

KEIN HING INTERNATIONAL BERHAD
[Company No. 200301013636 (616056-T)]

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

For the 1st quarter and financial period ended 31 July 2020 – unaudited

	Note	3 Months Ended		Financial Period Ended	
		31 Jul 2020	31 Jul 2019	31 Jul 2020	31 Jul 2019
<i>In thousands of RM</i>					
Revenue		53,396	58,834	53,396	58,834
Operating profit		4,502	2,980	4,502	2,980
Finance income		114	78	114	78
Finance costs		(819)	(909)	(819)	(909)
Profit before tax		3,797	2,149	3,797	2,149
Tax expense	B6	(785)	(770)	(785)	(770)
Profit for the period	B5	3,012	1,379	3,012	1,379
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Share of capital reserve by					
a non-controlling interest of a subsidiary		68	61	68	61
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences					
for foreign operations		(343)	117	(343)	117
Total comprehensive income for the period		2,737	1,557	2,737	1,557
Profit attributable to:					
Owners of the Company		2,496	996	2,496	996
Non-controlling interests		516	383	516	383
Profit for the period		3,012	1,379	3,012	1,379
Total comprehensive income attributable to:					
Owners of the Company		2,223	1,092	2,223	1,092
Non-controlling interests		514	465	514	465
Total comprehensive income for the period		2,737	1,557	2,737	1,557
Earnings per ordinary share					
attributable to owners					
of the Company (sen):					
Basic / Diluted	B11	2.29	0.91	2.29	0.91

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 2020 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
[Company No. 200301013636 (616056-T)]

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 July 2020 – unaudited

<i>In thousands of RM</i>	Note	As at 31 Jul 2020	As at 30 Apr 2020
ASSETS			
Non-current assets			
Property, plant and equipment		81,745	84,490
Right-of-use assets		16,956	17,395
Investment property		9,728	9,772
Other investments		194	194
		<u>108,623</u>	<u>111,851</u>
Current assets			
Trade and other receivables		35,509	24,820
Inventories		15,370	15,925
Contract assets		1,206	1,350
Cash and bank balances		48,475	41,658
Current tax assets		278	604
		<u>100,838</u>	<u>84,357</u>
TOTAL ASSETS		<u>209,461</u>	<u>196,208</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		54,450	54,450
Reserves		62,230	60,007
		<u>116,680</u>	<u>114,457</u>
Non-controlling interests		8,226	7,712
Total equity		<u>124,906</u>	<u>122,169</u>
Non-current liabilities			
Loans and borrowings	B8	22,405	12,055
Lease liabilities		1,941	2,444
Trade and other payables		1,362	925
Deferred tax liabilities		3,622	3,558
		<u>29,330</u>	<u>18,982</u>
Current liabilities			
Loans and borrowings	B8	21,139	30,623
Lease liabilities		2,166	2,204
Trade and other payables		31,797	21,925
Current tax liabilities		123	305
		<u>55,225</u>	<u>55,057</u>
Total liabilities		<u>84,555</u>	<u>74,039</u>
TOTAL EQUITY AND LIABILITIES		<u>209,461</u>	<u>196,208</u>
Net assets per share attributable to owners of the Company (RM)		<u>1.07</u>	<u>1.05</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 2020 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
[Company No. 200301013636 (616056-T)]

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the financial period ended 31 July 2020 – 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 2020	54,450	4,366	55,641	114,457		7,712	122,169
Profit for the period	-	-	2,496	2,496		516	3,012
Other comprehensive income for the period, net of tax	-	(273)	-	(273)		(2)	(275)
Total comprehensive income for the period, net of tax	-	(273)	2,496	2,223		514	2,737
At 31 July 2020	<u>54,450</u>	<u>4,093</u>	<u>58,137</u>	<u>116,680</u>		<u>8,226</u>	<u>124,906</u>
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>

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 2020 and the accompanying explanatory notes attached to the condensed consolidated interim financial statements.

KEIN HING INTERNATIONAL BERHAD
[Company No. 200301013636 (616056-T)]

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the financial period ended 31 July 2020 – unaudited

<i>In thousands of RM</i>	Financial Period Ended	
	31 Jul 2020	31 Jul 2019
Cash flows from operating activities		
Profit before tax	3,797	2,149
Adjustments for:		
Non-cash items	3,109	3,256
Non-operating items	705	831
Operating profit before changes in working capital	7,611	6,236
Changes in working capital:		
Inventories	555	495
Contract assets	144	565
Trade and other receivables	(10,689)	2,182
Trade and other payables	10,359	949
Cash generated from operations	7,980	10,427
Interest paid	(66)	-
Income tax paid	(577)	(855)
Net cash from operating activities	7,337	9,572
Cash flows from investing activities		
Acquisition of property, plant and equipment	(408)	(889)
Proceeds from disposal of property, plant and equipment	186	24
Interest received	114	77
Net cash used in investing activities	(108)	(788)
Cash flows from financing activities		
Proceeds from term loans	15,940	151
Repayment of term loans	(7,491)	(1,751)
Repayment of other borrowings	(1,976)	(3,076)
Payment of lease liabilities	(621)	(651)
Interest paid	(734)	(862)
Net cash from/(used in) financing activities	5,118	(6,189)
Net increase in cash and cash equivalents	12,347	2,595
Exchange differences on translation of the financial statements of foreign operations	(89)	(10)
Cash and cash equivalents at beginning of financial year	34,772	28,165
Cash and cash equivalents at end of financial period	47,030	30,750
Cash and cash equivalents at end of financial period comprise:		
Cash and bank balances	28,347	25,124
Deposits placed with licensed banks (net of pledged deposits)	19,579	9,363
Bank overdraft	(896)	(3,737)
	47,030	30,750

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the year ended 30 April 2020 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 2020. 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 2020.

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 June 2020

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

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *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*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

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*

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 1st quarter ended 31 July 2020.

A5. Material changes in estimates

There were no changes in estimates that have had material effect for the current 1st quarter ended 31 July 2020.

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 1st quarter under review.

A7. Dividend Paid

No interim dividend was paid during the current 1st quarter ended 31 July 2020 (2019: 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 2020

	<u>Manufacturing</u> RM'000	<u>Trading</u> RM'000	<u>Investment Holding</u> RM'000	<u>Adjustment</u> RM'000	<u>Consolidated</u> RM'000
Revenue from external customers	51,345	2,051	-	-	53,396
Inter-segment	4,446	17	-	(4,463)	-
Total revenue	55,791	2,068	-	(4,463)	53,396
Segment results	4,194	189	(197)	316	4,502
Finance income					114
Finance costs					(819)
Profit before tax					3,797
Tax expense					(785)
Profit for the period					3,012

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

There were no material events subsequent to the end of the current 1st quarter under review.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current 1st quarter ended 31 July 2020.

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 31.7.2020 RM'000
Total approved and contracted for	2,066

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.

	Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Financial liabilities						
Amount due to a non- controlling interest of a subsidiary	-	-	2,151	2,151	2,151	2,151
Secured term loans	-	-	31,908	31,908	31,908	31,908
	-	-	34,059	34,059	34,059	34,059

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 ended 31 July 2020:

	1st Quarter Ended		Changes	
	31 Jul 2020	31 Jul 2019		
<i>(In thousands of RM)</i>				
Revenue	53,396	58,834	(5,438)	-9%
Operating Profit	4,502	2,980	1,522	51%
Profit Before Tax ("PBT")	3,797	2,149	1,648	77%
Profit After Tax	3,012	1,379	1,633	118%
Profit Attributable to Owners of the Company	2,496	996	1,500	151%

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

	1st Quarter Ended		Changes	
	31 Jul 2020	31 Jul 2019		
<i>(In thousands of RM)</i>				
Malaysia Operation	25,412	32,415	(7,003)	-22%
Vietnam Operation	27,984	26,419	1,565	6%
Total Revenue	53,396	58,834	(5,438)	-9%

For the current 1st quarter ended 31 July 2020, the revenue from Malaysia Operation declined mainly due to the disruption to businesses as a consequence of lockdowns and the Movement Control Order implemented in Malaysia to curb the spread of COVID-19 virus, which impacts were felt in both the current 1st quarter and the immediate preceding 4th quarter of the last financial year.

However, the revenue from Vietnam Operation for the current 1st quarter recovered quickly from the COVID-19 negative impact suffered in the immediate preceding quarter. A higher tooling sales recognised in the current quarter as compared to previous year also contributed to the increase in revenue.

Despite the overall drop in revenue, the improvement in efficiency and the saving from cost reduction measures had mitigated the full negative impact to certain extent. The net increase in the Group PBT by RM 1.6 million for the current 1st quarter was also affected by the adverse variance arising from the net foreign exchange loss as analysed below:

	1st Quarter Ended		Variance	
(In thousands of RM)	31 Jul 2020	31 Jul 2019		
Net foreign exchange gain/(loss)	(400)	(22)	(378)	-1718%

Following the net profit, the equity attributable to Owners of the Group increased to RM116.7 million as at 31 July 2020 which translated into Net Assets per share of RM1.07 (As at 30.4.2020: RM1.05).

The Group's cash and bank balances increased from RM41.6 million as at 30 April 2020 to RM48.5 million as at 31 July 2020 mainly attributed to low net cash used in investing activities and net proceeds from drawdown of term loans during the current 1st quarter under review. 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 the current 1st Quarter (compared with immediate preceding 4th Quarter of the last financial year):

	Quarter Ended		Changes	
(In thousands of RM)	31 Jul 2020	30 Apr 2020		
Revenue	53,396	36,173	17,223	48%
Operating Profit	4,502	426	4,076	957%
Profit/(Loss) Before Tax ("PBT or LBT")	3,797	(129)	3,926	3043%
Profit/(Loss) After Tax	3,012	(102)	3,114	3053%
Profit/(Loss) Attributable to Owners of the Company	2,496	(108)	2,604	2411%

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

	Quarter Ended		Changes	
(In thousands of RM)	31 Jul 2020	30 Apr 2020		
Malaysia Operation	25,412	16,332	9,080	56%
Vietnam Operation	27,984	19,841	8,143	41%
Total Revenue	53,396	36,173	17,223	48%

The revenue recovered substantially from the COVID-19 pandemic impact suffered in the immediate preceding quarter (which led to implementation of various containment measures, lockdowns and isolation that caused severe disruption to supply chains and drastic drop in customer demand globally). Following the recovery in sales coupled with effective cost reduction measures, the Group managed to turnaround and achieve a PBT of RM 3.8 million for the current 1st quarter, representing an improvement of RM 3.9 million.

B3. Prospects

According to the June 2020 World Economic Outlook Update issued by the International Monetary Fund, the global growth is projected to contract sharply by -4.9% in 2020 as the COVID-19 pandemic has had a more negative impact and the recovery is projected to take longer time. However, the global growth is projected at 5.4% in 2021. Nevertheless, there is a higher-than-usual degree of uncertainty around this forecast as the baseline projection rests on key assumptions about the fallout from the pandemic.

For Malaysia Operation, the extreme uncertainty resulting from the pandemic may continue to impact its financial performance. Whereas for Vietnam Operation, there is sign of recovery. Against these downside risk and challenging operating environment, the Board of Directors foresees that the Group's results for the financial year ending 30 April 2021 may still be adversely affected.

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 2021.

B5. Profit for the period

	3 Months Ended 31.7.2020 RM'000	Period Ended 31.7.2020 RM'000
Profit for the period is arrived at after charging/(crediting):-		
Depreciation and amortisation	3,010	3,010
Finance costs	819	819
Property, plant and equipment written off	-	-
Loss on disposal of property, plant and equipment	99	99
Net foreign exchange loss	400	400
Finance income	(114)	(114)

B.6 Income tax expense

	3 Months Ended 31.7.2020 RM'000	Period Ended 31.7.2020 RM'000
Current tax expense		
- <i>Malaysian income tax</i>	622	622
- <i>Foreign income tax</i>	341	341
- <i>Under/(Over) provision in prior year</i>	(106)	(106)
	<u>857</u>	<u>857</u>
Deferred tax expense	<u>(72)</u>	<u>(72)</u>
Total	<u><u>785</u></u>	<u><u>785</u></u>

The effective tax rate of the Group for the financial period was lower than the statutory income tax rate of 24% mainly due to the net effect of 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's loans and borrowings as at 31 July 2020 (compared with that of the last financial year) were as follows:

	As at 31 July 2020					
	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	20,723	1,682	4,654	4,849	25,377	6,531
Bankers' acceptance	-	-	-	1,933	-	1,933
Bills payable	-	-	8,807	-	8,807	-
Bank overdrafts	-	-	-	896	-	896
Total	20,723	1,682	13,461	7,678	34,184	9,360
Grand Total		22,405		21,139		43,544

	As at 30 April 2020					
	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	7,193	4,862	9,360	2,210	16,553	7,072
Bankers' acceptance	-	-	-	2,860	-	2,860
Bills payable	-	-	9,855	-	9,855	-
Bank overdrafts	-	-	-	6,338	-	6,338
Total	7,193	4,862	19,215	11,408	26,408	16,270
Grand Total		12,055		30,623		42,678

The Group's loans and borrowings are denominated in Ringgit Malaysia except for certain term loans and bills payable amounting to approximately RM12.4 million (as at 30 April 2020: RM14.0 million) and RM21.8 million (as at 30 April 2020: RM12.4 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 Group's loans and borrowings increased by RM 0.9 million mainly due to the net changes arising from drawdown and repayment of term loans and also lower bank overdraft.

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 1st quarter ended 31 July 2020 (2019: NIL).

B11. Basic earnings per ordinary share

The basic earnings per ordinary share is 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 31.7.2020 RM'000	3 Months Ended 31.7.2019 RM'000
Earnings		
Profit attributable to Owners of the Company	<u>2,496</u>	<u>996</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>2.29</u>	<u>0.91</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 2020 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 2020.

By Order of the Board,

Yap Toon Choy
Group Managing Director
25 September 2020