

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND SIX MONTHS ENDED JUNE 30, 2020**

	INDIVIDUAL 2ND QUARTER		CUMULATIVE 2ND QUARTER	
	30/06/2020 Unaudited RM'000	30/06/2019 Unaudited RM'000	30/06/2020 Unaudited RM'000	30/06/2019 Unaudited RM'000
1 Revenue	1,448,089	1,573,529	3,171,560	3,136,204
2 Operating expenses	(1,428,098)	(1,547,313)	(3,125,839)	(3,102,796)
3 Other operating income	1,989	1,510	4,193	2,549
4 Profit before interest and tax	21,980	27,726	49,914	35,957
5 Finance cost	(8,459)	(9,907)	(17,844)	(17,307)
6 Profit before tax	13,521	17,819	32,070	18,650
7 Taxation	(5,688)	(6,175)	(14,135)	(7,624)
8 Profit for the period, net of tax	7,833	11,644	17,935	11,026
9 Net profit for the period	7,833	11,644	17,935	11,026
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	12	16	6	5
11 Total comprehensive income	7,845	11,660	17,941	11,031
12 Net profit attributable to owners of the parent	7,833	11,644	17,935	11,026
13 Total comprehensive income attributable to owners of the parent	7,845	11,660	17,941	11,031
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	4.97	7.39	11.38	6.99
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	9.06	11.52	19.29	13.10

**Note:**

- The weighted average number of shares used in item 14 and 15 above is computed : 157,658,076 shares.
- The cash earnings used as the numerator in calculating cash EPS is defined as net profit attributable to owners of parent excluding depreciation, amortization and MFRS 16 impact.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended December 31, 2019 and the accompanying explanatory notes attached to the interim financial statements.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2020**

	30/06/2020 Unaudited RM'000	31/12/2019 Audited RM'000
<b>1 Non Current Assets</b>		
Property, plant and equipment	31,469	33,023
Right-of-use assets	117,501	131,722
Intangible assets	387,870	393,949
Deferred tax assets	5,258	6,211
	<u>542,098</u>	<u>564,905</u>
<b>2 Current Assets</b>		
Inventories	827,580	741,045
Trade and other receivables	1,318,609	1,393,300
Cash and bank balances	114,273	22,059
	<u>2,260,462</u>	<u>2,156,404</u>
<b>3 Total Assets</b>	<u><b>2,802,560</b></u>	<u><b>2,721,309</b></u>
<b>4 Equity</b>		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	149	143
Retained earnings	455,877	437,942
Equity attributable to owners of parent	<u><b>638,198</b></u>	<u><b>620,257</b></u>
<b>5 Current Liabilities</b>		
Trade and other payables	1,465,366	1,417,796
Derivative financial instrument	4,143	1,402
Lease liabilities	28,395	30,952
Borrowings	70,000	620
Taxation	6,277	2,127
	<u>1,574,181</u>	<u>1,452,897</u>
<b>6 Non Current Liabilities</b>		
Borrowings	478,750	527,287
Derivative financial instrument	3,808	1,146
Lease liabilities	93,873	104,545
Long term liabilities	2,737	2,737
Deferred tax liabilities	11,013	12,440
	<u>590,181</u>	<u>648,155</u>
<b>7 Total Liabilities</b>	<u><b>2,164,362</b></u>	<u><b>2,101,052</b></u>
<b>8 Total Equity and Liabilities</b>	<u><b>2,802,560</b></u>	<u><b>2,721,309</b></u>
<b>9 Net assets per share attributable to ordinary equity holders of the company (RM)</b>	<u>4.0480</u>	<u>3.9342</u>

The unaudited Condensed Consolidated Statement of Finance Position should be read in conjunction with the audited annual financial statements for the year ended December 31, 2019 and the accompanying explanatory notes attached to the interim financial statements.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS  
ENDED JUNE 30, 2020**

	Attributable to owners of the parent		Foreign currency translation reserve	Distributable Retained earnings	Total Equity
	Non-distributable				
	Issued and fully paid ordinary shares				
	Number of shares	Amount			
	000	RM'000	RM'000	RM'000	RM'000
<u>SIX MONTHS ENDED JUNE 30, 2020</u>					
At January 1, 2020	157,658	182,172	143	437,942	620,257
Total comprehensive income for the period	-	-	6	17,935	17,941
At June 30, 2020	157,658	182,172	149	455,877	638,198
<u>SIX MONTHS ENDED JUNE 30, 2019</u>					
At January 1, 2019	157,658	182,172	140	414,661	596,973
Total comprehensive loss for the period	-	-	5	11,026	11,031
Dividends	-	-	-	(15,766)	(15,766)
At June 30, 2019	157,658	182,172	145	409,921	592,238

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended December 31, 2019 and the accompanying explanatory notes attached to the interim financial statements.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))

(Incorporated in Malaysia)

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR SIX MONTHS ENDED JUNE 30, 2020**

	30/06/2020 Unaudited RM'000	30/06/2019 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	32,070	18,650
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	5,922	4,954
Depreciation of right-of-use assets	18,675	18,248
Amortization of intangible assets	6,078	3,047
Net unrealized derivative losses	5,438	1,494
Loss/(gain) on disposal of property, plant and equipment	352	(1)
Write-back of provision for property restoration cost	-	(20)
Interest income	(296)	(349)
Interest expenses	14,100	11,762
Interest expenses on lease liabilities	3,744	4,294
Loss allowance on trade receivables	1,622	1,285
Inventories written off	8,408	5,946
Net write-down of slow moving inventories	372	5,722
Net unrealized foreign exchange losses	1,555	1,190
Operating cash flows before changes in working capital	<u>98,040</u>	<u>76,222</u>
Changes in working capital:		
Inventories	(95,315)	(41,592)
Trade and other receivables	71,050	(14,358)
Trade and other payables	48,183	(12,523)
	<u>23,918</u>	<u>(68,473)</u>
Interest paid	(17,861)	(11,840)
Interest received	296	349
Tax paid	(8,442)	(9,028)
	<u>(26,007)</u>	<u>(20,519)</u>
<b>Net cash flows generated from/(used in) operating activities</b>	<u><b>95,951</b></u>	<u><b>(12,770)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,903)	(6,961)
Acquisition of subsidiaries, net cash paid	-	(466,719)
Proceed from disposal of property, plant and equipment	-	11
<b>Net cash flows used in investing activities</b>	<u><b>(6,903)</b></u>	<u><b>(473,669)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings	20,843	464,772
Repayment of lease liabilities	(17,683)	(20,853)
<b>Net cash flows generated from financing activities</b>	<u><b>3,160</b></u>	<u><b>443,919</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<u><b>92,208</b></u>	<u><b>(42,520)</b></u>
CURRENCY TRANSLATION DIFFERENCES	6	5
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,059	101,970
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><b>114,273</b></u>	<u><b>59,455</b></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	114,273	59,455
	<u>114,273</u>	<u>59,455</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended December 31, 2019 and the accompanying explanatory notes attached to the interim financial statements.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2020

The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Six Months Ended June 30, 2020</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	1,652,054	1,455,146	19,632	3,126,832
Rendering of services	14,429	30,299	-	44,728
<b>Total revenue from contracts with customers</b>	<b>1,666,483</b>	<b>1,485,445</b>	<b>19,632</b>	<b>3,171,560</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	43,859	20,669	(14,614)	49,914
Finance cost				(17,844)
Taxation				(14,135)
Profit for the period, net of tax				<u>17,935</u>
<b>As at June 30, 2020</b>				
<b>Net assets</b>				
Segment assets	1,387,522	766,150	93,793	2,247,465
Unallocated assets				555,095
Total assets				<u>2,802,560</u>
Segment liabilities	(639,619)	(679,019)	(4,565)	(1,323,203)
Unallocated liabilities				(841,159)
Total liabilities				<u>(2,164,362)</u>
<b>Other information</b>				
Capital expenditure	813	1,256	2,767	4,836
Depreciation of property, plant and equipment	1,564	1,519	2,839	5,922
Depreciation of right-of-use assets	11,022	4,103	3,550	18,675
Amortization of intangible assets	6,078	-	-	6,078
Loss allowance on trade receivables	168	1,424	30	1,622
Inventories written off	6,897	784	727	8,408

The Group recognized revenue from sales of goods at a point in time, upon delivery of goods and revenue from rendering of services over time.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2019

The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Six Months Ended June 30, 2019</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	1,539,772	1,516,543	33,829	3,090,144
Rendering of services	11,946	34,114	-	46,060
<b>Total revenue from contracts with customers</b>	<b>1,551,718</b>	<b>1,550,657</b>	<b>33,829</b>	<b>3,136,204</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	15,862	24,470	(4,375)	35,957
Finance cost				(17,307)
Taxation				(7,624)
Loss for the period, net of tax				<u>11,026</u>
<b>As at June 30, 2019</b>				
<b>Net assets</b>				
Segment assets	1,296,041	948,592	97,446	2,342,079
Unallocated assets				530,351
Total assets				<u>2,872,430</u>
Segment liabilities	(616,711)	(802,691)	(3,647)	(1,423,049)
Unallocated liabilities				(857,143)
Total liabilities				<u>(2,280,192)</u>
<b>Other information</b>				
Capital expenditure	1,632	2,584	2,342	6,558
Depreciation of property, plant and equipment	1,382	1,328	2,244	4,954
Depreciation of right-of-use assets	10,996	4,055	3,197	18,248
Amortization of intangible assets	3,047	-	-	3,047
Loss allowance on trade receivables	159	1,128	(2)	1,285
Inventories written off	5,455	(132)	623	5,946

The Group recognized revenue from sales of goods at a point in time, upon delivery of goods and revenue from rendering of services over time.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **(I) Compliance with MFRS 134: Interim Financial Reporting**

##### **1. Corporate Information**

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on August 26, 2020.

##### **2. Accounting Policies and Basis of Preparation**

The unaudited condensed consolidated interim financial statements for the current quarter and six months ended June 30, 2020 have been prepared in accordance with MFRS 134 (Interim Financial Reporting) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2019.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements of the Group for the year ended December 31, 2019. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2020, did not have any material impact on the financial results of the Group.

##### **3. Disclosure of Audit Report Qualification and Status of Matters Raised**

The auditors' report on the financial statements of the Group for the year ended December 31, 2019 was not qualified.

##### **4. Seasonal or Cyclical Factors**

The Group's segments cover primarily Consumer Goods and Healthcare businesses. Consequently, net sales are influenced by the festive seasons of Chinese New Year, Hari Raya, Deepavali and Christmas.

##### **5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **6. Material Changes in Estimates**

There were no material changes in estimates used to prepare these interim financial statements.

#### **7. Changes in Debt and Equity Securities**

There were no changes in debt and equity securities during the quarter under review.

#### **8. Dividend Paid**

No dividend was paid during the quarter ended June 30, 2020.

#### **9. Segment Information**

The Group's segmental information for the financial six months ended June 30, 2020 and June 30, 2019 is presented separately in this interim financial report.

[The rest of this page has been left blank intentionally]



**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Profit before Tax**

The following items are included in profit before tax:

	Current quarter ended		Cumulative Year-to-Date ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,937	2,690	5,922	4,954
Depreciation of right-of-use assets	9,359	9,334	18,675	18,248
Amortization of intangible assets	3,038	3,040	6,078	3,047
Net unrealized derivative losses	932	311	5,438	1,494
Rental income	(268)	(470)	(540)	(932)
Interest income	(111)	(329)	(296)	(349)
Interest expenses	6,624	7,805	14,100	11,762
Interest expenses on lease liabilities	1,835	2,102	3,744	4,294
Interest - other	-	-	-	1,251
Loss/(gain) on disposal of property, plant and equipment	-	-	352	(1)
Loss allowance/(reversal of loss allowance) on trade receivables	1,053	(1,103)	1,622	1,285
Inventories written off	4,866	3,384	8,408	5,946
Net (reversal)/write-down of slow-moving inventories	(700)	1,082	372	5,722
Net unrealized foreign exchange losses	227	585	1,555	1,190
Exceptional items (Consulting cost)	-	4,545	-	15,747
Gain on disposal of quoted/unquoted investment	-	-	-	-
Impairment of assets	-	-	-	-

**11. Valuation of Property, Plant and Equipment**

Property, plant and equipment have been brought forward without amendment from the previous audited annual financial statements.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. Material Events subsequent to the end of the Financial Period**

There were no material events subsequent to the end of the period reported that have not been reflected in the interim financial statements for the six months ended June 30, 2020.

**13. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

**13. Related Party Disclosures**

The following table provides information on significant transactions which have been entered into with related parties during financial six months ended June 30, 2020 and June 30, 2019, as well as the balances with the related parties as at June 30, 2020 and June 30, 2019:

	Current year ended June 30, 2020 RM'000	Preceding year ended June 30, 2019 RM'000	Intercompany balances - due from/(to) as at	
			June 30, 2020 RM'000	June 30, 2019 RM'000
<b>Sale of goods and services:</b>				
- related companies (goods)	2,578	2,199	1,464	2,396
- related companies (rental)	540	614	178	121
- related companies (cost sharing)	169	155	79	66
- related companies (human resource and information technology charges)	368	359	97	139
	<u>3,655</u>	<u>3,327</u>	<u>1,818</u>	<u>2,722</u>
<b>Purchase of goods and services:</b>				
- related companies (goods and services)	(10,479)	(10,119)	(2,911)	(3,220)
- related company (management fee)	(4,255)	(2,585)	(3)	(9)
- related company (royalty fee)	(2,563)	-	(1,086)	-
- related company (information technology charges)	(10,876)	(8,770)	(388)	(498)
<b>Others (interest):</b>				
- immediate holding company	(235)	(224)	(131)	(71)
- intermediate holding company	(476)	(491)	(64)	(33)
	<u>(28,884)</u>	<u>(22,189)</u>	<u>(4,583)</u>	<u>(3,831)</u>

The amounts receivable from or payable to related parties are unsecured, non-interest bearing and carry credit terms between 30 to 120 days. There were no overdue balances from related parties as at June 30, 2020.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **14. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the quarter ended June 30, 2020 and up to August 26, 2020.

#### **15. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at June 30, 2020 are as follows:

	RM'000
Contracted	<u>1,581</u>
Analyzed as follows:	
- Property, plant and equipment	<u>1,581</u>

[The rest of this page has been intentionally left blank]

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – SIX MONTHS ENDED JUNE 30, 2020**

(II) **Compliance with Appendix 9B of the Listing Requirements**

1. **Review of Performance**

	Individual 2 <sup>nd</sup> Quarter				Immediately Preceding 1 <sup>st</sup> Quarter			Cumulative 2 <sup>nd</sup> Quarter			
	30/6/2020	30/6/2019	Changes		31/3/2020	Changes		30/6/2020	30/6/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,448,089	1,573,529	(125,440)	(8.0%)	1,723,471	(275,382)	(16.0%)	3,171,560	3,136,204	35,356	1.1%
Profit before interest and tax	21,980	27,726	(5,746)	(20.7%)	27,934	(5,954)	(21.3%)	49,914	35,957	13,957	38.8%
Profit before tax	13,521	17,819	(4,298)	(24.1%)	18,549	(5,028)	(27.1%)	32,070	18,650	13,420	72.0%
Profit after tax	7,833	11,644	(3,811)	(32.7%)	10,102	(2,269)	(22.5%)	17,935	11,026	6,909	62.7%
Profit attributable to owners of the parent	7,833	11,644	(3,811)	(32.7%)	10,102	(2,269)	(22.5%)	17,935	11,026	6,909	62.7%

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Review of Performance (continued)**

##### **Quarterly**

Revenues for the quarter declined by 8.0% compared to the corresponding second quarter of 2019, decreasing from RM 1.57 billion to RM 1.45 billion, while reducing by 16.0% against those of the preceding first quarter of 2020 which were RM 1.72 billion. The reduction in revenue was due to the COVID-19 pandemic and business operations being affected by the imposition of the Movement Control Order (MCO) by the government. The Group continued most operations throughout the MCO period as many products are considered essential. However, some customer premises and operations were disrupted.

Operating expenses for the quarter decreased by 7.7% from RM 1.55 billion to RM 1.43 billion as compared to the corresponding second quarter of 2019, while reducing by 15.9% against those of the preceding first quarter of 2020 which were RM 1.70 billion. The decrease is largely in line with the decrease in revenue and the presence of one-off costs relating to Auric Malaysia's acquisition in 2019.

Profit before tax for the quarter decreased by 24.1% compared to the same quarter of 2019, while decreased by 27.1% compared to the preceding first quarter of 2020. The decrease was mainly due to the abovementioned results.

##### **Year-to-date**

Revenues grew by 1.1% from RM 3.14 billion to RM 3.17 billion as compared to 2019. This revenue growth results from the positive contribution from the Auric Malaysia business, ongoing organic growth of existing clients and new clients secured, offset by effects of the COVID-19 pandemic and business operations being affected by the imposition of the Movement Control Order by the government.

Operating costs increased by 0.7% from RM 3.10 billion to RM 3.13 billion. These cost increases were less than revenue growth, reflecting cost efficiencies realized.

Profit before tax improved by 72.0% compared to 2019 due to the contribution of the Auric Malaysia business, the presence of costs relating to the growth and efficiency improvement project in 2019, and ongoing organic growth of existing clients, offset by effects of the COVID-19 pandemic.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Comments to the Performance of the Business Segments

**Marketing and Distribution segment**

Under the segment Marketing and Distribution, the Group provides the full range of services. The service portfolio ranges from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value-added services.

	Individual 2 <sup>nd</sup> Quarter				Immediately Preceding 1 <sup>st</sup> Quarter			Cumulative 2 <sup>nd</sup> Quarter			
	30/06/2020	30/06/2019	Changes		31/03/2020	Changes		30/06/2020	30/06/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	826,170	815,495	10,675	1.3%	840,313	(14,143)	(1.7%)	1,666,483	1,551,718	114,765	7.4%
Segment profit before interest and tax	21,433	16,247	5,186	31.9%	22,426	(993)	(4.4%)	43,859	15,862	27,997	>100.0%

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Marketing and Distribution segment (continued)**

##### **Quarterly**

Revenues for the quarter grew by 1.3% compared to the corresponding second quarter of 2019, increasing from RM 815.5 million to RM 826.2 million, while reducing by 1.7% against those of the preceding first quarter of 2020 which was RM 840.3 million. This segment's improved revenue compared to the corresponding second quarter of 2019 reflects the ongoing organic growth of existing clients and new clients secured. The slight reduction against preceding first quarter of 2020 was due to disruptions to customers' operations during the MCO and some movements in consumer demand.

The operating result for the quarter was RM 21.4 million, which was a 31.9% increase on RM 16.2 million reported for the same second quarter in 2019 and below the preceding first quarter of 2020 of RM 22.4 million by 4.4%. The improvement in operating result against the corresponding second quarter was predominantly because of the non-recurring cost incurred for the growth and efficiency improvement project and presence of purchase price allocation adjustment in the corresponding second quarter of 2019. The slight reduction compared to the preceding first quarter of 2020 was related to slightly lower sales in this quarter and change in sales mix.

##### **Year-to-date**

Revenues grew by 7.4% from RM 1.55 billion to RM 1.67 billion as compared to 2019. This revenue growth was due to the positive contribution from the Auric Malaysia business in addition to ongoing organic growth with existing clients and new clients secured.

The operating result for 2020 was RM 43.9 million, which was a more than 100.0% increase on RM 15.9 million reported in 2019 predominantly due to the contribution from the Auric Malaysia business, the non-recurring cost incurred for the growth and efficiency improvement project and presence of purchase price allocation adjustments in 2019.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**Logistics segment**

Under the segment Logistics, the Group provides supply chain services ranging from warehousing and distribution, to order processing and sales collections. Sales and marketing services for clients in this segment are generally not provided by the Group but are mostly run by the clients. The businesses represented under this segment include the Healthcare business and supply chain focused parts of the Consumer Goods business.

	Individual 2 <sup>nd</sup> Quarter				Immediately Preceding 1 <sup>st</sup> Quarter			Cumulative 2 <sup>nd</sup> Quarter			
	30/06/2020	30/06/2019	Changes		31/03/2020	Changes		30/06/2020	30/06/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	615,351	740,066	(124,715)	(16.9%)	870,094	(254,743)	(29.3%)	1,485,445	1,550,657	(65,212)	(4.2%)
Segment profit before interest and tax	5,789	11,735	(5,946)	(50.7%)	14,880	(9,091)	(61.1%)	20,669	24,470	(3,801)	(15.5%)



**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Logistics segment (continued)**

##### **Quarterly**

Revenues for the quarter reduced by 16.9% compared to the corresponding second quarter of 2019, decreasing from RM 740.1 million to RM 615.4 million, while reducing by 29.3% against those of the preceding first quarter of 2020 which was RM 870.1 million. The reduction in revenue was due to the effects of the COVID-19 pandemic. This segment remained operational throughout the MCO but saw a larger impact during the MCO due to customer operations reducing and movement controls affecting consumer demand.

The operating result for the quarter was RM 5.8 million, which is a 50.7% below the corresponding second quarter of 2019 and below the preceding first quarter of 2020 by 61.1%. The reduction in operating results in line with reduction in revenue as mentioned above.

##### **Year-to-date**

Revenues for 2020 reduced slightly by 4.2% compared to 2019, decreasing from RM 1.55 billion to RM 1.49 billion. The downturn in revenue was mainly due to effects of the COVID-19 pandemic.

The operating result in the first six months of 2020 was RM 3.8 million lower than prior year. The reductions reflect slightly lower sales levels due to abovementioned with the cost base remained similar.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Others segment

This segment consists most notably of the Famous Amos chocolate chip cookie retail chain as well as central overheads.

	Individual 2 <sup>nd</sup> Quarter				Immediately Preceding 1 <sup>st</sup> Quarter			Cumulative 2 <sup>nd</sup> Quarter			
	30/06/2020	30/06/2019	Changes		31/03/2020	Changes		30/06/2020	30/06/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	6,568	17,968	(11,400)	(63.4%)	13,064	(6,496)	(49.7%)	19,632	33,829	(14,197)	(42.0%)
Segment loss before interest and tax	(5,242)	(256)	(4,986)	>(100.0%)	(9,372)	4,130	44.1%	(14,614)	(4,375)	(10,239)	>(100.0%)

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Others segment (continued)**

##### **Quarterly**

Revenues for the quarter declined by 63.4% compared to the corresponding second quarter of 2019, decreasing from RM 18.0 million to RM 6.6 million, while reducing by 49.7% against those of the preceding first quarter of 2020 which were RM 13.1 million. The reduction in revenue was due to business operations being affected by the imposition of the Movement Control Order by the government. Famous Amos resumed operations in May with re-opening of 76 outlets and additional two outlets in June. At the end of the second quarter of 2020, there were a total of 97 outlets located in West and East Malaysia as well as two outlets in Brunei.

The operating result for the quarter of -RM 5.2 million was lower than -RM 0.3 million reported for the same second quarter in 2019, whilst improving by 44.1% against those of the preceding first quarter of 2020 which was -RM 9.4 million. The low result in comparison to the corresponding second quarter of 2019 was due to lower sales recorded due to the Movement Control Order. The improvement against the preceding first quarter of 2020 was mainly due to unrealized derivative losses recorded for interest rate swap in the first quarter of 2020.

##### **Year-to-date**

Revenues for 2020 reduced by 42.0% compared to 2019, decreasing from RM 33.8 million to RM 19.6 million. The downturn in revenue was due to business operations being affected by the imposition of the Movement Control Order by the government.

The operating result for 2020 was RM 10.2 million lower than prior year predominantly due to lower sales recorded as mentioned above, increased unrealized derivatives loss recorded for interest rate swap and financing cost incurred for acquisition of Auric Malaysia.

#### **2. Material Changes in Profit before Taxation for the Current Quarter as compared to the Immediately Preceding Quarter**

There were no material items that have affected the performance of the second quarter of 2020 compared to the first quarter of 2020.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. Prospects**

The first and second quarters of 2020 have been marked by the COVID-19 pandemic and the related Movement Control Order (“MCO”) in Malaysia from March 18, 2020 onwards. This development has had significant effects on the market. However, the Group has a well-diversified portfolio which has largely weathered the impact so far. The Group was well prepared with a comprehensive and rigorous business continuity plan. Supply chain operations continued at full capacity, operating under a total quarantine solution throughout the MCO period and all other operations seamlessly switched to remote and flexible methods of working with no significant disruptions.

Reacting to the series of unprecedented events and web of challenges, we are embracing the new normal and market realities, and will continue to take a proactive approach to the recovery while maintaining caution in case of further COVID-19 impacts and a slower than anticipated general economic recovery. Amidst uncertainties, the Group is confident about the growth opportunities in the medium to long term. The Group remains focused on product innovation, business development, and capturing cost efficiencies.

**4. Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast.

**5. Taxation**

	Quarter ended June 30, 2020 RM'000	Quarter ended June 30, 2019 RM'000	Period ended June 30, 2020 RM'000	Period ended June 30, 2019 RM'000
Current year income tax	5,665	8,301	14,612	10,295
Deferred tax	23	(2,126)	(477)	(2,671)
	<u>5,688</u>	<u>6,175</u>	<u>14,135</u>	<u>7,624</u>

The effective tax rate for the quarter ended June 30, 2020 was higher compared to similar quarter and prior period as all subsidiaries contributed positively to the bottom line, except for the holding company and one subsidiary whilst expenses such as one-off and financing costs incurred for the acquisition of Auric Malaysia and depreciation are not tax deductible.

**6. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at August 26, 2020.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Group Borrowings and Debt Securities**

	As at June 30, 2020 RM'000	As at June 30, 2019 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	70,000	18,628
<u>Long Term Borrowings</u>		
- Advances from holding companies	28,750	29,482
- Bank borrowings	450,000	500,000
	<u>478,750</u>	<u>529,482</u>
Total borrowings	<u>548,750</u>	<u>548,110</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value June 30, 2020 RM'000	Fair Value June 30, 2020 RM'000
Foreign exchange contracts		
- less than 1 year	62,142	62,061
Interest rate swap contract		
- 1 year to 3 year	250,000	242,130
<b>Total</b>	<b><u>312,142</u></b>	<b><u>304,191</u></b>

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the date of the statement of financial position, unless hedged by forward foreign exchange contracts when the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

Future liabilities in foreign currencies are covered by forward-purchased currencies from reputable banks when their amounts and due dates are known. Forward hedges are exclusively used for bona-fide and documented trade transactions and not for speculative purposes in line with the DKSH Treasury policy. There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

risk management objectives and policies to mitigate this risk since the financial year ended December 31, 2019.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at June 30, 2020 resulting in an unrealized derivative loss of RM 0.01 million.

This unrealized derivative loss was due to the slight weakening of the MYR after forex contracts were entered.

In 2019, the Group entered into interest rate swap ("IRS") contract to manage its exposure of the floating rate borrowing. The cumulative IRS contract to-date amounted to RM 250 million. The IRS contract was entered to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowing. The fair value gains or losses on remeasuring the fair value of the IRS contract is recognized immediately in statement of comprehensive income as unrealized item.

The fair value of the IRS recognized in statement of comprehensive income for current quarter amounted to unrealized derivative loss of RM 7.9 million.

In total, a net unrealized loss on derivative contracts amounting to RM 5.4 million had been debited to the statement of comprehensive income for the six months ended June 30, 2020.

#### **9. Fair Value Changes of Financial Liabilities**

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

#### **10. Changes in Material Litigation**

There is no material litigation as at August 26, 2020.

#### **11. Dividend Proposed or Declared**

No dividend was declared or recommended for the quarter under review.

#### **12. Earnings Per Share**

(a) The earnings used as the numerator in calculating basic and diluted earnings per share for the quarter under review and for six months ended June 30, 2020 are RM 7,833,000 and RM 17,935,000 respectively.

(b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share for the quarter under review and for six months ended June 30, 2020 is 157,658,076.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (199101021067 (231378-A))  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2020

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **13. Auditors' report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended December 31, 2019.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)  
SSM PC No. 201908000378  
Company Secretary

Andre' Chai P'o-Lieng (MAICSA 7062103)  
SSM PC No. 202008001116  
Company Secretary

Petaling Jaya  
August 26, 2020