

# KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the fourth financial quarter ended 31 December 2023

## 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 2022.

### 2. Significant Accounting Policies

#### 2.1 Amendments to MFRSs adopted

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group adopted amendments to MFRS as follows:

##### **Amendments to MFRSs effective for annual periods beginning on or after 1 January 2023**

- 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
- Amendments to MFRS 112 Income Taxes – International Tax Reform – Pillar Two Model Rules

The adoption of these amendments to MFRS did not result in significant changes in the accounting policies of the Group and have no significant effect on the financial performance or position of the Group.

#### 2.2 Amendments to MFRSs not yet effective

The following are amendments to the MFRSs that have been issued by the MASB up to the date of the issuance of this Condensed Report, but have not been adopted by the Group:

##### **Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024**

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements – Non-current Liabilities with Covenants*
- Amendments to MFRS 107 and MFRS 7 *Supplier Finance Arrangements*

##### **Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025**

- Amendments to MFRS 121 *Lack of Exchangeability*

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## **2. Significant Accounting Policies (Continued)**

### **2.2 Amendments to MFRSs not yet effective (Continued)**

#### **Amendments to MFRSs 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 directors anticipate that the above-mentioned amendments will be adopted by the Group when they become effective.

The initial application of amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group.

## **3. Audit qualification**

The auditor's report on the financial statements of the Group and the Company for the year ended 31 December 2022 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**

The Company paid an interim tax exempt dividend of 8 sen per ordinary share totalling to RM3,363,120 in respect of the financial year ended 31 December 2023 on 18 May 2023.

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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 31.12)	Investment holding		Trading & service		Manufacturing		Elimination		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000
<b>Turnover</b>										
External										
Local	-	-	288,182	331,225	13,787	13,928	-	-	301,969	345,153
Overseas	-	-	192,150	207,308	4,633	7,116	-	-	196,783	214,424
Internal	6,842	16,325	18,576	11,438	89,937	107,358	115,356	(135,121)	230,711	-
Total revenue	6,842	16,325	498,908	549,971	108,357	128,402	115,356	(135,121)	729,463	559,577
Segment results	35	4,339	10,120	16,166	1,731	1,240	(2,069)	(7,357)	9,817	14,388
Finance cost									(3,910)	(3,742)
Interest income									633	190
Other income									2,963	10,533
Profit before tax									9,503	21,369
Tax expense									(2,471)	(4,119)
Net Profit for the period									7,032	17,250

## 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 events during the financial period

There was no significant event during the current quarter ended 31 December 2023.

## 12. 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.

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## **13. Changes in the composition of the group**

Save as disclosed below, there were no changes in the composition of the Group since the end of the previous financial year end:

The following dormant subsidiary has been deregistered from the Register of Companies:

Khind Electrical (Hong Kong) Limited

Khind Electrical & Environmental (Singapore) Pte. Ltd.

## **14. Contingent liabilities**

There were no material changes in contingent liabilities or contingent assets since the last annual reporting date.

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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 RM120.26 million for the current quarter under review representing a decrease of 6.4% over revenue of RM128.46 million of previous corresponding quarter.

The Group had improved profitability with profit before tax of RM7.35 million for the current quarter under review compared to profit before tax of RM3.45 million of previous corresponding quarter mainly due to improved gross profit margin.

#### **Comparison results of current financial year and previous financial year**

The Group recorded revenue of RM498.75 million for the current financial year representing a decrease of 10.9% over revenue of RM559.58 million of previous financial year.

The Group recorded profit before tax of RM9.50 million for the current financial year representing a decrease of 55.5% over profit before tax of RM21.37 million of previous financial year, mainly due to one off gain on disposal of assets recorded in the previous financial year coupled with lower revenue attributable to soft market conditions during the current financial year.

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

#### **1) Investment Holdings Division**

The Investment Holdings Division recorded lower revenue as compared to previous financial year due to lower management and dividend income from subsidiaries amid lower profitability by the subsidiaries. As a result, the division recorded marginal profit for the current financial year.

#### **2) Trading and Service Division**

The revenue in Trading and Service Division recorded a decrease by 9.28% as compared to previous financial year. The results were underpinned by the lower sales from both local and overseas markets due to rising cost of living eroded purchasing power of consumers.

The division's results decreased significantly by 37.44% as compared to previous financial year in tandem with lower revenue coupled with increased operating expenses amidst challenging market condition.

#### **3) Manufacturing Division**

The revenue in Manufacturing Division has decreased by 15.61% as compared to previous financial year which were driven by the overall weak market demand.

The division's results improved by 39.60% as compared to previous financial year mainly attributable to improved profitability due to material and freight cost had normalised coupled with rightsizing exercise performed during the financial year.

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## 1. Review of Performance (Continued)

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

	Individual Period				Cumulative Period			
	31 December		Variance		31 December		Variance	
	2023	2022			2023	2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	120,259	128,463	(8,204)	-6.4%	498,752	559,577	(60,825)	-10.9%
Profit before interest and tax	8,031	4,354	3,676	84%	12,780	24,921	(12,141)	-48.7%
Profit before tax	7,358	3,450	3,908	>100%	9,503	21,369	(11,866)	-55.5%
Profit after tax	5,308	2,442	2,866	>100%	7,032	17,250	(10,218)	-59.2%
Profit attributable to Equity Holders of the Parent	5,341	2,522	2,819	>100%	7,160	17,538	(10,378)	-59.2%

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

	Current Quarter	Immediate Preceding Quarter	Variance	
	31 December 2023	30 September 2023		
	RM'000	RM'000	RM'000	%
Revenue	120,259	115,575	4,684	4.1%
Profit before interest and tax	8,031	(112)	8,143	>100%
Profit before tax	7,358	(91)	8,269	>100%
Profit after tax	5,308	(541)	5,849	>100%
Profit attributable to Equity Holders of the Parent	5,341	(480)	5,821	>100%

## 2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM120.26 million for the current quarter under review, representing an increase of 4.1% as compared to RM115.58 million in the immediate preceding quarter. Meanwhile, the Group recovered from loss position recorded profit before tax of RM7.36 million as compared to the preceding quarter's loss before tax of RM0.91 million, contribute by improved margin mainly due to recovery from pullback due to consolidation and market repositioning exercise in the Group during the previous quarter coupled with year-end sales despite market condition remain soft.

## 3. Commentary on prospect

The economic prospect in Malaysia is expected to grow at a moderate pace, with GDP forecast of 4% to 5% for 2024. However, lingering geopolitical tensions, persistent high interest rate and inflation remain a challenge.

The Group remains cautious and responsive to address market needs, proactively managing supply chain and material cost challenges, optimizing operations, and enhancing operational efficiency. The Group will continue to focus on improving market share and profitability by investing in process optimization through data and analytics capabilities.

## 4. Profit forecast

Not applicable as no profit forecast was published.

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## 5. Tax expense

	<u>Individual period</u>		<u>Cumulative period</u>	
	31.12.23	31.12.22	31.12.23	31.12.22
	RM'000	RM'000	RM'000	RM'000
- Current tax expense	2,285	1,008	2,503	3,911
- Deferred tax expense	(235)	-	(32)	208
<b>Total (credit)/expense</b>	<b>2,050</b>	<b>1,008</b>	<b>2,471</b>	<b>4,119</b>

The group's effective tax rate for the financial year ended 31 December 2023 is 26.0%.

## 6. Status of corporate proposals

There were no corporate proposals during the current quarter.

## 7. Status of utilisation of proceeds raised from the Private Placement

The status of utilisation of proceeds gross proceeds arising from the Private Placement amounting to RM5,207,400 and its utilisation is disclosed in the following manner as at 31 December 2023:

Details	Gross Proceeds (1st Tranche) RM'000	Actual utilisation (1 <sup>st</sup> Tranche) RM'000	Unutilised Proceeds (1 <sup>st</sup> Tranche) RM'000	Intended timeframe for utilisation
Working capital	5,188	(5,188)	-	Within 12 months
Estimated expenses for the Proposed Private Placement	19	(19)	-	Within 6 months
<b>Total gross proceeds</b>	<b>5,207</b>	<b>(5,207)</b>	<b>-</b>	

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## 8. 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	31.12.23 RM'000	Foreign Currency '000	31.12.22 RM'000
<b>Bank Overdrafts</b>				
Secured		493		401
Unsecured		471		1,594
<b>Banker Acceptances</b>				
Secured – denominated in Ringgit Malaysia		17,310		-
Unsecured – denominated in Ringgit Malaysia		15,180		43,532
<b>Revolving Credit</b>				
Denominated in Ringgit Malaysia		2,500		2,500
<b>Offshore Currency Loan</b>				
Denominated in foreign currency	CNY5,169	3,404		-
Total		<u>39,358</u>		<u>48,027</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 7.22% to 8.14% (2022 – 5.22% to 7.89%) per annum. The banker acceptances bear interest at rates ranging from 3.60% to 5.40% (2022 – 3.73% to 7.32%) per annum. The Offshore Currency Loans bear interest at rates ranging from 3.85% to 4.45% (2022 – Nil) per annum.



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## 8. 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	31.12.23 RM'000	Foreign Currency '000	31.12.22 RM'000
<b>Current Term Loans</b>				
Secured – Denominated in Ringgit Malaysia		1,616		1,364
Secured – Denominated in foreign currency	SGD204	709	SGD241	791
Total		<u>2,325</u>		<u>2,155</u>
<b>Non-Current Term Loans</b>				
Secured – Denominated in Ringgit Malaysia		6,299		6,843
Secured – Denominated in foreign currency	SGD2,153	7,498	SGD2,330	7,646
Total		<u>13,797</u>		<u>14,489</u>
Grand Total		<u>16,122</u>		<u>16,644</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	16,122	2,325	1,969	5,029	6,799
Total	<u>16,122</u>	<u>2,325</u>	<u>1,969</u>	<u>5,029</u>	<u>6,799</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 4.57% to 5.47% (2022 – 3.32% to 4.83%) per annum.

### (c) Hire purchase liabilities

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

	31.12.23 RM'000	31.12.22 RM'000
Hire Purchase Creditors	2,218	2,737
Less: Interest in suspense	(242)	(206)
Balance	<u>1,976</u>	<u>2,531</u>
Repayable within one year	946	1,404
Repayable one to five years	1,030	1,127
Balance	<u>1,976</u>	<u>2,531</u>

The finance lease liabilities bear interest at rates ranging from 2.20% to 4.60% (2022 – 2.20% to 4.60%) per annum.

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## 9. Material Litigation

There was no impending material litigation as at 16 February 2024, being the date not earlier than 7 days from the date of this announcement.

## 10. Dividend

An interim tax exempt dividend of 8 sen per share in respect of the financial year ended 31 December 2023 was announced on 18 April 2023 and paid on 18 May 2023 to the shareholders whose names appear in the Record of Depositors on the entitlement date of 8 May 2023.

The Board of Directors does not recommend any interim dividend for the current quarter.

## 11. Earnings per share

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	Current Quarter 31.12.23	Preceding year corresponding quarter 31.12.22	Twelve Months to 31.12.23	Twelve Months to 31.12.22
Net profit attributable to ordinary equity holders of the parent (RM'000)	5,341	2,522	7,160	17,538
Weighted average number of ordinary shares ('000)	42,039	42,039	42,039	40,759
Basic earnings per share (sen)	12.70	6.00	17.03	43.03

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.

## 12. Profit for the period is arrived at after charging/(crediting):-

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	Current Quarter 31.12.23	Preceding year corresponding quarter 31.12.22	Twelve Months to 31.12.23	Twelve Months to 31.12.22
(RM'000)				
Depreciation & Amortisation	2,343	2,419	8,943	8,178
Net gain on disposal of assets	(7)	(1,218)	(130)	(8,521)
Foreign exchange (gain)/loss	389	589	1,358	542
Gain on liquidation of subsidiaries	(1,865)	(2,235)	(1,865)	(2,235)

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## 13. Financial Instrument

The Group's outstanding derivatives as at 31 December 2023 were as follows:

	Notional Value RM'000	Fair Value RM'000	Difference RM'000
<b>31 December 2023</b>			
Foreign currency forward contracts	15,730	15,673	(57)

The above instruments were executed with established financial institutions. There is no cash requirement for these contracts.

Foreign currency forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast purchases in the United States Dollars and Renminbi to hedge against foreign currency exchange rate fluctuations. These forecast transactions are highly probable.

The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates and its terms has been negotiated for the expected highly probable forecast transactions.