

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, 2022

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER
AND SIX MONTHS ENDED JUNE 30, 2022**

	<u>INDIVIDUAL 2ND QUARTER</u>		<u>CUMULATIVE 2ND QUARTER</u>	
	30/06/2022 Unaudited RM'000	30/06/2021 Unaudited RM'000	30/06/2022 Unaudited RM'000	30/06/2021 Unaudited RM'000
1 Revenue	1,748,607	1,780,063	3,563,491	3,535,162
2 Operating expenses	(1,704,319)	(1,745,524)	(3,477,797)	(3,460,955)
3 Other operating income	5,188	5,494	8,103	7,660
4 Profit before interest and tax	49,476	40,033	93,797	81,867
5 Finance costs	(6,856)	(6,597)	(13,381)	(14,797)
6 Profit before tax	42,620	33,436	80,416	67,070
7 Taxation	(10,167)	(8,038)	(19,609)	(17,595)
8 Profit for the period, net of tax	32,453	25,398	60,807	49,475
9 Net profit for the period	32,453	25,398	60,807	49,475
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	11	(2)	15	6
11 Total comprehensive income	32,464	25,396	60,822	49,481
12 Net profit attributable to owners of the parent	32,453	25,398	60,807	49,475
13 Total comprehensive income attributable to owners of the parent	32,464	25,396	60,822	49,481
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	20.58	16.11	38.57	31.38
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	24.26	19.86	45.80	38.87

Note:

- The weighted average number of shares used in items 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, 2021 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022**

	30/06/2022 Unaudited RM'000	31/12/2021 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	24,471	26,406
Right-of-use assets	123,347	115,294
Intangible assets	363,550	369,631
Deferred tax assets	7,585	7,975
	<u>518,953</u>	<u>519,306</u>
2 Current Assets		
Inventories	790,035	726,928
Trade and other receivables	1,512,848	1,324,417
Derivative financial instrument	1,294	-
Cash and bank balances	16,224	109,477
	<u>2,320,401</u>	<u>2,160,822</u>
3 Total Assets	<u>2,839,354</u>	<u>2,680,128</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	162	147
Retained earnings	605,804	562,339
Equity attributable to owners of parent	<u>788,138</u>	<u>744,658</u>
5 Current Liabilities		
Trade and other payables	1,514,192	1,321,499
Derivative financial instrument	-	1,287
Lease liabilities	34,936	27,738
Borrowings	150,568	450,000
Taxation	16,538	10,262
	<u>1,716,234</u>	<u>1,810,786</u>
6 Non Current Liabilities		
Borrowings	231,183	20,744
Lease liabilities	95,784	94,494
Long term liabilities	2,747	2,771
Deferred tax liabilities	5,268	6,675
	<u>334,982</u>	<u>124,684</u>
7 Total Liabilities	<u>2,051,216</u>	<u>1,935,470</u>
8 Total Equity and Liabilities	<u>2,839,354</u>	<u>2,680,128</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>4.9990</u>	<u>4.7232</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, 2021 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS
ENDED JUNE 30, 2022**

	----- 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>SIX MONTHS ENDED JUNE 30, 2022</u>					
At January 1, 2022	157,658	182,172	147	562,339	744,658
Total comprehensive income for the period	-	-	15	60,807	60,822
Dividends	-	-	-	(17,342)	(17,342)
At June 30, 2022	157,658	182,172	162	605,804	788,138
<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

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, 2021 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED JUNE 30, 2022**

	30/06/2022 Unaudited RM'000	30/06/2021 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	80,416	67,070
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	5,034	5,333
Depreciation of right-of-use assets	17,349	17,510
Amortization of intangible assets	6,080	6,080
Net unrealized derivative gains	(2,581)	(3,083)
Loss/(gain) on disposal of property, plant and equipment	297	(25)
Provision for property restoration cost	-	55
Interest income	(262)	(285)
Interest expenses	10,185	11,347
Interest expenses on lease liabilities	3,196	3,450
Reversal of loss allowance on trade receivables	(2,252)	(561)
Inventories written off	7,334	13,594
Net (reversal of write-down)/write-down of slow moving inventories	(956)	2,378
Net unrealized foreign exchange gains	(112)	(108)
Operating cash flows before changes in working capital	<u>123,728</u>	<u>122,755</u>
Changes in working capital:		
Inventories	(69,157)	(29,393)
Trade and other receivables	(186,042)	(238,882)
Trade and other payables	175,854	285,956
	<u>(79,345)</u>	<u>17,681</u>
Interest paid	(13,563)	(11,614)
Interest received	262	285
Tax paid	(14,487)	(7,389)
	<u>(27,788)</u>	<u>(18,718)</u>
Net cash flows generated from operating activities	<u>16,595</u>	<u>121,718</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,859)	(3,261)
Proceed from disposal of property, plant and equipment	42	105
Net cash flows used in investing activities	<u>(3,817)</u>	<u>(3,156)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	(88,993)	(101,560)
Repayment of lease liabilities	(17,053)	(20,488)
Net cash flows used in financing activities	<u>(106,046)</u>	<u>(122,048)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>(93,268)</u>	<u>(3,486)</u>
CURRENCY TRANSLATION DIFFERENCES	15	6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	109,477	55,402
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u><u>16,224</u></u>	<u><u>51,922</u></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	16,224	51,922
	<u>16,224</u>	<u>51,922</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, 2021 and the accompanying explanatory notes attached to the interim financial statements.

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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Six Months Ended June 30, 2022</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	2,023,654	1,453,167	32,698	3,509,519
Rendering of services	17,660	36,312	-	53,972
Total revenue from contracts with customers	2,041,314	1,489,479	32,698	3,563,491
Results				
Segment profit/(loss) before interest and tax	67,192	27,518	(913)	93,797
Finance costs				(13,381)
Taxation				(19,609)
Profit for the period, net of tax				<u>60,807</u>
As at June 30, 2022				
Net assets				
Segment assets	1,445,625	895,123	80,501	2,421,249
Unallocated assets				418,105
Total assets				<u>2,839,354</u>
Segment liabilities	(683,075)	(666,420)	(1,416)	(1,350,911)
Unallocated liabilities				(700,305)
Total liabilities				<u>(2,051,216)</u>
Other information				
Capital expenditure	859	1,382	1,390	3,631
Depreciation of property, plant and equipment	1,005	1,826	2,203	5,034
Depreciation of right-of-use assets	9,491	4,196	3,662	17,349
Amortization of intangible assets	6,080	-	-	6,080
Reversal of allowance on trade receivables	(1,417)	(685)	(150)	(2,252)
Inventories written off	5,061	1,896	377	7,334

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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SEGMENTAL INFORMATION

<u>For the Three Months Ended June 30, 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	1,947,116	1,519,422	21,957	3,488,495
Rendering of services	16,045	30,622	-	46,667
Total revenue from contracts with customers	1,963,161	1,550,044	21,957	3,535,162
Results				
Segment profit/(loss) before interest and tax	61,932	25,273	(5,338)	81,867
Finance costs				(14,797)
Taxation				(17,595)
Profit for the period, net of tax				49,475
<u>As at June 30, 2021</u>				
Net assets				
Segment assets	1,429,200	966,071	81,078	2,476,349
Unallocated assets				473,717
Total assets				2,950,066
Segment liabilities	(670,567)	(772,169)	(522)	(1,443,258)
Unallocated liabilities				(788,190)
Total liabilities				(2,231,448)
Other information				
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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

k(l) 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 24, 2022.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and six months ended June 30, 2022 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, 2021.

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, 2021. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2022, 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, 2021 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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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 is no debt and equity securities in the Group and there were no changes during the quarter under review.

8. Dividend Paid

No dividend was paid during the quarter ended June 30, 2022.

9. Segment Information

The Group's segmental information for the financial six months ended June 30, 2022 and June 30, 2021 is presented separately in this interim financial report.

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10. Profit before Tax

The following items are included in profit before tax:

	Current quarter ended		Cumulative Year-to-Date ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,486	2,629	5,034	5,333
Depreciation of right-of-use assets	8,765	8,826	17,349	17,510
Amortization of intangible assets	3,040	3,040	6,080	6,080
Net unrealized derivative (gains)/losses	(1,285)	119	(2,581)	(3,083)
Rental income	(190)	(291)	(391)	(581)
Interest income	(159)	(144)	(262)	(285)
Interest expenses	5,210	4,880	9,785	10,222
Interest expenses on lease liabilities	1,646	1,717	3,196	3,450
Interest - other	-	-	400	1,125
Loss/(gain) on disposal of property, plant and equipment	12	(15)	297	(25)
Reversal of loss allowance on trade receivables	(1,026)	(398)	(2,252)	(561)
Inventories written off	5,008	8,519	7,334	13,594
Net (reversal of write-down)/write-down of slow-moving inventories	(77)	(2,777)	(956)	2,378
Net unrealized foreign exchange (gains)/losses	(545)	65	(112)	(108)
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

On July 4, 2022, the Group closed the acquisition of 100% of the shares of AcuTest Systems (M) Sdn. Bhd. (“AcuTest Systems”) for a cash consideration of RM 19.2 million. AcuTest Systems is a distributor of clinical diagnostic point-of-care testing analyzers, diagnostic and screening devices, instruments, and laboratory systems in Malaysia and generates annual net sales of about RM 15.0 million.

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, 2022 and June 30, 2021, as well as the balances with the related parties as at June 30, 2022 and June 30, 2021:

	Current period ended June 30, 2022 RM'000	Preceding period ended June 30, 2021 RM'000	Intercompany balances - due from/(to) as at	
			June 30, 2022 RM'000	June 30, 2021 RM'000
Sale of goods and services:				
- related companies (goods)	2,594	3,016	859	984
- related companies (rental)	391	581	110	194
- related companies (cost sharing)	404	330	287	60
- related companies (human resource and information technology charges)	391	345	117	115
	<u>3,780</u>	<u>4,272</u>	<u>1,373</u>	<u>1,353</u>
Purchase of goods and services:				
- related companies (goods and services)	(13,501)	(11,421)	(4,405)	(4,683)
- related company (management fee)	(4,977)	(4,947)	(8)	-
- related company (royalty fee)	(2,774)	(2,846)	-	-
- related company (information technology charges)	(14,830)	(11,822)	(218)	(210)
Others (interest):				
- immediate holding company	(96)	(300)	(11)	(56)
- intermediate holding company	(177)	(151)	(60)	(51)
	<u>(36,355)</u>	<u>(31,487)</u>	<u>(4,702)</u>	<u>(5,000)</u>

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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, 2022.

14. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended June 30, 2022 and up to August 24, 2022.

15. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at June 30, 2022 are as follows:

	RM'000
Contracted	<u>3,657</u>
Analyzed as follows:	
- Property, plant and equipment	<u>3,657</u>

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – SIX MONTHS ENDED JUNE 30, 2022
(II) Compliance with Appendix 9B of the Listing Requirements
1. Review of Performance

	Individual 2 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2022	30/06/2021	Changes		31/03/2022	Changes		30/06/2022	30/06/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,748,607	1,780,063	(31,456)	(1.8%)	1,814,884	(66,277)	(3.7%)	3,563,491	3,535,162	28,329	0.8%
Profit before interest and tax	49,476	40,033	9,443	23.6%	44,321	5,155	11.6%	93,797	81,867	11,930	14.6%
Profit before tax	42,620	33,436	9,184	27.5%	37,796	4,824	12.8%	80,416	67,070	13,346	19.9%
Profit after tax	32,453	25,398	7,055	27.8%	28,354	4,099	14.5%	60,807	49,475	11,332	22.9%
Profit attributable to owners of the parent	32,453	25,398	7,055	27.8%	28,354	4,099	14.5%	60,807	49,475	11,332	22.9%

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1. Review of Performance (continued)

Quarterly

Revenues for the quarter decreased by 1.8% compared to the corresponding second quarter of 2021, decreasing from RM 1.78 billion to RM 1.75 billion, while reducing by 3.7% against those of the preceding first quarter of 2022 which were RM 1.81 billion. The reduced revenue in comparison to the corresponding second quarter was mainly due to the timing of the commencement of a major hospital tender in Logistics segment, offset by ongoing growth of existing clients in both Marketing and Distribution and Logistics segment and recovery of customer demand from the COVID-19 pandemic for all segments. The decrease in revenue compared to the preceding first quarter of 2022 was due to change in sales mix in Logistics segment and more aggressive promotion in first quarter of 2022 for Marketing and Distribution segment, offset by higher sales recorded in Others segment which create much larger festive sales in the second quarter.

Operating expenses for the quarter decrease by 2.4% from RM 1.75 billion to RM 1.70 billion as compared to the corresponding second quarter of 2021, while decreasing by 3.9% against those of the preceding first quarter of 2022 which were at RM 1.77 billion. The changes in operating expenses were largely in line with movement in revenue and improved operation efficiencies.

Profit before tax for the quarter improved by 27.5% compared to the same quarter of 2021, while increased by 12.8% as compared to the preceding first quarter of 2022. The improved profit before tax performance was due to improved margin mix and lower operating expenses from the improved operational efficiencies.

Period-to-date

Revenues grew by 0.8% from RM 3.54 billion to RM 3.56 billion as compared to 2021, reflecting the ongoing growth of existing clients and new clients secured as well as recovery from the effects of COVID-19 pandemic in all segments, offset by timing of the commencement of a major hospital tender in Logistics segment.

Operating costs increased by 0.5% from RM 3.46 billion to RM 3.48 billion, which were lesser than the revenue growth, reflecting improvements in cost efficiencies.

Profit before tax improved by 19.9% compared to 2021 due to the above-mentioned results.

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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 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2022	30/06/2021	Changes		31/03/2022	Changes		30/06/2022	30/06/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,016,824	966,336	50,488	5.2%	1,024,490	(7,666)	(0.7%)	2,041,314	1,963,161	78,153	4.0%
Segment profit before interest and tax	35,880	30,282	5,598	18.5%	31,312	4,568	14.6%	67,192	61,932	5,260	8.5%

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Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 5.2% compared to the corresponding second quarter of 2021, increasing from RM 966.3 million to RM 1,016.8 million, while slightly reduced by 0.7% against those of the preceding first quarter of 2022 which was RM 1,024.5 million. This segment's improved revenue compared to the corresponding second quarter reflects the ongoing growth of existing clients and recovery from the effects of the COVID-19 pandemic in 2021. The minimal reduction in revenue against the preceding first quarter of 2022 was due to change in sales mix and high level of promotional activities in first quarter of 2022.

The operating result for the quarter was RM 35.9 million, which was a 18.5% increase from RM 30.3 million reported for the same second quarter in 2021 and a 14.6% improvement from RM31.3 million reported for the preceding first quarter of 2022. The improvement in operating result against the corresponding second quarter was due to revenue growth, lower receivable provisions, and reduction in trade returns. The improvement compared to the preceding first quarter of 2022 was due to improved margin mix and continued gains from operational efficiencies.

Period-to-date

Revenues grew by 4.0% from RM 1.96 billion to RM 2.04 billion as compared to 2021. This revenue growth was mainly contributed by the ongoing growth with existing clients.

The operating result for 2022 was RM 67.2 million, which was a 8.5% increase on RM 61.9 million reported in 2021. The improved result was largely due to the movement in revenue as mentioned above and improved margin mix and 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.

	Individual 2 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2022	30/06/2021	Changes		31/03/2022	Changes		30/06/2022	30/06/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	713,368	802,984	(89,616)	(11.2%)	776,111	(62,743)	(8.1%)	1,489,479	1,550,044	(60,565)	(3.9%)
Segment profit before interest and tax	13,182	12,354	828	6.7%	14,336	(1,154)	(8.0%)	27,518	25,273	2,245	8.9%

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Logistics segment (continued)

Quarterly

Revenues for the quarter declined by 11.2% compared to the corresponding second quarter of 2021, decreasing from RM 803.0 million to RM 713.4 million, while reducing by 8.1% against those of the preceding first quarter of 2022 which were RM 776.1 million. The reduction in revenue compared to the corresponding second quarter was due to the timing of the commencement of a major hospital tender, while the decline compared to the preceding first quarter of 2022 was due to change in sales mix and movement in consumer demand.

The operating result for the quarter was RM 13.2 million, which was a 6.7% increase on RM 12.4 million reported for the same quarter in 2021 and a 8.0% reduction from RM 14.3 million reported for the preceding first quarter of 2022. The improvement in operating result against the corresponding second quarter was due to improved margin mix and a one-off bad debt recovery. The decrease compared to the preceding first quarter of 2022 was largely in line with movement in revenue.

Period-to-date

Revenues for 2022 reduced by 3.9% compared to 2021, decreasing from RM 1.55 billion to RM 1.49 billion. The decline was due to the timing of the commencement of a major hospital tender, offset by growth in existing clients and new clients secured in fourth quarter of 2021.

The operating result for 2022 was RM 27.5 million, which was a 8.9% increase from RM 25.3 million reported in prior year was due to improved margin mix and a one-off bad debt recovery.

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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 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2022	30/06/2021	Changes		31/03/2022	Changes		30/06/2022	30/06/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,415	10,743	7,672	71.4%	14,283	4,132	28.9%	32,698	21,957	10,741	48.9%
Segment (loss)/profit before interest and tax	414	(2,603)	3,017	115.9%	(1,327)	1,741	131.2%	(913)	(5,338)	4,425	82.9%

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Others segment (continued)

Quarterly

Revenues for the quarter grew by 71.4% from RM 10.7 million to RM 18.4 million as compared to the corresponding second quarter of 2021, while improved by 28.9% against those of the preceding first quarter of 2022 which were RM 14.3 million. The improvement in revenue compared to the corresponding second quarter was due to business operations being affected by movement control order imposed by the government in 2021. The improvement in revenue compared to the preceding first quarter of 2022 was due to normal seasonal flows which create much larger festive sales in the second quarter. At the end of the second quarter of 2022, 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 0.4 million which was higher than -RM2.6 million reported for the same second quarter of 2021, while increasing by 131.2% against those of the preceding first quarter of 2022 which was -RM 1.3 million. The improved result in comparison to the corresponding second quarter of 2021 and preceding first quarter of 2022 was largely due to higher sales recorded as abovementioned with the corresponding increase in operating expenses because of full operation of all outlets.

Period-to-date

Revenues for 2022 grew by 48.9% compared to 2021, increasing from RM 22.0 million to RM 32.7 million. The improvement reflects the recovery from the effects of COVID-19 pandemic since last quarter of 2021.

The operating result for 2022 improved by RM 4.4 million compared to prior year predominantly due to higher sales recorded as abovementioned with the corresponding increase in operating expenses because of full operation of all outlets.

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 2022 compared to the first quarter of 2022.

3. Prospects

Malaysia is now in transition to the endemic phase of COVID-19 with a gradual recovery of the economy. Up to this point, the Group has successfully navigated the pandemic, consumer demand remains relatively stable despite inflation and only shows some fluctuations in relation to the current phase of recovery.

Overall, market demand has proven relatively stable and even in areas with short-term disruption, recovery comes quickly. Therefore, we continue to focus on winning new business, cost efficiency improvements, working capital management and closely monitoring the short-term outlook to ensure prudent navigation of the current environment. The medium and long-term outlook remains positive.

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4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

5. Taxation

	Quarter ended June 30, 2022 RM'000	Quarter ended June 30, 2021 RM'000	Year ended June 30, 2022 RM'000	Year ended June 30, 2021 RM'000
Current year income tax	9,941	9,413	20,624	20,576
Deferred tax	226	(1,375)	(1,015)	(2,981)
	<u>10,167</u>	<u>8,038</u>	<u>19,609</u>	<u>17,595</u>

There is no significant change in the effective tax rate for the quarter ended June 30, 2022, comparing to similar quarter prior year. However, there is an improvement in the effective tax rate for the six months period ended June 30, 2022 compared to prior period mainly due to lower non-deductible expenses.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as of August 24, 2022.

7. Group Borrowings and Debt Securities

	As at June 30, 2022 RM'000	As at June 30, 2021 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Advances from holding company	1,568	-
- Bank borrowings	149,000	450,000
	<u>150,568</u>	<u>450,000</u>
<u>Long Term Borrowings</u>		
- Advances from holding companies	11,183	15,407
- Bank borrowings	220,000	-
	<u>231,183</u>	<u>15,407</u>
Total borrowings	<u>381,751</u>	<u>465,407</u>

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8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value June 30, 2022 RM'000	Fair Value June 30, 2022 RM'000
Foreign exchange contracts		
- less than 1 year	70,286	71,580
Total	70,286	71,580

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, 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, 2021.

The Group's open foreign exchange contracts have been fair valued using the current market rates as of June, 2022, resulting in an unrealized derivative gain of RM 1.3 million.

This unrealized derivative gain was due to the strengthening of the MYR after foreign exchange currency contracts were entered.

In total, a net unrealized gain on derivative contracts amounting to RM 2.6 million had been credited to the statement of comprehensive income for the six months ended June 30, 2022, from the reversal of the unrealized loss on derivatives of RM 1.3 million on the outstanding contracts on December 31, 2021 and RM 1.3 million for the current period.

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.

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10. Changes in Material Litigation

There is no material litigation as of August 24, 2022.

11. Dividend Proposed or Declared

The final single tier dividend of 11.0 sen per ordinary shares in respect of the financial year ended December 31, 2021 was approved by shareholders at the Thirtieth Annual General Meeting of the Company held on May 26, 2022 and paid on July 28, 2022.

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, 2022 are RM 32,453,000 and RM 60,807,000 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, 2022 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, 2021.

By Order of the Board

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

Petaling Jaya
August 24, 2022