

KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the first financial quarter ended 31 March 2022

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 2021.

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 January 2022

- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- 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*
- 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*
- Amendments to MFRS 112 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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*

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*, and Amendment to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 Financial Instruments – Comparative Information* are not expected to be 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 2021 was not subject to any qualification.

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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.

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 31.03)	Investment holding		Trading & service		Manufacturing		Elimination		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Turnover										
External										
Local	-	-	75,577	85,854	3,908	3,271	-	-	79,485	89,125
Overseas	-	-	53,380	49,035	3,330	1,719	-	-	56,710	50,754
Internal	2,437	2,371	2,049	11,752	25,480	26,177	(29,966)	(40,300)	-	-
Total revenue	2,437	2,371	131,006	146,641	32,718	31,167	(29,966)	(40,300)	136,195	139,879
Segment results	(134)	(1,196)	5,860	8,231	626	1,352	(2,537)	(1,622)	3,815	6,765
Finance cost									(684)	(771)
Interest income									19	58
Other income									-	-
Share of result of associates									-	-
Profit before tax									3,150	6,052
Tax expense									(984)	(1,660)
Net Profit for the period									2,166	4,392

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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 31.03.2022, the company has given corporate guarantee for banking facilities obtained by subsidiaries to meet the liabilities and financial obligations of its subsidiaries amounting to RM196.48 million. The contingent liabilities of its subsidiaries pertaining to utilise trade line facilities amounted to RM10.98 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:

	31/03/22 RM'000	31/03/21 RM'000
Directors of the Company	804	775
Other key management personnel	2,794	2,590

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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 RM136.20 million for the current quarter under review representing a decrease of 2.6% over revenue of RM139.88 million of previous corresponding quarter.

The Group recorded profit before tax of RM3.15 million for the current quarter under review representing a decrease of 48.0% over profit before tax of RM6.05 million of previous corresponding quarter.

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

1) Investment Holdings Division

The Investment Holdings Division recorded slightly higher revenue as compared to previous corresponding quarter due to higher management fees received from subsidiaries. Together with significant decrease in operating expenses, the division recorded a marginal loss before tax as compared with previous corresponding quarter.

2) Trading and Service Division

The revenue in Trading and Service Division declined by 10.7% as compared to previous corresponding quarter. Local sales which suffered a decline of 12.0% being the main contributor to the decline of the division due to soft demand in the local market. However, the impact is mitigated by the growth in overseas sales of 8.9% due to improving economic condition and partly contributed by higher foreign currency rates.

Hence, the division's results decreased by 28.8% as compared to previous corresponding quarter due to sales decline and challenging market condition.

3) Manufacturing Division

The revenue in Manufacturing Division has increased by 5.0% as compared to previous corresponding quarter which is mainly due to the increase in local sales and higher contribution from re-export business.

However, the division recorded a lower profit representing a decrease of 53.7% as compared to the previous corresponding quarter. This is mainly attributed to the declining gross margin as a result of hike in material and freight cost. The Company continues 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	
	2022	2021			2022	2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	136,195	139,879	(3,684)	-2.6%	136,195	139,879	(3,684)	-2.6%
Profit before interest and tax	3,815	6,765	(2,950)	-43.6%	3,815	6,765	(2,950)	-43.6%
Profit before tax	3,150	6,052	(2,902)	-48.0%	3,150	6,052	(2,902)	-48.0%
Profit after tax	2,166	4,392	(2,226)	-50.7%	2,166	4,392	(2,226)	-50.7%
Profit attributable to Equity Holders of the Parent	2,258	4,471	(2,213)	-49.5%	2,258	4,471	(2,213)	-49.5%

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding	Variance	
	31 March 2022	31 December 2021	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	136,195	143,211	(7,016)	-4.9%
Profit before interest and tax	3,815	8,279	(4,464)	-53.9%
Profit before tax	3,150	7,369	(4,219)	-57.3%
Profit after tax	2,166	6,157	(3,991)	-64.8%
Profit attributable to Equity Holders of the Parent	2,258	6,218	(3,960)	-63.7%

2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM136.20 million for the current quarter under review, representing a decrease of 4.9% as compared to RM143.21 million in the immediate preceding quarter. Meanwhile, the Group recorded profit before tax of RM3.15 million, representing a decrease of 57.3% as compared to the preceding quarter's profit before tax of RM7.37 million.

3. Commentary on prospect

Given the uncertainties in both macro and micro economy that is triggered by geopolitical concerns, inflation and rate hikes, the Group is actively managing on the supply chain and material cost challenges, therefore will continue to embark on cost optimisation exercises as well as improving operational efficiency and expanding its regional business.

The Group will continue to invest and in some cases intensify resources in people development, process methodology, data and analytics. Enhanced branding strategies of Khind, Mistral and Mayer will be formalised and executed in this year.

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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>	
	31/03/22	31/03/21	31/03/22	31/03/21
	RM'000	RM'000	RM'000	RM'000
- Current tax expense	669	1,811	669	1,811
- Deferred tax expense	315	(151)	315	(151)
Total	984	1,660	984	1,660

The group's effective tax rate for the period ended 31 March 2022 is 31.3%.

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	31/03/22	Foreign Currency	31/12/21
	'000	RM'000	'000	RM'000
Bank Overdrafts				
Secured		399		-
Unsecured		793		912
Banker Acceptances				
Unsecured – denominated in Ringgit Malaysia		54,182		58,640
Unsecured – denominated in foreign currency		-		-
Revolving Credit				
Denominated in Ringgit Malaysia		6,678		2,500
Denominated in foreign currency	SGD500	1,553	SGD500	1,545
Total		63,605		63,597

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% (2021 – 6.35% to 6.89%) per annum. The banker acceptances bear interest at rates ranging from 1.33% to 3.61% (2021 – 1.32% to 3.56%) 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	31/03/22 RM'000	Foreign Currency '000	31/12/21 RM'000
Current Term Loans				
Secured – Denominated in Ringgit Malaysia		1,836		1,896
Secured – Denominated in foreign currency	SGD242	751	SGD237	733
Total		<u>2,587</u>		<u>2,629</u>
Non-Current Term Loans				
Secured – Denominated in Ringgit Malaysia		13,315		12,731
Secured – Denominated in foreign currency	SGD2,505	7,782	SGD2,586	7,941
Total		<u>21,097</u>		<u>20,672</u>
Grand Total		<u>23,684</u>		<u>23,301</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	23,684	2,587	2,584	6,868	11,645
Total	<u>23,684</u>	<u>2,587</u>	<u>2,584</u>	<u>6,868</u>	<u>11,645</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 1.61% to 4.07% (2021 – 1.47% to 5.02%) per annum.

(c) Hire purchase liabilities

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

	31/03/22 RM'000	31/12/21 RM'000
Hire Purchase Creditors	3,085	3,507
Less: Interest in suspense	252	312
Balance	<u>2,833</u>	<u>3,195</u>
Repayable within one year	1,280	1,384
Repayable one to five years	1,553	1,811
Balance	<u>2,833</u>	<u>3,195</u>

The finance lease liabilities bear interest at rates ranging from 2.20% to 4.60% (2021 – 1.95% to 4.60%) per annum.

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8. Material Litigation

There was no impending material litigation as at 12 May 2022, 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 31.03.22	Preceding year corresponding quarter 31.03.21	Three Months to 31.03.22	Three Months to 31.03.21
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,258	4,471	2,258	4,471
Weighted average number of ordinary shares ('000)	40,059	40,059	40,059	40,059
Basic earnings per share (sen)	5.64	11.16	5.64	11.16

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 31.03.22	Preceding year corresponding quarter 31.03.21	Three Months to 31.03.22	Three Months to 31.03.21
(RM'000)				
Depreciation & Amortisation	1,865	1,805	1,865	1,805
Net gain on disposal of property, plant and equipment	(17)	(39)	(17)	(39)
Foreign exchange (gain)/loss	(119)	26	(119)	26