

KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the fourth financial quarter ended 31 December 2018

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 2017.

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 2017.

2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group as at 31 December 2018 are consistent with those adopted in audited financial statements for the year ended 31 December 2017.

The following MFRSs, Amendments to MFRSs and Interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2018:

Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 cycle)
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transaction and Advance Consideration

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

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

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Financial Instruments (2014) – Prepayment Features with Negative Compensation
Amendments to MFRS 128	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 3	Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 cycle)
Amendments to MFRS 11	Joint Arrangements – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 cycle)
Amendments to MFRS 112	Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 cycle)

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2. Significant Accounting Policies (continued)

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

Amendments to MFRS 123	Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 cycle)
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement

MFRSs, Interpretations and amendments effective date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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3. Audit qualification

The auditor's report on the financial statements of the Group and the Company for the year ended 31 December 2017 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

There were no dividends paid in the current quarter.

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

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9. Segment reporting (continued)

	Investment holding		Trading & service		Manufacturing		Elimination		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Turnover										
External										
Local	-	-	172,424	143,696	5,024	10,076	-	-	177,448	153,772
Overseas	-	-	165,533	175,833	5,717	1,475	-	-	171,250	177,308
Internal	11,073	12,004	12,159	7,566	58,675	66,460	(81,907)	(86,030)	-	-
Total revenue	11,073	12,004	350,116	327,095	69,416	78,011	(81,907)	(86,030)	348,698	331,080
Segment results	1,294	1,726	11,254	5,940	1,358	3,266	(5,945)	(4,582)	7,961	6,350
Finance cost									(4,051)	(3,633)
Interest income									245	199
Profit before tax									4,155	2,916
Tax expense									(2,544)	(1,541)
Net profit									1,611	1,375

Year 2018 refers to 12 months period ended 31.12.2018 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 31.12.2018, the company has given corporate guarantee for banking facilities obtained by subsidiaries to meet the liabilities and financial obligations of its subsidiaries amounting to RM159.48 million. The contingent liabilities of its subsidiaries pertaining to utilise trade line facilities amounted to RM10.59 million.

14. Key management personnel compensation

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

	31/12/18 RM'000	31/12/17 RM'000
Directors of the Company	1,660	1,872
Other key management personnel	5,862	6,925

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15. Related party transactions

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

	Transaction value 12 months ended		Balance as at	
	31/12/18	31/12/17	31/12/18	31/12/17
	RM'000	RM'000	RM'000	RM'000
<i>Sales to :-</i>				
HSL E & E Corp (M) Sdn Bhd	-	-	14	14

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 RM86.96 million for the current quarter under review representing an increase of 10.1% over revenue of RM78.95 million of previous corresponding quarter.

The Group recorded profit before tax of RM0.82 million for the current quarter under review representing a decrease of 41.2% over profit before tax of RM1.39 million of previous corresponding quarter.

Comparison results of current period and previous corresponding period

The Group recorded revenue of RM348.70 million for the current period under review representing an increase of 5.3% over revenue of RM331.08 million of previous corresponding period.

The Group recorded profit before tax of RM4.16 million for the current period under review representing an increase of 42.5% over profit before tax of RM2.92 million of previous corresponding period.

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

1) Investment Holdings Division

The Investment Holdings Division recorded lower revenue as compared to previous corresponding period due to lower management fees received from subsidiaries. As a result, this division's recorded lower profit before tax if compared with previous corresponding period.

2) Trading and Service Division

The revenue in Trading and Service Division recorded an increase of 7.0% as compared to previous corresponding period. The local sales increased significantly by 20.0% mainly due to local consumers' purchasing power improved during the tax holiday. However, overseas sales decreased marginally by 5.9% due to weaker demand from Dubai subsidiary, further exacerbated by the strengthening in local currency.

Due to the better margin achieved and cost control, the division's results increased by 89.5% as compared to last corresponding period.

3) Manufacturing Division

The revenue in Manufacturing Division has decreased by 11.0% as compared to previous corresponding period which is mainly due to the decrease in sales from inter-companies coupled with lower local OEM sales.

The division has recorded a profit representing a decrease of 58.4% if compared to previous corresponding period. It is mainly attributed to lower gross margin as a result of insufficient revenue to cover fixed operating cost. The Company continue to focus on improving efficiency and productivity.

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1. Review of Performance (Continued)

Financial review for current quarter and financial year to date

	Individual Period				Cumulative Period			
	31 December		Variance		31 December		Variance	
	2018	2017			2018	2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	86,960	78,952	8,008	10.1%	348,698	331,080	17,618	5.3%
Profit before interest and tax	1,631	1,983	(352)	-17.8%	7,961	6,350	1,611	25.4%
Profit before tax	818	1,392	(574)	-41.2%	4,155	2,916	1,239	42.5%
Profit after tax	(37)	516	(553)	-107.2%	1,611	1,375	236	17.2%
Profit attributable to Equity Holders of the Parent	(166)	577	(743)	-128.8%	1,578	1,593	(15)	-0.9%

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding	Variance	
	31 December 2018	30 September 2018		
	RM'000	RM'000	RM'000	%
Revenue	86,960	97,046	(10,086)	-10.4%
Profit before interest and tax	1,631	3,129	(1,498)	-47.9%
Profit before tax	818	2,036	(1,218)	-59.8%
Profit after tax	(37)	1,018	(1,055)	-103.6%
Profit attributable to Equity Holders of the Parent	(166)	1,021	(1,187)	-116.3%

2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM86.96 million for the current quarter under review, representing a decrease of 10.4% as compared to RM97.05 million in the immediate preceding quarter. Meanwhile, the Group recorded profit before tax of RM0.82 million, representing a decrease of 59.8% as compared to the preceding quarter's profit before tax of RM2.04 million.

3. Commentary on prospect

The Board expects the Group's outlook for the year to remain challenging in view of the slowdown in consumer demand and price competition. The Group will continue to embark on cost reduction and rationalisation exercises as well as improving operational efficiency. In addition, the Group will put more effort into growing and expanding its international business.

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4. Profit forecast

Not applicable as no profit forecast was published.

5. Tax expense

	Individual period		Cumulative period	
	31/12/18 RM'000	31/12/17 RM'000	31/12/18 RM'000	31/12/17 RM'000
- Current tax expense	230	(95)	2,567	307
- Deferred tax expense	625	971	(23)	1,234
Total	<u>855</u>	<u>876</u>	<u>2,544</u>	<u>1,541</u>

The group's effective tax rate for the period ended 31 December 2018 is 21.9%.

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	31/12/18 RM'000	Foreign Currency '000	31/12/17 RM'000
Bank Overdrafts				
Secured		299		299
Unsecured		1,999		2,142
Banker Acceptances				
Unsecured – denominated in Ringgit Malaysia		28,721		26,615
Unsecured – denominated in foreign currency	SGD1,623	4,921	SGD845	1,025
Revolving Credit				
Denominated in Ringgit Malaysia		10,759		9,109
Denominated in foreign currency	SGD900	2,729	SGD1,600	3,647
Total		<u>49,428</u>		<u>42,837</u>

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 7.22% to 8.29% (2017 – 5.47% to 8.65%) per annum. The banker acceptances bear interest at rates ranging from 1.70% to 5.16% (2017 – 1.25% to 4.90%) per annum.

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7. Borrowings and debt securities (Continued)

(b) Term Loans

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

	Foreign Currency '000	31/12/18 RM'000	Foreign Currency '000	31/12/17 RM'000
Current Term Loans				
Secured – Denominated in Ringgit Malaysia		1,973		1,837
Secured – Denominated in foreign currency	SGD203	615	SGD191	560
Total		<u>2,588</u>		<u>2,397</u>
Non-Current Term Loans				
Secured – Denominated in Ringgit Malaysia		21,584		21,066
Secured – Denominated in foreign currency	SGD3,275	9,931	SGD3,672	10,616
Total		<u>31,515</u>		<u>31,682</u>
Grand Total		<u>34,103</u>		<u>34,079</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	34,103	2,588	2,029	9,038	20,448
Total	<u>34,103</u>	<u>2,588</u>	<u>2,029</u>	<u>9,038</u>	<u>20,448</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 4.57% to 5.12% (2017 – 2.33% to 5.12%) per annum.

(c) Finance lease liabilities

Details of the Group's finance lease liabilities as at the end of this reporting period:-

	31/12/18 RM'000	31/12/17 RM'000
Hire Purchase Creditors	2,661	2,470
Less: Interest in suspense	217	190
Balance	<u>2,444</u>	<u>2,280</u>
Repayable within one year	997	864
Repayable one to five years	1,447	1,416
Balance	<u>2,444</u>	<u>2,280</u>

The finance lease liabilities bear interest at rates ranging from 1.53% to 4.05% (2017 – 1.80% to 5.89%) per annum.

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8. Material Litigation

Khind Electrical (Malaysia) Sdn Bhd (“KEMSB”), a wholly owned subsidiary of the Company had on 13 July 2015, through its solicitors, filed a winding-up petition against Maha Tenaga Jaya Technology Sdn Bhd (“MTJTSB”) at the High Court of Malaya at Kuala Lumpur as MTJTSB has failed to settle a sum of RM2,036,653.78 to KEMSB being the outstanding amount due and owing for the goods sold and delivered to MTJTSB.

Subsequent to the 3rd quarter results announced on 23 November 2018, the Court of Appeal has fixed a next Case Management on 27 February 2019 for the Appellants to file in the Supplementary Appeal Records pending the Grounds of Judgment to be finalised and issued by the Learned High Court Judge.

On 11 January 2019, KEM has filed a Bankruptcy Notice against the Fifth Defendant as the Fifth Defendant has failed and neglected to pay the sum of RM2,036,653.78 and the cost of action of RM10,000.00.

9. Dividend

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

10. Earnings per share

	Individual Period		Cumulative Period	
	Current Quarter 31.12.18	Preceding year corresponding quarter 31.12.17	Twelve Months to 31.12.18	Twelve Months to 31.12.17
Net profit attributable to ordinary equity holders of the parent (RM'000)	(166)	577	1,578	1,593
Weighted average number of ordinary shares ('000)	40,059	40,059	40,059	40,059
Basic earning per share (sen)	(0.41)	1.44	3.94	3.98

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.

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

	Individual Period		Cumulative Period	
	31.12.18 RM '000	31.12.17 RM '000	Twelve Months to 31.12.18 RM '000	Twelve Months to 31.12.17 RM '000
Depreciation & Amortisation	1,337	1,388	5,410	5,417
Net gain on disposal of property, plant and equipment	(2)	1	(21)	(13)
Foreign exchange loss / (gain)	(917)	(297)	(573)	271