

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 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*

# **KHIND HOLDINGS BERHAD**

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## **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*, 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.

## **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.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## 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 30.06)	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
<b>Turnover</b>										
External										
Local	-	-	179,596	174,371	8,506	5,881	-	-	188,102	180,252
Overseas	-	-	110,485	105,949	4,323	4,280	-	-	114,808	110,229
Internal	4,799	4,393	4,317	15,082	61,459	60,411	(70,575)	(79,886)	-	-
Total revenue	4,799	4,393	294,398	295,402	74,288	70,572	(70,575)	(79,886)	302,910	290,481
Segment results	(851)	(2,352)	10,083	18,892	(750)	3,193	272	(1,208)	8,754	18,525
Finance cost									(1,677)	(1,656)
Interest income									35	113
Other income									6,755	-
Profit before tax									13,867	16,982
Tax expense									(2,534)	(4,360)
Net Profit for the period									11,333	12,622

## 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.

# **KHIND HOLDINGS BERHAD**

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## **13. Contingent liabilities**

As at 30.06.2022, the company has given corporate guarantee for banking facilities obtained by subsidiaries to meet the liabilities and financial obligations of its subsidiaries amounting to RM199.22 million. The contingent liabilities of its subsidiaries pertaining to utilise trade line facilities amounted to RM12.85 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:

	30/06/22 RM'000	30/06/21 RM'000
Directors of the Company	1,088	1,764
Other key management personnel	4,036	4,311

# **KHIND HOLDINGS BERHAD**

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## **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 RM166.72 million for the current quarter under review representing an increase of 10.7% over revenue of RM150.60 million of previous corresponding quarter.

The Group recorded profit before tax of RM10.72 million for the current quarter under review representing a decrease of 1.9% over profit before tax of RM10.93 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 higher revenue as compared to previous corresponding quarter due to higher management fees received from subsidiaries. Together with lower operating expenses, the division recorded lower loss before tax if compared with previous corresponding quarter.

#### 2) Trading and Service Division

The revenue in Trading and Service Division declined by 0.3% as compared to previous corresponding quarter. The slight decline was mainly due to the softening in local demand while mitigated by the growth in overseas sales partly contributed by higher foreign currency rates.

Hence, the division's results decreased by 46.6% as compared to previous corresponding quarter due to declining gross margin amidst challenging market condition.

#### 3) Manufacturing Division

The revenue in Manufacturing Division has increased by 5.3% 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 loss representing a decrease of 123.5% 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.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## 1. Review of Performance (Continued)

### Financial review for current quarter and financial year to date

	Individual Period				Cumulative Period			
	30 June		Variance		30 June		Variance	
	2022	2021			2022	2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	166,715	150,602	16,113	10.7%	302,910	290,481	12,429	4.3%
Profit before interest and tax	11,694	11,760	(66)	-0.6%	15,509	18,525	(3,016)	-16.3%
Profit before tax	10,717	10,930	(213)	-1.9%	13,867	16,982	(3,115)	-18.3%
Profit after tax	9,167	8,230	937	11.4%	11,333	12,622	(1,289)	-10.2%
Profit attributable to Equity Holders of the Parent	9,244	8,327	917	11.0%	11,502	12,798	(1,296)	-10.1%

### Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding	Variance	
	30 June 2022	31 March 2022	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	166,715	136,195	30,520	22.4%
Profit before interest and tax	11,694	3,815	7,879	206.5%
Profit before tax	10,717	3,150	7,567	240.2%
Profit after tax	9,167	2,166	7,001	323.2%
Profit attributable to Equity Holders of the Parent	9,244	2,258	6,986	309.4%

## 2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM166.72 million for the current quarter under review, representing an increase of 22.4% as compared to RM136.20 million in the immediate preceding quarter. Meanwhile, the Group recorded profit before tax of RM10.72 million, representing an increase of 240.2% as compared to the preceding quarter's profit before tax of RM3.15 million, mainly due to gain on disposal of property in the current quarter.

## 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 is positive about the outlook for second half of the year and will continue to invest, 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.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## 4. Profit forecast

Not applicable as no profit forecast was published.

## 5. Tax expense

	<u>Individual period</u>		<u>Cumulative period</u>	
	30/06/22	30/06/21	30/06/22	30/06/21
	RM'000	RM'000	RM'000	RM'000
- Current tax expense	1,644	3,741	2,313	5,552
- Deferred tax expense	(94)	(1,041)	221	(1,192)
Total	<u>1,550</u>	<u>2,700</u>	<u>2,534</u>	<u>4,360</u>

The group's effective tax rate for the period ended 30 June 2022 is 18.3%.

## 6. Status of corporate proposals

On 6 July 2022, Hong Leong Investment Bank (“HLIB”) announced on behalf of the Board of Directors that the Company proposes to undertake a private placement of up to 10% of the total number of issued shares of the Company to be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was renewed and obtained from the shareholders of the Company at its 26<sup>th</sup> Annual General Meeting convened on 27 May 2022.

On 7 July 2022, HLIB announced on behalf of the Board that the additional listing application in relation to the Proposed Private Placement has been submitted to Bursa Securities.

On 14 July 2022, HLIB announced on behalf of the Board that Bursa Securities had, vide its letter dated 13 July 2022, approved the listing and quotation of up to 4,000,000 Placement Shares to be issued pursuant to the Proposed Private Placement.

On 16 August 2022, HLIB announced on behalf of the Board that the issue price for the first tranche of the Private Placement has been fixed at RM2.63 per Placement Share representing a discount of approximately 9.96% to the 5-day volume weighted average market price of Khind Shares up to and including 15 August 2022 of RM2.9211 per Khind Share.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## 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	30/06/22 RM'000	Foreign Currency '000	31/12/21 RM'000
<b>Bank Overdrafts</b>				
Secured		349		-
Unsecured		1,198		912
<b>Banker Acceptances</b>				
Unsecured – denominated in Ringgit Malaysia		70,126		58,640
Unsecured – denominated in foreign currency	SGD52	163	-	-
<b>Revolving Credit</b>				
Denominated in Ringgit Malaysia		2,500		2,500
Denominated in foreign currency	SGD500	1,583	SGD500	1,545
Total		<u>75,919</u>		<u>63,597</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 7.14% (2021 – 6.35% to 6.89%) per annum. The banker acceptances bear interest at rates ranging from 1.33% to 4.15% (2021 – 1.32% to 3.56%) per annum.



# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## 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	30/06/22 RM'000	Foreign Currency '000	31/12/21 RM'000
<b>Current Term Loans</b>				
Secured – Denominated in Ringgit Malaysia		1,820		1,896
Secured – Denominated in foreign currency	SGD234	741	SGD237	733
Total		<u>2,561</u>		<u>2,629</u>
<b>Non-Current Term Loans</b>				
Secured – Denominated in Ringgit Malaysia		12,864		12,731
Secured – Denominated in foreign currency	SGD2,454	7,768	SGD2,586	7,941
Total		<u>20,632</u>		<u>20,672</u>
Grand Total		<u>23,193</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	23,193	2,561	2,583	6,769	11,280
Total	<u>23,193</u>	<u>2,561</u>	<u>2,583</u>	<u>6,769</u>	<u>11,280</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:-

	30/06/22 RM'000	31/12/21 RM'000
Hire Purchase Creditors	3,688	3,507
Less: Interest in suspense	300	312
Balance	<u>3,388</u>	<u>3,195</u>
Repayable within one year	1,496	1,384
Repayable one to five years	1,892	1,811
Balance	<u>3,388</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.

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2022

## 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 30.06.22	Preceding year corresponding quarter 30.06.21	Six Months to 30.06.22	Six Months to 30.06.21
Net profit attributable to ordinary equity holders of the parent (RM'000)	9,244	8,327	11,502	12,798
Weighted average number of ordinary shares ('000)	40,059	40,059	40,059	40,059
Basic earnings per share (sen)	23.08	20.79	28.71	31.95

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 30.06.22	Preceding year corresponding quarter 30.06.21	Six Months to 30.06.22	Six Months to 30.06.21
(RM'000)				
Depreciation & Amortisation	1,955	1,816	3,820	3,621
Net gain on disposal of property, plant and equipment	(7,137)	(55)	(7,154)	(94)
Foreign exchange (gain)/loss	24	130	(95)	156