

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2021

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

	INDIVIDUAL 3RD QUARTER		CUMULATIVE 3RD QUARTER	
	30/09/2021 Unaudited RM'000	30/09/2020 Unaudited RM'000	30/09/2021 Unaudited RM'000	30/09/2020 Unaudited RM'000
1 Revenue	1,612,221	1,635,645	5,147,383	4,807,205
2 Operating expenses	(1,591,509)	(1,615,644)	(5,052,464)	(4,741,483)
3 Other operating income	3,103	6,758	10,763	10,951
4 Profit before interest and tax	23,815	26,759	105,682	76,673
5 Finance cost	(6,579)	(8,412)	(21,376)	(26,256)
6 Profit before tax	17,236	18,347	84,306	50,417
7 Taxation	(5,748)	(4,705)	(23,343)	(18,840)
8 Profit for the period, net of tax	11,488	13,642	60,963	31,577
9 Net profit for the period	11,488	13,642	60,963	31,577
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	(4)	(11)	2	(5)
11 Total comprehensive income	11,484	13,631	60,965	31,572
12 Net profit attributable to owners of the parent	11,488	13,642	60,963	31,577
13 Total comprehensive income attributable to owners of the parent	11,484	13,631	60,965	31,572
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	7.29	8.65	38.67	20.03
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	11.04	13.01	49.91	32.64

**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 nine months ended September 30, 2021

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

	30/09/2021 Unaudited RM'000	31/12/2020 Audited RM'000
<b>1 Non Current Assets</b>		
Property, plant and equipment	24,839	28,981
Right-of-use assets	111,159	111,442
Intangible assets	372,670	381,790
Deferred tax assets	11,569	10,220
	<u>520,237</u>	<u>532,433</u>
<b>2 Current Assets</b>		
Inventories	813,453	746,023
Trade and other receivables	1,397,816	1,368,662
Cash and bank balances	62,507	55,402
	<u>2,273,776</u>	<u>2,170,087</u>
<b>3 Total Assets</b>	<u><b>2,794,013</b></u>	<u><b>2,702,520</b></u>
<b>4 Equity</b>		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	147	145
Retained earnings	532,027	486,830
Equity attributable to owners of parent	<u><b>714,346</b></u>	<u><b>669,147</b></u>
<b>5 Current Liabilities</b>		
Trade and other payables	1,405,423	1,320,803
Derivative financial instrument	2,424	5,163
Lease liabilities	27,289	28,288
Borrowings	496,000	83,000
Taxation	25,319	10,378
	<u>1,956,455</u>	<u>1,447,632</u>
<b>6 Non Current Liabilities</b>		
Borrowings	22,947	483,967
Derivative financial instrument	-	937
Lease liabilities	89,703	88,162
Long term liabilities	3,181	3,126
Deferred tax liabilities	7,381	9,549
	<u>123,212</u>	<u>585,741</u>
<b>7 Total Liabilities</b>	<u><b>2,079,667</b></u>	<u><b>2,033,373</b></u>
<b>8 Total Equity and Liabilities</b>	<u><b>2,794,013</b></u>	<u><b>2,702,520</b></u>
<b>9 Net assets per share attributable to ordinary equity holders of the company (RM)</b>	<u><b>4.5310</b></u>	<u><b>4.2443</b></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.

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**QUARTERLY REPORT**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS  
ENDED SEPTEMBER 30, 2021**

	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 000	Amount RM'000	RM'000	RM'000	RM'000
<u>NINE MONTHS ENDED SEPTEMBER 30, 2021</u>					
At January 1, 2021	157,658	182,172	145	486,830	669,147
Total comprehensive income for the period	-	-	2	60,963	60,965
Dividends	-	-	-	(15,766)	(15,766)
At September 30, 2021	157,658	182,172	147	532,027	714,346
<u>NINE MONTHS ENDED SEPTEMBER 30, 2020</u>					
At January 1, 2020	157,658	182,172	143	437,942	620,257
Total comprehensive income for the period	-	-	(5)	31,577	31,572
At September 30, 2020	157,658	182,172	138	469,519	651,829

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.

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(Incorporated in Malaysia)

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR NINE MONTHS ENDED SEPTEMBER 30, 2021**

	30/09/2021 Unaudited RM'000	30/09/2020 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	84,306	50,417
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	7,929	8,719
Depreciation of right-of-use assets	26,311	27,603
Amortization of intangible assets	9,120	9,119
Net unrealized derivative (gains)/losses	(3,699)	4,278
(Gain)/loss on disposal of property, plant and equipment	(17)	350
Provision for property restoration cost	55	-
Interest income	(499)	(349)
Interest expenses	16,266	20,719
Interest expenses on lease liabilities	5,110	5,537
Loss allowance on trade receivables	51	5,454
Inventories written off	17,529	16,580
Net write-down of slow moving inventories	1,587	462
Net unrealized foreign exchange losses/(gains)	407	(476)
Operating cash flows before changes in working capital	<u>164,456</u>	<u>148,413</u>
Changes in working capital:		
Inventories	(86,316)	(17,224)
Trade and other receivables	(29,205)	(42,643)
Trade and other payables	84,685	(140,290)
	<u>(30,836)</u>	<u>(200,157)</u>
Interest paid	(16,526)	(26,196)
Interest received	499	349
Tax paid	(11,919)	(12,349)
	<u>(27,946)</u>	<u>(38,196)</u>
<b>Net cash flows generated from/(used in) operating activities</b>	<u><b>105,674</b></u>	<u><b>(89,940)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,373)	(9,262)
Proceed from disposal of property, plant and equipment	184	-
<b>Net cash flows used in investing activities</b>	<u><b>(4,189)</b></u>	<u><b>(9,262)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings	(48,020)	199,683
Repayment of lease liabilities	(30,596)	(25,593)
Dividend paid	(15,766)	-
<b>Net cash flows (used in)/generated from financing activities</b>	<u><b>(94,382)</b></u>	<u><b>174,090</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>7,103</b>	<b>74,888</b>
CURRENCY TRANSLATION DIFFERENCES	2	(5)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,402	22,059
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><b>62,507</b></u>	<u><b>96,942</b></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	62,507	96,942
	<u>62,507</u>	<u>96,942</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.

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**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2021

The figures have not been audited

**SEGMENTAL INFORMATION**

<b><u>For the Nine Months Ended September 30, 2021</u></b>	<b><u>Marketing &amp; Distribution Services</u></b>	<b><u>Logistics Services</u></b>	<b><u>Others</u></b>	<b><u>Consolidated</u></b>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	2,841,110	2,204,416	29,836	5,075,362
Rendering of services	23,998	48,023	-	72,021
<b>Total revenue from contracts with customers</b>	<b>2,865,108</b>	<b>2,252,439</b>	<b>29,836</b>	<b>5,147,383</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	78,335	36,315	(8,968)	105,682
Finance cost				(21,376)
Taxation				(23,343)
Profit for the period, net of tax				<u>60,963</u>
<b><u>As at September 30, 2021</u></b>				
<b>Net assets</b>				
Segment assets	1,327,642	903,916	81,376	2,312,934
Unallocated assets				481,079
Total assets				<u>2,794,013</u>
Segment liabilities	(590,372)	(664,740)	(552)	(1,255,664)
Unallocated liabilities				(824,003)
Total liabilities				<u>(2,079,667)</u>
<b>Other information</b>				
Capital expenditure	794	1,851	1,539	4,184
Depreciation of property, plant and equipment	1,836	2,319	3,774	7,929
Depreciation of right-of-use assets	15,521	6,006	4,784	26,311
Amortization of intangible assets	9,120	-	-	9,120
Loss/(reversal of) allowance on trade receivables	1,636	(1,445)	(140)	51
Inventories written off	15,302	2,988	(761)	17,529

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 and nine months ended September 30, 2021

The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Nine Months Ended September 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	2,540,327	2,167,250	32,351	4,739,928
Rendering of services	22,167	45,110	-	67,277
<b>Total revenue from contracts with customers</b>	<b>2,562,494</b>	<b>2,212,360</b>	<b>32,351</b>	<b>4,807,205</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	60,197	33,684	(17,208)	76,673
Finance cost				(26,256)
Taxation				(18,840)
Profit for the period, net of tax				<u>31,577</u>
<b>As at September 30, 2020</b>				
<b>Net assets</b>				
Segment assets	1,330,302	864,210	90,524	2,285,036
Unallocated assets				520,394
Total assets				<u>2,805,430</u>
Segment liabilities	(548,995)	(587,505)	(409)	(1,136,909)
Unallocated liabilities				(841,159)
Total liabilities				<u>(1,978,068)</u>
<b>Other information</b>				
Capital expenditure	1,382	1,903	3,910	7,195
Depreciation of property, plant and equipment	2,324	2,272	4,123	8,719
Depreciation of right-of-use assets	16,126	6,168	5,309	27,603
Amortization of intangible assets	9,119	-	-	9,119
Loss allowance on trade receivables	3,330	1,775	349	5,454
Inventories written off	14,078	1,206	1,296	16,580

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 September 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 November 26, 2021.

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

The unaudited condensed consolidated interim financial statements for the current quarter and nine months ended September 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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### **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**

The following dividend payment was made during the period ended September 30, 2021:

	RM'000
In respect of the financial year ended December 31, 2020:	
- Final single tier dividend of 10.0 sen per share paid on August 5, 2021	<u>15,766</u>

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

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

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**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	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,596	2,797	7,929	8,719
Depreciation of right-of-use assets	8,801	8,928	26,311	27,603
Amortization of intangible assets	3,040	3,041	9,120	9,119
Net unrealized derivative (gains)/losses	(616)	(1,160)	(3,699)	4,278
Rental income	(290)	(307)	(871)	(847)
Interest income	(214)	(53)	(499)	(349)
Interest expenses	4,919	6,619	15,141	20,719
Interest expenses on lease liabilities	1,660	1,793	5,110	5,537
Interest - other	-	-	1,125	-
Loss/(gain) on disposal of property, plant and equipment	8	(2)	(17)	350
Loss allowance on trade receivables	612	3,832	51	5,454
Inventories written off	3,935	8,172	17,529	16,580
Net (reversal of write-down)/write-down of slow-moving inventories	(791)	90	1,587	462
Net unrealized foreign exchange losses/(gains)	515	(2,031)	407	(476)
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.

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**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 nine months ended September 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 nine months ended September 30, 2021 and September 30, 2020, as well as the balances with the related parties as at September 30, 2021 and September 30, 2020:

	Current year ended September 30, 2021 RM'000	Preceding year ended September 30, 2020 RM'000	Intercompany balances - due from/(to) as at	
			September 30, 2021 RM'000	September 30, 2020 RM'000
<b>Sale of goods and services:</b>				
- related companies (goods)	5,122	4,130	1,115	1,133
- related companies (rental)	871	824	222	195
- related companies (cost sharing)	449	207	98	65
- related companies (human resource and information technology charges)	521	546	110	105
	<u>6,963</u>	<u>5,707</u>	<u>1,545</u>	<u>1,498</u>
<b>Purchase of goods and services:</b>				
- related companies (goods and services)	(18,608)	(16,438)	(4,415)	(4,556)
- related company (management fee)	(7,455)	(6,756)	-	(3)
- related company (royalty fee)	(3,643)	(3,509)	-	-
- related company (information technology charges)	(18,526)	(15,838)	(555)	(266)
<b>Others (interest):</b>				
- immediate holding company	(340)	(613)	(32)	(137)
- intermediate holding company	(237)	(297)	(58)	(62)
	<u>(48,809)</u>	<u>(43,451)</u>	<u>(5,060)</u>	<u>(5,024)</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 September 30, 2021.

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### **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 September 30, 2021 and up to November 26, 2021.

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

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

	RM'000
Contracted	<u>719</u>
Analyzed as follows:	
- Property, plant and equipment	<u>719</u>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – NINE MONTHS ENDED SEPTEMBER 30, 2021**
**(II) Compliance with Appendix 9B of the Listing Requirements**
**1. Review of Performance**

	Individual 3 <sup>rd</sup> Quarter				Immediately Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2021	30/09/2020	Changes		30/06/2021	Changes		30/09/2021	30/09/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,612,221	1,635,645	(23,424)	(1.4%)	1,780,063	(167,842)	(9.4%)	5,147,383	4,807,205	340,178	7.1%
Profit before interest and tax	23,815	26,759	(2,944)	(11.0%)	40,033	(16,218)	(40.5%)	105,682	76,673	29,009	37.8%
Profit before tax	17,236	18,347	(1,111)	(6.1%)	33,436	(16,200)	(48.5%)	84,306	50,417	33,889	67.2%
Profit after tax	11,488	13,642	(2,154)	(15.8%)	25,398	(13,910)	(54.8%)	60,963	31,577	29,386	93.1%
Profit attributable to owners of the parent	11,488	13,642	(2,154)	(15.8%)	25,398	(13,910)	(54.8%)	60,963	31,577	29,386	93.1%

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Quarterly report on consolidated results for the financial quarter ended September 30, 2021

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

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

##### **Quarterly**

Revenues for the quarter declined by 1.4% compared to the corresponding third quarter of 2020, decreasing from RM 1.64 billion to RM 1.61 billion, while reducing by 9.4% against those of the preceding second quarter of 2021 which were RM 1.78 billion. The reduction in revenue in comparison to the corresponding third quarter was mainly due to the exit of a telecommunications client in Logistics segment, offset by slight improvement from the ongoing organic growth of existing clients and new clients secured from both the Marketing and Distribution and Logistics segments. The decrease in revenue compared to the preceding second quarter of 2021 was predominantly due to the delivery of one-off tender in the Logistics segment in second quarter of 2021 and 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.

Operating expenses for the quarter decreased by 1.5% from RM 1.62 billion to RM 1.59 billion as compared to the corresponding third quarter of 2020, while decreasing by 8.8% against those of the preceding second quarter of 2021 which were at RM 1.75 billion. The changes in operating expenses were largely in line with the movement in revenue.

Profit before tax for the quarter declined by 6.1% compared to the same quarter of 2020 due to the abovementioned results, offset by reduced financing cost as a result of lower outstanding borrowings. Compared to the preceding second quarter of 2021, profit before tax for the quarter declined by 48.5% from RM 33.4 million to RM 17.2 million due to the abovementioned results.

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

Revenues grew by 7.1% from RM 4.81 billion to RM 5.15 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 6.6% from RM 4.74 billion to RM 5.05 billion, which were lesser than the revenue growth, reflecting improvements in cost efficiencies.

Profit before tax improved by 67.2% 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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### 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 3 <sup>rd</sup> Quarter				Immediately Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2021	30/09/2020	Changes		30/06/2021	Changes		30/09/2021	30/09/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	901,947	896,011	5,936	0.7%	966,336	(64,389)	(6.7%)	2,865,108	2,562,494	302,614	11.8%
Segment profit before interest and tax	16,403	16,338	65	0.4%	30,282	(13,879)	(45.8%)	78,335	60,197	18,138	30.1%

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

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

##### **Quarterly**

Revenues for the quarter grew slightly by 0.7% compared to the corresponding third quarter of 2020, increasing from RM 896.0 million to RM 901.9 million, while declining by 6.7% against those of the preceding second quarter of 2021 which was RM 966.3 million. This segment's improved revenue compared to the corresponding third quarter reflects the ongoing organic growth of existing clients and new clients secured while the decline in revenue compared to the preceding second 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 16.4 million, which was a 0.4% increase from RM 16.3 million reported for the same third quarter in 2020 and a 45.8% decrease from RM30.3 million reported for the preceding second quarter of 2021. The slight improvement in operating result against the corresponding third quarter was mainly due to the increase in revenue. The reduction compared to the preceding second quarter of 2021 was driven by normal seasonal flows which create much larger festive sales in the second quarter.

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

Revenues grew by 11.8% from RM 2.56 billion to RM 2.87 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 78.3 million, which was a 30.1% increase on RM 60.2 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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**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 3 <sup>rd</sup> Quarter				Immediately Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2021	30/09/2020	Changes		30/06/2021	Changes		30/09/2021	30/09/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	702,395	726,915	(24,520)	(3.4%)	802,984	(100,589)	(12.5%)	2,252,439	2,212,360	40,079	1.8%
Segment profit before interest and tax	11,042	13,015	(1,973)	(15.2%)	12,354	(1,312)	(10.6%)	36,315	33,684	2,631	7.8%



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

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

##### **Quarterly**

Revenues for the quarter reduced by 3.4% compared to the corresponding third quarter of 2020, decreasing from RM 726.9 million to RM 702.4 million, while reducing by 12.5% against those of the preceding second quarter of 2021 which were RM 803.0 million. The reduction in revenue compared to the corresponding third quarter in 2020 was due to the exit of a telecommunications client in the fourth quarter of 2020, offset by the organic growth of existing clients and recovery from the effects of the COVID-19 pandemic in 2020. The decrease in revenue compared to the preceding second quarter of 2021 was due to the delivery of a one-off tender in second quarter of 2021.

The operating result for the quarter was RM 11.0 million, which is a 15.2% below the corresponding third quarter of 2020 and a 10.6% below compared to the preceding second quarter of 2021. The reduction in operating result was largely contributed by the movement in revenue as mentioned above and change in margin mix.

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

Revenues for 2021 improved by 1.8% compared to 2020, increasing from RM 2.21 billion to RM 2.25 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 36.3 million, which was a 7.8% increase from RM 33.7 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 3 <sup>rd</sup> Quarter				Immediately Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2021	30/09/2020	Changes		30/06/2021	Changes		30/09/2021	30/09/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	7,879	12,719	(4,840)	(38.1%)	10,743	(2,864)	(26.7%)	29,836	32,351	(2,515)	(7.8%)
Segment loss before interest and tax	(3,630)	(2,594)	(1,036)	(39.9%)	(2,603)	(1,027)	(39.5%)	(8,968)	(17,208)	8,240	47.9%

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

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

##### **Quarterly**

Revenues for the quarter declined by 38.1% compared to the corresponding third quarter of 2020, decreasing from RM 12.7 million to RM 7.9 million, while reducing by 26.7% against those of the preceding second quarter of 2021 which were RM 10.7 million. The reduction in revenue compared to the corresponding third quarter was due to business operations being affected 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 second 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 and lockdown in Brunei from August 2021. At the end of the third quarter of 2021, there were a total of 96 outlets located in West and East Malaysia as well as two outlets in Brunei.

The operating result for the quarter was -RM 3.6 million which was lower than -RM2.6 million reported for the same third quarter of 2020, while declining by 39.5% against those of the preceding second quarter of 2021 which was -RM 2.6 million. The low result in comparison to the corresponding third quarter of 2020 and preceding second quarter of 2021 was due to the lower sales recorded as abovementioned mitigated by unrealized derivative gains recorded.

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

Revenues for 2021 decreased by 7.8% compared to 2020, declining from RM 32.4 million to RM 29.8 million. The reduction reflects the disruption to the business operations after the implementation of total lockdown and FMCO by the government.

The operating result for 2021 improved by RM 8.2 million compared to prior year despite the decline in sales predominantly due to the lower unrealized derivative losses on interest rate swap and cost savings from operational efficiencies.

## **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 third quarter of 2021 compared to the second quarter of 2021.

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**3. Prospects**

Despite improvement in the COVID-19 situation, the market remains somewhat uncertain and is anticipated to remain so over the coming quarter. 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 September 30, 2021 RM'000	Quarter ended September 30, 2020 RM'000	Period ended September 30, 2021 RM'000	Period ended September 30, 2020 RM'000
Current year income tax	6,283	7,132	26,859	21,744
Deferred tax	(535)	(2,427)	(3,516)	(2,904)
	<u>5,748</u>	<u>4,705</u>	<u>23,343</u>	<u>18,840</u>

The effective tax rate for the quarter ended September 30, 2021 was higher compared to the corresponding quarter due to timing difference arising from the recognition of deferred tax assets for a subsidiary. The effective tax rate for the period ended September 30, 2021 was lower compared to 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 corporate tax rate 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 November 26 2021.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Group Borrowings and Debt Securities**

	As at September 30, 2021 RM'000	As at September 30, 2020 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	496,000	237,000
<u>Long Term Borrowings</u>		
- Advances from holding companies	22,947	40,590
- Bank borrowings	-	450,000
	<u>22,947</u>	<u>490,590</u>
Total borrowings	<u>518,947</u>	<u>727,590</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value September 30, 2021 RM'000	Fair Value September 30, 2021 RM'000
Foreign exchange contracts		
- less than 1 year	79,602	79,093
Interest rate swap contract		
- less than 1 year	225,000	223,085
<b>Total</b>	<b><u>304,602</u></b>	<b><u>302,178</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

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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 September 30, 2021 resulting in an unrealized derivative loss of RM 0.5 million.

This unrealized derivative gain 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 1.9 million.

In total, a net unrealized loss on derivative contracts amounting to RM 2.4 million had been debited to the statement of comprehensive income for the nine months ended September 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 of November 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 nine months ended September 30, 2021 are RM 11,488,000 and RM 60,963,000 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 nine months ended September 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  
November 26, 2021