

KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2021

Notes to the Interim Financial Report

1. Basis of preparation

The unaudited consolidated interim financial statements (Condensed Report) 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 (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The Condensed Report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2020.

2. Significant Accounting Policies

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by MASB but have not been adopted by the Group.

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16 *Leases – Covid-19-Related Rent Concessions*

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

- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosure*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases – Interest Rate Benchmark Reform Phase 2*

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16 *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to MFRS Standards 2018–2020

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

- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

MFRSs, Amendments to MFRSs and Interpretations effective date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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2. Significant Accounting Policies (Continued)

The directors anticipate that the above-mentioned accounting standards, amendments and interpretations will be adopted by the Group and the Company when they become effective.

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

3. Audit qualification

The auditor's report on the financial statements of the Group and the Company for the year ended 31 December 2020 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.

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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

(Period ended 31.3)	Investment holding		Trading & service		Manufacturing		Elimination		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Turnover										
External										
Local	-	-	85,854	39,164	3,271	350	-	-	89,125	39,514
Overseas	-	-	49,035	40,936	1,719	2,007	-	-	50,754	42,943
Internal	2,371	3,196	11,752	7,399	26,177	15,689	(40,300)	(26,284)	-	-
Total revenue	2,371	3,196	146,641	87,499	31,167	18,046	(40,300)	(26,284)	139,879	82,457
Segment results	(1,196)	(820)	8,231	1,839	1,352	(46)	(1,622)	(1,580)	6,765	(607)
Finance cost									(771)	(1,039)
Interest income									58	78
Other income									-	16,356
Share of result of associates									-	(78)
Profit before tax									6,052	14,710
Tax expense									(1,660)	(2,466)
Net Profit for the period									4,392	12,244

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.

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13. Contingent liabilities

As at 31.03.2021, the company has given corporate guarantee for banking facilities obtained by subsidiaries to meet the liabilities and financial obligations of its subsidiaries amounting to RM178.54 million. The contingent liabilities of its subsidiaries pertaining to utilise trade line facilities amounted to RM17.16 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:

	31/03/21 RM'000	31/03/20 RM'000
Directors of the Company	775	289
Other key management personnel	2,590	1,525

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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 RM139.88 million for the current quarter under review representing an increase of 69.6% over revenue of RM82.46 million of previous corresponding quarter.

The Group recorded profit before tax of RM6.05 million for the current quarter under review representing a decrease of 58.9% over profit before tax of RM14.71 million of previous corresponding quarter, mainly due to the one-off gain on disposal of land recorded in the previous corresponding quarter.

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

1) Investment Holdings Division

Lower dividend income received from subsidiaries has caused this division recorded higher loss for the current quarter.

2) Trading and Service Division

The revenue in Trading and Service Division recorded an increase by 67.6% as compared to previous corresponding quarter. Local sales increased significantly by 119.2% was the main contributor to the Group's revenue due to strong demand in the local market. On the other hand, the overseas sales also increased moderately by 19.8% due to improving economic condition outside Malaysia.

Hence, the division's results increased significantly by 347.4% as compared to last corresponding quarter due to sales improvement and effective cost management.

3) Manufacturing Division

The revenue in Manufacturing Division has increased by 72.7% as compared to previous corresponding quarter which is mainly due to the increase in inter-companies sales.

The division reported a turnaround performance during the current quarter, swinging from loss to profit of RM1.35 million, as compared to previous corresponding period. This is mainly attributed to better sales mix and margin. 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 March		Variance		31 March		Variance	
	2021	2020			2021	2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	139,879	82,457	57,422	69.6%	139,879	82,457	57,422	69.6%
Profit before interest and tax	6,765	15,671	(8,906)	-56.8%	6,765	15,671	(8,906)	-56.8%
Profit before tax	6,052	14,710	(8,658)	-58.9%	6,052	14,710	(8,658)	-58.9%
Profit after tax	4,392	12,244	(7,852)	-64.1%	4,392	12,244	(7,852)	-64.1%
Profit attributable to Equity Holders of the Parent	4,471	12,265	(7,794)	-63.5%	4,471	12,265	(7,794)	-63.5%

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding	Variance	
	31 March 2021	31 December 2020	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	139,879	138,213	1,666	1.2%
Profit before interest and tax	6,765	8,505	(1,740)	-20.5%
Profit before tax	6,052	7,847	(1,795)	-22.9%
Profit after tax	4,392	6,269	(1,877)	-29.9%
Profit attributable to Equity Holders of the Parent	4,471	6,320	(1,849)	-29.3%

2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM139.88 million for the current quarter under review, representing a marginal increase of 1.2% as compared to RM138.21 million in the immediate preceding quarter. Meanwhile, the Group recorded profit before tax of RM6.05 million, representing a decrease of 22.9% as compared to the preceding quarter's profit before tax of RM7.85 million.

3. Commentary on prospect

The Board expects the Group's will continue to perform well for the next quarter due to the new normal on work from home has generally brought strong demand for electrical kitchen and home appliances, coupled with our focus marketing strategy.

The Group will continue to embark on cost reduction and rationalisation exercises as well as improving operational efficiency and growing 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>	
	31/03/21 RM'000	31/03/20 RM'000	31/03/21 RM'000	31/03/20 RM'000
- Current tax expense	1,811	2,678	1,811	2,678
- Deferred tax expense	(151)	(212)	(151)	(212)
Total	<u>1,660</u>	<u>2,466</u>	<u>1,660</u>	<u>2,466</u>

The group's effective tax rate for the period ended 31 March 2021 is 27.4%.

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	31/03/21 RM'000	Foreign Currency '000	31/12/20 RM'000
Bank Overdrafts				
Secured		299		399
Unsecured		1,322		1,547
Banker Acceptances				
Unsecured – denominated in Ringgit Malaysia		43,209		41,589
Unsecured – denominated in foreign currency	-	-	-	-
Revolving Credit				
Denominated in Ringgit Malaysia		8,173		5,397
Denominated in foreign currency	SGD500	1,543	SGD500	1,518
Total		<u>54,546</u>		<u>50,450</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 6.89% (2020 – 5.97% to 8.65%) per annum. The banker acceptances bear interest at rates ranging from 1.35% to 3.49% (2020 – 1.35% to 4.91%) 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	31/03/21 RM'000	Foreign Currency '000	31/12/20 RM'000
Current Term Loans				
Secured – Denominated in Ringgit Malaysia		1,906		1,870
Secured – Denominated in foreign currency	SGD217	671	SGD216	656
Total		<u>2,577</u>		<u>2,526</u>
Non-Current Term Loans				
Secured – Denominated in Ringgit Malaysia		15,237		15,742
Secured – Denominated in foreign currency	SGD2,769	8,548	SGD2,830	8,589
Total		<u>23,785</u>		<u>24,331</u>
Grand Total		<u>26,362</u>		<u>26,857</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	26,362	2,577	2,561	7,089	14,135
Total	<u>26,362</u>	<u>2,577</u>	<u>2,561</u>	<u>7,089</u>	<u>14,135</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 2.38% to 4.08% (2020 – 2.38% to 5.27%) per annum.

(c) Hire purchase liabilities

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

	31/03/21 RM'000	31/12/20 RM'000
Hire Purchase Creditors	2,318	2,030
Less: Interest in suspense	219	212
Balance	<u>2,099</u>	<u>1,818</u>
Repayable within one year	828	709
Repayable one to five years	1,271	1,109
Balance	<u>2,099</u>	<u>1,818</u>

The finance lease liabilities bear interest at rates ranging from 1.80% to 4.60% (2020 – 1.80% to 4.60%) per annum.

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8. Material Litigation

There was no impending material litigation as at 18 May 2021, being the date not earlier than 7 days from the date of this announcement.

9. Dividend

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

10. Earnings per share

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	Current Quarter 31.03.21	Preceding year corresponding quarter 31.03.20	Three Months to 31.03.21	Three Months to 31.03.20
Net profit attributable to ordinary equity holders of the parent (RM'000)	3,373	12,265	3,373	12,265
Weighted average number of ordinary shares ('000)	40,059	40,059	40,059	40,059
Basic earnings per share (sen)	8.42	30.62	8.42	30.62

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):-

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	Current Quarter 31.03.21	Preceding year corresponding quarter 31.03.20	Three Months to 31.03.21	Three Months to 31.03.20
(RM'000)				
Depreciation & Amortisation	1,805	1,776	1,805	1,776
Net gain on disposal of property, plant and equipment	(39)	(48)	(39)	(48)
Foreign exchange (gain)/loss	26	(126)	26	(126)