

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

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and three months ended March 31, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER
AND THREE MONTHS ENDED MARCH 31, 2021**

	INDIVIDUAL 1ST QUARTER		CUMULATIVE 1ST QUARTER	
	31/03/2021 Unaudited RM'000	31/03/2020 Unaudited RM'000	31/03/2021 Unaudited RM'000	31/03/2020 Unaudited RM'000
1 Revenue	1,755,099	1,723,471	1,755,099	1,723,471
2 Operating expenses	(1,715,431)	(1,697,741)	(1,715,431)	(1,697,741)
3 Other operating income	2,166	2,204	2,166	2,204
4 Profit before interest and tax	41,834	27,934	41,834	27,934
5 Finance cost	(8,200)	(9,385)	(8,200)	(9,385)
6 Profit before tax	33,634	18,549	33,634	18,549
7 Taxation	(9,557)	(8,447)	(9,557)	(8,447)
8 Profit for the period, net of tax	24,077	10,102	24,077	10,102
9 Net profit for the period	24,077	10,102	24,077	10,102
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	8	(6)	8	(6)
11 Total comprehensive income	24,085	10,096	24,085	10,096
12 Net profit attributable to owners of the parent	24,077	10,102	24,077	10,102
13 Total comprehensive income attributable to owners of the parent	24,085	10,096	24,085	10,096
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	15.27	6.41	15.27	6.41
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	19.00	10.57	19.00	10.57

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, 2020 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 three months ended March 31, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021**

	31/03/2021 Unaudited RM'000	31/12/2020 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	28,281	28,981
Right-of-use assets	118,342	111,442
Intangible assets	378,749	381,790
Deferred tax assets	11,140	10,220
	<u>536,512</u>	<u>532,433</u>
2 Current Assets		
Inventories	696,853	746,023
Trade and other receivables	1,574,460	1,368,662
Cash and bank balances	122,998	55,402
	<u>2,394,311</u>	<u>2,170,087</u>
3 Total Assets	<u>2,930,823</u>	<u>2,702,520</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	153	145
Retained earnings	510,907	486,830
Equity attributable to owners of parent	<u>693,232</u>	<u>669,147</u>
5 Current Liabilities		
Trade and other payables	1,468,129	1,320,803
Derivative financial instrument	2,921	5,163
Lease liabilities	30,171	28,288
Borrowings	355,000	83,000
Taxation	18,015	10,378
	<u>1,874,236</u>	<u>1,447,632</u>
6 Non Current Liabilities		
Borrowings	257,967	483,967
Derivative financial instrument	-	937
Lease liabilities	93,344	88,162
Long term liabilities	3,181	3,126
Deferred tax liabilities	8,863	9,549
	<u>363,355</u>	<u>585,741</u>
7 Total Liabilities	<u>2,237,591</u>	<u>2,033,373</u>
8 Total Equity and Liabilities	<u>2,930,823</u>	<u>2,702,520</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>4.3971</u>	<u>4.2443</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, 2020 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 three months ended March 31, 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE MONTHS ENDED MARCH 31, 2021

	----- Attributable to owners of the parent -----			Distributable	Total Equity
	----- Non-distributable -----				
	Issued and fully paid ordinary shares				
	Number of shares 000	Amount RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	RM'000
<u>THREE MONTHS ENDED MARCH 31, 2021</u>					
At January 1, 2021	157,658	182,172	145	486,830	669,147
Total comprehensive income for the period	-	-	8	24,077	24,085
At March 31, 2021	<u>157,658</u>	<u>182,172</u>	<u>153</u>	<u>510,907</u>	<u>693,232</u>
<u>THREE MONTHS ENDED MARCH 31, 2020</u>					
At January 1, 2020	157,658	182,172	143	437,942	620,257
Total comprehensive income for the period	-	-	(6)	10,102	10,096
At March 31, 2020	<u>157,658</u>	<u>182,172</u>	<u>137</u>	<u>448,044</u>	<u>630,353</u>

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, 2020 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 three months ended March 31, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31, 2021**

	31/03/2021 Unaudited RM'000	31/03/2020 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,634	18,549
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	2,704	2,985
Depreciation of right-of-use assets	8,684	9,316
Amortization of intangible assets	3,040	3,040
Net unrealized derivative (gains)/losses	(3,202)	4,506
(Gain)/loss on disposal of property, plant and equipment	(10)	352
Provision for property restoration cost	55	-
Interest income	(141)	(185)
Interest expenses	6,467	7,476
Interest expenses on lease liabilities	1,733	1,909
(Reversal of loss allowance)/loss allowance on trade receivables	(163)	569
Inventories written off	5,075	3,542
Net write-down of slow moving inventories	5,155	1,072
Net unrealized foreign exchange (gains)/losses	(173)	1,328
Operating cash flows before changes in working capital	<u>62,858</u>	<u>54,459</u>
Changes in working capital:		
Inventories	39,046	(22,580)
Trade and other receivables	(205,635)	(150,538)
Trade and other payables	147,981	41,359
	<u>(18,608)</u>	<u>(131,759)</u>
Interest paid	(6,736)	(9,379)
Interest received	141	185
Tax paid	(3,526)	(4,539)
	<u>(10,121)</u>	<u>(13,733)</u>
Net cash flows generated from/(used in) operating activities	<u>34,129</u>	<u>(91,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,289)	(4,367)
Proceed from disposal of property, plant and equipment	-	-
Net cash flows used in investing activities	<u>(2,289)</u>	<u>(4,367)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	46,000	167,620
Repayment of lease liabilities	(10,252)	(8,779)
Net cash flows generated from financing activities	<u>35,748</u>	<u>158,841</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>67,588</u>	<u>63,441</u>
CURRENCY TRANSLATION DIFFERENCES	8	(6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,402	22,059
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u><u>122,998</u></u>	<u><u>85,494</u></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	122,998	85,494
	<u><u>122,998</u></u>	<u><u>85,494</u></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, 2020 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 three months ended March 31, 2021

The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Three Months Ended March 31, 2021</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	989,280	731,817	11,214	1,732,311
Rendering of services	7,545	15,243	-	22,788
Total revenue from contracts with customers	996,825	747,060	11,214	1,755,099
Results				
Segment profit/(loss) before interest and tax	31,650	12,919	(2,735)	41,834
Finance cost				(8,200)
Taxation				(9,557)
Profit for the period, net of tax				<u>24,077</u>
<u>As at March 31, 2021</u>				
Net assets				
Segment assets	1,415,882	882,473	80,499	2,378,854
Unallocated assets				551,969
Total assets				<u>2,930,823</u>
Segment liabilities	(637,553)	(679,508)	(603)	(1,317,664)
Unallocated liabilities				(919,927)
Total liabilities				<u>(2,237,591)</u>
Other information				
Capital expenditure	299	791	1,010	2,100
Depreciation of property, plant and equipment	633	756	1,315	2,704
Depreciation of right-of-use assets	5,113	1,999	1,572	8,684
Amortization of intangible assets	3,040	-	-	3,040
Loss/(reversal of) allowance on trade receivables	586	(616)	(133)	(163)
Inventories written off	4,005	755	315	5,075

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 three months ended March 31, 2021

The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Three Months Ended March 31, 2020</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	832,943	853,512	13,064	1,699,519
Rendering of services	7,370	16,582	-	23,952
Total revenue from contracts with customers	840,313	870,094	13,064	1,723,471
Results				
Segment profit/(loss) before interest and tax	22,426	14,880	(9,372)	27,934
Finance cost				(9,385)
Taxation				(8,447)
Profit for the period, net of tax				<u>10,102</u>
As at March 31, 2020				
Net assets				
Segment assets	1,350,560	966,301	92,121	2,408,982
Unallocated assets				530,063
Total assets				<u>2,939,045</u>
Segment liabilities	(579,210)	(763,433)	(2,323)	(1,344,966)
Unallocated liabilities				(963,726)
Total liabilities				<u>(2,308,692)</u>
Other information				
Capital expenditure	345	751	1,204	2,300
Depreciation of property, plant and equipment	782	773	1,430	2,985
Depreciation of right-of-use assets	5,495	2,076	1,745	9,316
Amortization of intangible assets	3,040	-	-	3,040
Loss allowance on trade receivables	325	244	-	569
Inventories written off	2,579	586	377	3,542

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 March 31, 2021

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 May 27, 2021.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and three months ended March 31, 2021 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, 2020.

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, 2020. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2021, 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, 2020 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 March 31, 2021

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 March 31, 2021.

9. Segment Information

The Group's segmental information for the financial three months ended March 31, 2021 and March 31, 2020 is presented separately in this interim financial report.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

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	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,704	2,985	2,704	2,985
Depreciation of right-of-use assets	8,684	9,316	8,684	9,316
Amortization of intangible assets	3,040	3,040	3,040	3,040
Net unrealized derivative (gains)/(losses)	(3,202)	4,506	(3,202)	4,506
Rental income	(290)	(272)	(290)	(272)
Interest income	(141)	(185)	(141)	(185)
Interest expenses	5,342	7,476	5,342	7,476
Interest expenses on lease liabilities	1,733	1,909	1,733	1,909
Interest - other	1,125	-	1,125	-
(Gain)/loss on disposal of property, plant and equipment	(10)	352	(10)	352
(Reversal of loss allowance)/ loss allowance on trade receivables	(163)	569	(163)	569
Inventories written off	5,075	3,542	5,075	3,542
Net write-down of slow-moving inventories	5,115	1,072	5,115	1,072
Net unrealized foreign exchange (gains)/losses	(173)	1,328	(173)	1,328
Exceptional items	-	-	-	-
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 March 31, 2021

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 three months ended March 31, 2021

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 three months ended March 31, 2021 and March 31, 2020, as well as the balances with the related parties as at March 31, 2021 and March 31, 2020:

	Current year ended March 31, 2021 RM'000	Preceding year ended March 31, 2020 RM'000	Intercompany balances - due from/(to) as at	
			March 31, 2021 RM'000	March 31, 2020 RM'000
Sale of goods and services:				
- related companies (goods)	1,448	1,008	881	1,502
- related companies (rental)	290	272	222	175
- related companies (cost sharing)	193	78	154	78
- related companies (human resource and information technology charges)	173	182	99	111
	<u>2,104</u>	<u>1,540</u>	<u>1,356</u>	<u>1,866</u>
Purchase of goods and services:				
- related companies (goods and services)	(5,177)	(5,831)	(4,623)	(3,539)
- related company (management fee)	(2,463)	(1,783)	(111)	(129)
- related company (royalty fee)	(1,375)	(1,086)	-	(753)
- related company (information technology charges)	(5,886)	(5,356)	(237)	(167)
Others (interest):				
- immediate holding company	(182)	(215)	(126)	(148)
- intermediate holding company	(75)	(108)	(49)	(70)
	<u>(15,158)</u>	<u>(14,379)</u>	<u>(5,146)</u>	<u>(4,806)</u>

The amounts receivable from or payable to related parties are unsecured, non-interest bearing and carry credit terms of 60 days. There were no overdue balances from related parties as at March 31, 2021.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

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 March 31, 2021 and up to May 27, 2021.

15. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at March 31, 2021 are as follows:

	RM'000
Contracted	<u>1,497</u>
Analyzed as follows:	
- Property, plant and equipment	<u>1,497</u>

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

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – THREE MONTHS ENDED MARCH 31, 2021
(II) Compliance with Appendix 9B of the Listing Requirements
1. Review of Performance

	Individual 1 st Quarter				Immediately Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2021	31/03/2020	Changes		31/12/2020	Changes		31/03/2021	31/03/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,755,099	1,723,471	31,628	1.8%	1,548,494	206,605	13.3%	1,755,099	1,723,471	31,628	1.8%
Profit before interest and tax	41,834	27,934	13,900	49.8%	32,281	9,553	29.6%	41,834	27,934	13,900	49.8%
Profit before tax	33,634	18,549	15,085	81.3%	24,093	9,541	39.6%	33,634	18,549	15,085	81.3%
Profit after tax	24,077	10,102	13,975	138.3%	17,311	6,766	39.1%	24,077	10,102	13,975	138.3%
Profit attributable to owners of the parent	24,077	10,102	13,975	138.3%	17,311	6,766	39.1%	24,077	10,102	13,975	138.3%

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(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Review of Performance (continued)

Quarterly

Revenues for the quarter grew by 1.8% compared to the corresponding first quarter of 2020, increasing from RM 1.72 billion to RM 1.76 billion, while improving by 13.3% against those of the preceding fourth quarter of 2020 which was RM 1.55 billion. The increase in revenue in comparison to the corresponding first quarter was mainly due to the ongoing organic growth of existing clients and new clients secured from Marketing and Distribution segment, which was offset by the exit of a telecommunications client in the Logistics segment and the effects of the COVID-19 pandemic in the Others segment. The improvement compared to the preceding fourth quarter of 2020 was mainly contributed by the ongoing organic growth of existing clients due to the upcoming festive season in the Marketing and Distribution segment and the timing of government tenders in the Logistics segment.

Operating expenses for the quarter increased by 1.0% from RM 1.70 billion to RM 1.71 billion as compared to the corresponding first quarter of 2020, while increasing by 12.8% against those of the preceding fourth quarter of 2020 which were at RM 1.52 billion. The changes in operating expenses were largely in line with the movement in revenue.

Profit before tax for the quarter improved by 81.3% compared to the same quarter of 2020 while improving by 39.6% compared to the preceding fourth quarter of 2020 due to the abovementioned results and the higher unrealized derivative loss recorded in 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 March 31, 2021

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 1 st Quarter				Immediately Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2021	31/03/2020	Changes		31/12/2020	Changes		31/03/2021	31/03/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	996,825	840,313	156,512	18.6%	884,753	112,072	12.7%	996,825	840,313	156,512	18.6%
Segment profit before interest and tax	31,650	22,426	9,224	41.1%	21,192	10,458	49.3%	31,650	22,426	9,224	41.1%

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 18.6% compared to the corresponding first quarter of 2020, increasing from RM 840.3 million to RM 996.8 million, while improving by 12.7% against those of the preceding fourth quarter of 2020 which was RM 884.8 million. This segment's improved revenue compared to the corresponding first quarter and the preceding fourth quarter of 2020 reflects the ongoing organic growth of existing clients mainly due to the upcoming festive season and new clients secured as well as increased consumer demand during various stages of the movement control order.

The operating result for the quarter was RM 31.7 million, which was a 41.1% increase from RM 22.4 million reported for the same first quarter in 2020 and a 49.3% improvement from RM 21.2 million reported for the preceding fourth quarter of 2020. The improvement in operating result against the corresponding first quarter and the preceding fourth quarter was mainly due to the increase in revenue, improved margin mix from own brands and lower operating expenses due to improved operational efficiencies.

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(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

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 1 st Quarter				Immediately Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2021	31/03/2020	Changes		31/12/2020	Changes		31/03/2021	31/03/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	747,060	870,094	(123,034)	(14.1%)	652,530	94,530	14.5%	747,060	870,094	(123,034)	(14.1%)
Segment profit before interest and tax	12,919	14,880	(1,961)	(13.2%)	13,815	(896)	(6.5%)	12,919	14,880	(1,961)	(13.2%)

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Logistics segment (continued)

Quarterly

Revenues for the quarter reduced by 14.1% compared to the corresponding first quarter of 2020, decreasing from RM 870.1 million to RM 747.1 million, while improving by 14.5% against those of the preceding fourth quarter of 2020 which was RM 652.5 million. The reduction in revenue compared to the corresponding first quarter in 2020 was due to the exit of a telecommunication client in the fourth quarter of 2020 and the effects of the COVID-19 pandemic in March 2020. The improvement in revenue compared to the preceding fourth quarter of 2020 was due to the timing of government tenders and general recovery of market demand.

The operating result for the quarter was RM 12.9 million, which is a 13.2% below the corresponding first quarter of 2020, largely due to the movement in revenue as mentioned above. Compared to the preceding fourth quarter of 2020, the operating results reduced by 6.5% due to the change in margin mix despite improved revenue for the quarter.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

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 1 st Quarter				Immediately Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2021	31/03/2020	Changes		31/12/2020	Changes		31/03/2021	31/03/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	11,214	13,064	(1,850)	(14.2%)	11,211	3	-	11,214	13,064	(1,850)	(14.2%)
Segment loss before interest and tax	(2,735)	(9,372)	6,637	70.8%	(2,726)	(9)	(0.3%)	(2,735)	(9,372)	6,637	70.8%

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Others segment (continued)

Quarterly

Revenues for the quarter declined by 14.2% from RM 13.1 million to RM 11.2 million compared to the corresponding first quarter of 2020, while remain stable against those of the preceding fourth quarter of 2020 which were RM 11.2 million. The reduction in revenue compared to the corresponding first quarter was due to business operations being affected by the COVID-19 pandemic. There was no significant movement in revenue against the preceding fourth quarter due to slow recovery during the movement control order periods. At the end of the first quarter of 2021, there were a total of 99 outlets located in West and East Malaysia as well as two outlets in Brunei.

The operating result for the quarter was -RM 2.74 million, representing an improvement of 70.8% compared to the corresponding first quarter in 2020, whilst declining by 0.3% against those of the preceding fourth quarter of 2020 which was -RM 2.73 million. The improvement in the segment's results compared to the corresponding first quarter of 2020 was due to the higher unrealized derivative loss recorded in the first quarter of 2020. Compared to the preceding fourth quarter of 2020, the operating result remains stable with slight increase in sales whilst the operations cost base remains relatively unchanged.

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 first quarter of 2021 compared to the fourth quarter of 2020.

3. Prospects

This year 2021 begins much as 2020 ended with a large amount of uncertainty due to the ongoing COVID-19 pandemic. Underlying demand for consumer goods and healthcare products remains stable and fluctuations in more discretionary products depends on the acute state of the movement control order. However, 2021 is expected to be more stable than 2020 and the Group's portfolio mix has proven resilient throughout the period. We take a growth oriented but cautious approach to the year.

Overall, market demand has proven relatively stable and even in areas with short-term disruption recovery comes quickly. Therefore, we continue to focus on new business acquisition, cost efficiency improvements, working capital management, and other growth initiatives while closely monitoring the short-term outlook to ensure prudent navigation of the current situation. The medium and long-term outlook remains positive, and the Group is well positioned for growth post-COVID-19.

4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Taxation

	Quarter ended March 31, 2021 RM'000	Quarter ended March 31, 2020 RM'000	Year ended March 31, 2021 RM'000	Year ended March 31, 2020 RM'000
Current year income tax	11,163	8,947	11,163	8,947
Deferred tax	(1,606)	(500)	(1,606)	(500)
	<u>9,557</u>	<u>8,447</u>	<u>9,557</u>	<u>8,447</u>

The effective tax rate for the quarter ended March 31, 2021 was lower compared to the corresponding quarter of 2020 as the impact from the non-deductible derivative losses from interest rate swap has reduced significantly. The overall effective tax rate remains high as the financing costs incurred for the acquisition of Auric Malaysia are not tax deductible for the holding company and unutilized business losses not recognized for a loss-making subsidiary.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at May 27, 2021.

7. Group Borrowings and Debt Securities

	As at March 31, 2021 RM'000	As at March 31, 2020 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	<u>355,000</u>	<u>166,670</u>
<u>Long Term Borrowings</u>		
- Advances from holding companies	32,967	28,857
- Bank borrowings	<u>225,000</u>	<u>500,000</u>
	<u>257,967</u>	<u>528,857</u>
Total borrowings	<u>612,967</u>	<u>695,527</u>

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value March 31, 2021 RM'000	Fair Value March 31, 2021 RM'000
Foreign exchange contracts		
- less than 1 year	106,510	107,309
Interest rate swap contract		
- 1 year to 2 year	250,000	246,280
Total	356,510	353,589

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 risk management objectives and policies to mitigate this risk since the financial year ended December 31, 2020.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at March 31, 2021 resulting in an unrealized derivative gain of RM 0.8 million.

This unrealized derivative gain 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 225 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 period amounted to unrealized derivative loss of RM 3.7 million.

In total, a net unrealized loss on derivative contracts amounting to RM 2.9 million had been debited to the statement of comprehensive income for the three months ended March 31, 2021.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 May 27, 2021.

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 three months ended March 31, 2021 are RM 24,077,000 and RM 24,077,000 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 three months ended March 31, 2021 is 157,658,076.

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, 2020.

By Order of the Board

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

Petaling Jaya
May 27, 2021