

HARRISONS HOLDINGS (MALAYSIA) BERHAD (199001003108)
NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2021

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 2020. 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 2020.

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 2020.

A2. Disclosure of Audit Qualification

The financial statements for the year ended 31 December 2020 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 June 2021, 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	Shipping and Others RM'000	Group RM'000
<u>2021</u>				
<u>Revenue</u>				
Total segment revenue	957,910	16,701	7,326	981,937
Inter segment revenue	(248)	(75)	(2,217)	(2,540)
	957,662	16,626	5,109	979,397
<u>Results</u>				
Profit Before				
Interest and Tax (external)	28,797	2,781	(1,131)	30,447
Interest income				615
Finance costs				(2,623)
Profit from ordinary activities before taxation				28,439
<u>Capital employed</u>				
Segments assets	661,607	35,323	60,839	757,769
Unallocated assets				8,405
Total assets				766,174
Segments liabilities	374,021	15,312	1,704	391,037
Unallocated liabilities				8,189
Total liabilities				399,226

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	Trading And <u>distribution</u> RM'000	<u>Retailing</u> RM'000	Shipping and <u>Others</u> RM'000	<u>Group</u> RM'000
<u>2020</u>				
<u>Revenue</u>				
Total segment revenue	865,832	15,188	8,618	889,638
Inter segment revenue	-	-	(2,496)	(2,496)
	865,832	15,188	6,122	887,142
 <u>Results</u>				
Profit Before				
Interest and Tax (external)	20,223	1,137	(499)	20,861
Interest income				747
Finance costs				(3,504)
				18,104
 <u>Capital employed</u>				
Segments assets	674,390	32,301	56,850	763,541
Unallocated assets				8,315
				771,856
 <u>Total assets</u>				
Segments liabilities	407,164	20,221	1,190	428,575
Unallocated liabilities				4,116
				432,691
 <u>Total liabilities</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>Shipping and Others</u> RM'000	<u>Group</u> RM'000
<u>As at 30 June 2021</u>				
<u>Types of goods and services</u>				
Consumer products	803,053	16,626	-	819,679
Building materials	131,291	-	-	131,291
Chemical products	23,318	-	-	23,318
Commission, handling fees and others	-	-	5,109	5,109
	<u>957,662</u>	<u>16,626</u>	<u>5,109</u>	<u>979,397</u>
<u>Geographical market</u>				
Sabah	536,321	-	3,900	540,221
Sarawak	285,700	-	312	286,012
Peninsular Malaysia	135,641	2,683	897	139,221
Singapore	-	13,943	-	13,943
	<u>957,662</u>	<u>16,626</u>	<u>5,109</u>	<u>979,397</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>957,662</u>	<u>16,626</u>	<u>5,109</u>	<u>979,397</u>

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	Trading and <u>distribution</u> RM'000	<u>Retailing</u> RM'000	Shipping and <u>Others</u> RM'000	<u>Group</u> RM'000
<u>As at 30 June 2020</u>				
<u>Types of goods and services</u>				
Consumer products	756,949	15,188	-	772,137
Building materials	90,072	-	-	90,072
Chemical products	18,811	-	-	18,811
Commission, handling fees and others	-	-	6,122	6,122
	<u>865,832</u>	<u>15,188</u>	<u>6,122</u>	<u>887,142</u>
<u>Geographical market</u>				
Sabah	496,545	-	4,331	500,876
Sarawak	265,507	-	417	265,924
Peninsular Malaysia	103,780	2,926	1,374	108,080
Singapore	-	12,262	-	12,262
	<u>865,832</u>	<u>15,188</u>	<u>6,122</u>	<u>887,142</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>865,832</u>	<u>15,188</u>	<u>6,122</u>	<u>887,142</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	154,991	154,991
(B) Third Parties for trade guarantees extended to subsidiary companies	28,585	28,585
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.	128	-
Total	184,041	183,576

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 June 2021, a total sum of RM3,157,000 of the capital expenditure approved for the Group has not been utilised and RM1,504,000 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	
	30.06.2021 (RM'000)	30.6.2020 (RM'000)	30.06.2021 (RM'000)	30.6.2020 (RM'000)
<u>Other operating income comprises of: -</u>				
Interest Income	(339)	(388)	(615)	(747)
Unrealised foreign exchange loss	6	1	12	-
(Gain)/Loss on disposal of property, plant and equipment	(26)	64	14	55
Loss/(Gain) on fair value changes of financial assets at FVTPL	444	(1,343)	412	188
Gain on disposal of financial assets at FVTPL	-	-	(49)	-
Other income	<u>(1,306)</u>	<u>(2,613)</u>	<u>(2,733)</u>	<u>(3,077)</u>
Total	(1,221)	(4,279)	(2,959)	(3,581)
Interest expenses	1,344	1,240	2,623	3,504
Depreciation of property, plant and equipment	1,333	1,691	3,239	2,820
Depreciation of Investment Properties	9	10	18	17
Depreciation of ROU Assets	3,553	4,011	7,500	8,090
Provision for trade and other receivables (net)	(1,320)	824	361	2,463
Provision for obsolescence of inventories (net)	(167)	67	(91)	453
Inventories written off	599	997	1,092	1,745

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

	Individual Period (1st quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	30-06-21	30-06-20		30-06-21	30-06-20	
	RM'000	RM'000		RM'000	RM'000	
Revenue	470,599	408,289	15.26	979,397	887,142	10.40
Operating profit	14,527	7,954	82.64	28,103	18,027	55.89
Profit Before Interest and Tax	15,748	12,233	28.73	31,062	21,608	43.75
Profit Before Tax	14,404	10,993	31.03	28,439	18,104	57.09
Profit After Tax	10,355	7,505	37.97	20,723	12,894	60.72
Profit Attributable to Ordinary Equity Holders of the Parent	9,948	6,758	47.22	19,696	12,076	63.10

Overall Review of Group's Cumulative Financial Performance

Cumulative Group revenue increased from RM887.14 million for YTD June 2020 to RM979.40 million for YTD 30 June 2021, an increase of 10.40%. The main business divisions recorded strong sales and higher 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 30 June 2021 increased by RM7.62 million or 63.10% compared to the preceding year corresponding period. The increase in profit is due to reduction in provision for doubtful debts of RM2.1 mil, reduction of inventories written-off by RM653,000 and reduction in provision for slow moving stock by RM544,000 during these current 6 months period compared to the previous corresponding 6 months period.

The Group's trade and other receivables decreased from RM301.89 million as at 31 December 2020 to RM285.84 million as at 30 June 2021 due to continuous monitoring on significant outstanding trade debtors. Bank borrowings decreased from RM131.03 million as at 31 December 2020 to RM108.33 million as at 30 June 2021.

Cash and bank balances increased from RM125.70 million as at 31 December 2020 to RM148.68 million as at 30 June 2021. Reduction in bank borrowings and lower interest rates on borrowings resulted in interest expense for the previous corresponding year dropping from RM3.50 million to RM2.62 million for the current year.

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Quarterly Financial Results

Revenue for the current quarter increased by RM60.31 million or 15.26% as compared to the previous corresponding quarter.

The profit before tax for the current quarter was RM3.41 million or 31.03% higher as compared to the previous corresponding quarter. The improved financial results for current quarter are attributable to the following reasons when compared to the previous corresponding quarter:

1. Gross Profits increased by RM5.62 million (12.50%) for the current quarter due to increased sales in our Fast-Moving Consumer Products Division and our Building Materials and Engineering Products divisions.
2. Due to the ongoing efforts to step up sales collections, there was an over provision for doubtful debts of RM1.32 million for the current quarter.
3. Inventories written-off decreased by RM398,000.
4. Provision for slow moving stocks decreased by RM234,000.

Year to-date (YTD) Financial Results

Revenue for YTD June 2021 increased by RM92.26 million or 10.40% as compared to the previous corresponding YTD June 2020. 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 June 2021 was RM10.33 million or 57.09% higher as compared to the previous corresponding YTD June 2020. The improved financial results for YTD June 2021 are attributable to the following reasons when compared to the YTD June 2020:

1. The Fast-Moving Consumer Goods and Building Materials and Engineering Products achieved increase in sales despite of business interruptions due to Covid-19 pandemic, bringing in additional Gross Profits of RM10.12 million (10.83%).
2. Provision for doubtful debts decreased by RM2.1 million.
3. Inventories written-off decreased by RM653,000.
4. Provision for slow moving stocks decreased by RM544,000.
5. Interest expense reduced by RM881,000 as interest rates on borrowings have fallen.

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Segmental analysis

The Group has three reporting segments,

1. Trading and distribution
2. Retailing
3. Shipping and Others

Revenue

	Year to-date June 2021 RM'000	Year to-date June 2020 RM'000	Changes amount RM'000	Growth %
Trading and distribution	957,662	865,832	91,830	10.61%
Retailing	16,626	15,188	1,438	9.47%
Shipping and Others	5,109	6,122	(1,013)	-16.55%
	979,397	887,142	92,255	10.40%

Trading and distribution segment (T&D Segment)

	Year to-date June 2021 RM'000	Year to-date June 2020 RM'000	Changes amount RM'000	Growth %
Revenue				
Fast-Moving Consumer Goods	803,053	756,949	46,104	6.09%
Building Materials and Engineering Products	131,291	90,072	41,219	45.76%
Industrial and Agriculture Chemicals Products	23,318	18,811	4,507	23.96%
	957,662	865,832	91,830	10.61%

This Trading and Distribution Segment ("T&D 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 97.78% of the Group's revenue.

Revenue for the T&D Segments in YTD June 2021 increased by RM91.83 million or 10.61% as compared to YTD June 2020. The increase for the YTD June 2021 is mainly due to the increased sales in consumer goods and cement in the Building Materials and Engineering Products Division. The sales of Industrial and Agriculture Chemicals Products increased by RM4.51 million or 23.96% due to successful tender sales in Sarawak for the sales of chemicals and fertilisers.

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The Profit Before Interest and Tax for the T&D Segment increased from RM20.86 million in YTD June 2020 to RM30.45 million, an increase of RM9.59 million or 45.95% in YTD June 2021. The reasons for the increase of our T&D Segment are explained earlier under the YTD Financial Results section.

Retailing segment

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

Revenue for this segment for YTD June 2021 is RM16.63 million as compared to RM15.2 million for YTD June 2020. The increase coming from the sales of Famous Amos Cookies Singapore. Profit Before Interest and Tax for this segment for YTD June 2021 is RM2.78 million as compared to RM1.14 million for YTD June 2020. The increased in Profits Before Tax for this segment is due to higher sales generated and profits from Famous Amos Singapore. There was also lower losses from our Komonoya brands products for the current year.

Shipping and Others Segment

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

Revenue was down for this segment by RM1.0 million or 16.55% due to the lower revenue from shipping as import containers and vessel calls to East Malaysia reduced as a consequence of the Covid 19 pandemic.

The Loss Before Interest and Tax for this Shipping and Others Segment was RM499,000 in YTD June 2020 as compared to Loss Before Interest and Tax of RM1.13 million for YTD June 2021. There was also a provision for fair value loss on financial assets at FVTPL of RM444,000 for the YTD June 2021 as compared to a provision for fair value gain on financial assets at PVTPL of RM1.34 million in YTD June 2020.

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30-06-21	31-03-21	
	RM'000	RM'000	
Revenue	470,599	508,798	-7.51
Operating profit	14,527	13,576	7.01
Profit Before Interest and Tax	15,748	15,314	2.83
Profit Before Tax	14,404	14,035	2.63
Profit After Tax	10,355	10,368	-0.13
Profit Attributable to Ordinary Equity Holders of the Parent	9,948	9,747	2.06

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Revenue for the current quarter decreased by RM38.20 million or 7.51% compared to the immediate preceding quarter due to decrease in sales of fast moving consumer goods and Building Materials and Engineering products. Our first quarter sales are usually stronger due to seasonal factors.

The profit before tax for the current quarter increased by RM369,000 or 2.63% compared to the immediate preceding quarter.

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	
	30.06.2021 (RM'000)	30.06.2020 (RM'000)	30.06.2021 (RM'000)	30.06.2020 (RM'000)
Income tax	3,558	2,395	7,351	5,042
Deferred Taxation	491	1,093	365	168
	<u>4,049</u>	<u>3,488</u>	<u>7,716</u>	<u>5,210</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 2nd quarter ended 2021			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	31,633	31,633
Revolving credit	-	3,220	3,220
	-	34,853	34,853
Unsecured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	73,482	73,482
Revolving credit	-	-	-
	-	73,482	73,482
Total	-	108,335	108,335

As at 2nd quarter ended 2020			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	2,473	2,473
Bankers' acceptance	-	30,382	30,382
Revolving credit	-	7,220	7,220
	-	40,075	40,075
Unsecured			
Bank overdrafts	-	889	889
Bankers' acceptance	-	139,613	139,613
Revolving credit	-	-	-
	-	140,502	140,502
Total	-	180,577	180,577

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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>2021</u>	<u>2020</u>
-Bank overdrafts	-	7.47%
-Bankers' acceptance	2.49%	3.52%
-Revolving credits	3.55%	4.89%

B8. Ageing analysis of trade and other receivables

	2021 RM'000
Neither past due nor impaired	252,427
1 to 30 days past due not impaired	28,197
31 to 60 days past due not impaired	4,926
61 to 90 days past due not impaired	291
	33,414
	285,841

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 June 2021.

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		CUMULATIVE QUARTER	
		QUARTER ENDED 31.03.2021	QUARTER ENDED 31.03.2020	PERIOD ENDED 31.03.2021	PERIOD ENDED 31.03.2020
Basic and diluted earnings per share					
Profit for the financial period attributable to owners of the Company	(RM'000)	9,948	6,758	19,696	12,076
Weighted average number of Ordinary shares in issue	('000)	68,476	68,476	68,476	68,476
Basic and diluted earnings per share	(sen)	14.53	9.87	28.76	17.64

B12. Related party transactions

	Cumulative Quarter	
	30.6.2021 (RM'000)	30.6.2020 (RM'000)
(a) Rental of office space and car park from Sinar Nusantara Sdn Bhd *	77	93
(b) Management services rendered by subsidiary – Harrison's Corporate Services Sdn. Bhd.	572	450
(c) Rental of warehouses from two companies in which close members of the family of a Director of the Company have 50% equity interest	415	415

* 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% (2020: 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 August 2021.