

HARRISONS HOLDINGS (MALAYSIA) BERHAD (199001003108)
NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2022

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 2021. 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 2021.

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 2021.

A2. Disclosure of Audit Qualification

The financial statements for the year ended 31 December 2021 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 2022, 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 30 sen per ordinary share amounting to RM20,542,860 for the financial year ended 31 December 2021 which was approved at Annual General Meeting on 22 June 2022, was paid on 22 August 2022.

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A8. Segmental information

	Trading And distribution RM'000	Retailing RM'000	Shipping and Others RM'000	Group RM'000
<u>2022</u>				
<u>Revenue</u>				
Total segment revenue	1,621,784	24,873	17,014	1,663,671
Inter segment revenue	(378)	-	(3,771)	(4,149)
	<u>1,621,406</u>	<u>24,873</u>	<u>13,243</u>	<u>1,659,522</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	61,576	2,376	2,113	66,065
Interest income				1,291
Finance costs				(3,737)
Profit from ordinary activities before taxation				<u>63,619</u>
<u>Capital employed</u>				
Segments assets	762,368	32,656	25,321	820,345
Unallocated assets				9,357
Total assets				<u>829,702</u>
Segments liabilities	403,472	14,642	2,886	421,000
Unallocated liabilities				9,810
Total liabilities				<u>430,810</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>2021</u>				
<u>Revenue</u>				
Total segment revenue	1,403,019	26,415	10,872	1,440,306
Inter segment revenue	(308)	(73)	(3,326)	(3,707)
	<u>1,402,711</u>	<u>26,342</u>	<u>7,546</u>	<u>1,436,599</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	40,918	6,046	(1,498)	45,466
Interest income				921
Finance costs				(3,723)
Profit from ordinary activities before taxation				<u>42,664</u>
<u>Capital employed</u>				
Segments assets	617,261	35,473	43,905	696,639
Unallocated assets				8,594
Total assets				<u>705,233</u>
Segments liabilities	320,923	12,997	2,470	336,390
Unallocated liabilities				8,578
Total liabilities				<u>344,968</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 September 2022</u>				
<u>Types of goods and services</u>				
Consumer products	1,347,354	24,873	-	1,372,227
Building materials	229,591	-	-	229,591
Chemical products	44,461	-	-	44,461
Commission, handling fees and others	-	-	13,243	13,243
	<u>1,621,406</u>	<u>24,873</u>	<u>13,243</u>	<u>1,659,522</u>
<u>Geographical market</u>				
Sabah	910,546	-	11,717	922,263
Sarawak	458,659	-	607	459,266
Peninsular Malaysia	252,201	2,693	919	255,813
Singapore	-	22,180	-	22,180
	<u>1,621,406</u>	<u>24,873</u>	<u>13,243</u>	<u>1,659,522</u>
<u>Timing of revenue recognition</u>				
At a point in time	1,621,406	24,873	1,243	1,647,522
At over time	-	-	12,000	12,000
	<u>1,621,406</u>	<u>24,873</u>	<u>13,243</u>	<u>1,659,522</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 September 2021</u>				
<u>Types of goods and services</u>				
Consumer products	1,186,745	26,342	-	1,213,087
Building materials	180,838	-	-	180,838
Chemical products	35,128	-	-	35,128
Commission, handling fees and others	-	-	7,546	7,546
	<u>1,402,711</u>	<u>26,342</u>	<u>7,546</u>	<u>1,436,599</u>
<u>Geographical market</u>				
Sabah	795,848	-	6,008	801,856
Sarawak	418,850	-	547	419,397
Peninsular Malaysia	188,013	3,226	991	192,230
Singapore	-	23,116	-	23,116
	<u>1,402,711</u>	<u>26,342</u>	<u>7,546</u>	<u>1,436,599</u>
<u>Timing of revenue recognition</u>				
At a point in time	1,402,711	26,342	1,055	1,430,108
At over time	-	-	6,491	6,491
	<u>1,402,711</u>	<u>26,342</u>	<u>7,546</u>	<u>1,436,599</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	137,686	137,686
(B) Third Parties for trade guarantees extended to subsidiary companies	18,342	18,342
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	-
Total	156,513	156,028

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 2022, a total sum of RM4,335,000 of the capital expenditure approved for the Group has not been utilised and RM1,105,000 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	
	30.9.2022 (RM'000)	30.9.2021 (RM'000)	30.9.2022 (RM'000)	30.9.2021 (RM'000)
<u>Other operating income comprises of: -</u>				
Interest Income	(546)	(306)	(1,291)	(921)
Unrealised foreign exchange loss	49	6	71	18
(Gain)/Loss on disposal of property, plant and equipment	(7)	(29)	(22)	(15)
Fair value loss on financial assets at FVTPL	586	5	1,980	417
Gain on disposal of financial assets at FVTPL	(190)	(58)	(192)	(107)
Other income	<u>(774)</u>	<u>(2,319)</u>	<u>(2,460)</u>	<u>(5,052)</u>
Total	<u>(882)</u>	<u>(2,701)</u>	<u>(1,914)</u>	<u>(5,660)</u>
Interest expenses	1,470	1,100	3,737	3,723
Depreciation of property, plant and equipment	1,288	1,365	4,025	4,604
Depreciation of Investment Properties	14	9	41	27
Depreciation of ROU Assets	3,632	3,789	11,161	11,289
Provision for trade and other receivables (net)	1,656	1,233	2,434	1,594
Provision for obsolescence of inventories (net)	538	667	440	576
Inventories written off	449	522	1,382	1,614

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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	
	30.9.22	30.9.21		30.9.22	30.9.21	
	RM'000	RM'000		RM'000	RM'000	
Revenue	539,236	457,202	17.94	1,659,522	1,436,599	15.52
Operating profit	23,560	12,624	86.63	65,442	40,727	60.68
Profit Before Interest and Tax	24,442	15,325	59.49	67,356	46,387	45.20
Profit Before Tax	22,972	14,225	61.49	63,619	42,664	49.12
Profit After Tax	16,819	10,757	56.35	47,391	31,480	50.54
Profit Attributable to Ordinary Equity Holders of the Parent	16,709	9,748	71.40	46,928	29,444	59.38

Quarterly Financial Results

Revenue for the current quarter grew strongly by RM82.0 million or 17.9% as compared to the previous corresponding quarter. The increase is mainly due to increase in sales volume and selling prices of the Fast-Moving Consumer Products. Sales for our Building Materials Division grew by RM9.8 million (36.7%) during the current quarter. There was about 2 months of lockdown due to Covid 19 resulted in lower sales for the previous corresponding quarter.

The profit before tax for the current quarter was RM8.7 million or 61.5% higher as compared to the previous corresponding quarter. The improved financial results are due to:

1. Gross margins increased slightly from 11.30% for the previous corresponding quarter to 12.25% and sales grew by RM82.0 mil for the current quarter.
2. Higher incentives earned from principals for achieving sales targets.
3. Adjustments to our inventories due to price increase.

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Year to-date (YTD) Financial Results

Revenue for YTD September 2022 increased by RM222.9 million or 15.5% as compared to YTD September 2021 from RM1.44 billion in YTD September 2021 to RM1.66 billion in YTD September 2022. The increase is mainly due to increase in sales volume and selling prices of our key agencies' products in our Fast-Moving Consumer Products Division. The opening up of Sabah to tourism and business travelling also contributed to the higher sales. Sales for cement in our Building Materials Division increased in 2022 as there were no lockdowns for Covid 19 for YTD September 2022.

Administrative expenses increased by RM3.33 million mainly due to staff salary adjustments.

The profit before tax for YTD September 2022 was RM21.0 million or 49.1% higher as compared to the previous corresponding YTD September 2021. The improved financial results for YTD September 2022 are attributable to the following reasons when compared to the YTD September 2021:

1. Gross margins increased slightly from 10.81% to 11.22% and sales grew by RM222.9 million for YTD September 2022.
2. Higher incentives earned from principals for achieving sales targets.
3. Adjustments to our inventories due to price increase.

Segmental analysis

The Group has three reporting segments,

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

Revenue

	Year to-date September 2022 RM'000	Year to-date September 2021 RM'000	Changes amount RM'000	Growth %
Trading and distribution	1,621,406	1,402,711	218,695	15.59
Retailing	24,873	26,342	(1,469)	-5.58
Shipping and Others	13,243	7,546	5,697	75.50
	1,659,522	1,436,599	222,923	15.52

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Trading and distribution segment (T&D Segment)

	Year to-date September 2022 RM'000	Year to-date September 2021 RM'000	Changes amount RM'000	Growth %
Revenue				
Fast-Moving Consumer Goods	1,347,354	1,186,745	160,609	13.53
Building Materials and Engineering Products	229,591	180,838	48,753	26.96
Industrial and Agriculture Chemicals Products	44,461	35,128	9,333	26.57
	1,621,406	1,402,711	218,695	15.59

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 97.7% of the Group’s revenue.

Revenue for the T&D Segment in YTD September 2022 increased by RM218.7 million or 15.6% as compared to YTD September 2021. The increase for the YTD September 2022 is mainly due to increase in sales volume and selling prices of our Fast-Moving Consumer Products and cement in the Building Materials and Engineering Products Division. The sales of Industrial and Agriculture Chemicals Products increased by RM9.3 million or 26.6% due to stronger demand for our agriculture chemicals in Sabah during the current period.

The Profit Before Interest and Tax for the T&D Segment increased from RM40.9 million in YTD September 2021 to RM61.6 million in YTD September 2022, an increase of RM20.7 million or 50.5% in YTD September 2022. The reasons for the increase of our T&D Segment are explained earlier under the Quarterly and YTD Financial Results section in item B2.

Retailing segment

This segment includes retailing of our Famous Amos Cookies in Singapore and wholesaling of Komonoya products predominantly in Singapore.

Revenue for this segment for YTD September 2022 is RM24.9 million as compared to RM26.3 million for YTD September 2021. The slight decline is due to lower sales of our Komonoya brand products following the closure of the last retail outlet in Malaysia since September 2021. Sales of our Famous Amos cookies were affected by the shortage of batter during the current quarter 2022.

Profit Before Interest and Tax for this segment for YTD September 2022 is RM2.4 million as compared to RM6.0 million for YTD September 2021. The decrease in Profits Before Tax for this segment is due to reduced profits from Famous Amos Singapore following reduction in government wage subsidies and rental rebates reduced by RM2.2 million and reduction in sales due to the shortage in supply of batter from our principal in United States.

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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 for this segment increase by RM5.5 million or 84.9% due to the higher revenue of our Shipping Agency Division as cargo volume to East Malaysia increased.

The Profit Before Interest and Tax for this Segment was RM8.7 million for the current quarter as compared to RM3.5 million for the previous corresponding period. Shipping Division results improved by RM5.1 million. However, the fair value loss on financial assets at FVTPL was higher, RM1.98 million in YTD September 2022 as compared to a provision for fair value loss of RM417,000 in YTD September 2021.

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30-9-22	30-6-22	
	RM'000	RM'000	
Revenue	539,236	560,350	-3.77
Operating profit	23,560	24,085	-2.18
Profit Before Interest and Tax	24,442	23,821	2.61
Profit Before Tax	22,972	22,608	1.61
Profit After Tax	16,819	17,150	-1.93
Profit Attributable to Ordinary Equity Holders of the Parent	16,709	17,067	-2.10

Revenue for the current quarter decreased by RM21.1 million or 3.77% compared to the immediate preceding quarter due to seasonal factors.

Gross margin for the current quarter is higher as the company received higher incentives and higher adjustments to our inventories due to price increases.

The profit before tax for the current quarter increased by RM364,000 or 1.6% compared to the immediate preceding quarter.

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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 and relaxation of movement controls. Our Fast-Moving Consumer Goods which comprise over 80% of our total businesses is expected to grow in tandem with the forecast GDP growth of 5% to 6% for Malaysia for 2022. We anticipate the smaller Building Materials Division, Engineering Products Division, Industrial and Agricultural Chemical Products Division, Shipping Agency Division and Retail Division to continue to do well as the domestic economy opens despite of inflation and rising interest rate challenges.

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	
	30.9.2022 (RM'000)	30.9.2021 (RM'000)	30.9.2022 (RM'000)	30.9.2021 (RM'000)
Income tax	5,536	3,969	16,136	11,320
Deferred Taxation	617	(501)	92	(136)
	<u>6,153</u>	<u>3,468</u>	<u>16,228</u>	<u>11,184</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 2022			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	23,101	23,101
Revolving credit	-	-	-
	-	23,101	23,101
Unsecured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	94,978	94,978
Revolving credit	-	-	-
	-	94,978	94,978
Total	-	118,079	118,079

As at 3rd quarter ended 2021			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
Secured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	13,370	13,370
Revolving credit	-	6,720	6,720
	-	20,090	20,090
Unsecured			
Bank overdrafts	-	-	-
Bankers' acceptance	-	41,955	41,955
Revolving credit	-	-	-
	-	41,955	41,955
Total	-	62,045	62,045

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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>2022</u>	<u>2021</u>
-Bank overdrafts	-	-
-Bankers' acceptance	2.83%	2.72%
-Revolving credits	-	4.10%

B8. Ageing analysis of trade and other receivables

	2022 RM'000
Neither past due nor impaired	282,960
1 to 30 days past due not impaired	27,282
31 to 60 days past due not impaired	10,061
61 to 90 days past due not impaired	-
	37,343
	320,303

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 30 September 2022.

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 30.9.2022	QUARTER QUARTER ENDED 30.9.2021	CUMULATIVE QUARTER PERIOD ENDED 30.6.2022	CUMULATIVE QUARTER PERIOD ENDED 30.9.2021
Basic and diluted earnings per share					
Profit for the financial period attributable to owners of the Company	(RM'000)	16,709	9,748	46,928	29,444
Weighted average number of Ordinary shares in issue	('000)	68,476	68,476	68,476	68,476
Basic and diluted earnings per share	(sen)	24.40	14.24	68.53	43.00

B12. Related party transactions

	Cumulative Quarter 30.9.2022 (RM'000)	30.9.2021 (RM'000)
(a) Rental of office space and car park from Sinar Nusantara Sdn Bhd *	125	129
(b) Management services rendered by subsidiary – Harrison's Corporate Services Sdn. Bhd.	757	857
(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	603

* 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 November 2022.