

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## 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 2018.

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 2018.

### 2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group as at 31 March 2019 are consistent with those adopted in audited financial statements for the year ended 31 December 2018.

The following MFRSs, Amendments to MFRSs and Interpretations are mandatory for the first time for the financial year 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) |
| 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 |
|-----------------------|--|

### 2. Audit qualification

The auditor's report on the financial statements of the Group and the Company for the year ended 31 December 2018 was not subject to any qualification.

### 3. Seasonal or cyclical factors

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

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## 4. 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.

## 5. Changes in estimates

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

## 6. 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.

## 7. Dividend paid

There were no dividends paid in the current quarter.

## 8. 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         |                |
|------------------|--------------------|--------------|-------------------|---------------|---------------|---------------|-----------------|-----------------|---------------|----------------|
|                  | 2019               | 2018         | 2019              | 2018          | 2019          | 2018          | 2019            | 2018            | 2019          | 2018           |
|                  | RM'000             | RM'000       | RM'000            | RM'000        | RM'000        | RM'000        | RM'000          | RM'000          | RM'000        | RM'000         |
| <b>Turnover</b>  |                    |              |                   |               |               |               |                 |                 |               |                |
| External         |                    |              |                   |               |               |               |                 |                 |               |                |
| Local            | -                  | -            | 32,863            | 34,298        | 468           | 1,818         | -               | -               | 33,331        | 36,116         |
| Overseas         | -                  | -            | 43,212            | 39,321        | 1,224         | -             | -               | -               | 44,436        | 39,321         |
| Internal         | 1,663              | 1,973        | 3,883             | 1,786         | 13,521        | 12,174        | (19,067)        | (15,933)        | -             | -              |
| Total revenue    | <u>1,663</u>       | <u>1,973</u> | <u>79,958</u>     | <u>75,405</u> | <u>15,213</u> | <u>13,992</u> | <u>(19,067)</u> | <u>(15,933)</u> | <u>77,767</u> | <u>75,437</u>  |
| Segment results  | (1,119)            | (647)        | 1,136             | 635           | 301           | (966)         | 77              | 528             | 395           | (450)          |
| Finance cost     |                    |              |                   |               |               |               |                 |                 | (1,053)       | (912)          |
| Interest income  |                    |              |                   |               |               |               |                 |                 | 54            | 71             |
| Loss before tax  |                    |              |                   |               |               |               |                 |                 | <u>(604)</u>  | <u>(1,291)</u> |
| Tax              |                    |              |                   |               |               |               |                 |                 |               |                |
| (expense)/profit |                    |              |                   |               |               |               |                 |                 | <u>(33)</u>   | <u>140</u>     |
| Net loss         |                    |              |                   |               |               |               |                 |                 | <u>(637)</u>  | <u>(1,151)</u> |

Year 2019 refers to 3 months period ended 31.03.2019 as compare to the corresponding 3 months in the preceding year.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## 9. Valuation of property, plant and equipment

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

## 10. 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.

## 11. Changes in the composition of the group

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

## 12. Contingent liabilities

As at 31.03.2019, the company has given corporate guarantee for banking facilities obtained by subsidiaries to meet the liabilities and financial obligations of its subsidiaries amounting to RM158.68 million. The contingent liabilities of its subsidiaries pertaining to utilise trade line facilities amounted to RM8.97 million.

## 13. 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:

|                                | 31/03/19<br>RM'000 | 31/03/18<br>RM'000 |
|--------------------------------|--------------------|--------------------|
| Directors of the Company       | 460                | 472                |
| Other key management personnel | 1,705              | 1,690              |

## 14. Related party transactions

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

|                            | Transaction value 3 months ended |                    | Balance as at      |                    |
|----------------------------|----------------------------------|--------------------|--------------------|--------------------|
|                            | 31/03/19<br>RM'000               | 31/03/18<br>RM'000 | 31/03/19<br>RM'000 | 31/03/18<br>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.

# **KHIND HOLDINGS BERHAD**

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## **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 RM77.77 million for the current quarter under review representing an increase of 3.1% over revenue of RM75.44 million of previous corresponding quarter.

The Group recorded loss before tax of RM0.60 million for the current quarter under review, a 53.2% improvement compared to RM1.29 million loss before tax recorded in the previous corresponding quarter.

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

#### **1) Investment Holdings Division**

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

#### **2) Trading and Service Division**

The revenue in Trading and Service Division recorded an increase of 6.0% as compared to previous corresponding quarter. Overseas sales improved by 9.9% mainly contributed by both Singapore and Dubai subsidiaries, further amplified by the weakening against local currency. However, the local sales slightly decreased by 4.2% due to weaker demand in the local market.

The division's results increased by 78.7% as compared to last corresponding quarter, was contributed mainly by the gain on disposal of the property in East Malaysia subsidiary.

#### **3) Manufacturing Division**

The revenue in Manufacturing Division has increased by 8.7% as compared to previous corresponding quarter which is mainly due to the increase in sales from inter-companies.

The division has recorded a profit representing an improvement of 131.2% if compared to a loss in the previous corresponding quarter. It is mainly attributed to higher sales and better cost management. The Company continue to focus on improving efficiency and productivity.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## 1. Review of Performance (Continued)

### Financial review for current quarter and financial year to date

|   | Individual Period |         |          |         | Cumulative Period |         |          |         |
|---|-------------------|---------|----------|---------|-------------------|---------|----------|---------|
|   | 31 March          |         | Variance |         | 31 March          |         | Variance |         |
|   | 2019              | 2018    |          |         | 2019              | 2018    |          |         |
|   | RM'000            | RM'000  | RM'000   | %       | RM'000            | RM'000  | RM'000   | %       |
| Revenue   | 77,767            | 75,437  | 2,330    | 3.1%    | 77,767            | 75,437  | 2,330    | 3.1%    |
| Profit/(loss) before interest and tax             | 395               | (450)   | 845      | -187.8% | 395               | (450)   | 845      | -187.8% |
| Loss before tax                                   | (604)             | (1,291) | 687      | -53.2%  | (604)             | (1,291) | 687      | -53.2%  |
| Loss after tax                                    | (637)             | (1,151) | 514      | -44.7%  | (637)             | (1,151) | 514      | -44.7%  |
| Loss attributable to Equity Holders of the Parent | (612)             | (1,114) | 502      | -45.1%  | (612)             | (1,114) | 502      | -45.1%  |

### Financial review for current quarter compared with immediate preceding quarter

|   | Current Quarter | Immediate Preceding | Variance |         |
|---|-----------------|---------------------|----------|---------|
|   | 31 March 2019   | 31 December 2018    |          |         |
|   | RM'000          | RM'000              | RM'000   | %       |
| Revenue   | 77,767          | 86,960              | (9,193)  | -10.6%  |
| Profit/(loss) before interest and tax             | 395             | 1,631               | (1,236)  | -75.8%  |
| (Loss)/profit before tax                          | (604)           | 818                 | (1,422)  | -173.8% |
| Loss after tax                                    | (637)           | (37)                | (600)    | 1621.6% |
| Loss attributable to Equity Holders of the Parent | (612)           | (166)               | (446)    | 268.7%  |

## 2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM77.77 million for the current quarter under review, representing a decrease of 10.6% as compared to RM86.96 million in the immediate preceding quarter. Meanwhile, the Group recorded loss before tax of RM0.60 million, representing a decrease of 173.8% as compared to the preceding quarter's profit before tax of RM0.82 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.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## 4. Profit forecast

Not applicable as no profit forecast was published.

## 5. Tax expense

|                        | Individual period  |                    | Cumulative period  |                    |
|------------------------|--------------------|--------------------|--------------------|--------------------|
|                        | 31/03/19<br>RM'000 | 31/03/18<br>RM'000 | 31/03/19<br>RM'000 | 31/03/18<br>RM'000 |
| - Current tax expense  | 124                | 151                | 124                | 151                |
| - Deferred tax expense | (91)               | (291)              | (91)               | (291)              |
| Total                  | 33                 | (140)              | 33                 | (140)              |

The group's effective tax rate for the period ended 31 March 2019 is 28.9%.

## 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<br>Currency<br>'000 | 31/03/19<br>RM'000 | Foreign<br>Currency<br>'000 | 31/12/18<br>RM'000 |
|---|-----------------------------|--------------------|-----------------------------|--------------------|
| <b>Bank Overdrafts</b>                      |                             |                    |                             |                    |
| Secured                                     |                             | 300                |                             | 299                |
| Unsecured                                   |                             | 2,789              |                             | 1,999              |
| <b>Banker Acceptances</b>                   |                             |                    |                             |                    |
| Unsecured – denominated in Ringgit Malaysia |                             | 34,308             |                             | 28,721             |
| Unsecured – denominated in foreign currency | SGD1,354                    | 4,075              | SGD1,623                    | 4,921              |
| <b>Revolving Credit</b>                     |                             |                    |                             |                    |
| Denominated in Ringgit Malaysia             |                             | 10,688             |                             | 10,759             |
| Denominated in foreign currency             | SGD900                      | 2,709              | SGD900                      | 2,729              |
| Total                                       |                             | 54,869             |                             | 49,428             |

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 7.47% to 8.39% (2018 – 7.47% to 8.65%) per annum. The banker acceptances bear interest at rates ranging from 4.00% to 5.11% (2018 – 1.70% to 5.25%) per annum.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## 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<br>Currency<br>'000 | 31/03/19<br>RM'000 | Foreign<br>Currency<br>'000 | 31/12/18<br>RM'000 |
|---|-----------------------------|--------------------|-----------------------------|--------------------|
| <b>Current Term Loans</b>                 |                             |                    |                             |                    |
| Secured – Denominated in Ringgit Malaysia |                             | 1,937              |                             | 1,973              |
| Secured – Denominated in foreign currency | SGD203                      | 610                | SGD203                      | 615                |
| Total                                     |                             | <u>2,547</u>       |                             | <u>2,588</u>       |
| <b>Non-Current Term Loans</b>             |                             |                    |                             |                    |
| Secured – Denominated in Ringgit Malaysia |                             | 21,145             |                             | 21,584             |
| Secured – Denominated in foreign currency | SGD3,225                    | 9,706              | SGD3,275                    | 9,931              |
| Total                                     |                             | <u>30,851</u>      |                             | <u>31,515</u>      |
| Grand Total                               |                             | <u>33,398</u>      |                             | <u>34,103</u>      |

Term loans repayment schedule:

|         | Total<br>RM'000 | Under 1 year<br>RM'000 | 1-2 year<br>RM'000 | 2-5 year<br>RM'000 | Over 5 year<br>RM'000 |
|---------|-----------------|------------------------|--------------------|--------------------|-----------------------|
| Secured | 33,398          | 2,547                  | 2,016              | 8,878              | 19,957                |
| Total   | <u>33,398</u>   | <u>2,547</u>           | <u>2,016</u>       | <u>8,878</u>       | <u>19,957</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 4.82% to 5.38% (2018 – 2.38% to 5.38%) per annum.

### (c) Finance lease liabilities

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

|                             | 31/03/19<br>RM'000 | 31/12/18<br>RM'000 |
|-----------------------------|--------------------|--------------------|
| Hire Purchase Creditors     | 2,343              | 2,661              |
| Less: Interest in suspense  | 180                | 217                |
| Balance                     | <u>2,163</u>       | <u>2,444</u>       |
| Repayable within one year   | 989                | 997                |
| Repayable one to five years | 1,174              | 1,447              |
| Balance                     | <u>2,163</u>       | <u>2,444</u>       |

The finance lease liabilities bear interest at rates ranging from 1.80% to 5.89% (2018 – 1.80% to 5.89%) per annum.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2019

## 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 4th quarter results announced on 26 February 2019, the Court has fixed a next Case Management on 24 April 2019 and KEMSB has updated the Court that the Bankruptcy Notice dated 11 January 2019 has been successfully served to the Fifth Defendant ("Judgment Debtor") on 4 April 2019 and the act of bankruptcy was deemed committed on 12 March 2019 as there was no payment made by the Judgment Debtor after 7 days from the delivery of Bankruptcy Notice.

On 24 April 2019, the Court has fixed the next Case Management on 30 May 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.

## 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<br>31.03.19 | Preceding year<br>corresponding<br>quarter<br>31.03.18 | Three<br>Months to<br>31.03.19 | Three<br>Months to<br>31.03.18 |
| Net loss attributable to ordinary equity holders of the parent (RM'000) | (612)                       | (1,114)  | (612)                          | (1,114)                        |
| Weighted average number of ordinary shares ('000)                       | 40,059                      | 40,059   | 40,059                         | 40,059                         |
| Basic earning per share (sen)   | (1.53)                      | (2.78)   | (1.53)                         | (2.78)                         |

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

|   | Individual Period   |                     | Cumulative Period                         |   |
|---|---------------------|---------------------|---|---|
|   | 31.03.19<br>RM '000 | 31.03.18<br>RM '000 | Three<br>Months to<br>31.03.19<br>RM '000 | Three<br>Months to<br>31.03.18<br>RM '000 |
| Depreciation & Amortisation                           | 1,357               | 1,382               | 1,357                                     | 1,382                                     |
| Net gain on disposal of property, plant and equipment | (574)               | (14)                | (574)                                     | (14)                                      |
| Foreign exchange loss / (gain)                        | 109                 | (104)               | 109                                       | (104)                                     |