

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

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2020

	<u>INDIVIDUAL 4TH QUARTER</u>		<u>CUMULATIVE 4TH QUARTER</u>	
	31/12/2020 Unaudited RM'000	31/12/2019 Unaudited RM'000	31/12/2020 Unaudited RM'000	31/12/2019 Audited RM'000
1 Revenue	1,548,494	1,608,574	6,355,699	6,457,085
2 Operating expenses	(1,521,980)	(1,578,756)	(6,263,463)	(6,367,384)
3 Other operating income	4,577	4,718	15,528	8,844
4 Profit before interest and tax	31,091	34,536	107,764	98,545
5 Finance cost	(8,188)	(9,951)	(34,444)	(37,587)
6 Profit before tax	22,903	24,585	73,320	60,958
7 Taxation	(6,782)	(7,270)	(25,622)	(21,911)
8 Profit for the period, net of tax	16,121	17,315	47,698	39,047
9 Net profit for the period	16,121	17,315	47,698	39,047
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	6	4	1	3
11 Total comprehensive income	16,127	17,319	47,699	39,050
12 Net profit attributable to owners of the parent	16,121	17,315	47,698	39,047
13 Total comprehensive income attributable to owners of the parent	16,127	17,319	47,699	39,050
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	10.23	10.98	30.25	24.77
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	14.61	15.38	46.66	39.96

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, 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

	31/12/2020 Unaudited RM'000	31/12/2019 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	28,974	33,023
Right-of-use assets	111,442	131,722
Intangible assets	381,789	393,949
Deferred tax assets	10,220	6,211
	<u>532,425</u>	<u>564,905</u>
2 Current Assets		
Inventories	741,735	741,045
Trade and other receivables	1,351,539	1,393,300
Cash and bank balances	55,402	22,059
	<u>2,148,676</u>	<u>2,156,404</u>
3 Total Assets	<u>2,681,101</u>	<u>2,721,309</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	144	143
Retained earnings	485,640	437,942
Equity attributable to owners of parent	<u>667,956</u>	<u>620,257</u>
5 Current Liabilities		
Trade and other payables	1,299,391	1,417,796
Derivative financial instrument	6,353	1,402
Lease liabilities	28,288	30,952
Borrowings	83,000	620
Taxation	10,378	2,127
	<u>1,427,410</u>	<u>1,452,897</u>
6 Non Current Liabilities		
Borrowings	483,967	527,287
Derivative financial instrument	937	1,146
Lease liabilities	88,162	104,545
Long term liabilities	3,120	2,737
Deferred tax liabilities	9,549	12,440
	<u>585,735</u>	<u>648,155</u>
7 Total Liabilities	<u>2,013,145</u>	<u>2,101,052</u>
8 Total Equity and Liabilities	<u>2,681,101</u>	<u>2,721,309</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>4.2367</u>	<u>3.9342</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, 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2020

	----- Attributable to owners of the parent -----		Foreign currency translation reserve RM'000	Distributable Retained earnings RM'000	Total Equity RM'000
	----- Non-distributable -----				
	Issued and fully paid ordinary shares				
	Number of shares 000	Amount RM'000			
<u>YEAR ENDED DECEMBER 31, 2020</u>					
At January 1, 2020	157,658	182,172	143	437,942	620,257
Total comprehensive income for the period	-	-	1	47,698	47,699
At December 31, 2020	157,658	182,172	144	485,640	667,956
<u>YEAR ENDED DECEMBER 31, 2019</u>					
At January 1, 2019	157,658	182,172	140	414,661	596,973
Total comprehensive loss for the period	-	-	3	39,047	39,050
Dividends	-	-	-	(15,766)	(15,766)
At December 31, 2019	157,658	182,172	143	437,942	620,257

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, 2019 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2020**

	31/12/2020 Unaudited RM'000	31/12/2019 Audited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	73,320	60,958
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	11,509	10,812
Depreciation of right-of-use assets	37,516	36,694
Amortization of intangible assets	12,159	9,126
Net unrealized derivative losses	4,808	2,478
Loss/(gain) on disposal of property, plant and equipment	353	(171)
Property, plant and equipment written off	-	188
Provision for/(write-back of) property restoration cost	383	(13)
Interest income	(495)	(1,011)
Interest expenses	27,147	29,258
Interest expenses on lease liabilities	7,297	8,329
Loss allowance on trade receivables	6,338	2,276
Inventories written off	21,506	20,119
Net write-down/(reversal of write-down) of slow moving inventories	6,718	(776)
Net unrealized foreign exchange (gains)/losses	(723)	651
Operating cash flows before changes in working capital	<u>207,836</u>	<u>178,918</u>
Changes in working capital:		
Inventories	(28,914)	45,874
Trade and other receivables	34,581	(14,531)
Trade and other payables	(115,669)	(146,494)
	<u>(110,002)</u>	<u>(115,151)</u>
Interest paid	(34,453)	(37,557)
Interest received	495	1,011
Tax paid	(23,431)	(23,620)
	<u>(57,389)</u>	<u>(60,166)</u>
Net cash flows generated from/(used in) operating activities	<u>40,445</u>	<u>3,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,967)	(12,363)
Acquisition of subsidiaries, net cash paid	-	(467,059)
Proceed from disposal of property, plant and equipment	167	221
Net cash flows used in investing activities	<u>(10,800)</u>	<u>(479,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	39,060	444,569
Repayment of lease liabilities	(35,363)	(33,117)
Dividend paid	-	(15,766)
Net cash flows generated from financing activities	<u>3,697</u>	<u>395,686</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>33,342</u>	<u>(79,914)</u>
CURRENCY TRANSLATION DIFFERENCES	1	3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,059	101,970
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u><u>55,402</u></u>	<u><u>22,059</u></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	55,402	22,059
	<u><u>55,402</u></u>	<u><u>22,059</u></u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended December 31, 2019 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 Year Ended December 31, 2020</u>	<u>Marketing & Distribution Services</u> RM'000	<u>Logistics Services</u> RM'000	<u>Others</u> RM'000	<u>Consolidated</u> RM'000
Revenue				
Type of goods or services:				
Sales of goods	3,416,109	2,802,231	43,562	6,261,902
Rendering of services	31,138	62,659	-	93,797
Total revenue from contracts with customers	3,447,247	2,864,890	43,562	6,355,699
Results				
Segment profit/(loss) before interest and tax	81,389	47,499	(21,124)	107,764
Finance cost				(34,444)
Taxation				(25,622)
Profit for the period, net of tax				47,698
As at December 31, 2020				
Net assets				
Segment assets	1,313,918	805,503	86,568	2,205,989
Unallocated assets				475,112
Total assets				2,681,101
Segment liabilities	(573,209)	(582,640)	(3,184)	(1,159,033)
Unallocated liabilities				(854,112)
Total liabilities				(2,013,145)
Other information				
Capital expenditure	1,965	2,415	4,426	8,806
Depreciation of property, plant and equipment	3,067	3,027	5,415	11,509
Depreciation of right-of-use assets	21,243	8,207	8,066	37,516
Amortization of intangible assets	12,159	-	-	12,159
Loss allowance on trade receivables	2,364	3,528	446	6,338
Inventories written off	17,664	2,198	1,644	21,506

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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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Year Ended December 31, 2019</u>	<u>Marketing &</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>
	<u>Distribution</u>			
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	3,121,401	3,192,151	68,368	6,381,920
Rendering of services	23,600	51,565	-	75,165
Total revenue from contracts with customers	3,145,001	3,243,716	68,368	6,457,085
Results				
Segment profit/(loss) before interest and tax	41,807	62,760	(6,022)	98,545
Finance cost				(37,587)
Taxation				(21,911)
Loss for the period, net of tax				39,047
<u>As at December 31, 2019</u>				
Net assets				
Segment assets	1,287,439	878,135	94,738	2,260,312
Unallocated assets				460,997
Total assets				2,721,309
Segment liabilities	(552,972)	(691,656)	(3,475)	(1,248,103)
Unallocated liabilities				(852,949)
Total liabilities				(2,101,052)
Other information				
Capital expenditure	3,369	4,826	5,832	14,027
Depreciation of property, plant and equipment	3,072	2,899	4,841	10,812
Depreciation of right-of-use assets	21,857	8,098	6,739	36,694
Amortization of intangible assets	9,126	-	-	9,126
Loss/(reversal of) allowance on trade receivables	2,411	(133)	(2)	2,276
Inventories written off	17,199	1,425	1,495	20,119

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

(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 February 24, 2021.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and year ended December 31, 2020 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, 2019.

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, 2019. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2020, 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, 2019 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

No dividend was paid during the quarter ended December 31, 2020.

9. Segment Information

The Group's segmental information for the financial year ended December 31, 2020 and December 31, 2019 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	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,790	3,058	11,509	10,812
Depreciation of right-of-use assets	9,913	9,433	37,516	36,694
Amortization of intangible assets	3,040	3,040	12,159	9,126
Net unrealized derivative losses/(gains)	530	(15)	4,808	2,478
Rental income	(301)	(374)	(1,148)	(1,752)
Interest income	(146)	(296)	(495)	(1,011)
Interest expenses	6,428	7,925	27,147	27,907
Interest expenses on lease liabilities	1,760	2,026	7,297	8,329
Interest - other	-	-	-	1,351
Loss/(gain) on disposal of property, plant and equipment	3	145	353	(171)
Loss allowance/(reversal of loss allowance) on trade receivables	884	(519)	6,338	2,276
Inventories written off	4,926	7,417	21,506	20,119
Net write-down/(reversal of write-down) of slow-moving inventories	6,256	(4,174)	6,718	(776)
Net unrealized foreign exchange (gains)/losses	(247)	(1,362)	(723)	651
Exceptional items (Consulting cost)	-	(2,378)	-	13,369
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 December 31, 2020.

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 year ended December 31, 2020 and December 31, 2019, as well as the balances with the related parties as at December 31, 2020 and December 31, 2019:

	Current year ended December 31, 2020 RM'000	Preceding year ended December 31, 2019 RM'000	Intercompany balances - due from/(to) as at	
			December 31, 2020 RM'000	December 31, 2019 RM'000
Sale of goods and services:				
- related companies (goods)	5,709	4,721	759	1,853
- related companies (rental)	1,116	1,169	195	263
- related companies (cost sharing)	473	277	182	69
- related companies (human resource and information technology charges)	726	736	118	131
	<u>8,024</u>	<u>6,903</u>	<u>1,254</u>	<u>2,316</u>
Purchase of goods and services:				
- related companies (goods and services)	(22,560)	(20,080)	(3,969)	(2,628)
- related company (management fee)	(9,022)	(6,966)	(4)	(1,545)
- related company (royalty fee)	(4,445)	(753)	-	(753)
- related company (information technology charges)	(22,642)	(19,391)	(327)	(441)
Others (interest):				
- immediate holding company	(784)	(943)	(53)	(142)
- intermediate holding company	(374)	(441)	(116)	(70)
	<u>(59,827)</u>	<u>(48,574)</u>	<u>(4,469)</u>	<u>(5,579)</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 December 31, 2020.

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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 December 31, 2020 and up to February 24, 2021.

15. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at December 31, 2020 are as follows:

	RM'000
Contracted	<u>1,412</u>
Analyzed as follows:	
- Property, plant and equipment	<u>1,412</u>

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – FINANCIAL YEAR ENDED DECEMBER 31, 2020

(II) Compliance with Appendix 9B of the Listing Requirements

1. Review of Performance

	Individual 4 th Quarter				Immediately Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2020	31/12/2019	Changes		30/9/2020	Changes		31/12/2020	31/12/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,548,494	1,608,574	(60,080)	(3.7%)	1,635,645	(87,151)	(5.3%)	6,355,699	6,457,085	(101,386)	(1.6%)
Profit before interest and tax	31,091	34,536	(3,445)	(10.0%)	26,759	4,332	16.2%	107,764	98,545	9,219	9.4%
Profit before tax	22,903	24,585	(1,682)	(6.8%)	18,347	4,556	24.8%	73,320	60,958	12,362	20.3%
Profit after tax	16,121	17,315	(1,194)	(6.9%)	13,642	2,479	18.2%	47,698	39,047	8,651	22.2%
Profit attributable to owners of the parent	16,121	17,315	(1,194)	(6.9%)	13,642	2,479	18.2%	47,698	39,047	8,651	22.2%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Review of Performance (continued)

Quarterly

Revenues for the quarter were 3.7% lower than the corresponding fourth quarter of 2019, decreasing from RM 1.61 billion to RM 1.55 billion, while reducing by 5.3% from RM 1.64 billion in the preceding third quarter of 2020. The reduction in revenue in comparison to the corresponding fourth quarter was mainly due to the effects of the COVID-19 pandemic in the Logistics and Others segments, which was largely offset by the improved revenue from the Marketing and Distribution segment which reflects the ongoing organic growth of existing clients and new clients secured in this segment. The decrease in revenue compared to the preceding third quarter of 2020 was due to the effects of the COVID-19 pandemic and the timing of government tenders.

Operating expenses for the quarter decreased by 3.6% from RM 1.58 billion to RM 1.52 billion as compared to the corresponding fourth quarter of 2019, while decreasing by 5.8% against those of the preceding third quarter of 2020 which were at RM 1.62 billion. The changes in operating expenses were largely in line with the movement in revenue.

Profit before tax for the quarter reduced by 6.8% compared to the same quarter of 2019 due to the abovementioned results, while improving by 24.8% compared to the preceding third quarter of 2020. The increase was mainly due to the lower market hygiene cost, realization of cost efficiencies, offset against the decrease in unrealized derivate gains recorded for the interest rate swap and the unrealized foreign exchange gains.

Year-to-date

Revenues decreased by 1.6% from RM 6.46 billion to RM 6.36 billion as compared to 2019, as a result of the effects of the COVID-19 pandemic. This effect is more pronounced in the Logistics and Others segments, and was somewhat offset by the improved revenue from the Marketing and Distribution segment due to the positive contribution from Auric Malaysia in addition to ongoing organic growth of existing clients and new clients secured.

Operating costs decreased by 1.6% from RM 6.37 billion to RM 6.26 billion, which was largely in line with the movement in revenue.

Profit before tax improved by 20.3% compared to 2019 due to the full-year contribution of the Auric Malaysia acquisition, ongoing organic growth of existing clients and new clients secured, and the presence of costs relating to the growth and efficiency improvement project and purchase price allocation adjustments in 2019, offset by the effects of the COVID-19 pandemic.

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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 4 th Quarter				Immediately Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2020	31/12/2019	Changes		30/09/2020	Changes		31/12/2020	31/12/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	884,753	785,925	98,828	12.6%	896,011	(11,258)	(1.3%)	3,447,247	3,145,001	302,246	9.6%
Segment profit before interest and tax	21,192	12,486	8,706	69.7%	16,338	4,854	29.7%	81,389	41,807	39,582	94.7%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 12.6% compared to the corresponding fourth quarter of 2019, increasing from RM 785.9 million to RM 884.8 million, while declining by 1.3% against those of the preceding third quarter of 2020 which was RM 896.0 million. This segment's improved revenue compared to the corresponding fourth quarter reflects the ongoing organic growth of existing clients and new clients secured, while the decrease compared to the preceding third quarter of 2020 was due to from the effects of the COVID-19 pandemic, offset by the revenue from new clients secured.

The operating result for the quarter was RM 21.2 million, which was a 69.7% increase from RM 12.5 million reported for the same fourth quarter in 2019 and a 29.7% improvement from RM 16.3 million reported for the preceding third quarter of 2020. The improvement in operating result against the corresponding fourth quarter was mainly due to the increase in revenue, improved margin mix from own brands and lower operating expenses from improved operational efficiencies, while the increase compared to the preceding third quarter despite the decline in revenues was due to the lower market hygiene cost and lower operating expenses as mentioned above.

Year-to-date

Revenues grew by 9.6% from RM 3.15 billion to RM 3.45 billion as compared to 2019. This revenue growth was due to the positive contribution from the Auric Malaysia business in addition to ongoing organic growth with existing clients and new clients secured.

The operating result for 2020 was RM 81.4 million, which was a 94.7% increase on RM 41.8 million reported in 2019 predominantly due to the contribution from the Auric Malaysia business, ongoing organic growth of existing clients and new clients secured, and the non-recurring cost incurred for the growth and efficiency improvement project and the presence of purchase price allocation adjustments in 2019.

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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 4 th Quarter				Immediately Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2020	31/12/2019	Changes		30/09/2020	Changes		31/12/2020	31/12/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	652,530	803,150	(150,620)	(18.8%)	726,915	(74,385)	(10.2%)	2,864,890	3,243,716	(378,826)	(11.7%)
Segment profit before interest and tax	13,815	20,879	(7,064)	(33.8%)	13,015	800	6.1%	47,499	62,760	(15,261)	(24.3%)

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Logistics segment (continued)

Quarterly

Revenues for the quarter reduced by 18.8% compared to the corresponding fourth quarter of 2019, decreasing from RM 803.2 million to RM 652.5 million, while declining by 10.2% against those of the preceding third quarter of 2020 which was RM 726.9 million. The reduction in revenue compared to the corresponding fourth quarter in 2019 and the preceding third quarter of 2020 was due to the effects of the COVID-19 pandemic and the timing of government tenders.

The operating result for the quarter was RM 13.8 million, which is a 33.8% below the corresponding fourth quarter of 2019, largely contributed by the movement in revenue as mentioned above. Compared to the preceding third quarter of 2020, the operating results improved by 6.1% due to the better margin mix and continued gain from operational efficiencies.

Year-to-date

Revenues for 2020 reduced by 11.7% compared to 2019, decreasing from RM 3.24 billion to RM 2.86 billion. The downturn in revenue was mainly due to the effects of the COVID-19 pandemic and the timing of government tenders.

The operating result for 2020 was RM 47.5 million, which is a 24.3% below the prior year. The reductions reflect slightly lower sales levels due to the abovementioned.

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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 4 th Quarter				Immediately Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2020	31/12/2019	Changes		30/09/2020	Changes		31/12/2020	31/12/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	11,211	19,499	(8,288)	(42.5%)	12,719	(1,508)	(11.9%)	43,562	68,368	(24,806)	(36.3%)
Segment loss before interest and tax	(3,916)	1,171	(5,087)	>(100.0%)	(2,594)	(1,322)	(51.0%)	(21,124)	(6,022)	(15,102)	>(100.0%)

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Others segment (continued)

Quarterly

Revenues for the quarter declined by 42.5% from RM 19.5 million to RM 11.2 million compared to the corresponding fourth quarter of 2019, while reducing by 11.9% against those of the preceding third quarter of 2020 which were RM 12.7 million. The reduction in revenue compared to the corresponding fourth quarter was due to the business operations being affected by the COVID-19 pandemic while the decline against the preceding third quarter was due to the impact from the Conditional Movement Control Order (CMCO) effective October 14, 2020. At the end of the fourth quarter of 2020, there were a total of 100 outlets located in West and East Malaysia as well as two outlets in Brunei.

The operating result for the quarter was -RM 3.9 million, representing a decline of more than 100% compared to the corresponding fourth quarter in 2019, whilst declining by 51.0% against those of the preceding third quarter of 2020 which was -RM 2.6 million. The decline in the segment's results was due to the decline in revenue and the unrealized derivative loss recorded in the quarter arising from the interest rate swap, whilst the operations cost base remains relatively unchanged.

Year-to-date

Revenues for 2020 reduced by 36.3% compared to 2019, decreasing from RM 68.4 million to RM 43.6 million. The downturn in revenue was due to the business operations being affected by the imposition of the related Movement Control Orders by the government.

The operating result for 2020 was RM 15.1 million lower than prior year predominantly due to the lower sales recorded as mentioned above, the additional unrealized derivatives losses recorded for interest rate swap and financing cost incurred for the acquisition of Auric Malaysia.

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 fourth quarter of 2020 compared to the third quarter of 2020.

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3. Prospects

2021 begins with Malaysia still in the midst of the COVID-19 pandemic and the situation remains dynamic and uncertain. The Group has successfully navigated the pandemic to-date with no significant operational disruptions and our supply chain, sales, merchandising, and support operations continuing uninterrupted. Our well prepared and executed business continuity plans and total quarantine solutions have ensured this continuity.

The Group begins 2021 with a well-diversified portfolio of clients across varied industries, channels, and product categories. We continue to focus on business growth and cost efficiencies while taking a cautious, yet growth-oriented approach to the present situation. We continue to focus on maintaining stability and caution while ensuring that we are prepared to adapt as the situation normalizes.

Amidst uncertainties, the Group is confident about the growth opportunities in the medium to long term. The Group remains focused on product innovation, business development, and capturing cost efficiencies.

4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

5. Taxation

	Quarter ended December 31, 2020 RM'000	Quarter ended December 31, 2019 RM'000	Year ended December 31, 2020 RM'000	Year ended December 31, 2019 RM'000
Current year income tax	10,778	7,196	32,522	21,789
Deferred tax	(3,996)	74	(6,900)	122
	<u>6,782</u>	<u>7,270</u>	<u>25,622</u>	<u>21,911</u>

The effective tax rate for the quarter ended December 31, 2020 was similar compared to corresponding quarter of 2019. The overall effective tax rate remains high as the financing costs incurred for the acquisition of Auric Malaysia and the corresponding derivative losses from interest rate swap 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 February 24, 2021.

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7. Group Borrowings and Debt Securities

	As at December 31, 2020 RM'000	As at December 31, 2019 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	83,000	620
<u>Long Term Borrowings</u>		
- Advances from holding companies	33,967	27,287
- Bank borrowings	450,000	500,000
	<u>483,967</u>	<u>527,287</u>
Total borrowings	<u>566,967</u>	<u>527,907</u>

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value December 31, 2020 RM'000	Fair Value December 31, 2020 RM'000
Foreign exchange contracts		
- less than 1 year	64,744	63,558
Interest rate swap contract		
- 1 year to 2 year	250,000	243,849
Total	<u>314,744</u>	<u>307,407</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 into, cash requirements of the derivatives, risk associated with the derivatives and the

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risk management objectives and policies to mitigate this risk since the financial year ended December 31, 2019.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at December 31, 2020 resulting in an unrealized derivative loss of RM 1.2 million.

This unrealized derivative loss was due to the slight strengthening of the MYR after forex contracts were entered.

In 2019, the Group entered into interest rate swap ("IRS") contract to manage its exposure of the floating rate borrowing. The cumulative IRS contract to-date amounted to RM 250 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 year amounted to unrealized derivative loss of RM 6.2 million.

In total, a net unrealized loss on derivative contracts amounting to RM 4.8 million had been debited to the statement of comprehensive income for the year ended December 31, 2020.

9. Fair Value Changes of Financial Liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

10. Changes in Material Litigation

There is no material litigation as at February 24, 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 year ended December 31, 2020 are RM 16,121,000 and RM 47,698,000 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 year ended December 31, 2020 is 157,658,076.

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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, 2019.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)
SSM PC No. 201908000378
Company Secretary

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

Petaling Jaya
February 24, 2021