

KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the fourth financial quarter ended 31 December 2020

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 2019.

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 2019.

2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group as at 31 December 2020 are consistent with those adopted in audited financial statements for the year ended 31 December 2019.

The following MFRSs, Amendments to MFRSs and Interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2020:

Amendments to MFRS 9	Financial Instruments – Interest Rate Benchmark Reform
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform
Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform
Amendment to MFRS 16	Leases – Covid-19-Related Rent Concessions
Amendments to MFRS 4	Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, MFRS 16	Interest Rate Benchmark Reform – Phase 2
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MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

Amendments to MFRSs	Annual Improvements to MFRS Standards 2018–2020
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Property, Plant and Equipment—Proceeds before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts—Cost of Fulfilling a Contract

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

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2. Significant Accounting Policies (continued)

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 2019 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 single-tier tax exempt dividend of 10 sen per ordinary share totalling RM4,005,900 in respect of the financial year ended 31 December 2020 on 10 December 2020.

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover										
External										
Local	-	-	267,718	164,128	9,786	2,647	-	-	277,504	166,775
Overseas	-	-	194,944	187,471	6,551	8,956	-	-	201,495	196,427
Internal	12,422	11,353	12,327	14,525	86,575	61,955	(111,324)	(87,833)	-	-
Total revenue	12,422	11,353	474,989	366,124	102,912	73,558	(111,324)	(87,833)	478,999	363,202
Segment results	722	1,479	26,028	8,683	4,524	1,700	(7,308)	(4,492)	23,966	7,370
Finance cost									(3,434)	(4,649)
Interest income									458	246
Other income									16,394	-
Share of result of associates									(219)	(95)
Profit before tax									37,165	2,872
Tax expense									(8,713)	(1,061)
Net loss									28,452	1,811

Year 2020 refers to 12 months period ended 31.12.2020 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 31.12.2020, the company has given corporate guarantee for banking facilities obtained by subsidiaries to meet the liabilities and financial obligations of its subsidiaries amounting to RM167.70 million. The contingent liabilities of its subsidiaries pertaining to utilise trade line facilities amounted to RM13.94 million.

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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:

	31/12/20 RM'000	31/12/19 RM'000
Directors of the Company	1,120	1,647
Other key management personnel	5,074	5,491

15. Related party transactions

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

	Transaction value 12 months ended		Balance as at	
	31/12/20 RM'000	31/12/19 RM'000	31/12/20 RM'000	31/12/19 RM'000
<i>Sales to :-</i>				
HSL E & E Corp (M) Sdn Bhd	-	-	-	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 RM138.21 million for the current quarter under review representing an increase of 49.3% over revenue of RM92.55 million of previous corresponding quarter.

The Group recorded profit before tax of RM7.85 million for the current quarter under review representing an increase of 905% over profit before tax of RM0.78 million of previous corresponding quarter.

Comparison results of current period and previous corresponding period

The Group recorded revenue of RM479.00 million for the current period under review representing an increase of 31.9% over revenue of RM363.20 million of previous corresponding period. The increase was mainly derived from the Trading & Service Division.

The Group recorded profit before tax of RM37.17 million for the current period under review representing an increase of 1,194% over profit before tax of RM2.87 million of previous corresponding period. This was mainly due to the one-off gain on disposal of land by one of the subsidiary and higher contribution from the Trading & Services Division.

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

1) Investment Holdings Division

The Investment Holdings Division recorded higher revenue as compared to previous corresponding period due to dividend received from subsidiaries. However, the division recorded lower profit before tax if compared with previous corresponding period due to higher operating expenses.

2) Trading and Service Division

The revenue in Trading and Service Division recorded an increase of 29.7% as compared to previous corresponding period. Local sales improved by 63.1% contributed by strong demand in the local market. On the other hand, the overseas sales slightly increased by 4.0% due to higher foreign currency rate offsetting the weaker economic condition outside Malaysia.

The division was able to operate during CMCO through tv-shopping and e-commerce channel. As restriction were eased during RMCO, demand on home appliances picked up steadily from May. Hence, the division's results increased significantly by 200% as compared to last corresponding period.

3) Manufacturing Division

The revenue in Manufacturing Division has increased by 39.9% as compared to previous corresponding period which is mainly due to the increase in sales from inter-companies.

The division has recorded a profit representing an increase of 166% if compared to previous corresponding period's profit. It is mainly attributed to the better gross margin achieved and effective cost management in the period. 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	
	2020	2019			2020	2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	138,213	92,545	45,668	49.3%	478,999	363,202	115,797	31.9%
Profit before interest and tax	8,505	1,900	6,605	347.6%	40,141	7,275	32,866	451.8%
Profit before tax	7,847	781	7,066	904.7%	37,165	2,872	34,293	1194.0%
Profit after tax	6,269	605	5,664	936.2%	28,452	1,811	26,641	1471.1%
Profit attributable to Equity Holders of the Parent	6,320	529	5,791	1094.7%	28,509	1,866	26,643	1427.8%

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Variance	
	31 December 2020	30 September 2020	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	138,213	141,251	(3,038)	-2.2%
Profit before interest and tax	8,505	9,597	(1,092)	-11.4%
Profit before tax	7,847	8,747	(900)	-10.3%
Profit after tax	6,269	5,801	468	8.1%
Profit attributable to Equity Holders of the Parent	6,320	5,823	497	8.5%

2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM138.21 million for the current quarter under review, representing a decrease of 2.2% as compared to RM141.25 million in the immediate preceding quarter. Meanwhile, the Group recorded profit before tax of RM7.85 million, representing a decrease of 10.3% as compared to the preceding quarter's profit before tax of RM8.75 million.

3. Commentary on prospect

The Board of Directors is pleased with the outstanding performance achieved in the current quarter.

The Board expects the Group will continue to perform well for the next financial year, primarily driven by the strong demand for electrical home appliances with focus marketing strategy.

The Group will continue to embark on cost reduction and rationalisation exercises as well as improving operational efficiency and growing and expanding its regional business.

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4. Profit forecast

Not applicable as no profit forecast was published.

5. Tax expense

	<u>Individual period</u>		<u>Cumulative period</u>	
	31/12/20 RM'000	31/12/19 RM'000	31/12/20 RM'000	31/12/19 RM'000
- Current tax expense	2,576	459	10,980	1,413
- Deferred tax expense	(998)	(283)	(2,267)	(352)
Total	<u>1,578</u>	<u>176</u>	<u>8,713</u>	<u>1,061</u>

The group's effective tax rate for the period ended 31 December 2020 is 23.4%.

6. Status of corporate proposals

On 8 November 2019, the Company announced that it has entered into a Sale and Purchase Agreement ("SPA") with Setia Icon Sdn Bhd ("The Purchaser") on 8 November 2019 for the disposal of a piece of vacant freehold land held under H.S.(D) 277346, PT 29362, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor, measuring an area of approximately 6,070.30 square metres for a total cash consideration of RM26,000,000.00 only ("Proposed Disposal").

Pursuant to the SPA, the Company had received the sum of RM1,820,000.00, being payment of the initial earnest deposit together with the balance of deposit. A sum of RM780,000.00 being 3% of the purchase price was retained by the Purchaser's solicitors, as stakeholders and subsequently paid to the Inland Revenue Board for the purpose of the real property gains tax chargeable in respect of the sale and purchase in accordance with Section 21B of the Real Property Gains Tax Act 1976.

The Purchaser had remitted the redemption sum to the chargee and the Company had received the balance purchase price from the Purchaser. The Proposed Disposal has been completed on 9 March 2020.

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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	31/12/20 RM'000	Foreign Currency '000	31/12/19 RM'000
Bank Overdrafts				
Secured		792		287
Unsecured		1,154		2,968
Banker Acceptances				
Unsecured – denominated in Ringgit Malaysia		41,589		31,226
Unsecured – denominated in foreign currency	-	-	SGD1,725	5,242
Revolving Credit				
Denominated in Ringgit Malaysia		5,397		9,985
Denominated in foreign currency	SGD500	1,518	SGD900	2,735
Total		<u>50,450</u>		<u>52,443</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 5.97% to 8.14% (2019 – 7.47% to 8.65%) per annum. The banker acceptances bear interest at rates ranging from 1.20% to 4.85% (2019 – 2.57% to 5.25%) per annum.

(b) Term Loans

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

	Foreign Currency '000	31/12/20 RM'000	Foreign Currency '000	31/12/19 RM'000
Current Term Loans				
Secured – Denominated in Ringgit Malaysia		1,892		2,021
Secured – Denominated in foreign currency	SGD214	651	SGD209	635
Total		<u>2,543</u>		<u>2,656</u>
Non-Current Term Loans				
Secured – Denominated in Ringgit Malaysia		15,719		19,610
Secured – Denominated in foreign currency	SGD2,831	8,594	SGD3,067	9,321
Total		<u>24,313</u>		<u>28,931</u>
Grand Total		<u>26,856</u>		<u>31,587</u>

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7. Borrowings and debt securities (Continued)

(b) Term Loans (continued)

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	26,856	2,543	2,575	7,493	14,245
Total	<u>26,856</u>	<u>2,543</u>	<u>2,575</u>	<u>7,493</u>	<u>14,245</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 3.32% to 5.31% (2019 – 2.38% to 5.35%) per annum.

(c) Hire purchase liabilities

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

	31/12/20 RM'000	31/12/19 RM'000
Hire Purchase Creditors	2,031	1,755
Less: Interest in suspense	212	144
Balance	<u>1,819</u>	<u>1,611</u>
Repayable within one year	707	708
Repayable one to five years	1,112	903
Balance	<u>1,819</u>	<u>1,611</u>

The finance lease liabilities bear interest at rates ranging from 1.80% to 4.60% (2019 – 1.80% to 4.59%) per annum.

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.

Following the Decision of the Court of Appeal on 12 August 2020, Khind has opt not to appeal against the decision to the Federal Court after taking into consideration on all aspects.

9. Dividend

An interim tax exempt dividend of 10 sen per share in respect of the financial year ended 31 December 2020 was announced on 10 November 2020 and paid on 10 December 2020 to the shareholders whose names appear in the Record of Depositors on the entitlement date of 26 November 2020.

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10. Earnings per share

	Individual Period		Cumulative Period	
	Current Quarter 31.12.20	Preceding year corresponding quarter 31.12.19	Twelve Months to 31.12.20	Twelve Months to 31.12.19
Net profit attributable to ordinary equity holders of the parent (RM'000)	6,320	529	28,509	1,866
Weighted average number of ordinary shares ('000)	40,059	40,059	40,059	40,059
Basic earning per share (sen)	15.78	1.32	71.17	4.66

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	
	31.12.20 RM '000	31.12.19 RM '000	Twelve Months to 31.12.20 RM '000	Twelve Months to 31.12.19 RM '000
Depreciation & Amortisation	2,285	4,332	7,510	8,513
Net gain on disposal of property, plant and equipment	(106)	(81)	(47)	(698)
Foreign exchange (gain)/loss	(2)	35	753	910