</u>	<u>585</u>	<u>3,855</u>	<u>2,792</u>

The group's effective tax rate for the quarter ended 31 December 2013 is 16.4%. The low tax rate is mainly due to the capital gain from disposing of properties in one of the oversea subsidiary and the Company.

6. Status of corporate proposals

There were no corporate proposals during the current quarter.

7. Borrowings and debt securities

(a) Bank Borrowings (current and repayable within 1 year)

Details of the Group's bank borrowings as at the end of this reporting period: -

	Foreign Currency '000	31/12/13 RM'000	Foreign Currency '000	31/12/12 RM'000
Bank Overdrafts				
Secured		408		415
Unsecured		880		1,075
Banker Acceptances				
Unsecured – denominated in Ringgit Malaysia		34,068		27,439
Unsecured – denominated in foreign currency	SGD1,220	3,171	SGD2,743	6,977
Revolving Credit				
Denominated in Ringgit Malaysia		1,250		1,650
Denominated in foreign currency	SGD2,200	5,716	SGD2,200	5,595
Total		<u>45,493</u>		<u>43,151</u>

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7. Borrowings and debt securities (Continued)

Secured bank borrowings are secured by fixed charges over the long term leasehold or freehold land and building of certain subsidiary company and are guaranteed by the Company. Unsecured bank overdraft and bankers' acceptances are guaranteed by the Company.

The bank overdrafts bear interest at rates ranging from 8.09% - 11.25% (2012 – 8.09% to 11.25%) per annum. The banker acceptances bear interest at rates ranging from 3.53% to 5.89% (2012 – 3.53% to 5.89%) per annum.

(b) Term Loans

Details of the Group's term loans as at the end of this reporting period :-

	Foreign Currency '000	31/12/13 RM'000	Foreign Currency '000	31/12/12 RM'000
Current Term Loans				
Secured – Denominated in Ringgit Malaysia		798		669
Secured – Denominated in foreign currency	SGD142	370	SGD177	451
Total		<u>1,168</u>		<u>1,120</u>
Non-Current Term Loans				
Secured – Denominated in Ringgit Malaysia		14,108		18,025
Secured – Denominated in foreign currency	SGD3,164	8,221	SGD940	2,392
Total		<u>22,329</u>		<u>20,417</u>
Grand Total		<u>23,497</u>		<u>21,537</u>

Term loans repayment schedule:

	Total RM'000	Under 1 year RM'000	1-2 year RM'000	2-5 year RM'000	Over 5 year RM'000
Secured	23,497	1,168	835	3,730	17,764
Total	<u>23,497</u>	<u>1,168</u>	<u>835</u>	<u>3,730</u>	<u>17,764</u>

The term loans are secured by :-

- fixed charges over the respective subsidiary's long term leasehold or freehold land and building, and
- corporate guarantee from the Company.

The term loans bear interest at 2.61% to 5.34% (2012 – 2.61% to 5.34%) per annum.

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7. Borrowings and debt securities (Continued)

c) Hire Purchase Creditors

Details of the Group's hire purchase creditors as at the end of this reporting period:-

	31/12/13 RM'000	31/12/12 RM'000
Hire Purchase Creditors	2,014	2,213
Less: Interest in suspense	146	196
Balance	<u>1,868</u>	<u>2,017</u>
Repayable within one year	837	795
Repayable one to five years	1,031	1,222
Balance	<u>1,868</u>	<u>2,017</u>

The hire purchase liabilities bear interest at rates ranging from 5.33% to 6.56% (2012 – 5.33% to 6.56%) per annum.

8. Dividend

The Company paid an interim tax exempt dividend of 10.00 sen per ordinary share totalling RM4,005,900 in respect of the year ended 31 December 2013 on 30 September 2013.

The Board of Directors does not recommend any final dividend for the current financial year to date.

9. Earnings per share

	Individual Period		Cumulative Period	
	Current Quarter 31.12.13	Preceding year corresponding quarter 31.12.12	Twelve Months to 31.12.13	Twelve Months to 31.12.12
Net profit attributable to ordinary equity holders of the parent (RM'000)	<u>3,180</u>	<u>3,911</u>	<u>16,247</u>	<u>10,606</u>
Weighted average number of ordinary shares ('000)	<u>40,059</u>	<u>40,059</u>	<u>40,059</u>	<u>40,059</u>
Basic earning per share (sen)	<u>7.94</u>	<u>9.76</u>	<u>40.56</u>	<u>26.48</u>

Basic earnings per share of the Group is calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period.

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10. Disclosure of realised and unrealised retained profits

The Group's realised and unrealised retained profits disclosures are as follows:

	As at 31.12.13 (RM'000)	As at 31.12.12 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	60,879	47,678
- Unrealised	904	(655)
Consolidation adjustments	860	3,379
Total Group retained profits as per consolidated accounts	62,643	50,402

11. Profit for the period is arrived at after charging/(crediting):-

	Individual Period		Cumulative Period	
	31.12.13 RM '000	31.12.12 RM '000	Twelve Months to 31.12.13 RM '000	Twelve Months to 31.12.12 RM '000
Depreciation & Amortisation	780	376	3,274	2,619
Net (gain)/loss on disposal of property, plant and equipment	(14)	1	(3,936)	(27)
Foreign exchange loss / (gain)	161	(201)	(313)	(909)