

HARRISONS HOLDINGS (MALAYSIA) BERHAD (194675-H)
NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 September 2020

A. SELECTED EXPLANATORY NOTES PURSUANT TO MRFS 134 INTERIM FINANCIAL REPORTING:

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting, and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. These explanatory notes attached to the 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 financial year ended 31 December 2019.

The interim financial statements have been prepared using the same accounting policies as the most recent audited financial statements and in accordance with MFRS 134 “Interim Financial Reporting”, and Appendix 9B (Part A) paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted for the recent annual audited financial statements of the Group for the financial year ended 31 December 2019.

A2. Disclosure of Audit Qualification

The financial statements for the year ended 31 December 2019 was not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The businesses of the Group are mainly in fast moving consumer goods. Revenue and contributions tend to be influenced by festival seasons.

A4. Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A5. Change in Estimates

There were no material changes in estimates that have had a material effect in the current quarter results.

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A6. Issuance, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

During the current quarter, the Company did not purchase any its own shares from the open market. The cumulative number of shares repurchased as at the reporting date is 13,000 at a total consideration of RM17,936. The average price paid for the shares repurchased is approximately RM1.38 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the provision Section 127 of Companies Act 2016. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended. None of the treasury shares repurchased have been sold during the current quarter under review.

As at 30 September 2020, the number of outstanding shares in issue after setting off treasury shares against equity is 68,476,200.

A7. Dividends paid

The final single-tier dividend of 20 sen per share amounting to RM13,695,240 for the financial year ended 31 December 2019 which was approved at Annual General Meeting on 29 July 2020, was paid on 4 September 2020.

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A8. Segmental information

	Trading and distribution RM'000	Retailing RM'000	Others RM'000	Group RM'000
<u>2020</u>				
<u>Revenue</u>				
Total segment revenue	1,334,899	25,820	12,400	1,373,119
Inter segment revenue	-	-	(3,744)	(3,744)
	<u>1,334,899</u>	<u>25,820</u>	<u>8,656</u>	<u>1,369,375</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	33,632	3,785	(1,193)	36,224
Interest income				1,083
Finance costs				(5,610)
Profit from ordinary activities before taxation				<u>31,697</u>
<u>Capital employed</u>				
Segments assets	674,457	33,906	42,879	751,242
Unallocated assets				9,598
Total assets				<u>760,840</u>
Segments liabilities	397,859	19,241	1,933	419,033
Unallocated liabilities				6,340
Total liabilities				<u>425,373</u>

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	Trading and distribution RM'000	Retailing RM'000	Others RM'000	Group RM'000
<u>2019</u>				
<u>Revenue</u>				
Total segment revenue	1,309,242	24,477	13,754	1,347,473
Inter segment revenue	-	-	(3,996)	(3,996)
	<u>1,309,242</u>	<u>24,477</u>	<u>9,758</u>	<u>1,343,477</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	34,874	(527)	(19)	34,328
Interest income				1,105
Finance costs				(7,062)
Profit from ordinary activities before taxation				<u>28,371</u>
<u>Capital employed</u>				
Segments assets	661,852	22,805	37,995	722,652
Unallocated assets				7,556
Total assets				<u>730,208</u>
Segments liabilities	393,519	12,537	3,084	409,140
Unallocated liabilities				3,033
Total liabilities				<u>412,173</u>

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A9. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<u>Trading and distribution</u> RM'000	<u>Retailing</u> RM'000	<u>Others</u> RM'000	<u>Group</u> RM'000
<u>As at 30 September 2020</u>				
<u>Types of goods and services</u>				
Consumer products	1,138,026	25,820	-	1,163,846
Building materials	166,054	-	-	166,054
Chemical products	30,819	-	-	30,819
Commission, handling fees and others	-	-	8,656	8,656
	<u>1,334,899</u>	<u>25,820</u>	<u>8,656</u>	<u>1,369,375</u>
<u>Geographical market</u>				
Sabah	750,483	-	6,551	757,034
Sarawak	399,562	-	619	400,181
Peninsular Malaysia	184,854	4,924	1,486	191,264
Singapore	-	20,896	-	20,896
	<u>1,334,899</u>	<u>25,820</u>	<u>8,656</u>	<u>1,369,375</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>1,334,899</u>	<u>25,820</u>	<u>8,656</u>	<u>1,369,375</u>

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	<u>Trading and distribution</u> RM'000	<u>Retailing</u> RM'000	<u>Others</u> RM'000	<u>Group</u> RM'000
<u>As at 30 September 2019</u>				
<u>Types of goods and services</u>				
Consumer products	1,120,262	24,477	-	1,144,739
Building materials	154,489	-	-	154,489
Chemical products	34,491	-	-	34,491
Commission, handling fees and others	-	-	9,758	9,758
	<u>1,309,242</u>	<u>24,477</u>	<u>9,758</u>	<u>1,343,477</u>
<u>Geographical market</u>				
Sabah	743,216	-	7,169	750,385
Sarawak	385,669	-	906	386,575
Peninsular Malaysia	180,357	5,674	1,683	187,714
Singapore	-	18,803	-	18,803
	<u>1,309,242</u>	<u>24,477</u>	<u>9,758</u>	<u>1,343,477</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>1,309,242</u>	<u>24,477</u>	<u>9,758</u>	<u>1,343,477</u>

A10. Material Subsequent Events

There was no material event subsequent to the financial quarter under review.

A11. Effect of Changes in the Composition of the Group

There were no changes in the composition of the Group during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

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A12. Changes in Contingent Liabilities or Contingent Assets

Contingent Liabilities

Description	Group (RM'000)	Company (RM'000)
Unsecured Corporate Guarantees given to: -		
(A) Financial institutions for credit facilities granted to subsidiary company	207,499	207,499
(B) Third Parties for trade guarantees extended to subsidiary companies	30,223	30,223
Unsecured Bank Guarantee Given to Third Parties for Trade Guarantees Extended to Subsidiary Companies	337	-
Unsecured Bank Guarantee Given to Third Parties in the ordinary course of business.	133	-
Total	238,192	237,722

A13. Valuations of property, plant and equipment

There were no updates in valuations of properties, since the previous annual financial statements.

A14. Capital Commitments

As at 30 September 2020, a total sum of RM2,305,000 of the capital expenditure approved for the Group has not been utilised and RM2,121,000 has been utilised.

A15. Material litigation

There is no material litigation or arbitration against the Group and the Board is not aware of any material proceedings, pending or threatened, or of any fact likely to give rise to any material legal proceedings as at the date of this interim financial report.

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B. SELECTED EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Profit for the year

Profit for the year is arrived at after charging / (crediting):

	Individual Quarter		Cumulative Quarter	
	30.9.2020 (RM'000)	30.9.2019 (RM'000)	30.9.2020 (RM'000)	30.9.2019 (RM'000)
<u>Other operating income comprises of: -</u>				
Interest Income	(336)	(283)	(1,083)	(1,105)
Unrealised foreign exchange loss	-	174	-	73
Loss/(Gain) on disposal of property, plant and equipment	5	4	60	(127)
Loss on disposal of financial assets at FVOCI	-	-	-	-
Gain on fair value changes of financial assets at FVTPL	(444)	(53)	(256)	(179)
(Gain)/Loss on disposal of financial assets at FVTPL	(2)	67	(2)	6
Other income	<u>(1,318)</u>	<u>(747)</u>	<u>(4,395)</u>	<u>(2,068)</u>
Total	(2,095)	(838)	(5,676)	(3,400)
Interest expenses	2,106	2,007	5,610	7,062
Depreciation of property, plant and equipment	1,788	1,210	4,608	3,626
Depreciation of Investment Properties	9	10	26	27
Depreciation of ROU Assets	3,882	3,684	11,972	10,742
Impairment/(Reversal) for trade and other receivables (net)	1,455	1,385	3,918	2,112
Provision/(Reversal) for obsolescence of inventories (net)	607	267	1,060	634
Inventories written off	832	980	2,577	1,746

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B2. Financial review for current quarter and financial period to date

	Individual Period (3rd quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	30-09-20	30-09-19		30-09-20	30-09-19	
	RM'000	RM'000		RM'000	RM'000	
Revenue	482,233	433,857	8.65	1,369,375	1,343,477	1.93
Operating profit	13,604	10,489	29.70	31,631	32,033	-1.25
Profit Before Interest and Tax	15,699	11,327	38.60	37,307	35,433	5.29
Profit Before Tax	13,593	9,320	45.85	31,697	28,371	11.72
Profit After Tax	10,294	6,930	48.54	23,188	21,055	10.13
Profit Attributable to Ordinary Equity Holders of the Parent	9,237	6,896	33.96	21,313	21,102	1.00

Overall Review of Group's Financial Performance

Overall, the Group's profit after tax after non-controlling interest for the cumulative period ended 30 September 2020 increased by RM211,000 or 1.00% compared to the preceding year corresponding period.

The Group's trade and other receivables decreased from RM339.7 million as at 31 December 2019 to RM299.9 million as at 30 September 2020 due to continuous monitoring on significant outstanding trade debtors. Bank borrowings decreased from RM151.8 million as at 31 December 2019 to RM109.8 million as at 30 September 2020.

Cash and bank balances increased from RM92.6 million as at 31 December 2019 to RM148.6 million as at 30 September 2020. Net working capital improved for the period ended 30 September 2020 as compared to 31 December 2019 as there were less cash tied up in receivables and inventories during the period ended 30 September 2020. This resulted in interest expense for the previous corresponding year dropping from RM7.1 million to RM5.6 million for the current year.

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Quarterly

Revenue for the current quarter increased by RM38.4 million or 8.65% as compared to the previous corresponding quarter. The increase is mainly due to increased sales in our Consumer Products Division and Building Materials and Engineering Products Division. Operations related to Building Materials and Engineering Products were reopened for business during the Conditional Movement Control Order (CMCO) and subsequently Recovery Movement Control Order (RMCO) announced by the Government resulting in pent up demand pushing sales of cement higher during the current quarter.

Other Operating Income increased from RM838,000 for the previous preceding quarter to RM2,095,000 for the current quarter as there were provision for fair value gain on financial assets at FVTPL of RM444,000 for the current quarter as compared to RM53,000 in the previous corresponding quarter. The stock market in Malaysia overall registered a gain during the current quarter. Famous Amos Singapore also received government wage subsidies and rental rebates amounting to RM1.2 million during the current quarter for our retailing business in Singapore.

The profit before tax for the current quarter was RM4.3 million or 45.85% higher as compared to the previous corresponding quarter. The increased is derived mainly from increased of profits in Famous Amos Singapore.

Year to-date (YTD)

Revenue for YTD September 2020 increased by RM25.9 million or 1.93% as compared to the previous corresponding YTD September 2019. The increase is mainly due to increase in sales in cement in our Building Materials and Engineering Products division and Consumer goods in our Consumer Products Division.

The profit before tax for YTD September 2020 was RM3.3 million or 11.72% higher as compared to the previous corresponding YTD September 2019. The increased is derived mainly from increased of profits in Famous Amos Singapore.

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Segmental analysis

The Group has three reporting segments,

1. Trading and distribution
2. Retailing
3. Others

Revenue

	Year to-date September 2020 RM'000	Year to-date September 2019 RM'000	Changes amount RM'000	Growth %
Trading and distribution	1,334,899	1,309,242	25,657	1.96%
Retailing	25,820	24,477	1,343	5.49%
Others	8,656	9,758	(1,102)	-11.29%
	1,369,375	1,343,477	25,898	1.93%

Trading and distribution

	Year to-date September 2020 RM'000	Year to-date September 2019 RM'000	Changes amount RM'000	Growth %
Revenue				
Fast-Moving Consumer Goods	1,138,026	1,120,262	17,764	1.59%
Building Materials and Engineering Products	166,054	154,489	11,565	7.49%
Industrial and Agriculture Chemicals Products	30,819	34,491	(3,672)	-10.65%
	1,334,899	1,309,242	25,657	1.96%

This Trading and Distribution segment includes marketing, sales and distribution of Fast-Moving Consumer Goods, Building Materials and Engineering Products, and Industrial and Agriculture Chemical products. This segment is the major segment of the Group which contributed 97.48% of the Group's revenue.

Revenue for this Segment in YTD September 2020 increased by RM25.7 million or 1.96% as compared to YTD September 2019. The increase for the YTD September 2020 is mainly due to the increased sales in consumer goods and cement. Operations associated with Building Materials and Engineering Products resumed in May 2020 following the CMCO and RMCO and pent up demand due to the closure of operations from March to April 2020 pushed sales higher.

The Profit Before Interest and Tax for YTD September 2020 for the Trading and Distribution Segment decreased from RM34.9 million to RM33.6 million or 3.56% lower as compared to YTD September 2019.

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Retailing

This segment includes retailing of consumer products, under the brands Komonoya in Malaysia and Famous Amos in Singapore.

Revenue for this segment for YTD September 2020 is RM25.8 million as compared to RM24.5 million for YTD September 2019 due to increase in sales of Famous Amos Singapore. Profit Before Interest and Tax for this segment for YTD September 2020 is RM3.7 million as compared to Loss Before Interest and Tax YTD September 2019 of RM527,000. The increased in profits were mainly attributable to the wage subsidies and rental rebates given by the Singapore government amounting to RM3.1 million for YTD September 2020.

Others

This Segment comprises of shipping agency commissions, insurance agency commissions, travel agency commissions and income from investment in marketable securities.

The Loss Before Interest and Tax for this Others Segment was RM1.2 million in YTD September 2020 as compared to Loss Before Interest and Tax of RM19,000 for YTD September 2019. The increased in losses for this Other Segment is mainly due to decrease in profit from shipping agency commission, as shipping activities were affected by the Covid-19 pandemic.

B3. Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30-09-20	30-06-20	
	RM'000	RM'000	
Revenue	482,233	408,289	18.11
Operating profit	13,604	7,954	71.03
Profit Before Interest and Tax	15,699	12,233	28.33
Profit Before Tax	13,593	10,993	23.65
Profit After Tax	10,294	7,505	37.16
Profit Attributable to Ordinary Equity Holders of the Parent	9,237	6,758	73.69

Revenue for the current quarter increased by RM73.9 million or 18.11% compared to the immediate preceding quarter due to increase in sales of fast moving consumer goods and Building Materials and Engineering products. Operations associated with Building Materials and Engineering products have resumed in May 2020 following the CMCO and RMCO and sales increased in the current quarter as there were pent up demand for these products following the closure of operations during March to April 2020.

The profit before tax for the current quarter increased by RM2.6 or 23.65% compared to the immediate preceding quarter. Stronger sales in consumer goods and building materials during the current quarter compared to the immediate preceding quarter resulted in the additional RM2.6 million Profit Before Tax.

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B4. Prospects for Current Year

The market condition continues to remain uncertain and challenging for year 2020 following the outbreak of Covid19. Although about 80% of our businesses are in Fast Moving Consumer businesses and is less affected, the remaining businesses of Building materials, Engineering, Industrial and Agriculture Chemicals Products, and Shipping Agency are affected. We are also concern about the collection of our trade debts in this uncertain environment. The management is proactively managing and monitoring our collections. We are also restructuring our retailing outlets and making more efforts to sell more online to mitigate the slowdown in retail.

B5. Profit Forecast / Profit Guarantee

The Company did not prepare a profit forecast for this financial period and therefore comments on variances with forecast profit are not applicable.

B6. Tax Charge

The tax charge comprises: -

	Individual Quarter		Cumulative Quarter	
	30.9.2020 (RM'000)	30.9.2019 (RM'000)	30.9.2020 (RM'000)	30.9.2019 (RM'000)
Income tax	4,810	2,898	9,852	8,787
Deferred Taxation	<u>(1,511)</u>	<u>(508)</u>	<u>(1,343)</u>	<u>(1,471)</u>
	<u>3,299</u>	<u>2,390</u>	<u>8,509</u>	<u>7,316</u>

The Group's effective tax rate for the current quarter and financial year-to-date is higher than the statutory tax rate due to certain expenses which are non-allowable for tax purposes and losses of subsidiary companies that are not available for set-off against taxable profits of other subsidiaries.

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B7. Group Borrowings and Debt Securities

The Group borrowings are shown below:

As at 3rd quarter ended 2020			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	38,151	38,151
Revolving credit	-	3,220	3,220
	-	41,371	41,371
Unsecured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	68,471	68,471
Revolving credit	-	-	-
	-	68,471	68,471
Total	-	109,842	109,842

As at 3rd quarter ended 2019			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	4,077	4,077
Bankers' acceptance	-	17,430	17,430
Revolving credit	-	9,660	9,660
	-	31,167	31,167
Unsecured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	152,189	152,189
Revolving credit	-	-	-
	-	152,189	152,189
Total	-	183,356	183,356

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The Group uses mostly Bankers' acceptance for financing requirements. There were no material changes in the borrowing structure.

The average interest rates per annum of borrowings that were effective as at the reporting date are as follows:

	<u>2020</u>	<u>2019</u>
-Bank overdrafts	6.69%	8.29%
-Bankers' acceptance	3.36%	4.15%
-Revolving credits	3.55%	5.05%

B8. Ageing analysis of trade and other receivables

	2020 RM'000
Neither past due nor impaired	263,792
1 to 30 days past due not impaired	28,307
31 to 60 days past due not impaired	4,557
61 to 90 days past due not impaired	3,248
	36,112
	299,904

Trade receivables are non-interest bearing and are generally on 30 to 90 days credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivable is amount due from an associate of RM3,117,000 which has been fully impaired. This amount represents balance arising from trade transactions and advances, is unsecured, has no fixed term of repayment.

B9. Derivative Financial Instruments

There is no outstanding derivative financial instrument as at 30 September 2020.

B10. Dividend Payable

No dividends were declared during the current quarter under review.

B11. Basis of Calculation of Earnings Per Share (EPS)

The basic earnings per share for the quarter and financial period was calculated based on the Group's net profit for the respective period divided by weighted average number of ordinary shares in issue during the financial period.

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. There is no dilutive potential ordinary share issued during the financial period. The computation of diluted earnings per share is same with the basic earnings per share.

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		INDIVIDUAL QUARTER QUARTER ENDED 30.9.2020	QUARTER ENDED 30.9.2019	CUMULATIVE QUARTER PERIOD ENDED 30.9.2020	PERIOD ENDED 30.9.2019
Basic and diluted earnings per share					
Profit for the financial period attributable to owners of the Company	(RM'000)	9,237	6,896	21,313	21,102
Weighted average number of Ordinary shares in issue	('000)	68,476	68,476	68,476	68,476
Basic and diluted earnings per share	(sen)	13.49	10.07	31.13	30.82

B12. Related party transactions

	Cumulative Quarter 30.09.2020 (RM'000)	30.9.2019 (RM'000)
(a) Rental of office space and car park from Sinar Nusantara Sdn Bhd *	139	139
(b) Management services rendered by subsidiary – Harrison Corporate Services Sdn. Bhd.	783	783
(c) Rental of warehouses from two companies in which close members of the family of a Director of the Company have 50% equity interest	612	612

* Directors, Pandjijono Adijanto @ Tan Hong Phang and Mariana Adijanto @ Tan Phwe Leng, and/or close members of the family have substantial interest in Sinar Nusantara Sdn. Bhd.

The Directors of the Company, Pandjijono Adijanto @ Tan Hong Phang and Mariana Adijanto @ Tan Phwe Leng, and/or close members of the family have substantial financial interests in Bumi Raya International Holding Company Limited which holds 40.88% (2019: 40.88%) direct interest of the Company.

B13. Authorisation for issue

This interim financial information has been approved for issue in accordance with a resolution of the Board of Directors dated 27 November 2020.