

HARRISONS HOLDINGS (MALAYSIA) BERHAD (199001003108)
NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 31 December 2020, the number of outstanding shares in issue after setting off treasury shares against equity is 68,476,200.

A7. Dividends paid

There were no dividends paid during the current quarter under review.

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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	1,762,342	38,356	31,572	1,832,270
Inter segment revenue	(151)	(812)	(20,355)	(21,318)
	<u>1,762,191</u>	<u>37,544</u>	<u>11,217</u>	<u>1,810,952</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	42,031	7,794	795	50,620
Interest income				1,380
Finance costs				(7,130)
Profit from ordinary activities before taxation				<u>44,870</u>
<u>Capital employed</u>				
Segments assets	655,328	36,737	61,163	753,228
Unallocated assets				8,710
Total assets				<u>761,938</u>
Segments liabilities	389,277	18,652	2,682	410,611
Unallocated liabilities				6,210
Total liabilities				<u>416,821</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	1,717,888	34,145	33,662	1,785,695
Inter segment revenue	(280)	(562)	(21,116)	(21,958)
	<u>1,717,608</u>	<u>33,583</u>	<u>12,546</u>	<u>1,763,737</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	40,837	429	1,773	43,039
Interest income				1,515
Finance costs				(9,847)
Profit from ordinary activities before taxation				<u>34,707</u>
<u>Capital employed</u>				
Segments assets	708,179	31,443	57,965	797,587
Unallocated assets				9,520
Total assets				<u>807,107</u>
Segments liabilities	454,192	20,469	2,464	477,125
Unallocated liabilities				3,435
Total liabilities				<u>480,560</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 31 December 2020</u>				
<u>Types of goods and services</u>				
Consumer products	1,483,612	37,544	-	1,521,156
Building materials	237,496	-	-	237,496
Chemical products	41,083	-	-	41,083
Commission, handling fees and others	-	-	11,217	11,217
	<u>1,762,191</u>	<u>37,544</u>	<u>11,217</u>	<u>1,810,952</u>
<u>Geographical market</u>				
Sabah	983,816	-	8,700	992,516
Sarawak	517,426	-	839	518,265
Peninsular Malaysia	260,949	6,894	1,678	269,521
Singapore	-	30,650	-	30,650
	<u>1,762,191</u>	<u>37,544</u>	<u>11,217</u>	<u>1,810,952</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>1,762,191</u>	<u>37,544</u>	<u>11,217</u>	<u>1,810,952</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 31 December 2019</u>				
<u>Types of goods and services</u>				
Consumer products	1,465,825	33,583	-	1,499,408
Building materials	209,390	-	-	209,390
Chemical products	42,393	-	-	42,393
Commission, handling fees and others	-	-	12,546	12,546
	<u>1,717,608</u>	<u>33,583</u>	<u>12,546</u>	<u>1,763,737</u>
<u>Geographical market</u>				
Sabah	983,270	-	9,599	992,869
Sarawak	489,677	-	1,129	490,806
Peninsular Malaysia	244,661	7,227	1,818	253,706
Singapore	-	26,356	-	26,356
	<u>1,717,608</u>	<u>33,583</u>	<u>12,546</u>	<u>1,763,737</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>1,717,608</u>	<u>33,583</u>	<u>12,546</u>	<u>1,763,737</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	137,400	137,400
(B) Third Parties for trade guarantees extended to subsidiary companies	23,684	23,684
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	161,544	161,084

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 31 December 2020, a total sum of RM1,801,000 of the capital expenditure approved for the Group has not been utilised and RM2,625,000 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Other operating income comprises of: -</u>				
Interest Income	(297)	(410)	(1,380)	(1,515)
Unrealised foreign exchange loss	(344)	(460)	(344)	(387)
Loss/(Gain) on disposal of property, plant and equipment	11	18	71	(109)
Loss on disposal of financial assets at FVOCI	-	292	-	292
Gain on fair value changes of financial assets at FVTPL	(1,132)	(611)	(1,388)	(790)
(Gain)/Loss on disposal of financial assets at FVTPL	(1)	(6)	(3)	-
Other income	<u>(1,881)</u>	<u>(301)</u>	<u>(6,276)</u>	<u>(2,369)</u>
Total	(3,644)	(1,478)	(9,320)	(4,878)
Interest expenses	1,520	2,785	7,130	9,847
Depreciation of property, plant and equipment	2,214	1,944	6,822	5,570
Depreciation of Investment Properties	8	9	34	36
Depreciation of ROU Assets	3,561	6,334	15,533	17,076
(Reversal)/Impairment for trade and other receivables (net)	(5,720)	(1,375)	(1,802)	737
Provision/(Reversal) for obsolescence of inventories (net)	3,565	(43)	4,625	591
Inventories written off	(202)	2,679	2,375	4,425

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

	Individual Period (4th quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31-12-20	31-12-19		31-12-20	31-12-19	
	RM'000	RM'000		RM'000	RM'000	
Revenue	441,577	420,260	5.07	1,810,952	1,763,737	2.68
Operating profit	11,049	7,643	44.56	42,680	39,676	7.57
Profit Before Interest and Tax	14,693	9,121	61.09	52,000	44,554	16.71
Profit Before Tax	13,173	6,336	107.91	44,870	34,707	29.28
Profit After Tax	9,249	6,220	48.70	32,437	27,275	18.93
Profit Attributable to Ordinary Equity Holders of the Parent	8,172	5,739	42.39	29,485	26,841	9.85

Overall Review of Group's Financial Performance

Group revenue increased from RM1.76 billion to RM1.81 billion, an increase of 2.68%. The main business divisions recorded higher sales and profits despite of disruptions in operations caused by Covid-19 pandemic.

The Group's profit after tax after non-controlling interest for the cumulative period ended 31 December 2020 increased by RM2.64 million or 9.85% compared to the preceding year corresponding year.

The Group's trade and other receivables decreased from RM339.65 million as at 31 December 2019 to RM302.00 million as at 31 December 2020 due to continuous monitoring on significant outstanding trade debtors. Bank borrowings decreased from RM151.78 million as at 31 December 2019 to RM131.03 million as at 31 December 2020.

Cash and bank balances increased from RM92.59 million as at 31 December 2019 to RM125.67 million as at 31 December 2020. Net working capital improved for the period ended 31 December 2020 as compared to 31 December 2019 following closed monitoring of trade receivables and inventories during the year ended 31 December 2020. This resulted in interest expense for the previous corresponding year dropping from RM9.85 million to RM7.13 million for the current year.

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Quarterly

Revenue for the current quarter increased by RM21.32 million or 5.07% as compared to the previous corresponding quarter. The increase is mainly due to increased sales in our Fast-Moving Consumer Products Division and Building Materials and Engineering Products Division. Cement sales increased by RM11.40 million or 39.5% compared to previous corresponding quarter. Cement sales and prices picked up due to pent up demand following the closure of 2 ½ months MCO period from March to May 2020.

Gross margins increased slightly from 10.68% for the current quarter to 11.81% for the previous corresponding quarter. Other Operating Income increased from RM1.48 million for the previous corresponding quarter to RM3.64 million for the current quarter as there were provision for fair value gain on financial assets at FVTPL of RM1.13 million for the current quarter as compared to RM611,000 in the previous corresponding quarter. The stock market in Malaysia performed better during the current quarter. Famous Amos Singapore also received government wage subsidies and rental rebates amounting to RM956,000 during the current quarter for our retailing business in Singapore.

The profit before tax for the current quarter was RM6.84 million or 107.91% higher as compared to the previous corresponding quarter.

Year to-date (YTD)

Revenue for YTD December 2020 increased by RM47.22 million or 2.68% as compared to the previous corresponding YTD December 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 Fast-Moving Consumer Products Division.

The profit before tax for YTD December 2020 was RM10.16 million or 29.28% higher as compared to the previous corresponding YTD December 2019. The Fast-Moving Consumer Goods and Building Materials and Engineering Products achieved increase in sales despite of business interruptions due to Covid-19 pandemic. Our new acquisition of Famous Amos Singapore also improved in sales and profitability besides receiving subsidies from the Singapore government.

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Segmental analysis

The Group has three reporting segments,

1. Trading and distribution
2. Retailing
3. Others

Revenue

	Year to-date December 2020 RM'000	Year to-date December 2019 RM'000	Changes amount RM'000	Growth %
Trading and distribution	1,762,191	1,717,608	44,583	2.60%
Retailing	37,544	33,583	3,961	11.79%
Others	11,217	12,546	(1,329)	-10.59%
	1,810,952	1,763,737	47,215	2.68%

Trading and distribution

	Year to-date December 2020 RM'000	Year to-date December 2019 RM'000	Changes amount RM'000	Growth %
Revenue				
Fast-Moving Consumer Goods	1,483,612	1,465,826	17,786	1.21%
Building Materials and Engineering Products	237,496	209,389	28,107	13.42%
Industrial and Agriculture Chemicals Products	41,083	42,393	(1,310)	-3.09%
	1,762,191	1,717,608	44,583	2.60%

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 97.3% of the Group's revenue.

Revenue for this Segment in YTD December 2020 increased by RM44.58 million or 2.60% as compared to YTD December 2019. The increase for the YTD December 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 closure of 2 ½ months MCO. Pent-up demand due to the closure of operations from March to May 2020 pushed sales and prices of cement higher.

The Profit Before Interest and Tax for the Trading and Distribution Segment increased from RM40.84 million in YTD December 2019 to RM42.03 million, or 2.93% in YTD December 2020.

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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 December 2020 is RM37.54 million as compared to RM33.58 million for YTD December 2019 due to increase in sales of Famous Amos Singapore. Profit Before Interest and Tax for this segment for YTD December 2020 is RM7.79 million as compared to RM429,000 for YTD December 2019. The increased in profits before tax is due to higher sales generated and profits of RM3.7 million from operations besides wage subsidies and rental rebates given by the Singapore government amounting to RM4.1 million for YTD December 2020.

Others

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

The Profit Before Interest and Tax for this Others Segment was RM1.77 million in YTD December 2019 as compared to Profit Before Interest and Tax of RM795,000 for YTD December 2020. The 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, particularly in Sarawak.

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31-12-20	30-09-20	
	RM'000	RM'000	
Revenue	441,577	482,233	-8.43
Operating profit	11,049	13,604	-18.78
Profit Before Interest and Tax	14,693	15,699	-6.41
Profit Before Tax	13,173	13,593	-3.09
Profit After Tax	9,249	10,294	-10.51
Profit Attributable to Ordinary Equity Holders of the Parent	8,172	9,237	-11.54

Revenue for the current quarter decreased by RM40.66 million or 8.43% compared to the immediate preceding quarter due to decrease in sales of fast moving consumer goods and Building Materials and Engineering products. There were pent up demand for cement during the immediate preceding quarter after 2 ½ months of closure of business during MCO.

The profit before tax for the current quarter decreased by RM420,000 or 3.09% compared to the immediate preceding quarter.

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B4. Prospects for Current Year

We expect economic conditions to improve gradually in the second half of year 2021 as global demands improves and vaccination against Covid-19 is rolled out progressively. Our Fast-Moving Consumer Goods which comprise over 80% of total businesses are expected to grow modestly in year 2021. However, our Building Materials and Engineering Products Division, Industrial and Agricultural Chemical Products Division, Shipping Agency Division and Retail Division are expected to face more challenges and uncertainties for year 2021.

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	
	31.12.2020 (RM'000)	31.12.2019 (RM'000)	31.12.2020 (RM'000)	31.12.2019 (RM'000)
Income tax	3,411	1,050	13,263	9,837
Deferred Taxation	513	(934)	(830)	(2,405)
	<u>3,924</u>	<u>116</u>	<u>12,433</u>	<u>7,432</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 4th quarter ended 2020			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	36,498	36,498
Revolving credit	-	8,220	8,220
	-	44,718	44,718
Unsecured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	86,316	86,316
Revolving credit	-	-	-
	-	86,316	86,316
Total	-	131,034	131,034

As at 4th quarter ended 2019			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	21,545	21,545
Revolving credit	-	3,220	3,220
	-	24,765	24,765
Unsecured			
Bank overdrafts	-	234	234
Bankers' acceptance	-	126,782	126,782
Revolving credit	-	-	-
	-	127,016	127,016
Total	-	151,781	151,781

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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	6.31%	8.39%
-Bankers' acceptance	3.08%	4.16%
-Revolving credits	3.55%	5.33%

B8. Ageing analysis of trade and other receivables

	2020 RM'000
Neither past due nor impaired	277,507
1 to 30 days past due not impaired	18,789
31 to 60 days past due not impaired	5,632
61 to 90 days past due not impaired	67
	24,488
	301,995

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 31 December 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 31.12.2020	QUARTER ENDED 31.12.2019	CUMULATIVE QUARTER PERIOD ENDED 31.12.2020	PERIOD ENDED 31.12.2019
Basic and diluted earnings per share					
Profit for the financial period attributable to owners of the Company	(RM'000)	8,172	5,739	29,485	2,6841
Weighted average number of Ordinary shares in issue	('000)	68,476	68,476	68,476	68,476
Basic and diluted earnings per share	(sen)	11.93	8.38	43.06	39.20

B12. Related party transactions

	Cumulative Quarter 31.12.2020 (RM'000)	31.12.2019 (RM'000)
(a) Rental of office space and car park from Sinar Nusantara Sdn Bhd *	186	186
(b) Management services rendered by subsidiary – Harrison's Corporate Services Sdn. Bhd.	1,044	1,255
(c) Rental of warehouses from two companies in which close members of the family of a Director of the Company have 50% equity interest	831	831

* 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 25 March 2021.