

KHIND HOLDINGS BERHAD

Quarterly Report on unaudited consolidated results for the second financial quarter ended 30 June 2024

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 2023.

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 2024

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
- Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures – Supplier Finance Arrangements*

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 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9 and MFRS 7 *Amendments to the Classification and Measurement of Financial Instruments*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2027

- MFRS 18 *Presentation and Disclosure in Financial Statements*
- MFRS 19 *Subsidiaries without Public Accountability: Disclosures*

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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 2023 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 under review.

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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 30.06)	Investment holding		Trading & service		Manufacturing		Elimination		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover										
External										
Local	-	-	140,271	154,515	5,826	5,519	-	-	146,097	160,034
Overseas	-	-	103,713	100,552	4,382	2,332	-	-	108,095	102,884
Internal	3,485	3,383	13,456	8,825	52,972	50,203	(69,913)	(62,411)	-	-
Total revenue	3,485	3,383	257,440	263,892	63,180	58,054	(69,913)	(62,411)	254,192	262,918
Segment results	(2,666)	(2,434)	4,503	4,416	1,677	330	618	1,940	4,132	4,252
Finance cost									(2,213)	(2,080)
Interest income									396	275
Other income									635	609
Profit before tax									2,950	3,056
Tax expense									(769)	(791)
Net Profit for the period									2,181	2,265

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 30 June 2024.

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

There were no changes in the composition of the Group during the current quarter.

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 RM136.58 million for the current quarter under review representing a decrease of 5.4% over revenue of RM144.37 million of previous corresponding quarter.

The Group recorded profit before tax of RM1.68 million for the current quarter under review representing a decrease of 27.1% over profit before tax of RM2.31 million of previous corresponding quarter.

Comparison results of current period and previous corresponding period

The Group recorded revenue of RM254.19 million for the current period under review representing a decrease of 3.3% over revenue of RM262.92 million of previous corresponding period. The decline reflects a challenging environment across key segments. Despite the drop in revenue, the Group managed to maintain profitability, recorded profit before tax of RM2.95 million, which represents a slight decrease of 3.5% compared to RM3.06 million reported in previous corresponding period.

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

1) Investment Holdings Division

The Investment Holdings Division recorded a slight increase in revenue primarily due to higher management fees collected from subsidiaries. Despite, higher operating cost had resulted the division recorded higher segmental loss for the current period. The increased expenses likely reflect higher costs associated with managing the group's investments.

2) Trading and Service Division

Revenue in Trading and Service Division declined by 2.4% compared to previous corresponding period. This decrease can be attributed to weak local market conditions, where rising cost of living have eroded purchasing power of consumers. Despite this revenue contraction, the division managed to slightly improve its gross profit margin, which contributed 2.0% improvement in the division's profit. This indicates that the division managed to cope with the challenges through operational efficiency and strategic pricing.

3) Manufacturing Division

Revenue in Manufacturing Division increased by 8.8% as compared to previous corresponding period, which were mainly driven by a combination of higher internal sales and a strong performance in overseas market. Additionally, the division benefited from a rightsizing exercise that was completed in the second half of 2023. As a result, the division's profit surged by 408%, reflecting the combined impact of improved sales and profitability from a leaner cost structure.

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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	
	2024	2023			2024	2023		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	136,575	144,373	(7,798)	-5.4%	254,192	262,918	(8,726)	-3.3%
Profit before interest and tax	2,691	3,275	(584)	-17.8%	4,766	4,861	(95)	-2.0%
Profit before tax	1,682	2,308	(626)	-27.1%	2,950	3,056	(106)	-3.5%
Profit after tax	1,234	1,849	(615)	-33.3%	2,181	2,265	(84)	-3.7%
Profit attributable to Equity Holders of the Parent	1,253	1,861	(608)	-32.7%	2,274	2,299	(25)	-1.1%

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Variance	
	30 June 2024	31 March 2024		
	RM'000	RM'000	RM'000	%
Revenue	136,575	117,618	18,957	16.1%
Profit before interest and tax	2,691	2,075	615	29.6%
Profit before tax	1,682	1,268	414	32.6%
Profit after tax	1,234	947	287	30.3%
Profit attributable to Equity Holders of the Parent	1,253	1,021	232	22.7%

2. Variation of results against immediate preceding quarter

The Group recorded revenue of RM136.58 million for the current quarter under review, representing an increase of 16.1% as compared to RM117.62 million in the immediate preceding quarter, contributed by improved product mix and channel mix. As a result, the Group recorded higher profit before tax of RM1.68 million as compared to the preceding quarter's profit before tax of RM1.27 million.

3. Commentary on prospect

Despite encouraging economic indicators, the landscape remains challenging due to persistent inflation, geopolitical tensions, potential rationalisation of petrol subsidy, and intense competition from both local and international brands continue to pose significant challenges.

In response, the Group remains steadfast in its commitment to the strategic plan established at the beginning of the year. This strategy focuses on addressing market needs, optimising operations, and enhancing operational efficiency. The Group's primary objective is to maintain its market position and further improve profitability in a competitive environment.

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4. Profit forecast

Not applicable as no profit forecast was published.

5. Tax expense

	Individual period		Cumulative period	
	30.06.24 RM'000	30.06.23 RM'000	30.06.24 RM'000	30.06.23 RM'000
- Current tax expense	448	1,726	769	2,041
- Deferred tax expense	-	(1,267)	-	(1,250)
Total expense	448	459	769	791

The group's effective tax rate for the financial period ended 30 June 2024 is 26.0%.

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 '000	30.06.24 RM'000	Foreign Currency '000	31.12.23 RM'000
Bank Overdrafts				
Secured		-		493
Unsecured		-		471
Banker Acceptances				
Unsecured – denominated in Ringgit Malaysia		56,022		32,490
Unsecured – foreign currency		-	CNY5,169	3,404
Revolving Credit				
Denominated in Ringgit Malaysia		2,500		2,500
Total		58,522		39,358

Secured bank borrowings are secured by fixed charges over the long-term leasehold or freehold land and building of certain subsidiary companies and are guaranteed by the Company. Unsecured bank overdraft and bankers' acceptances are guaranteed by the Company.

The bank overdrafts bear interest at rates 0% (2023 – 7.22% to 8.14%) per annum. The banker acceptances bear interest at rates ranging from 3.65% to 5.23% (2023 – 3.60% to 5.40%) 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	30.06.24 RM'000	Foreign Currency '000	31.12.23 RM'000
Current Term Loans				
Secured – Denominated in Ringgit Malaysia		1,532		1,616
Secured – Denominated in foreign currency	SGD236	819	SGD204	709
Total		<u>2,351</u>		<u>2,325</u>
Non-Current Term Loans				
Secured – Denominated in Ringgit Malaysia		5,560		6,299
Secured – Denominated in foreign currency	SGD2,021	7,022	SGD2,153	7,498
Total		<u>12,582</u>		<u>13,797</u>
Grand Total		<u>14,933</u>		<u>16,122</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	14,933	2,351	1,836	4,790	5,956
Total	<u>14,933</u>	<u>2,351</u>	<u>1,836</u>	<u>4,790</u>	<u>5,956</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 5.52% (2023 – 4.57% to 5.47%) per annum.

(c) Hire purchase liabilities

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

	30.06.24 RM'000	31.12.23 RM'000
Hire Purchase Creditors	1,702	2,218
Less: Interest in suspense	184	242
Balance	<u>1,518</u>	<u>1,976</u>
Repayable within one year	656	946
Repayable one to five years	862	1,030
Balance	<u>1,518</u>	<u>1,976</u>

The finance lease liabilities bear interest at rates ranging from 2.20% to 4.60% (2023 – 2.20% to 4.60%) per annum.

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8. Material Litigation

There was no impending material litigation as at 21 August 2024, being the date not earlier than 7 days from the date of this announcement.

9. Dividend

An interim tax exempt dividend of 10 sen per share in respect of the financial year ending 31 December 2024 was announced on 31 July 2024 and payable on 13 September 2024 to the shareholders whose names appear in the Record of Depositors on the entitlement date of 14 August 2024.

10. Earnings per share

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	Current Quarter 30.06.24	Preceding year corresponding quarter 30.06.23	Three Months to 30.06.24	Three Months to 30.06.23
Net profit attributable to ordinary equity holders of the parent (RM'000)	1,253	1,861	2,274	2,299
Weighted average number of ordinary shares ('000)	42,039	42,039	42,039	42,039
Basic earnings per share (sen)	2.98	4.43	5.41	5.47

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 30.06.24	Preceding year corresponding quarter 30.06.23	Three Months to 30.06.24	Three Months to 30.06.23
(RM'000)				
Depreciation & Amortisation	1,640	1,593	3,237	3,821
Net gain on disposal of assets	-	(96)	(15)	(106)
Foreign exchange loss	354	351	523	1,013