

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the 1st quarter and financial period ended 31 July 2019 - unaudited

	Note	3 Months Ended		Financial Period Ended	
		31 Jul 2019	31 Jul 2018	31 Jul 2019	31 Jul 2018
<i>In thousands of RM</i>					
Revenue		58,834	59,895	58,834	59,895
Operating profit		2,980	3,827	2,980	3,827
Finance income		78	80	78	80
Finance costs		(909)	(1,041)	(909)	(1,041)
Profit before tax		2,149	2,866	2,149	2,866
Tax expense	B6	(770)	(664)	(770)	(664)
Profit for the period	B5	1,379	2,202	1,379	2,202
Other comprehensive income, net of tax					
<i>Items that will not be reclassified</i>					
<i>subsequently to profit or loss</i>					
Share of capital reserve by					
a non-controlling interest of a subsidiary		61	81	61	81
<i>Items that may be reclassified</i>					
<i>subsequently to profit or loss</i>					
Foreign currency translation differences					
for foreign operations		117	666	117	666
Total comprehensive income for the period		1,557	2,949	1,557	2,949
Profit attributable to:					
Owners of the Company		996	1,282	996	1,282
Non-controlling interests		383	920	383	920
Profit for the period		1,379	2,202	1,379	2,202
Total comprehensive income attributable to:					
Owners of the Company		1,092	1,712	1,092	1,712
Non-controlling interests		465	1,237	465	1,237
Total comprehensive income for the period		1,557	2,949	1,557	2,949
Earnings per ordinary share					
attributable to owners					
of the Company (sen):					
Basic / Diluted	B11	0.91	1.18	0.91	1.18

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2019 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 July 2019 – unaudited

<i>In thousands of RM</i>	Note	As at 31 Jul 2019	As at 30 Apr 2019
ASSETS			
Non-current assets			
Property, plant and equipment		93,524	95,453
Prepaid lease payments		-	8,430
Right-of-use assets		9,837	-
Investment property		9,899	9,945
Other investments		195	195
		<u>113,455</u>	<u>114,023</u>
Current assets			
Trade and other receivables		36,500	38,681
Inventories		16,853	17,348
Contract assets		419	984
Cash and bank balances		35,019	31,849
		<u>88,791</u>	<u>88,862</u>
TOTAL ASSETS		<u>202,246</u>	<u>202,885</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		54,450	54,450
Reserves		58,223	57,131
		<u>112,673</u>	<u>111,581</u>
Non-controlling interests		7,373	6,908
Total equity		<u>120,046</u>	<u>118,489</u>
Non-current liabilities			
Loans and borrowings	B8	21,169	22,980
Trade and other payables		1,336	1,076
Lease liabilities		596	-
Deferred tax liabilities		3,781	3,781
		<u>26,882</u>	<u>27,837</u>
Current liabilities			
Loans and borrowings	B8	24,262	26,920
Trade and other payables		29,746	29,098
Lease liabilities		854	-
Current tax liabilities		456	541
		<u>55,318</u>	<u>56,559</u>
Total liabilities		<u>82,200</u>	<u>84,396</u>
TOTAL EQUITY AND LIABILITIES		<u>202,246</u>	<u>202,885</u>
Net assets per share attributable to owners of the Company (RM)		<u>1.03</u>	<u>1.02</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2019 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the financial period ended 31 July 2019 – unaudited

	Attributable to Owners of the Company					Non-controlling interests	Total equity
	Non-distributable		Distributable		Total		
	Share capital	Translation reserve	Retained earnings				
<i>In thousands of RM</i>							
At 1 May 2019	54,450	3,008	54,123	111,581		6,908	118,489
Profit for the period	-	-	996	996		383	1,379
Other comprehensive income for the period, net of tax	-	96	-	96		82	178
Total comprehensive income for the period, net of tax	-	96	996	1,092		465	1,557
At 31 July 2019	<u>54,450</u>	<u>3,104</u>	<u>55,119</u>	<u>112,673</u>		<u>7,373</u>	<u>120,046</u>
At 1 May 2018	54,450	2,153	48,856	105,459		12,963	118,422
Profit for the period	-	-	1,282	1,282		920	2,202
Other comprehensive income for the period, net of tax	-	430	-	430		317	747
Total comprehensive income for the period, net of tax	-	430	1,282	1,712		1,237	2,949
At 31 July 2018	<u>54,450</u>	<u>2,583</u>	<u>50,138</u>	<u>107,171</u>		<u>14,200</u>	<u>121,371</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2019 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the financial period ended 31 July 2019 – unaudited

<i>In thousands of RM</i>	Financial Period Ended	
	31 Jul 2019	31 Jul 2018
Cash flows from operating activities		
Profit before tax	2,149	2,866
Adjustments for:		
Non-cash items	3,256	3,340
Non-operating items	831	961
Operating profit before changes in working capital	6,236	7,167
Changes in working capital:		
Inventories	495	1,125
Contract assets	565	-
Trade and other receivables	2,182	2,224
Trade and other payables	949	(303)
Cash generated from operations	10,427	10,213
Tax paid	(855)	(789)
Net cash from operating activities	9,572	9,424
Cash flows from investing activities		
Acquisition of property, plant and equipment	(889)	(1,160)
Acquisition of prepaid lease payments	-	(2,189)
Proceeds from disposal of property, plant and equipment	24	14
Interest received	77	80
Net cash used in investing activities	(788)	(3,255)
Cash flows from financing activities		
Proceeds from term loans	151	941
Repayment of term loans	(1,751)	(1,852)
Repayment of finance lease liabilities	(419)	(833)
Repayment of other borrowings	(3,076)	(22)
Payment of lease liabilities	(232)	-
Interest paid	(862)	(1,020)
Net cash used in financing activities	(6,189)	(2,786)
Net increase in cash and cash equivalents	2,595	3,383
Exchange differences on translation of the financial statements of foreign operations	(10)	264
Cash and cash equivalents at beginning of financial year	28,165	27,915
Cash and cash equivalents at end of financial period	30,750	31,562
Cash and cash equivalents at end of financial period comprise:		
Cash and bank balances	25,124	28,700
Deposits with licensed banks	9,363	8,483
Bank overdraft	(3,737)	(5,621)
	30,750	31,562

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2019 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

PART A: NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A1. Basis of preparation

The condensed consolidated interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of *MFRS 134: Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities’ Listing Requirements”).

The condensed consolidated interim financial statements should also be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 30 April 2019. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last financial year ended 30 April 2019.

A2. Changes in accounting policies

The Group has adopted the MFRSs, Amendments to MFRSs and IC Interpretation (if applicable) which become effective during the current financial year. The adoption of these pronouncements did not have any material impact on the financial statements of the Group:

At the date of authorization of these interim financial statements, 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements - Definition of Material*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a 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*

The initial applications of these MFRSs, Amendments and Interpretations, if applicable, are not expected to have material financial impacts to the current and prior periods' consolidated financial statements of the Group upon their first adoption.

The MFRSs, Amendments and Interpretations which were issued but not yet effective have not been early adopted by the Group.

A3. Seasonal and cyclical factors

The Group's business operation results were not materially affected by any major seasonal and/or cyclical factors.

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 July 2019.

A5. Material changes in estimates

There were no changes in estimates that have had material effect for the current quarter ended 31 July 2019.

A6. Issuances and repayment of debt and equity securities

There were no issuance, repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares or resale of treasury shares during the current quarter under review.

A7. Dividend Paid

No interim dividend was paid during the current quarter ended 31 July 2019 (2018: Nil).

A8. Segmental information

Segmental information is presented in respect of the Group's business segments as follows:-

Results for the financial period ended 31 July 2019

	<u>Manufacturing</u>	<u>Trading</u>	<u>Investment</u> <u>Holding</u>	<u>Adjustment</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	56,898	1,936	-	-	58,834
Inter-segment	1,604	39	-	(1,643)	-
Total revenue	58,502	1,975	-	(1,643)	58,834
Segment results	3,714	143	(39)	(838)	2,980
Finance income					78
Finance costs					(909)
Profit before tax					2,149
Tax expense					(770)
Profit for the period					1,379

A9. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter under review.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 July 2019.

A11. Changes in contingent liabilities

There were no changes in contingent liabilities or contingent assets of a material nature since the last annual reporting period.

A12. Capital commitments

Capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at end of the reporting period were as follows:-

	As at 31.7.2019 RM'000
Total approved and contracted for	<u>2,345</u>

A13. Fair Value Information

The Group uses the following hierarchy for determining the fair value of financial instruments carried at fair value and amortised cost, the different levels have been identified as follows:

Level 1 – Fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the financial assets and liabilities.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the Statement of Financial Position as at 31 July 2019.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Financial liabilities										
Amount due to a non- controlling interest of a subsidiary	-	-	-	-	-	-	2,141	2,141	2,141	2,141
Secured term loans	-	-	-	-	-	-	27,155	27,155	27,155	27,155
Finance lease liabilities	-	-	-	-	-	-	2,267	2,267	2,267	2,267
	-	-	-	-	-	-	31,563	31,563	31,563	31,563

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

Financial Review for the Current 1st Quarter and financial year-to-date:

	1st Quarter Ended		Changes	
	31 Jul 2019	31 Jul 2018		
<i>(In thousands of RM)</i>				
Revenue	58,834	59,895	(1,061)	-1.8%
Operating Profit	2,980	3,827	(847)	-22%
Profit Before Tax ("PBT")	2,149	2,866	(717)	-25%
Profit After Tax	1,379	2,202	(823)	-37%
Profit Attributable to Owners of the Company	996	1,282	(286)	-22%

The changes in revenue contributed by Malaysia operation and Vietnam operation respectively for the current 1st quarter are as follows:

	1st Quarter Ended		Changes	
	31 Jul 2019	31 Jul 2018		
<i>(In thousands of RM)</i>				
Malaysia Operation	32,415	36,115	(3,700)	-10%
Vietnam Operation	26,419	23,780	2,639	11%
Total Revenue	58,834	59,895	(1,061)	-1.8%

For the current 1st quarter ended 31 July 2019, Malaysia Operation registered lower revenue mainly due to the decrease in customer demand for parts used in TV and home appliances. Whereas Vietnam Operation achieved a growth of 11% in revenue following stronger customer demand for parts used in the assembly of printers.

The decrease in the Group PBT for the current 1st quarter was mainly due to lower revenue, and the adverse variance arising from the net foreign exchange gain/(loss) as analysed below:

	1st Quarter Ended		Variance	
	31 Jul 2019	31 Jul 2018		
<i>(In thousands of RM)</i>				
Net foreign exchange gain/(loss)	(22)	442	(464)	-105%

In view of net profit, the equity attributable to Owners of the Group increased to RM112.7 million as at 31 July 2019 which translated into Net Assets per share of RM1.03 (As at 30.4.2019: RM1.02).

The Group's cash and bank balances increased from approximately RM32 million as at 30 April 2019 to RM35 million as at 31 July 2019 as the cash used in investing activities was relatively low in this 1st quarter. The Group prudent management always maintains sufficient cash and available funds through an adequate amount of committed credit facilities and cash reserves.

B2. Variation of results against preceding quarter

Financial Review for Current 1st Quarter (compared with immediate preceding 4th quarter of the last financial year):

	Quarter Ended		Changes	
	31 Jul 2019	30 Apr 2019		
<i>(In thousands of RM)</i>				
Revenue	58,834	56,564	2,270	4%
Operating Profit	2,980	2,619	361	14%
Profit Before Tax ("PBT")	2,149	1,743	406	23%
Profit After Tax	1,379	824	555	67%
Profit Attributable to Owners of the Company	996	833	163	20%

The revenue contributed by Malaysia operation and Vietnam operation respectively were as follows:

	Quarter Ended		Changes	
	31 Jul 2019	30 Apr 2019		
<i>(In thousands of RM)</i>				
Malaysia Operation	32,415	34,892	(2,477)	-7%
Vietnam Operation	26,419	21,672	4,747	22%
Total Revenue	58,834	56,564	2,270	4%

The revenue from Malaysia Operation decreased by approximately RM 2.5 million mainly due to lower tooling sales recognised for the current 1st quarter. Whereas, the revenue from Vietnam Operation increased by approximately RM 4.7 million mainly attributed to the surge in customers' demand after the long holiday in the immediate preceding quarter (where Vietnamese celebrated New Year in February 2019). Accordingly, the Group PBT improved in line with the increase in revenue.

B3. Prospects

According to the July 2019 World Economic Outlook ("WEO") update issued by the International Monetary Fund, the global growth is now projected to slow from 3.6% in 2018 to 3.2% in 2019, before picking up to 3.5% in 2020. Investment and demand for consumer durables have been subdued across advanced and emerging market economies as firms and households continue to hold back on long-term spending. Overall, the balance of risks to the outlook remains on the downside. An escalation of trade tensions beyond those already incorporated in the forecast and a greater-than- envisaged slowdown in China remain key risks to the world economic outlook.

In Malaysia, the constraint in labour supply and rising labour costs remain the critical issues to the Group as they directly affect the manpower planning and production costs which in turn will affect the overall profitability of the Group. Whereas in Vietnam, the Group expects the growth in revenue should continue which will strengthen the profitability and cash flow position of the Group. Against this operating environment, the Board of Directors expects that the Group should achieve a satisfactory result relative to those companies in the same industry for the financial year ending 30 April 2020.

B4. Variance of actual and forecast profit

The Group did not provide any financial estimate, forecast or projection, or profit guarantee for the financial year ending 30 April 2020.

B5. Profit for the period

Profit for the period is arrived at after charging/(crediting):-	3 Months Ended 31.7.2019 RM'000	Period Ended 31.7.2019 RM'000
Depreciation and amortisation	3,254	3,254
Finance costs	909	909
Property, plant and equipment written off	15	15
Gain on disposal of property, plant and equipment	(13)	(13)
Net foreign exchange (gain)/loss	22	22
Finance income	(78)	(78)

B.6 Income tax expense

	3 Months Ended 31.7.2019 RM'000	Period Ended 31.7.2019 RM'000
Current tax expense		
- <i>Malaysian income tax</i>	350	350
- <i>Foreign income tax</i>	463	463
- <i>Over provision in prior year</i>	(43)	(43)
	770	770
Deferred tax expense	-	-
Total	770	770

The effective tax rate of the Group for the financial period was higher than the statutory income tax rate of 24% mainly due to non-deductible expenses and losses incurred by certain subsidiaries.

B7. Status of corporate proposal announced

There were no corporate proposals announced but not completed as at the date of this report.

B8. Group loans and borrowings (secured)

The Group loans and borrowings as at 31 July 2019 (compared with that of the last financial year) were as follows:

	As at 31 July 2019					
	Long Term (Secured)		Short Term (Secured)		Total Borrowings (Secured)	
	Foreign	RM	Foreign	RM	Foreign	RM
	Denomination	Denomination	Denomination	Denomination	Denomination	Denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	13,681	6,554	4,883	2,037	18,564	8,591
Finance lease liabilities	-	934	-	1,333	-	2,267
Bankers' acceptance	-	-	-	6,733	-	6,733
Bills payable	-	-	5,539	-	5,539	-
Bank overdrafts	-	-	-	3,737	-	3,737
Total	13,681	7,488	10,422	13,840	24,103	21,328
Grand Total		21,169		24,262		45,431

	As at 30 April 2019					
	Long Term (Secured)		Short Term (Secured)		Total Borrowings (Secured)	
	Foreign	RM	Foreign	RM	Foreign	RM
	Denomination	Denomination	Denomination	Denomination	Denomination	Denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	14,717	7,094	4,923	1,980	19,640	9,074
Finance lease liabilities	-	1,169	-	1,517	-	2,686
Bankers' acceptance	-	-	-	8,731	-	8,731
Bills payable	-	-	6,617	-	6,617	-
Bank overdrafts	-	-	-	3,152	-	3,152
Total	14,717	8,263	11,540	15,380	26,257	23,643
Grand Total		22,980		26,920		49,900

The Group loans and borrowings are denominated in Ringgit Malaysia except for certain term loans and bills payable amounting to approximately RM10.3 million (as at 30 April 2019: RM11.6 million) and RM13.8 million (as at 30 April 2019: RM14.7 million) which are denominated in US Dollar and Vietnam Dong respectively. The repayment of these foreign denomination loans and borrowings will be funded by the net cash generated from operating activities in their own foreign denomination respectively.

The decrease in the Group loans and borrowings was mainly due to repayment of borrowings and changes in utilisation of trade facilities and bank overdrafts.

B9. Changes in material litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

B10. Dividend payable

No interim dividend was declared during the current quarter ended 31 July 2019 (2018: NIL).

The Board of Directors has proposed a first and final single tier dividend of 1.0 sen per share totalling RM1,089,000 in respect of the last financial year ended 30 April 2019 (2018: 1.0 sen per share, totalling RM1,089,000), if passed in the forthcoming Annual General Meeting, shall be payable on 21 November 2019.

B11. Basic earnings per ordinary share

The basic earnings per ordinary share are calculated by dividing profit attributable to owners of the Company for the period by the weighted average number of ordinary shares in issue during the current 1st quarter under review as follows:-

	3 Months Ended 31.7.2019 RM'000	3 Months Ended 31.7.2018 RM'000
Earnings		
Profit attributable to Owners of the Company	<u>996</u>	<u>1,282</u>
Weighted average number of ordinary shares in issue ('000)	<u>108,900</u>	<u>108,900</u>
Basic earnings per ordinary share (sen)	<u>0.91</u>	<u>1.18</u>

B12. Auditors' report on preceding annual financial statements

The independent auditors' report on the audited annual financial statements of the Group and of the Company for the last financial year ended 30 April 2019 was unmodified.

B13. Authorisation for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 September 2019.

By Order of the Board,

Yap Toon Choy
Group Managing Director
25 September 2019