

**HARRISONS HOLDINGS (MALAYSIA) BERHAD (199001003108)**  
**NOTES TO THE UNAUDITED QUARTERLY REPORT ON CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2023**

**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 2022. 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 2022.

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 2022.

A2. Disclosure of Audit Qualification

The financial statements for the year ended 31 December 2022 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 2023, 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

	<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>2023</u>				
<u>Revenue</u>				
Total segment revenue	1,167,681	18,757	10,314	1,196,752
Inter segment revenue	(221)	-	(2,697)	(2,918)
	<u>1,167,460</u>	<u>18,757</u>	<u>7,617</u>	<u>1,193,834</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	48,265	960	1,483	50,708
Interest income				1,037
Finance costs				(3,418)
Profit from ordinary activities before taxation				<u>48,237</u>
<u>Capital employed</u>				
Segments assets	771,839	39,248	66,695	877,782
Unallocated assets				9,224
Total assets				<u>887,006</u>
Segments liabilities	405,300	16,009	2,137	423,446
Unallocated liabilities				6,378
Total liabilities				<u>429,824</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>2022</u>				
<u>Revenue</u>				
Total segment revenue	1,095,760	16,598	10,607	1,122,965
Inter segment revenue	(165)	-	(2,514)	(2,679)
	<u>1,095,595</u>	<u>16,598</u>	<u>8,093</u>	<u>1,120,286</u>
<u>Results</u>				
Profit Before				
Interest and Tax (external)	40,029	1,719	421	42,169
Interest income				745
Finance costs				(2,267)
Profit from ordinary activities before taxation				<u>40,647</u>
<u>Capital employed</u>				
Segments assets	710,652	32,825	46,489	789,966
Unallocated assets				9,956
Total assets				<u>799,922</u>
Segments liabilities	372,348	12,049	2,756	387,153
Unallocated liabilities				9,835
Total liabilities				<u>396,988</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 2023</u>				
<u>Types of goods and services</u>				
Consumer products	946,924	18,757	-	965,681
Building materials	197,074	-	-	197,074
Chemical products	23,461	-	-	23,461
Commission, handling fees and others	-	-	7,617	7,617
	<u>1,167,460</u>	<u>18,757</u>	<u>7,617</u>	<u>1,193,834</u>
<u>Geographical market</u>				
Sabah	625,933	-	6,414	632,347
Sarawak	328,976	-	300	329,276
Peninsular Malaysia	212,551	1,921	903	215,375
Singapore	-	16,836	-	16,836
	<u>1,167,460</u>	<u>18,757</u>	<u>7,617</u>	<u>1,193,834</u>
<u>Timing of revenue recognition</u>				
At a point in time	1,167,460	18,757	1,268	1,187,485
At over time	-	-	6,349	6,349
	<u>1,167,460</u>	<u>18,757</u>	<u>7,617</u>	<u>1,193,834</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 2022</u>				
<u>Types of goods and services</u>				
Consumer products	906,770	16,598	-	923,368
Building materials	158,486	-	-	158,486
Chemical products	30,339	-	-	30,339
Commission, handling fees and others	-	-	8,093	8,093
	<u>1,095,595</u>	<u>16,598</u>	<u>8,093</u>	<u>1,120,286</u>
<u>Geographical market</u>				
Sabah	612,802	-	6,877	619,679
Sarawak	308,866	-	323	309,189
Peninsular Malaysia	173,927	1,790	893	176,610
Singapore	-	14,808	-	14,808
	<u>1,095,595</u>	<u>16,598</u>	<u>8,093</u>	<u>1,120,286</u>
<u>Timing of revenue recognition</u>				
At a point in time	1,095,595	16,598	1,067	1,113,260
At over time	-	-	7,026	7,026
	<u>1,095,595</u>	<u>16,598</u>	<u>8,093</u>	<u>1,120,286</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	143,724	143,724
(B) Third Parties for trade guarantees extended to subsidiary companies	29,698	29,698
Unsecured Bank Guarantee Given to Third Parties for Trade Guarantees Extended to Subsidiary Companies	915	-
Unsecured Bank Guarantee Given to Third Parties in the ordinary course of business.	103	-
<b>Total</b>	<b>174,440</b>	<b>173,422</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 30 June 2023, a total sum of RM3,238,000 of the capital expenditure approved for the Group has not been utilised and RM1,115,000 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	
	30.6.2023 (RM'000)	30.6.2022 (RM'000)	30.6.2023 (RM'000)	30.6.2022 (RM'000)
<u>Other operating income comprises of: -</u>				
Interest Income	(539)	(415)	(1,037)	(745)
Unrealised foreign exchange (gain)/loss	(57)	16	(59)	22
Loss/(Gain) on disposal of property, plant and equipment	171	(11)	99	(15)
Fair value loss on financial assets at FVTPL	691	1,401	291	1,394
Gain on disposal of financial assets at FVTPL	(6)	-	(9)	(2)
Other income	<u>(883)</u>	<u>(727)</u>	<u>(1,676)</u>	<u>(1,686)</u>
Total	(623)	264	(2,391)	(1,032)
Interest expenses	1,698	1,213	3,418	2,267
Depreciation of property, plant and equipment	1,208	1,426	2,535	2,737
Depreciation of Investment Properties	7	20	14	27
Depreciation of ROU Assets	3,965	3,775	7,880	7,529
Provision for trade and other receivables (net)	(2,923)	(1,103)	(1,528)	778
Provision for obsolescence of inventories (net)	(4,551)	(485)	(4,098)	(98)
Inventories written off	754	483	1,309	933



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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	
	30.6.23	30.6.22		30.6.23	30.6.22	
	RM'000	RM'000		RM'000	RM'000	
Revenue	571,817	560,350	2.05	1,193,834	1,120,286	6.57
Operating profit	27,368	24,085	13.63	49,354	41,882	17.84
Profit Before Interest and Tax	27,991	23,821	17.51	51,745	42,914	20.58
Profit Before Tax	26,293	22,608	16.30	48,327	40,647	18.89
Profit After Tax	19,546	17,150	13.97	35,845	30,572	17.25
Profit Attributable to Ordinary Equity Holders of the Parent	19,550	17,067	14.55	35,673	30,219	18.05

**Quarterly Financial Results**

Revenue for the current quarter grew by RM11.5 million or 2.05% as compared to the previous corresponding quarter. The increase is mainly due to increase in sales of our key Fast-Moving Consumer Products and cement in our Building Materials Division.

The profit before tax for the current quarter was RM3.7 million or 16.30% higher as compared to the previous corresponding quarter. The improved financial results are due to:

1. Stronger sales (2.05%) for the current quarter.
2. Gross margins increased slightly from 11.04% for the previous corresponding quarter to 11.18% as cost of sales were lower this current quarter.
3. Selling and distribution cost decreased by RM3.7 million for the current quarter as compared to the previous corresponding quarter due to reversal of allowance of slow-moving inventories of RM4.6 million for the current quarter.
4. Interest income increased by RM124,000 as Overnight Policy Rate (OPR) increased 0.25% for the current quarter.

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

Revenue for YTD June 2023 increased by RM73.5 million or 6.57% as compared to YTD June 2022 from RM1.12 billion in YTD June 2022 to RM1.19 billion in YTD June 2023. The increase is mainly due to increase in sales of our key agencies' products in our Fast-Moving Consumer Products Division. Sales for cement in our Building Materials Division increased in year 2023 as a result of increased in average selling price of cement.

The profit before tax for YTD June 2023 was RM7.7 million or 18.89% higher as compared to the previous corresponding YTD June 2022. The improved financial results for YTD June 2023 are attributable to the following reasons when compared to the YTD June 2022:

1. Gross margins increased slightly from 10.73% to 10.96% and sales grew by RM73.5 mil for YTD June 2023.
2. Selling and distribution cost decreased by RM2.8 million for YTD June 2023 as compared to the YTD June 2022 due to reversal of allowance of slow-moving inventories of RM4.1 million for YTD June 2023.
3. Interest income increased by RM292,000 due to Overnight Policy Rate (OPR) increased from 2.0% in May 2022 to 3.0% in May 2023.

**Segmental analysis**

The Group has three reporting segments,

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

**Revenue**

	Year to-date June 2023 RM'000	Year to-date June 2022 RM'000	Changes amount RM'000	Growth %
Trading and distribution	1,167,460	1,095,595	71,865	6.56
Retailing	18,757	16,598	2,159	13.01
Shipping and Others	7,617	8,093	(476)	-5.88
	<b>1,193,834</b>	<b>1,120,286</b>	<b>73,548</b>	<b>6.57</b>

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

	Year to-date June 2023 RM'000	Year to-date June 2022 RM'000	Changes amount RM'000	Growth %
<b>Revenue</b>				
Fast-Moving Consumer Goods	946,924	906,770	40,154	4.43
Building Materials and Engineering Products	197,075	158,486	38,589	24.35
Industrial and Agriculture Chemicals Products	23,461	30,339	(6,878)	-22.67
	<b>1,167,460</b>	<b>1,095,595</b>	<b>71,865</b>	<b>6.56</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 97.79% of the Group’s revenue.

Revenue for the T&D Segment in YTD June 2023 increased by RM71.9 million or 6.56% as compared to YTD June 2022. The increase for the YTD June 2023 is mainly due to strong sales in our key agencies of our Fast-Moving Consumer Products. The sales of Building Materials and Engineering Products increased by RM38.6 million or 24.35% due to increased in average selling price of bag cement. The sales of Industrial and Agriculture Chemicals Products decreased by RM6.8 million or 22.67% due to overall drop in market prices post-covid.

The Profit Before Interest and Tax for the T&D Segment increased from RM40.0 million in YTD June 2022 to RM48.2 million in YTD June 2023, an increase of RM8.2 million or 20.58% in YTD June 2023.

**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 increased by RM2.1 million or 13.01% as compared YTD June 2022 to YTD June 2023. The increase is mainly due to increase in sales of Famous Amos cookies following an increase in retail selling price as ingredient prices increase.

Profit Before Interest and Tax for this segment for YTD June 2023 is RM960,000 as compared to RM1.7 million for YTD June 2022. The decrease in Profits Before Interest and Tax for this segment is due to increase in staff costs due to introduction of the Progressive Wages Model in Singapore and increased in cost of raw materials. Operational cost increased due to increase in warehousing and delivery charges.

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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 decrease by RM476,000 or 5.88% due to the lower shipping business activities of our Shipping Agency Division in Sabah for the first half year 2023.

The Profit Before Interest and Tax for this Segment was RM1,483,000 for the current quarter as compared RM420,000 for the previous corresponding period. The provision for fair value loss on financial assets at FVTPL reduced by about RM1,103,000 for YTD June 2023.

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30-6-23	31-03-23	
	RM'000	RM'000	
Revenue	571,817	622,017	-8.07
Operating profit	27,368	21,986	24.48
Profit Before Interest and Tax	27,991	23,754	17.84
Profit Before Tax	26,293	22,034	19.33
Profit After Tax	19,546	16,299	19.92
Profit Attributable to Ordinary Equity Holders of the Parent	19,550	16,123	21.22

Revenue for the current quarter decreased by RM50.2 million or 8.07% compared to the immediate preceding quarter. The first quarter sales is usually higher than second quarter due to seasonal festivals in first quarter.

The profit before tax for the current quarter increased by RM4.2 million or 19.33% compared to the immediate preceding quarter. The improved financial results are due to:

1. Gross margins increased slightly from 10.75% for the immediate preceding quarter to 11.18% for the current quarter as cost of sales were lower this current quarter.
2. Allowance for impairment of trade receivables was RM1.4 million in immediate preceding quarter as compared to reversal of allowance for impairment of trade receivables of RM2.9 million in the current quarter.
3. Reversal of allowance for slow moving inventories of RM4.6 million in the current quarter.

**B4. Prospects for Current Year**

We expect the Group to perform well in 2023 in tandem with the 4%-5% forecast growth in GDP of the Malaysia economy. The Group will continue to build on the strength of our extensive comprehensive network of branches and skilled workforce to expand our business. Our new ERP system in Sabah having successfully gone live will help to improve operating efficiencies and we will continue to monitor operation costs. The long-term core business is expected to remain intact and grow.

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**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	
	30.6.2023 (RM'000)	30.6.2022 (RM'000)	30.6.2023 (RM'000)	30.6.2022 (RM'000)
Income tax	4,778	5,805	9,629	10,600
Deferred Taxation	1,969	(347)	2,853	(525)
	<u>6,747</u>	<u>5,458</u>	<u>12,482</u>	<u>10,075</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.

**B7. Group Borrowings and Debt Securities**

The Group borrowings are shown below:

	As at 2nd quarter ended 2023		
	Long term (RM '000)	Short term (RM '000)	Total borrowings (RM '000)
<b>Secured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	39,640	39,640
Revolving credit	-	2,000	2,000
	-	<u>41,640</u>	<u>41,640</u>
<b>Unsecured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	59,400	59,400
Revolving credit	-	-	-
	-	<u>59,400</u>	<u>59,400</u>
<b>Total</b>	-	<u>101,040</u>	<u>101,040</u>

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As at 2nd quarter ended 2022			
	Long term	Short term	Total borrowings
	(RM '000)	(RM '000)	(RM '000)
<b>Secured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	31,633	31,633
Revolving credit	-	3,220	3,220
	-	34,853	34,853
<b>Unsecured</b>			
Bank overdrafts	-	-	-
Bankers' acceptance	-	73,482	73,482
Revolving credit	-	-	-
	-	73,482	73,482
<b>Total</b>	-	108,335	108,335

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>2023</u>	<u>2022</u>
-Bank overdrafts	-	6.89%
-Bankers' acceptance	3.62%	2.63%
-Revolving credits	5.60%	3.68%

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

	2023 RM'000
Neither past due nor impaired	312,014
1 to 30 days past due not impaired	27,264
31 to 60 days past due not impaired	18,514
61 to 90 days past due not impaired	986
	46,764
	<u>358,778</u>

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.

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Included in trade receivable is amount due from an associate of RM3,311,000 which has been fully impaired. This amount represents balance arising from trade transactions and advances, is unsecured and no fixed term of repayment.

**B9. Derivative Financial Instruments**

There is no outstanding derivative financial instrument as at 30 June 2023.

**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.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.6.2023	QUARTER ENDED 30.6.2022	PERIOD ENDED 30.6.2023	PERIOD ENDED 30.6.2022
<b>Basic and diluted earnings per share</b>					
Profit for the financial period attributable to owners of the Company	(RM'000)	19,550	17,067	35,673	30,219
Weighted average number of Ordinary shares in issue	('000)	68,476	68,476	68,476	68,476
Basic and diluted earnings per share	(sen)	28.55	24.92	52.10	44.13

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2023**

**B12. Related party transactions**

	Cumulative Quarter	
	30.6.2023 (RM'000)	30.6.2022 (RM'000)
(a) Rental of office space and car park from Sinar Nusantara Sdn Bhd *	83	83
(b) Management services rendered by subsidiary – Harrison's Corporate Services Sdn. Bhd.	584	505
(c) Rental of warehouses from two companies in which close members of the family of a Director of the Company have 50% equity interest	408	408

\* 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% (2022: 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 28 August 2023.