

**HARRISONS HOLDINGS (MALAYSIA) BERHAD (199001003108)**  
**NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 31 December 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 <u>distribution</u> RM'000	<u>Retailing</u> RM'000	Shipping and <u>Others</u> RM'000	<u>Group</u> RM'000
<u>2021</u>				
<u>Revenue</u>				
Total segment revenue	1,884,531	37,412	30,976	1,952,919
Inter segment revenue	(639)	(73)	(20,709)	(21,421)
	<u>1,883,892</u>	<u>37,339</u>	<u>10,267</u>	<u>1,931,498</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	54,408	8,949	(890)	62,467
Interest income				1,322
Finance costs				(4,909)
Profit from ordinary activities before taxation				<u>58,880</u>
<u>Capital employed</u>				
Segments assets	645,129	32,097	56,442	733,668
Unallocated assets				9,508
Total assets				<u>743,176</u>
Segments liabilities	349,616	12,861	2,522	364,999
Unallocated liabilities				6,753
Total liabilities				<u>371,752</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>2020</u>				
<u>Revenue</u>				
Total segment revenue	1,762,352	38,356	31,572	1,832,280
Inter segment revenue	(161)	(812)	(20,355)	(21,328)
	<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)	40,477	7,794	2,374	50,645
Interest income				1,380
Finance costs				(7,155)
Profit from ordinary activities before taxation				<u>44,870</u>
<u>Capital employed</u>				
Segments assets	655,328	36,737	61,060	753,125
Unallocated assets				8,710
Total assets				<u>761,835</u>
Segments liabilities	390,830	18,652	1,026	410,508
Unallocated liabilities				6,210
Total liabilities				<u>416,718</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 31 December 2021</u>				
<u>Types of goods and services</u>				
Consumer products	1,571,198	37,339	-	1,608,537
Building materials	265,268	-	-	265,268
Chemical products	47,426	-	-	47,426
Commission, handling fees and others	-	-	10,267	10,267
	<u>1,883,892</u>	<u>37,339</u>	<u>10,267</u>	<u>1,931,498</u>
<u>Geographical market</u>				
Sabah	1,059,372	-	8,418	1,067,790
Sarawak	545,703	-	711	546,414
Peninsular Malaysia	278,817	3,842	1,138	283,797
Singapore	-	33,497	-	33,497
	<u>1,883,892</u>	<u>37,339</u>	<u>10,267</u>	<u>1,931,498</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>1,883,892</u>	<u>37,339</u>	<u>10,267</u>	<u>1,931,498</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 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	41,082	-	-	41,082
Commission, handling fees and others	-	-	11,218	11,218
	<u>1,762,190</u>	<u>37,544</u>	<u>11,218</u>	<u>1,810,952</u>
<u>Geographical market</u>				
Sabah	983,815	-	8,700	992,515
Sarawak	517,425	-	840	518,265
Peninsular Malaysia	260,950	6,894	1,678	269,522
Singapore	-	30,650	-	30,650
	<u>1,762,190</u>	<u>37,544</u>	<u>11,218</u>	<u>1,810,952</u>
<u>Timing of revenue recognition</u>				
At a point in time	<u>1,762,190</u>	<u>37,544</u>	<u>11,218</u>	<u>1,810,952</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	111,604	111,604
(B) Third Parties for trade guarantees extended to subsidiary companies	33,162	33,162 -
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.	148	
<b>Total</b>	<b>145,251</b>	<b>144,766</b>

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 2021, a total sum of RM2,645,000 of the capital expenditure approved for the Group has not been utilised and RM2,016,000 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	
	31.12.2021 (RM'000)	31.12.2020 (RM'000)	31.12.2021 (RM'000)	31.12.2020 (RM'000)
<u>Other operating income comprises of: -</u>				
Interest Income	(401)	(297)	(1,322)	(1,380)
Unrealised foreign exchange loss/(gain)	132	(344)	150	(344)
(Gain)/Loss on disposal of property, plant and equipment	(31)	11	(46)	71
Loss/(Gain) on fair value changes of financial assets at FVTPL	228	(1,134)	645	(1,390)
Gain on disposal of financial assets at FVTPL	(3)	(1)	(110)	(3)
Other income	<u>(1,578)</u>	<u>(1,787)</u>	<u>(6,630)</u>	<u>(6,182)</u>
Total	(1,653)	(3,552)	(7,313)	(9,228)
Interest expenses	1,186	1,545	4,909	7,155
Depreciation of property, plant and equipment	1,339	1,268	5,943	5,876
Depreciation of Investment Properties	7	8	34	34
Depreciation of ROU Assets	4,340	3,560	15,629	15,532
Provision for trade and other receivables (net)	(2,036)	(5,339)	(442)	(1,421)
Provision for obsolescence of inventories (net)	1,950	2,752	2,526	3,812
Inventories written off	1,030	(202)	2,644	2,375



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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	
	30-12-21	30-12-20		30-12-21	30-12-20	
	RM'000	RM'000		RM'000	RM'000	
Revenue	494,899	441,577	12.08	1,931,498	1,810,952	6.66
Operating profit	15,749	11,166	41.04	56,476	42,797	31.96
Profit Before Interest and Tax	17,402	14,178	18.24	63,789	52,025	22.61
Profit Before Tax	16,216	13,173	23.10	58,880	44,870	31.22
Profit After Tax	12,613	9,249	36.37	44,093	32,437	35.93
Profit Attributable to Ordinary Equity Holders of the Parent	12,005	8,172	46.91	41,449	29,485	40.58

**Overall Review of Group's Cumulative Financial Performance**

Cumulative Group revenue increased from RM1.81 billion for YTD December 2020 to RM1.93 billion for YTD 31 December 2021, an increase of 6.66%. 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 31 December 2021 increased by RM11.96 million or 40.58% compared to the preceding year corresponding period. Gross margins increased slightly from 10.94% for the year to 11.23% for the previous year. The increase in profit also is due to reduction in provision for slow moving stock by RM1.29 million during the current year compared to the previous corresponding year.

The Group's trade and other receivables decreased from RM301.89 million as at 31 December 2020 to RM293.57 million as at 31 December 2021 due to continuous monitoring on significant outstanding trade debtors. Bank borrowings decreased from RM131.03 million as at 31 December 2020 to RM68.68 million as at 31 December 2021.

Cash and bank balances increased from RM125.70 million as at 31 December 2020 to RM141.90 million as at 31 December 2021. Reduction in bank borrowings and lower interest rates on borrowings resulted in interest expense dropping from RM7.16 million for the previous corresponding year-to-date to RM4.91 million for the current year-to-date.

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**Quarterly Financial Results**

Revenue for the current quarter increased by RM53.32 million or 12.08% as compared to the previous corresponding quarter. The increase is mainly due to strong sales of our key agencies in our Fast-Moving Consumer Products Division. Sales for our Building Materials Division picked up in current quarter 2021 due to pent up demand after most of the States had moved into Phase Four of the National Recovery Plan starting from October 2021, without further lockdowns.

Administrative expenses was higher by RM4.66 million or 13.82% as compared to the previous corresponding quarter due to additional provision for bonus and salary related expenses, lower reversal of provision for doubtful debts in this current quarter.

The profit before tax for the current quarter was RM3.04 million or 23.10% higher as compared to the previous corresponding quarter. The improved financial results are due to:

1. Gross margins increased slightly from 11.81% for the previous corresponding quarter to 12.45% and sales grew by RM53.32mil for the current quarter.
2. Provision for slow moving stocks decreased by RM802,000.
3. Interest expense reduced by RM359,000 due to reduction in borrowings and lower cost of borrowings.

**Year to-date (YTD) Financial Results**

Revenue for YTD December 2021 increased by RM120.55 million or 6.66% as compared to the previous corresponding YTD December 2020. The increase is mainly due to increase in sales in Malex in our Building Materials and Engineering Products division and key Consumer agency goods in our Fast-Moving Consumer Products Division.

The profit before tax for YTD December 2021 was RM14.01 million or 31.22% higher as compared to the previous corresponding YTD December 2020. The improved financial results for YTD December 2021 are attributable to the following reasons when compared to the YTD December 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 RM18.76 million (9.47%).
2. Provision for slow moving stocks decreased by RM1.29 million.
3. Interest expense reduced by RM2.25 million due to reduction in bank borrowings and lower cost of borrowings.

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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 December 2021 RM'000	Year to-date December 2020 RM'000	Changes amount RM'000	Growth %
Trading and distribution	1,883,892	1,762,191	121,701	6.91%
Retailing	37,339	37,544	(205)	-0.55%
Shipping and Others	10,267	11,217	(950)	-8.47%
	<b>1,931,498</b>	<b>1,810,952</b>	<b>120,546</b>	<b>6.66%</b>

**Trading and distribution segment (T&D Segment)**

	Year to-date December 2021 RM'000	Year to-date December 2020 RM'000	Changes amount RM'000	Growth %
<b>Revenue</b>				
Fast-Moving Consumer Goods	1,571,198	1,483,612	87,586	5.90%
Building Materials and Engineering Products	265,268	237,496	27,772	11.69%
Industrial and Agriculture Chemicals Products	47,426	41,083	6,343	15.44%
	<b>1,883,892</b>	<b>1,762,191</b>	<b>121,701</b>	<b>6.91%</b>

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 97.44% of the Group's revenue.

Revenue for the T&D Segment in YTD December 2021 increased by RM121.70 million or 6.91% as compared to YTD December 2020. The increase for the YTD December 2021 is mainly due to the increased sales in key consumer agency goods and malex in the Building Materials and Engineering Products Division. The sales of Industrial and Agriculture Chemicals Products increased by RM6.34 million or 15.44% due to higher sales of Agriculture Chemicals in Sabah.

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The Profit Before Interest and Tax for the T&D Segment increased from RM40.48 million in YTD December 2020 to RM54.41 million, an increase of RM13.93 million or 34.42% in YTD December 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 December 2021 is RM37.34 million as compared to RM37.54 million for YTD December 2020. The marginal decline is due to lower sales for our Komonoya brand products following the closure of the last retail outlet in September 2021. Profit Before Interest and Tax for this segment for YTD December 2021 is RM8.95 million as compared to RM7.79 million for YTD December 2020. The increase in Profits Before Tax for this segment is due to higher sales and profits from Famous Amos Singapore. Our Komonoya brands products also turned around from a loss of RM702,000 for YTD December 2020 to a profit of RM62,000 for YTD December 2021 following the closing of all the retailing outlets in Malaysia.

**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 continues to be down for this segment by RM950,000 or 8.47% due to the lower revenue of our Shipping Agency Division as shipping cargo to East Malaysia continue to decrease being affected by the Covid pandemic.

The Loss Before Interest and Tax for this Shipping and Others Segment was RM890,000 in YTD December 2021 as compared to Profit Before Interest and Tax of RM2.37 million for YTD December 2020. There was a provision for fair value loss on financial assets at FVTPL of RM645,000 for the YTD December 2021 as compared to a provision for fair value gain on financial assets at PVTPL of RM1.39 million in YTD December 2020.

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31-12-21	30-09-21	
	RM'000	RM'000	
Revenue	494,899	457,202	8.25
Operating profit	15,749	12,624	24.75
Profit Before Interest and Tax	17,402	15,325	13.55
Profit Before Tax	16,216	14,225	14.00
Profit After Tax	12,613	10,757	17.25
Profit Attributable to Ordinary Equity Holders of the Parent	12,005	9,748	23.15

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Revenue for the current quarter increased by RM37.70 million or 8.25% compared to the immediate preceding quarter. The increase is mainly due to increased sales in our Fast-Moving Consumer Products Division. Sales for our Building Materials Division picked up in current quarter 2021 due to pent up demand after most of the States had moved into Phase Four of the National Recovery Plan starting from October 2021, without further lockdowns.

The profit before tax for the current quarter increased by RM1.99 or 14.00% compared to the immediate preceding quarter. Gross margins increased slightly from 11.30% for the immediate preceding quarter to 12.45% for the current quarter. Allowance for impairment of trade receivables was lower for the current quarter due to the write back of allowance for impairment of trade receivables of RM2.04 million this current quarter.

**B4. Prospects for Current Year**

We expect economic conditions to improve in 2022 after Malaysia has achieved a high vaccination rate for its citizens against Covid-19. Our Fast-Moving Consumer Goods which comprise over 80% of total businesses is expected to grow in tandem with the forecast GDP growth of 5% to 6% for Malaysia 2022. However, the smaller Building Materials Division, Engineering Products Division, Industrial and Agricultural Chemical Products Division, Shipping Agency Division and Retail Division are expected to face challenges in year 2022.

**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	
	31.12.2021 (RM'000)	31.12.2020 (RM'000)	31.12.2021 (RM'000)	31.12.2020 (RM'000)
Income tax	4,240	3,411	15,560	13,263
Deferred Taxation	(637)	513	(773)	(830)
	<u>3,603</u>	<u>3,924</u>	<u>14,787</u>	<u>12,433</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:

<b>As at 4th quarter ended 2021</b>			
	<b>Long term</b>	<b>Short term</b>	<b>Total borrowings</b>
	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>
<b>Secured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	29,429	29,429
Revolving credit	-	2,500	2,500
	-	31,929	31,929
<b>Unsecured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	36,750	36,750
Revolving credit	-	-	-
	-	36,750	36,750
<b>Total</b>	-	68,679	68,679

<b>As at 4th quarter ended 2020</b>			
	<b>Long term</b>	<b>Short term</b>	<b>Total borrowings</b>
	<b>(RM '000)</b>	<b>(RM '000)</b>	<b>(RM '000)</b>
<b>Secured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	36,498	36,498
Revolving credit	-	8,220	8,220
	-	44,718	44,718
<b>Unsecured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	86,316	86,316
Revolving credit	-	-	-
	-	86,316	86,316
<b>Total</b>	-	131,034	131,034

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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	-	-
-Bankers' acceptance	2.53%	3.08%
-Revolving credits	4.10%	3.55%

**B8. Ageing analysis of trade and other receivables**

	2021 RM'000
Neither past due nor impaired	276,669
1 to 30 days past due not impaired	13,574
31 to 60 days past due not impaired	2,378
61 to 90 days past due not impaired	951
	16,903
	293,572

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 RM3,121,000 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 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.

**HARRISONS HOLDINGS (MALAYSIA) BERHAD (199001003108)**  
**NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2021**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.12.2021	QUARTER ENDED 31.12.2020	PERIOD ENDED 31.12.2021	PERIOD ENDED 31.12.2020
<b>Basic and diluted earnings per share</b>					
Profit for the financial period attributable to owners of the Company	(RM'000)	12,005	8,172	41,449	29,485
Weighted average number of Ordinary shares in issue	('000)	68,476	68,476	68,476	68,476
Basic and diluted earnings per share	(sen)	17.53	11.93	60.53	43.06

**B12. Related party transactions**

	Cumulative Quarter	
	31.12.2021 (RM'000)	31.12.2020 (RM'000)
(a) Rental of office space and car park from Sinar Nusantara Sdn Bhd *	171	186
(b) Management services rendered by subsidiary – Harrison's Corporate Services Sdn. Bhd.	999	1,057
(c) Rental of warehouses from two companies in which close members of the family of a Director of the Company have 50% equity interest	804	804

\* 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 25 February 2022.