

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, 2022

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

	INDIVIDUAL 3RD QUARTER		CUMULATIVE 3RD QUARTER	
	30/09/2022 Unaudited RM'000	30/09/2021 Unaudited RM'000	30/09/2022 Unaudited RM'000	30/09/2021 Unaudited RM'000
1 Revenue	1,829,659	1,612,221	5,393,150	5,147,383
2 Operating expenses	(1,804,899)	(1,591,509)	(5,282,696)	(5,052,464)
3 Other operating income	5,820	3,103	13,923	10,763
4 Profit before interest and tax	30,580	23,815	124,377	105,682
5 Finance costs	(6,883)	(6,579)	(20,264)	(21,376)
6 Profit before tax	23,697	17,236	104,113	84,306
7 Taxation	(6,044)	(5,748)	(25,653)	(23,343)
8 Profit for the period, net of tax	17,653	11,488	78,460	60,963
9 Net profit for the period	17,653	11,488	78,460	60,963
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	6	(4)	21	2
11 Total comprehensive income	17,659	11,484	78,481	60,965
12 Net profit attributable to owners of the parent	17,653	11,488	78,460	60,963
13 Total comprehensive income attributable to owners of the parent	17,659	11,484	78,481	60,965
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	11.20	7.29	49.77	38.67
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	15.20	11.04	61.00	49.91

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.

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, 2022

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

	30/09/2022 Unaudited RM'000	31/12/2021 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	25,392	26,406
Right-of-use assets	116,728	115,294
Intangible assets	381,538	369,631
Advance to immediate holding company	6,770	-
Deferred tax assets	7,882	7,975
	<u>538,310</u>	<u>519,306</u>
2 Current Assets		
Inventories	821,547	726,928
Trade and other receivables	1,543,694	1,324,417
Derivative financial instrument	3,041	-
Cash and bank balances	91,472	109,477
	<u>2,459,754</u>	<u>2,160,822</u>
3 Total Assets	<u>2,998,064</u>	<u>2,680,128</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	168	147
Retained earnings	623,457	562,339
Equity attributable to owners of parent	<u>805,797</u>	<u>744,658</u>
5 Current Liabilities		
Trade and other payables	1,489,139	1,321,499
Derivative financial instrument	-	1,287
Lease liabilities	35,120	27,738
Borrowings	369,000	450,000
Taxation	12,463	10,262
	<u>1,905,722</u>	<u>1,810,786</u>
6 Non Current Liabilities		
Borrowings	186,249	20,744
Lease liabilities	89,340	94,494
Long term liabilities	5,148	2,771
Deferred tax liabilities	5,808	6,675
	<u>286,545</u>	<u>124,684</u>
7 Total Liabilities	<u>2,192,267</u>	<u>1,935,470</u>
8 Total Equity and Liabilities	<u>2,998,064</u>	<u>2,680,128</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>5.1110</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.

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, 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED SEPTEMBER 30, 2022

	----- Attributable to owners of the parent -----			Distributable	Total Equity
	----- Non-distributable -----				
	Issued and fully paid ordinary shares		Foreign currency translation reserve	Retained earnings	
	Number of shares 000	Amount RM'000	RM'000	RM'000	RM'000
<u>NINE MONTHS ENDED SEPTEMBER 30, 2022</u>					
At January 1, 2022	157,658	182,172	147	562,339	744,658
Total comprehensive income for the period	-	-	21	78,460	78,481
Dividends	-	-	-	(17,342)	(17,342)
At September 30, 2022	157,658	182,172	168	623,457	805,797
<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

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.

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, 2022

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2022**

	30/09/2022 Unaudited RM'000	30/09/2021 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	104,113	84,306
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	7,571	7,929
Depreciation of right-of-use assets	26,177	26,311
Amortization of intangible assets	9,554	9,120
Net unrealized derivative gains	(4,328)	(3,699)
(Gain)/loss on disposal of property, plant and equipment	(20)	(17)
Property, plant and equipment written off	308	-
Interest income	(358)	(499)
Interest expenses	15,479	16,266
Interest expenses on lease liabilities	4,785	5,110
(Reversal of loss allowance)/loss allowance on trade receivables	(2,288)	51
Inventories written off	12,511	17,529
Net write-down of slow moving inventories	609	1,587
Net unrealized foreign exchange (gains)/losses	(291)	407
Operating cash flows before changes in working capital	<u>173,822</u>	<u>164,456</u>
Changes in working capital:		
Inventories	(105,451)	(86,316)
Trade and other receivables	(214,571)	(29,205)
Trade and other payables	164,941	84,685
	<u>(155,081)</u>	<u>(30,836)</u>
Interest paid	(20,446)	(21,636)
Interest received	358	499
Tax paid	(25,720)	(11,919)
	<u>(45,808)</u>	<u>(33,056)</u>
Net cash flows (used in)/generated from operating activities	<u>(27,067)</u>	<u>100,564</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,408)	(4,373)
Acquisition of subsidiary, net cash paid	(18,450)	-
Proceed from disposal of property, plant and equipment	98	184
Net cash flows used in investing activities	<u>(25,760)</u>	<u>(4,189)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	77,735	(48,020)
Repayment of lease liabilities	(25,592)	(25,486)
Dividend paid	(17,342)	(15,766)
Net cash flows generated from/(used in) financing activities	<u>34,801</u>	<u>(89,272)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>(18,026)</u>	<u>7,103</u>
CURRENCY TRANSLATION DIFFERENCES	21	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	109,477	55,402
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u>91,472</u>	<u>62,507</u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	91,472	62,507
	<u>91,472</u>	<u>62,507</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.

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, 2022

The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Nine Months Ended September 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	2,981,165	2,287,331	43,970	5,312,466
Rendering of services	26,692	53,992	-	80,684
Total revenue from contracts with customers	3,007,857	2,341,323	43,970	5,393,150
Results				
Segment profit/(loss) before interest and tax	86,539	42,474	(4,636)	124,377
Finance costs				(20,264)
Taxation				(25,653)
Profit for the period, net of tax				<u>78,460</u>
As at September 30, 2022				
Net assets				
Segment assets	1,454,368	943,078	80,081	2,477,527
Unallocated assets				520,537
Total assets				<u>2,998,064</u>
Segment liabilities	(631,079)	(697,121)	(787)	(1,328,987)
Unallocated liabilities				(863,280)
Total liabilities				<u>(2,192,267)</u>
Other information				
Capital expenditure	2,111	3,399	1,669	7,179
Depreciation of property, plant and equipment	1,502	2,831	3,238	7,571
Depreciation of right-of-use assets	14,409	6,319	5,449	26,177
Amortization of intangible assets	9,120	434	-	9,554
Reversal of allowance on trade receivables	(1,542)	(590)	(156)	(2,288)
Inventories written off	8,477	3,420	614	12,511

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 nine months ended September 30, 2022

SEGMENTAL INFORMATION

<u>For the Nine Months Ended September 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	2,841,110	2,204,416	29,836	5,075,362
Rendering of services	23,998	48,023	-	72,021
Total revenue from contracts with customers	2,865,108	2,252,439	29,836	5,147,383
Results				
Segment profit/(loss) before interest and tax	78,335	36,315	(8,968)	105,682
Finance costs				(21,376)
Taxation				(23,343)
Profit for the period, net of tax				<u>60,963</u>
As at September 30, 2021				
Net assets				
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>
Other information				
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.

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, 2022

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 22, 2022.

2. Accounting Policies and Basis of Preparation

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

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, 2022

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 is no debt and equity securities in the Group and there were no changes during the quarter under review.

8. Dividend Paid

The following dividend payment was made during the period ended September 30, 2022:

	RM'000
In respect of the financial year ended December 31, 2021:	
- Final single tier dividend of 11.0 sen per share paid on July 28, 2022	<u>17,342</u>

9. Segment Information

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

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(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2022

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, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,537	2,596	7,571	7,929
Depreciation of right-of-use assets	8,828	8,801	26,177	26,311
Amortization of intangible assets	3,474	3,040	9,554	9,120
Net unrealized derivative (gains)/losses	(1,747)	(616)	(4,328)	(3,699)
Rental income	(358)	(290)	(749)	(871)
Interest income	(96)	(214)	(358)	(499)
Interest expenses	5,294	4,919	15,079	15,141
Interest expenses on lease liabilities	1,589	1,660	4,785	5,110
Interest - other	-	-	400	1,125
(Gain)/loss on disposal of property, plant and equipment	(9)	8	(20)	(17)
(Reversal of loss allowance)/loss allowance on trade receivables	(36)	612	(2,288)	51
Inventories written off	5,177	3,935	12,511	17,529
Net write-down/(reversal) of slow-moving inventories	1,565	(791)	609	1,587
Net unrealized foreign exchange (gains)/losses	(179)	515	(291)	407
Exceptional items	-	-	-	-
Impairment of assets	-	-	-	-

11. Valuation of Property, Plant and Equipment

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

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2022

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, 2022

13. Changes in the Composition of the Group

On July 4, 2022, the Group closed the acquisition of 100% of the shares of AcuTest Systems (M) Sdn. Bhd. ("AcuTest Systems"). AcuTest Systems is a distributor of clinical diagnostic point-of-care testing analyzers, diagnostic and screening devices, instruments, and laboratory systems in Malaysia.

Summary of effects of the acquisition on the statement of financial position of the Group is illustrated as follows:

The provisional fair values of the identifiable assets and liabilities relating to acquisition:	Total fair value recognized on acquisition of AcuTest Systems RM'000
Assets	
Plant and equipment	55
Intangible assets	5,212
Deferred tax assets	20
Inventories	1,786
Trade and other receivables	2,155
Cash and bank balances	2,783
Total assets	12,011
Liabilities	
Trade and other payables	(976)
Deferred tax liabilities	(1,251)
Total liabilities	(2,227)
Total identifiable net assets acquired	9,784
Goodwill on acquisition	16,249
Purchase consideration	26,033

The allocation of purchase price was based upon a preliminary valuation, and the estimates and assumptions used are subject to change within the one-year measurement period.

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Changes in the Composition of the Group (contd.)

Summary of effects of the acquisition on the statement of cash flows:

	RM'000
Purchase consideration	26,033
Less: Contingent consideration	(4,800)
Less: Cash and cash equivalent of subsidiary	(2,783)
Net cash outflows from acquisition of subsidiary	<u>18,450</u>

The purchase consideration of RM26.0 million comprises a base consideration of up to RM 21.2 million and subsequent payments of up to RM4.8 million payable upon achieving financial performance targets.

14. 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, 2022 and September 30, 2021, as well as the balances with the related parties as at September 30, 2022 and September 30, 2021:

	Current	Preceding	Intercompany balances -	
	period	period	due from/(to) as at	
	ended	ended	September	September
	September	September	30, 2022	30, 2021
	30, 2022	30, 2021	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
Sale of goods and services:				
- related companies (goods)	7,865	5,122	176	1,115
- related companies (rental)	749	871	110	222
- related companies (cost sharing)	465	449	223	98
- related companies (human resource and information technology charges)	583	521	128	110
	<u>9,662</u>	<u>6,963</u>	<u>637</u>	<u>1,545</u>

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Related Party Disclosures (contd.)

	Current period ended September 30, 2022 RM'000	Preceding period ended September 30, 2021 RM'000	Intercompany balances - due from/(to) as at	
			September 30, 2022 RM'000	September 30, 2021 RM'000
Purchase of goods and services:				
- related companies (goods and services)	(25,601)	(18,608)	(8,450)	(4,415)
- related company (management fee)	(7,532)	(7,455)	-	-
- related company (royalty fee)	(3,210)	(3,643)	-	-
- related company (information technology charges)	(21,068)	(18,526)	(431)	(555)
Others (interest):				
- immediate holding company	(110)	(340)	(14)	(32)
- intermediate holding company	(262)	(237)	(57)	(58)
	<u>(57,783)</u>	<u>(48,809)</u>	<u>(8,952)</u>	<u>(5,060)</u>

The amounts receivable from or payable to related parties are unsecured, non-interest bearing and carry credit terms of 60 days.

15. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended September 30, 2022 and up to November 22, 2022.

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(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Capital Commitments

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

	RM'000
Contracted	<u>4,856</u>
Analyzed as follows:	
- Property, plant and equipment	<u>4,856</u>

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QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Individual 3 rd Quarter				Immediately Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2022	30/09/2021	Changes		30/06/2022	Changes		30/09/2022	30/09/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,829,659	1,612,221	217,438	13.5%	1,748,607	81,052	4.6%	5,393,150	5,147,383	245,767	4.8%
Profit before interest and tax	30,580	23,815	6,765	28.4%	49,476	(18,896)	(38.2%)	124,377	105,682	18,695	17.7%
Profit before tax	23,697	17,236	6,461	37.5%	42,620	(18,923)	(44.4%)	104,113	84,306	19,807	23.5%
Profit after tax	17,653	11,488	6,165	53.7%	32,453	(14,800)	(45.6%)	78,460	60,963	17,497	28.7%
Profit attributable to owners of the parent	17,653	11,488	6,165	53.7%	32,453	(14,800)	(45.6%)	78,460	60,963	17,497	28.7%

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(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Review of Performance (continued)

Quarterly

Revenues for the quarter improved by 13.5% compared to the corresponding third quarter of 2021, increasing from RM 1.61 billion to RM 1.83 billion, while increasing by 4.6% against those of the preceding second quarter of 2022 which were RM 1.75 billion. The improved revenue in comparison to the corresponding third quarter was mainly due to the timing of the commencement of a major hospital tender in Logistics segment, ongoing growth of existing clients in both Marketing and Distribution and Logistics segments and recovery of customer demand from the COVID-19 pandemic for all segments. The increase in revenue compared to the preceding second quarter of 2022 was due to timing of the commencement of a major hospital tender in Logistics segment, offset by lower sales recorded in Marketing and Distribution and Others segments from higher festive sales in the second quarter.

Operating expenses for the quarter increase by 13.4% from RM 1.59 billion to RM 1.80 billion as compared to the corresponding third quarter of 2021, while increasing by 5.9% against those of the preceding second quarter of 2022 which were at RM 1.70 billion. The changes in operating expenses as compared to the corresponding third quarter were largely in line with the movement in revenue. The operating expenses increased more than the revenue growth as compared to the preceding second quarter of 2022 were largely due to change in margin mix for Logistics Segment and supply delay in third quarter of 2022 for Others Segment.

Profit before tax for the quarter improved by 37.5% compared to the same quarter of 2021, while decreased by 44.4% as compared to the preceding second quarter of 2022. The improved profit before tax performance compared to the corresponding quarter was due to increased revenues, improved margin mix in Logistic segment and gains from foreign exchange derivatives. The reduction in profit before tax as compared to the preceding second quarter was due to a change in sales mix.

Period-to-date

Revenues grew by 4.8% from RM 5.15 billion to RM 5.39 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.

Operating costs increased by 4.6% from RM 5.05 billion to RM 5.28 billion, which were lesser than the revenue growth, reflecting improvements in cost efficiencies.

Profit before tax improved by 23.5% compared to 2021 due to the above-mentioned results and gains from foreign exchange derivatives.

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, 2022

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 rd Quarter				Immediately Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2022	30/09/2021	Changes		30/06/2022	Changes		30/09/2022	30/09/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	966,543	901,947	64,596	7.2%	1,016,824	(50,281)	(4.9%)	3,007,587	2,865,108	142,479	5.0%
Segment profit before interest and tax	19,347	16,403	2,944	17.9%	35,880	(16,533)	(46.1%)	86,539	78,335	8,204	10.5%

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 7.2% compared to the corresponding third quarter of 2021, increasing from RM 901.9 million to RM 966.5 million, while reduced by 4.9% against those of the preceding second quarter of 2022 which was RM 1,016.8 million. This segment's improved revenue compared to the corresponding third quarter reflects the ongoing growth of existing clients and recovery from the effects of the COVID-19 pandemic in 2021. The reduction in revenue against the preceding second quarter of 2022 was due to a change in normal seasonal flows.

The operating result for the quarter was RM 19.3 million, which was a 17.9% increase from RM 16.4 million reported for the same third quarter in 2021, while reduced by 46.1% from RM 35.9 million reported for the preceding second quarter of 2022. The improvement in operating result against the corresponding third quarter was due to revenue growth, lower receivable provisions, and a reduction in trade returns. The decline compared to the preceding second quarter of 2022 was mainly due to a change in sales mix.

Period-to-date

Revenues grew by 5.0% from RM 2.87 billion to RM 3.01 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 86.5 million, a 10.5% increase on RM 78.3 million reported in 2021. The improved result was largely driven by sales growth as mentioned above and improved margin mix.

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, 2022

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.

	Individual 3 rd Quarter				Immediately Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2022	30/09/2021	Changes		30/06/2022	Changes		30/09/2022	30/09/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	851,844	702,395	149,449	21.3%	713,368	138,476	19.4%	2,341,323	2,252,439	88,884	3.9%
Segment profit before interest and tax	14,956	11,042	3,914	35.4%	13,182	1,774	13.5%	42,474	36,315	6,159	17.0%

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Logistics segment (continued)

Quarterly

Revenues for the quarter improved by 21.3% compared to the corresponding third quarter of 2021, increasing from RM 702.4 million to RM 851.8 million, while increasing by 19.4% against those of the preceding second quarter of 2022 which were RM 713.4 million. The improvement in revenue compared to the corresponding second quarter and preceding second quarter of 2022 was due to the timing of the commencement of a major hospital tender and growth in existing clients.

The operating result for the quarter was RM 15.0 million, which was a 35.4% increase on RM 11.0 million reported for the same quarter in 2021 and a 13.5% increase from RM 13.2 million reported for the preceding second quarter of 2022. The improvement in operating result against the corresponding third quarter of 2022 was largely in line with sales growth and improved margin mix whilst the improvement compared to the preceding second quarter of 2022 which was lower than the increase in revenue due to change in sales mix.

Period-to-date

Revenues for 2022 increased by 3.9% compared to 2021, increasing from RM 2.25 billion to RM 2.34 billion. The improvement was due to growth in existing clients and new clients secured in the fourth quarter of 2021.

The operating result for 2022 was RM 42.5 million, a 17.0% increase from RM 36.3 million reported in the prior year due to improved margin mix and a one-off bad debt recovery.

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Others segment

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

	Individual 3 rd Quarter				Immediately Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2022	30/09/2021	Changes		30/06/2022	Changes		30/09/2022	30/09/2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	11,272	7,879	3,393	43.1%	18,415	(7,143)	(38.8%)	43,970	29,836	14,134	47.4%
Segment (loss)/profit before interest and tax	(3,723)	(3,630)	(93)	(2.6%)	414	(4,137)	>(100.0%)	(4,636)	(8,968)	4,332	48.3%

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Others segment (continued)

Quarterly

Revenues for the quarter grew by 43.1% from RM 7.9 million to RM 11.3 million as compared to the corresponding third quarter of 2021, while reduced by 38.8% against those of the preceding second quarter of 2022 which were RM 18.4 million. Lower revenue in corresponding third quarter of 2021 due to business operations being affected by movement control order imposed by the government. The reduction in revenue compared to the preceding second quarter of 2022 was due to normal seasonal flows with higher festive sales in the second quarter. At the end of the third quarter of 2022, there were a total of 95 outlets located in West and East Malaysia as well as two outlets in Brunei.

The operating result for the quarter was -RM 3.7 million which was 2.6% more than -RM 3.6 million reported for the same third quarter of 2021, while reducing by >100.0% against those of the preceding second quarter of 2022 which was RM 0.4 million. Higher segment loss in comparison to the corresponding third quarter of 2021 was largely due to higher operating expenses from full operation of all outlets in 2022, and lower rental rebates and government grants received. Higher segment loss compared to the preceding second quarter of 2022 was due to lower sales in third quarter due to delay in raw material supply.

Period-to-date

Revenues for 2022 grew by 47.4% compared to 2021, increasing from RM 29.8 million to RM 44.0 million. The improvement reflects the recovery from the effects of COVID-19 pandemic.

The operating result for 2022 improved by RM 4.3 million compared to the prior year predominantly from higher sales recorded as above mentioned.

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 2022 compared to the second quarter of 2022.

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Prospects

Malaysia is now in a gradual recovery of the economy after the pandemic. Up to this point, the Group has successfully navigated the pandemic, consumer demand remains relatively stable despite inflationary pressure and only shows some fluctuations in relation to the current phase of recovery. 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 Group is well positioned to benefit from favorable long-term market, industry, and consolidation trends in Asia Pacific. Malaysia remains an ideal environment for further growth in the medium to long term.

4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

5. Taxation

	Quarter ended September 30, 2022 RM'000	Quarter ended September 30, 2021 RM'000	Year ended September 30, 2022 RM'000	Year ended September 30, 2021 RM'000
Current year income tax	7,035	6,283	27,659	26,859
Deferred tax	(991)	(535)	(2,006)	(3,516)
	<u>6,044</u>	<u>5,748</u>	<u>25,653</u>	<u>23,343</u>

There is an improvement in the effective tax rate for the quarter ended September 30, 2022, and nine months period ended September 30, 2022 compared to similar third quarter of 2021 and prior year mainly due to lower non-deductible expenses.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as of November 22, 2022.

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Group Borrowings and Debt Securities

	As at September 30, 2022 RM'000	As at September 30, 2021 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	369,000	496,000
	<u>369,000</u>	<u>496,000</u>
<u>Long Term Borrowings</u>		
- Advances from holding companies	11,249	22,947
- Bank borrowings	175,000	-
	<u>186,249</u>	<u>22,947</u>
Total borrowings	<u>555,249</u>	<u>518,947</u>

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value September 30, 2022 RM'000	Fair Value September 30, 2022 RM'000
Foreign exchange contracts		
- less than 1 year	80,086	83,127
Total	<u>80,086</u>	<u>83,127</u>

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.

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, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group's open foreign exchange contracts have been fair valued using the current market rates as of September 30, 2022, resulting in an unrealized derivative gain of RM 3.0 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 4.3 million had been credited to the statement of comprehensive income for the nine months ended September 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 3.0 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.

10. Changes in Material Litigation

There is no material litigation as of November 22, 2022.

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, 2022 are RM 17,653,000 and RM78,460,000 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, 2022 is 157,658,076.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2022

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, 2021.

By Order of the Board

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

Petaling Jaya
November 22, 2022