

**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, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2021**

	<u>INDIVIDUAL 2ND QUARTER</u>		<u>CUMULATIVE 2ND QUARTER</u>	
	30/06/2021 Unaudited RM'000	30/06/2020 Unaudited RM'000	30/06/2021 Unaudited RM'000	30/06/2020 Unaudited RM'000
1 Revenue	1,780,063	1,448,089	3,535,162	3,171,560
2 Operating expenses	(1,745,524)	(1,428,098)	(3,460,955)	(3,125,839)
3 Other operating income	5,494	1,989	7,660	4,193
4 Profit before interest and tax	40,033	21,980	81,867	49,914
5 Finance cost	(6,597)	(8,459)	(14,797)	(17,844)
6 Profit before tax	33,436	13,521	67,070	32,070
7 Taxation	(8,038)	(5,688)	(17,595)	(14,135)
8 Profit for the period, net of tax	25,398	7,833	49,475	17,935
9 Net profit for the period	25,398	7,833	49,475	17,935
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	(2)	12	6	6
11 Total comprehensive income	25,396	7,845	49,481	17,941
12 Net profit attributable to owners of the parent	25,398	7,833	49,475	17,935
13 Total comprehensive income attributable to owners of the parent	25,396	7,845	49,481	17,941
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	16.11	4.97	31.38	11.38
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	19.86	9.06	38.87	19.63

**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.

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(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2021**

	30/06/2021 Unaudited RM'000	31/12/2020 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	26,486	28,981
Right-of-use assets	116,474	111,442
Intangible assets	375,710	381,790
Deferred tax assets	11,771	10,220
	<u>530,441</u>	<u>532,433</u>
2 Current Assets		
Inventories	759,598	746,023
Trade and other receivables	1,608,105	1,368,662
Cash and bank balances	51,922	55,402
	<u>2,419,625</u>	<u>2,170,087</u>
3 Total Assets	<u><b>2,950,066</b></u>	<u><b>2,702,520</b></u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	151	145
Retained earnings	536,305	486,830
Equity attributable to owners of parent	<u>718,628</u>	<u>669,147</u>
5 Current Liabilities		
Trade and other payables	1,606,173	1,320,803
Derivative financial instrument	3,039	5,163
Lease liabilities	28,764	28,288
Borrowings	450,000	83,000
Taxation	23,567	10,378
	<u>2,111,543</u>	<u>1,447,632</u>
6 Non Current Liabilities		
Borrowings	15,407	483,967
Derivative financial instrument	-	937
Lease liabilities	93,190	88,162
Long term liabilities	3,181	3,126
Deferred tax liabilities	8,117	9,549
	<u>119,895</u>	<u>585,741</u>
7 Total Liabilities	<u><b>2,231,438</b></u>	<u><b>2,033,373</b></u>
8 Total Equity and Liabilities	<u><b>2,950,066</b></u>	<u><b>2,702,520</b></u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>4.5581</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 six months ended June 30, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS  
ENDED JUNE 30, 2021**

	----- Attributable to owners of the parent -----		Foreign currency translation reserve RM'000	Distributable Retained earnings RM'000	Total Equity RM'000
	----- Non-distributable -----				
	Issued and fully paid ordinary shares				
	Number of shares 000	Amount RM'000			
<u>SIX MONTHS ENDED JUNE 30, 2021</u>					
At January 1, 2021	157,658	182,172	145	486,830	669,147
Total comprehensive income for the period	-	-	6	49,475	49,481
At June 30, 2021	157,658	182,172	151	536,305	718,628
<u>SIX MONTHS ENDED JUNE 30, 2020</u>					
At January 1, 2020	157,658	182,172	143	437,942	620,257
Total comprehensive loss for the period	-	-	6	17,935	17,941
At June 30, 2020	157,658	182,172	149	455,877	638,198

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 six months ended June 30, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR SIX MONTHS ENDED JUNE 30, 2021**

	30/06/2021 Unaudited RM'000	30/06/2020 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	67,070	32,070
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	5,333	5,922
Depreciation of right-of-use assets	17,510	18,675
Amortization of intangible assets	6,080	6,078
Net unrealized derivative (gains)/losses	(3,083)	5,438
(Gain)/loss on disposal of property, plant and equipment	(25)	352
Provision for property restoration cost	55	-
Interest income	(285)	(296)
Interest expenses	11,347	14,100
Interest expenses on lease liabilities	3,450	3,744
(Reversal of loss allowance)/loss allowance on trade receivables	(561)	1,622
Inventories written off	13,594	8,408
Net write-down of slow moving inventories	2,378	372
Net unrealized foreign exchange (gains)/losses	(108)	1,555
Operating cash flows before changes in working capital	<u>122,755</u>	<u>98,040</u>
Changes in working capital:		
Inventories	(29,393)	(95,315)
Trade and other receivables	(238,882)	71,050
Trade and other payables	285,956	48,183
	<u>17,681</u>	<u>23,918</u>
Interest paid	(11,614)	(17,861)
Interest received	285	296
Tax paid	(7,389)	(8,442)
	<u>(18,718)</u>	<u>(26,007)</u>
<b>Net cash flows generated from operating activities</b>	<u><b>121,718</b></u>	<u><b>95,951</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,261)	(6,903)
Proceed from disposal of property, plant and equipment	105	-
<b>Net cash flows used in investing activities</b>	<u><b>(3,156)</b></u>	<u><b>(6,903)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings	(101,560)	20,843
Repayment of lease liabilities	(20,488)	(17,683)
<b>Net cash flows (used in)/generated from financing activities</b>	<u><b>(122,048)</b></u>	<u><b>3,160</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<u><b>(3,486)</b></u>	<u><b>92,208</b></u>
CURRENCY TRANSLATION DIFFERENCES	6	6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,402	22,059
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><u><b>51,922</b></u></u>	<u><u><b>114,273</b></u></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	51,922	114,273
	<u><u>51,922</u></u>	<u><u>114,273</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))

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**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2021

The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Six Months Ended June 30, 2021</u>	<u>Marketing &amp; Distribution Services</u> RM'000	<u>Logistics Services</u> RM'000	<u>Others</u> RM'000	<u>Consolidated</u> RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	1,947,116	1,519,422	21,957	3,488,495
Rendering of services	16,045	30,622	-	46,667
<b>Total revenue from contracts with customers</b>	<b>1,963,161</b>	<b>1,550,044</b>	<b>21,957</b>	<b>3,535,162</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	61,932	25,273	(5,338)	81,867
Finance cost				(14,797)
Taxation				(17,595)
Profit for the period, net of tax				<u>49,475</u>
<b>As at June 30, 2021</b>				
<b>Net assets</b>				
Segment assets	1,429,200	966,071	81,078	2,476,349
Unallocated assets				473,717
Total assets				<u>2,950,066</u>
Segment liabilities	(670,557)	(772,169)	(522)	(1,443,248)
Unallocated liabilities				(788,190)
Total liabilities				<u>(2,231,438)</u>
<b>Other information</b>				
Capital expenditure	582	1,318	1,172	3,072
Depreciation of property, plant and equipment	1,248	1,524	2,561	5,333
Depreciation of right-of-use assets	10,407	4,003	3,100	17,510
Amortization of intangible assets	6,080	-	-	6,080
Loss/(reversal of) allowance on trade receivables	1,066	(1,484)	(143)	(561)
Inventories written off	10,859	2,231	504	13,594

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 June 30, 2021

The figures have not been audited

**SEGMENTAL INFORMATION**

<b><u>For the Six Months Ended June 30, 2020</u></b>	<b><u>Marketing &amp;</u></b>	<b><u>Logistics</u></b>	<b><u>Others</u></b>	<b><u>Consolidated</u></b>
	<b><u>Distribution</u></b>			
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<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				<b>17,935</b>
<b><u>As at June 30, 2020</u></b>				
<b>Net assets</b>				
Segment assets	1,387,522	766,150	93,793	2,247,465
Unallocated assets				555,095
Total assets				<b>2,802,560</b>
Segment liabilities	(639,619)	(679,019)	(4,565)	(1,323,203)
Unallocated liabilities				(841,159)
Total liabilities				<b>(2,164,362)</b>
<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.

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(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 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 August 26, 2021.

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

The unaudited condensed consolidated interim financial statements for the current quarter and six months ended June 30, 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.

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(Incorporated in Malaysia)

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### **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, 2021.

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

The Group's segmental information for the financial six months ended June 30, 2021 and June 30, 2020 is presented separately in this interim financial report.

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**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 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	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,629	2,937	5,333	5,922
Depreciation of right-of-use assets	8,826	9,359	17,510	18,675
Amortization of intangible assets	3,040	3,038	6,080	6,078
Net unrealized derivative losses/(gains)	119	932	(3,083)	5,438
Rental income	(291)	(268)	(581)	(540)
Interest income	(144)	(111)	(285)	(296)
Interest expenses	4,880	6,624	10,222	14,100
Interest expenses on lease liabilities	1,717	1,835	3,450	3,744
Interest - other	-	-	1,125	-
(Gain)/loss on disposal of property, plant and equipment	(15)	-	(25)	352
(Reversal of loss allowance)/loss allowance on trade receivables	(398)	1,053	(561)	1,622
Inventories written off	8,519	4,866	13,594	8,408
Net (reversal of write-down)/write-down of slow-moving inventories	(2,777)	(700)	2,378	372
Net unrealized foreign exchange losses/(gains)	65	227	(108)	1,555
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))  
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## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended June 30, 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 six months ended June 30, 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 six months ended June 30, 2021 and June 30, 2020, as well as the balances with the related parties as at June 30, 2021 and June 30, 2020:

	Current year ended June 30, 2021 RM'000	Preceding year ended June 30, 2020 RM'000	Intercompany balances - due from/(to) as at	
			June 30, 2021 RM'000	June 30, 2020 RM'000
<b>Sale of goods and services:</b>				
- related companies (goods)	3,016	2,578	984	1,464
- related companies (rental)	581	540	194	178
- related companies (cost sharing)	330	169	60	79
- related companies (human resource and information technology charges)	345	368	115	97
	<u>4,272</u>	<u>3,655</u>	<u>1,353</u>	<u>1,818</u>
<b>Purchase of goods and services:</b>				
- related companies (goods and services)	(11,421)	(10,479)	(4,683)	(2,911)
- related company (management fee)	(4,947)	(4,255)	-	(3)
- related company (royalty fee)	(2,846)	(2,563)	-	(1,086)
- related company (information technology charges)	(11,822)	(10,876)	(210)	(388)
<b>Others (interest):</b>				
- immediate holding company	(300)	(235)	(56)	(131)
- intermediate holding company	(151)	(476)	(51)	(64)
	<u>(31,487)</u>	<u>(28,884)</u>	<u>(5,000)</u>	<u>(4,583)</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 June 30, 2021.

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## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 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 June 30, 2021 and up to August 26, 2021.

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

Authorized capital commitments not provided for in this interim financial report as at June 30, 2021 are as follows:

	RM'000
Contracted	<u>1,251</u>
Analyzed as follows:	
- Property, plant and equipment	<u>1,251</u>

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – SIX MONTHS ENDED JUNE 30, 2021

#### (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			
	30/06/2021	30/06/2020	Changes		31/3/2021	Changes		30/06/2021	30/06/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,780,063	1,448,089	331,974	22.9%	1,755,099	24,964	1.4%	3,535,162	3,171,560	363,602	11.5%
Profit before interest and tax	40,033	21,980	18,053	82.1%	41,834	(1,801)	(4.3%)	81,867	49,914	31,953	64.0%
Profit before tax	33,436	13,521	19,915	147.3%	33,634	(198)	(0.6%)	67,070	32,070	35,000	109.1%
Profit after tax	25,398	7,833	17,565	224.2%	24,077	1,321	5.5%	49,475	17,935	31,540	175.9%
Profit attributable to owners of the parent	25,398	7,833	17,565	224.2%	24,077	1,321	5.5%	49,475	17,935	31,540	175.9%

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

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

##### **Quarterly**

Revenues for the quarter grew by 22.9% compared to the corresponding second quarter of 2020, increasing from RM 1.45 billion to RM 1.78 billion, while improving by 1.4% against those of the preceding first quarter of 2021 which was RM 1.76 billion. The increase in revenue in comparison to the corresponding second quarter was mainly due to ongoing organic growth of existing clients and new clients secured from the Marketing and Distribution segment, organic growth of existing clients and recovery from the effects of COVID-19 pandemic in the Logistics segment and the improvement from the effects of COVID-19 pandemic to the Others segment business operations. The increase in revenue was offset by the exit of a telecommunications client in the Logistics segment. The growth of revenue compared to the preceding first quarter of 2021 was predominantly due to the delivery of one-off tender in the Logistics segment, offset by the effects of movements in consumer demand and business operations in the Marketing and Distribution segment and the Others segment during various stages of the movement control order during the quarter.

Operating expenses for the quarter increased by 22.2% from RM 1.43 billion to RM 1.75 billion as compared to the corresponding second quarter of 2020, while increasing by 1.8% against those of the preceding first quarter of 2021 which were at RM 1.72 billion. The changes in operating expenses were largely in line with the movement in revenue.

Profit before tax for the quarter improved by 147.3% compared to the same quarter of 2020 due to the abovementioned results and reduced financing cost as a result of lower outstanding borrowings. Compared to the preceding first quarter of 2021, profit before tax for the quarter declined marginally by 0.6% from RM 33.6 million to RM 33.4 million due to unrealized derivative gains recorded in the preceding first quarter.

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

Revenues grew by 11.5% from RM 3.17 billion to RM 3.54 billion as compared to 2020, reflecting the ongoing organic growth of existing clients and new clients secured as well as recovery from the effects of COVID-19 pandemic.

Operating costs increased by 10.7% from RM 3.13 billion to RM 3.46 billion, which were lesser than the revenue growth, reflecting improvements in cost efficiencies.

Profit before tax improved by 109.1% compared to 2020 due to the abovementioned results, unrealized derivative gains from interest rate swap and decline in interest expenses resulting from reduced borrowings.

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(Incorporated in Malaysia)

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended June 30, 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 2 <sup>nd</sup> Quarter				Immediately Preceding 1 <sup>st</sup> Quarter			Cumulative 2 <sup>nd</sup> Quarter			
	30/06/2021	30/06/2020	Changes		31/3/2021	Changes		30/06/2021	30/06/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	966,336	826,170	140,166	17.0%	996,825	(30,489)	(3.1%)	1,963,161	1,666,483	296,678	17.8%
Segment profit before interest and tax	30,282	21,433	8,849	41.3%	31,650	(1,368)	(4.3%)	61,932	43,859	18,073	41.2%

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

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

##### **Quarterly**

Revenues for the quarter grew by 17.0% compared to the corresponding second quarter of 2020, increasing from RM 826.2 million to RM 966.3 million, while declining by 3.1% against those of the preceding first quarter of 2021 which was RM 996.8 million. This segment's improved revenue compared to the corresponding second quarter reflects the ongoing organic growth of existing clients and new clients secured while the slight decline in revenue compared to the preceding first quarter of 2021 was due to movements in consumer demand during various stages of the movement control order.

The operating result for the quarter was RM 30.3 million, which was a 41.3% increase from RM 21.4 million reported for the same second quarter in 2020 and a 4.3% decrease from RM31.7 million reported for the preceding first quarter of 2021. The improvement in operating result against the corresponding second quarter was mainly due to the increase in revenue, improved margin mix and lower operating expenses from the improved operational efficiencies. The slight reduction compared to the preceding first quarter of 2021 was driven by the slightly lower sales and higher market hygiene costs.

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

Revenues grew by 17.8% from RM 1.67 billion to RM 1.96 billion as compared to 2020. This revenue growth was contributed by the ongoing organic growth with existing clients and new clients secured as well as the continuous improved sales from own brands.

The operating result for 2021 was RM 61.9 million, which was a 41.2% increase on RM 43.9 million reported in 2020. The improved result was predominantly due to the higher contribution from new clients secured and own brands and improved operation efficiencies.

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### 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			
	30/06/2021	30/06/2020	Changes		31/3/2021	Changes		30/06/2021	30/06/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	802,984	615,351	187,633	30.5%	747,060	55,924	7.5%	1,550,044	1,485,445	64,599	4.3%
Segment profit before interest and tax	12,354	5,789	6,565	113.4%	12,919	(565)	(4.4%)	25,273	20,669	4,604	22.3%



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

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

##### **Quarterly**

Revenues for the quarter increased by 30.5% from RM 615.4 million to RM 803.0 million compared to the corresponding second quarter of 2020, while improving by 7.5% against those of the preceding first quarter of 2021 which were RM 747.1 million. The improvement in revenue compared to the corresponding second quarter in 2020 was due to the organic growth of existing clients and recovery from the effects of the COVID-19 pandemic in 2020, offset by the exit of a telecommunications client in the fourth quarter of 2020. The increase in revenue compared to the preceding first quarter of 2021 was due to the delivery of a one-off tender.

The operating result for the quarter was RM 12.4 million, which is a 113.4% above the corresponding second quarter of 2020, largely contributed by the movement in revenue as mentioned above and savings from operational efficiencies. Compared to the preceding first quarter of 2021, the operating results reduced by 4.4% due to the change in margin mix despite improved revenue for the quarter.

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

Revenues for 2021 improved by 4.3% compared to 2020, increasing from RM 1.49 billion to RM 1.55 billion. The improved revenue was due to the recovery from the effects of COVID-19 pandemic in 2020, offset by the exit of a telecommunications client in the fourth quarter of 2020.

The operating result for 2021 was RM 25.3 million, which was a 22.3% increase from RM 20.7 million reported in prior year, largely due to the movement in revenue as mentioned above.

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#### 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			
	30/06/2021	30/06/2020	Changes		31/3/2021	Changes		30/06/2021	30/06/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	10,743	6,568	4,175	63.6%	11,214	(471)	(4.2%)	21,957	19,632	2,325	11.8%
Segment loss before interest and tax	(2,603)	(5,242)	2,639	50.3%	(2,735)	132	4.8%	(5,338)	(14,614)	9,276	63.5%

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

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

##### **Quarterly**

Revenues for the quarter grew by 63.6% from RM 6.6 million to RM 10.7 million compared to the corresponding second quarter of 2020, while declining by 4.2% against those of the preceding first quarter of 2021 which were RM 11.2 million. The improvement in revenue compared to the corresponding second quarter was due to business operations being impacted by the timing and period of movement control order imposed by the government in 2020 as compared to 2021. The reduced revenue as compared to the preceding first quarter of 2021 was due to business operations being impacted by the imposition of total lockdown and Full Movement Control Order (FMCO) by the government in June 2021. At the end of the second quarter of 2021, 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 was -RM 2.6 million, representing an improvement of 50.3% compared to the corresponding second quarter in 2020, whilst improving by 4.8% against those of the preceding first quarter of 2021 which was -RM 2.7 million. The improvement in the segment's result compared to the corresponding second quarter of 2020 was due to the higher sales recorded as abovementioned and the lower unrealized derivative losses recorded. Compared to preceding first quarter of 2021, the operating result improved despite the decline in sales due to cost savings from operational efficiencies.

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

Revenues for 2021 increased by 11.8% compared to 2020, improving from RM 19.6 million to RM 22.0 million. The improvement reflects the recovery of market demand and no significant disruption to the business operations before the implementation of total lockdown and FMCO by the government.

The operating result for 2021 was RM 9.3 million higher than prior year predominantly due to the unrealized derivative gain on interest rate swap and the higher sales recorded as mentioned above.

#### **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 2021 compared to the first quarter of 2021.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Prospects

The COVID-19 situation remains variable and is anticipated to remain so over the coming quarters. Consumer demand remains relatively stable and shows some fluctuates in relation to the current phase of recovery. The Group takes a cautiously optimistic outlook on the remainder of the year with demand expected to remain at current levels, although this is dependent on no significant deterioration of the COVID-19 situation.

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.

#### 5. Taxation

	Quarter ended June 30, 2021 RM'000	Quarter ended June 30, 2020 RM'000	Period ended June 30, 2021 RM'000	Period ended June 30, 2020 RM'000
Current year income tax	9,413	5,665	20,576	14,612
Deferred tax	<u>(1,375)</u>	<u>23</u>	<u>(2,981)</u>	<u>(477)</u>
	<u>8,038</u>	<u>5,688</u>	<u>17,595</u>	<u>14,135</u>

The effective tax rate for the quarter ended June 30, 2021 was lower compared to the corresponding quarter and prior period as the impact from the non-deductible derivative losses from interest rate swap and non-deductible financing costs incurred for the acquisition of Auric Malaysia have reduced significantly. The overall effective tax rate is higher than the corporate tax rate due to 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 August 26, 2021.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Group Borrowings and Debt Securities**

	As at June 30, 2021 RM'000	As at June 30, 2020 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	450,000	70,000
<u>Long Term Borrowings</u>		
- Advances from holding companies	15,407	28,750
- Bank borrowings	-	450,000
	<u>15,407</u>	<u>478,750</u>
Total borrowings	<u>465,407</u>	<u>548,750</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value June 30, 2021 RM'000	Fair Value June 30, 2021 RM'000
Foreign exchange contracts		
- less than 1 year	102,803	102,655
Interest rate swap contract		
- less than 1 year	250,000	247,109
<b>Total</b>	<b><u>352,803</u></b>	<b><u>349,764</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 risk management objectives and policies to mitigate this risk since the financial year ended December 31, 2020.

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

The Group's open foreign exchange contracts have been fair valued using the current market rates as at June 30, 2021 resulting in an unrealized derivative loss of RM 0.1 million.

This unrealized derivative loss was due to the slight strengthening 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 2.9 million.

In total, a net unrealized loss on derivative contracts amounting to RM 3.0 million had been debited to the statement of comprehensive income for the six months ended June 30, 2021.

#### **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, 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 six months ended June 30, 2021 are RM 25,398,000 and RM 49,475,000 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, 2021 is 157,658,076.

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**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, 2020.

By Order of the Board

Yuen Yoke Ping (MAICSA 7014044)  
SSM PC No. 201908002645  
Company Secretary

Petaling Jaya  
August 26, 2021