

**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, 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND YEAR ENDED DECEMBER 31, 2021**

	<u>INDIVIDUAL 4TH QUARTER</u>		<u>CUMULATIVE 4TH QUARTER</u>	
	31/12/2021 Unaudited RM'000	31/12/2020 Unaudited RM'000	31/12/2021 Unaudited RM'000	31/12/2020 Audited RM'000
1 Revenue	1,591,005	1,548,494	6,738,388	6,355,699
2 Operating expenses	(1,554,796)	(1,520,790)	(6,607,260)	(6,262,376)
3 Other operating income	13,025	4,577	23,788	15,631
4 Profit before interest and tax	49,234	32,281	154,916	108,954
5 Finance cost	(6,657)	(8,188)	(28,033)	(34,444)
6 Profit before tax	42,577	24,093	126,883	74,510
7 Taxation	(12,265)	(6,782)	(35,608)	(25,622)
8 Profit for the period, net of tax	30,312	17,311	91,275	48,888
9 Net profit for the period	30,312	17,311	91,275	48,888
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	-	6	2	2
11 Total comprehensive income	30,312	17,317	91,277	48,890
12 Net profit attributable to owners of the parent	30,312	17,311	91,275	48,888
13 Total comprehensive income attributable to owners of the parent	30,312	17,317	91,277	48,890
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	19.23	10.98	57.89	31.01
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	23.53	15.37	73.44	48.50

## Note:

- The weighted average number of shares used in item 14 and 15 above is computed : 157,658,076 shares.
- The cash earnings used as the numerator in calculating cash EPS is defined as net profit attributable to owners of parent excluding depreciation, amortization and MFRS 16 impact.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended December 31, 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021**

	31/12/2021 Unaudited RM'000	31/12/2020 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	26,406	28,981
Right-of-use assets	115,294	111,442
Intangible assets	369,630	381,790
Deferred tax assets	7,976	10,220
	<u>519,306</u>	<u>532,433</u>
2 Current Assets		
Inventories	720,602	746,023
Trade and other receivables	1,306,135	1,368,662
Cash and bank balances	109,477	55,402
	<u>2,136,214</u>	<u>2,170,087</u>
3 Total Assets	<u><b>2,655,520</b></u>	<u><b>2,702,520</b></u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	147	145
Retained earnings	562,339	486,830
Equity attributable to owners of parent	<u><b>744,658</b></u>	<u><b>669,147</b></u>
5 Current Liabilities		
Trade and other payables	1,296,890	1,320,803
Derivative financial instrument	1,287	5,163
Lease liabilities	27,738	28,288
Borrowings	450,000	83,000
Taxation	10,262	10,378
	<u>1,786,177</u>	<u>1,447,632</u>
6 Non Current Liabilities		
Borrowings	20,744	483,967
Derivative financial instrument	-	937
Lease liabilities	94,494	88,162
Long term liabilities	2,771	3,126
Deferred tax liabilities	6,676	9,549
	<u>124,685</u>	<u>585,741</u>
7 Total Liabilities	<u><b>1,910,862</b></u>	<u><b>2,033,373</b></u>
8 Total Equity and Liabilities	<u><b>2,655,520</b></u>	<u><b>2,702,520</b></u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>4.7232</u>	<u>4.2443</u>

The unaudited Condensed Consolidated Statement of Finance Position should be read in conjunction with the audited annual financial statements for the year ended December 31, 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR  
ENDED DECEMBER 31, 2021**

	----- Attributable to owners of the parent -----		Foreign currency translation reserve	Distributable Retained earnings	Total Equity
	----- Non-distributable -----				
	Issued and fully paid ordinary shares				
	Number of shares 000	Amount RM'000	RM'000	RM'000	RM'000
<u>YEAR ENDED DECEMBER 31, 2021</u>					
At January 1, 2021	157,658	182,172	145	486,830	669,147
Total comprehensive income for the period	-	-	2	91,275	91,277
Dividends	-	-	-	(15,766)	(15,766)
At December 31, 2021	157,658	182,172	147	562,339	744,658
<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	-	-	2	48,888	48,890
At December 31, 2020	157,658	182,172	145	486,830	669,147

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended December 31, 2020 and the accompanying explanatory notes attached to the interim financial statements.

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## QUARTERLY REPORT

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR YEAR ENDED DECEMBER 31, 2021**

	31/12/2021 Unaudited RM'000	31/12/2020 Audited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	126,883	74,510
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	10,422	10,913
Depreciation of right-of-use assets	36,909	37,563
Amortization of intangible assets	12,160	12,159
Net unrealized derivative (gains)/losses	(4,835)	3,618
Loss/(gain) on disposal of property, plant and equipment	81	(10)
Property, plant and equipment written off	-	363
Reversal of provision for property restoration cost	(355)	(3)
Interest income	(664)	(495)
Interest expenses	20,951	27,147
Interest expenses on lease liabilities	7,082	7,297
(Reversal of loss allowance)/loss allowance on trade receivables	(820)	6,442
Inventories written off	21,075	21,506
Net (reversal of write-down)/write-down of slow moving inventories	(2,560)	6,718
Net unrealized foreign exchange losses/(gains)	103	(723)
Gain on disposal of subsidiary	(8,520)	-
Loss on liquidation of subsidiaries	-	48
Change in leases	-	26
Rent concessions COVID-19	-	(2,259)
Operating cash flows before changes in working capital	<u>217,912</u>	<u>204,820</u>
Changes in working capital:		
Inventories	(786)	(32,652)
Trade and other receivables	59,111	17,354
Trade and other payables	(22,044)	(94,785)
	<u>36,281</u>	<u>(110,083)</u>
Interest paid	(21,212)	(33,946)
Interest received	664	495
Tax paid	(36,275)	(23,429)
	<u>(56,823)</u>	<u>(56,880)</u>
<b>Net cash flows generated from operating activities</b>	<u><b>197,370</b></u>	<u><b>37,857</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(8,988)	(10,750)
Net cash inflows from disposal of subsidiary	18,657	-
Proceed from liquidation of subsidiaries	-	108
Proceed from disposal of property, plant and equipment	384	131
<b>Net cash flows generated from/(used in) investing activities</b>	<u><b>10,053</b></u>	<u><b>(10,511)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings	(95,523)	39,060
Repayment of lease liabilities	(42,061)	(33,065)
Dividend paid	(15,766)	-
<b>Net cash flows (used in)/generated from financing activities</b>	<u><b>(153,350)</b></u>	<u><b>5,995</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>54,073</b>	<b>33,341</b>
CURRENCY TRANSLATION DIFFERENCES	2	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,402	22,059
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING YEAR</b>	<u><u><b>109,477</b></u></u>	<u><u><b>55,402</b></u></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	109,477	55,402
	<u>109,477</u>	<u>55,402</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended December 31, 2020 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on consolidated results for the financial quarter and year ended December 31, 2021

The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Year Ended December 31, 2021</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	3,765,962	2,824,297	47,451	6,637,710
Rendering of services	34,015	66,663	-	100,678
<b>Total revenue from contracts with customers</b>	<b>3,799,977</b>	<b>2,890,960</b>	<b>47,451</b>	<b>6,738,388</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	103,139	52,262	(485)	154,916
Finance cost				(28,033)
Taxation				(35,608)
Profit for the period, net of tax				<u>91,275</u>
<b>As at December 31, 2021</b>				
<b>Net assets</b>				
Segment assets	1,225,101	825,046	88,588	2,138,735
Unallocated assets				516,785
Total assets				<u>2,655,520</u>
Segment liabilities	(535,897)	(613,816)	(550)	(1,150,263)
Unallocated liabilities				(760,599)
Total liabilities				<u>(1,910,862)</u>
<b>Other information</b>				
Capital expenditure	1,259	4,591	2,760	8,610
Depreciation of property, plant and equipment	2,402	3,271	4,749	10,422
Depreciation of right-of-use assets	20,323	8,008	8,578	36,909
Amortization of intangible assets	12,160	-	-	12,160
Loss/(reversal of) allowance on trade receivables	2,172	(2,805)	(187)	(820)
Inventories written off	18,231	2,841	3	21,075

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 Year Ended December 31, 2020</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	3,416,109	2,802,231	43,562	6,261,902
Rendering of services	31,138	62,659	-	93,797
<b>Total revenue from contracts with customers</b>	<b>3,447,247</b>	<b>2,864,890</b>	<b>43,562</b>	<b>6,355,699</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	81,389	47,499	(19,934)	108,954
Finance cost				(34,444)
Taxation				(25,622)
Profit for the period, net of tax				<u>48,888</u>
<b>As at December 31, 2020</b>				
<b>Net assets</b>				
Segment assets	1,315,444	820,814	86,620	2,222,878
Unallocated assets				479,642
Total assets				<u>2,702,520</u>
Segment liabilities	(577,965)	(591,806)	(3,184)	(1,172,955)
Unallocated liabilities				(860,418)
Total liabilities				<u>(2,033,373)</u>
<b>Other information</b>				
Capital expenditure	1,965	2,415	4,492	8,872
Depreciation of property, plant and equipment	3,067	3,027	5,113	11,207
Depreciation of right-of-use assets	21,244	8,207	8,368	37,819
Amortization of intangible assets	12,159	-	-	12,159
Loss allowance on trade receivables	2,468	3,528	446	6,442
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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## **QUARTERLY REPORT**

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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 23, 2022.

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

The unaudited condensed consolidated interim financial statements for the current quarter and year ended December 31, 2021 have been prepared in accordance with MFRS 134 (Interim Financial Reporting) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2020.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements of the Group for the year ended December 31, 2020. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2021, did not have any material impact on the financial results of the Group.

##### **3. Disclosure of Audit Report Qualification and Status of Matters Raised**

The auditors' report on the financial statements of the Group for the year ended December 31, 2020 was not qualified.

##### **4. Seasonal or Cyclical Factors**

The Group's segments cover primarily Consumer Goods and Healthcare businesses. Consequently, net sales are influenced by the festive seasons of Chinese New Year, Hari Raya, Deepavali and Christmas.

##### **5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

On December 23, 2021, The Group has announced the proposed disposal of the entire equity interest in DKSH Performance Materials Malaysia Sdn Bhd ("DPMM") to DKSH Switzerland Ltd. ("Proposed Disposal"). DPMM was set up as part of an internal reorganization to carry out the business of Performance Materials and as a result, the Performance Materials' inventories, fixed assets, and business of DKSH Malaysia Sdn Bhd, a wholly owned subsidiary of the Group, were transferred to DPMM on November 30, 2021.

The Proposed Disposal has been completed on January 4, 2022 and the Group has accounted for the disposal during the quarter under review with a gain of RM 8.5 million.

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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, 2021.

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

The Group's segmental information for the financial year ended December 31, 2021 and December 31, 2020 is presented separately in this interim financial report.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Profit before Tax**

The following items are included in profit before tax:

	Current quarter ended		Cumulative Year-to-Date ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,493	2,194	10,422	10,913
Depreciation of right-of-use assets	10,598	9,960	36,909	37,563
Amortization of intangible assets	3,040	3,040	12,160	12,159
Net unrealized derivative (gains)/losses	(1,136)	(660)	(4,835)	3,618
Rental income	(290)	(301)	(1,161)	(1,148)
Interest income	(165)	(146)	(664)	(495)
Interest expenses	4,685	6,428	19,826	27,147
Interest expenses on lease liabilities	1,972	1,760	7,082	7,297
Interest - other	-	-	1,125	-
Loss/(gain) on disposal of property, plant and equipment	98	3	81	(10)
Loss allowance on trade receivables	(871)	988	(820)	6,442
Inventories written off	3,546	4,926	21,075	21,506
Net (reversal of write-down)/write-down of slow-moving inventories	(4,147)	6,256	(2,560)	6,718
Net unrealized foreign exchange losses/(gains)	(304)	(247)	103	(723)
Gain on disposal of subsidiary	(8,520)	-	(8,520)	-
Exceptional items	-	-	-	-
Impairment of assets	-	-	-	-

**11. Valuation of Property, Plant and Equipment**

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. Material Events subsequent to the end of the Financial Period**

There were no material events subsequent to the end of the period reported that have not been reflected in the interim financial statements for the twelve months ended December 31, 2021.

**13. Changes in the Composition of the Group**

The Group has accounted for the disposal of the entire equity interest in DKSH Performance Materials Malaysia Sdn Bhd 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, 2021 and December 30, 2020, as well as the balances with the related parties as at December 31, 2021 and December 31, 2020:

	Current year ended December 31, 2021 RM'000	Preceding year ended December 31, 2020 RM'000	Intercompany balances - due from/(to) as at	
			December 31, 2021 RM'000	December 31, 2020 RM'000
<b>Sale of goods and services:</b>				
- related companies (goods)	5,270	5,709	148	759
- related companies (rental)	1,161	1,116	164	195
- related companies (cost sharing)	601	473	235	182
- related companies (human resource and information technology charges)	702	726	108	118
	<u>7,734</u>	<u>8,024</u>	<u>655</u>	<u>1,254</u>
<b>Purchase of goods and services:</b>				
- related companies (goods and services)	(25,850)	(22,560)	(5,674)	(3,969)
- related company (management fee)	(8,826)	(9,022)	-	(4)
- related company (royalty fee)	(4,502)	(4,445)	-	-
- related company (information technology charges)	(25,154)	(22,642)	(271)	(327)
<b>Others (interest):</b>				
- immediate holding company	(406)	(784)	(44)	(53)
- intermediate holding company	(323)	(374)	(57)	(116)
	<u>(65,061)</u>	<u>(59,827)</u>	<u>(6,046)</u>	<u>(4,469)</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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, 2021.

**14. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the quarter ended December 31, 2021 and up to February 23, 2022.

**15. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at December 31, 2021 are as follows:

	RM'000
Contracted	<u>356</u>
Analyzed as follows:	
- Property, plant and equipment	<u>356</u>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – FINANCIAL YEAR ENDED DECEMBER 31, 2021**
**(II) Compliance with Appendix 9B of the Listing Requirements**
**1. Review of Performance**

	Individual 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2021	31/12/2020	Changes		30/09/2021	Changes		31/12/2021	31/12/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,591,005	1,548,494	42,511	2.7%	1,612,221	(21,216)	(1.3%)	6,738,388	6,355,699	382,689	6.0%
Profit before interest and tax	49,234	32,281	16,953	52.5%	23,815	25,419	106.7%	154,916	108,954	45,962	42.2%
Profit before tax	42,577	24,093	18,484	76.7%	17,236	25,341	147.0%	126,883	74,510	52,373	70.3%
Profit after tax	30,312	17,311	13,001	75.1%	11,488	18,824	163.9%	91,275	48,888	42,387	86.7%
Profit attributable to owners of the parent	30,312	17,311	13,001	75.1%	11,488	18,824	163.9%	91,275	48,888	42,387	86.7%

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

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

##### **Quarterly**

Revenues for the quarter increased by 2.7% compared to the corresponding fourth quarter of 2020, increasing from RM 1.55 billion to RM 1.59 billion, while reducing by 1.3% against those of the preceding third quarter of 2021 which were RM 1.61 billion. The improved revenue in comparison to the corresponding fourth quarter was mainly due to the ongoing organic growth of existing clients and new clients secured from both the Marketing and Distribution and Logistics segments, higher sales recorded in Others segments, offset by exit of a telecommunications client in Logistics segment. The decrease in revenue compared to the preceding third quarter of 2021 was due to the change of business model for existing clients in Logistics segments, offset by the recovery of customer demand from the COVID-19 pandemic following the relaxation of standard operating procedures in October 2021 for both the Marketing and Distribution and Others segments.

Operating expenses for the quarter increase by 2.2% from RM 1.52 billion to RM 1.55 billion as compared to the corresponding fourth quarter of 2020, while decreasing by 2.3% against those of the preceding third quarter of 2021 which were at RM 1.59 billion. The changes in operating expenses were due to movement in revenue and reflect the continued gain from operational efficiencies.

Profit before tax for the quarter improved by 76.7% compared to the same quarter of 2020 and 147.0% as compared to the preceding third quarter of 2021. The exceptional profit before tax performance was mainly the result of a one-off gain recognized on the internal reorganization of the business of Performance Materials of RM 8.5 million. With the one-off gain removed, the profit before tax attributable to the underlying business activities increased by 41.4% compared to the same quarter of 2020 while increased by 97.6% against those of the preceding third quarter of 2021. The improved results from the underlying business were due to the movement in revenue and operating expenses as abovementioned.

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

Revenues grew by 6.0% from RM 6.36 billion to RM 6.74 billion as compared to 2020, reflecting the ongoing organic growth of existing clients and new clients secured as well as recovery from the effects of the COVID-19 pandemic.

Operating costs increased by 5.5% from RM 6.26 billion to RM 6.61 billion, which were lesser than the revenue growth, reflecting improvements in cost efficiencies.

Profit before tax improved by 70.3% compared to 2020. The exceptional profit before tax performance was partly the result of a one-off gain recognized on the internal reorganization of the business of Performance Materials of RM 8.5 million. With the one-off gain removed, the profit before tax attributable to the underlying business improved by 58.9% due to the above mentioned results, lower unrealized derivative losses on interest rate swap and decline in interest expenses resulting from reduced borrowings.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Comments to the Performance of the Business Segments

#### **Marketing and Distribution segment**

Under the segment Marketing and Distribution, the Group provides the full range of services. The service portfolio ranges from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value-added services.

	Individual 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2021	31/12/2020	Changes		30/09/2021	Changes		31/12/2021	31/12/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	934,869	884,753	50,116	5.7%	901,947	32,922	3.7%	3,799,977	3,447,247	352,730	10.2%
Segment profit before interest and tax	24,804	21,192	3,612	17.0%	16,403	8,401	51.2%	103,139	81,389	21,750	26.7%

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

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

##### **Quarterly**

Revenues for the quarter grew by 5.7% compared to the corresponding fourth quarter of 2020, increasing from RM 884.8 million to RM 934.9 million, while improving by 3.7% against those of the preceding third quarter of 2021 which was RM 901.9 million. This segment's improved revenue compared to the corresponding fourth quarter reflects the ongoing organic growth of existing clients, new clients secured and recovery from the effects of the COVID-19 pandemic in 2020 while the increase in revenue compared to the preceding third quarter of 2021 was due to market re-opening following the relaxation of COVID-19 standard operating procedures in October 2021.

The operating result for the quarter was RM 24.8 million, which was a 17.0% increase from RM 21.2 million reported for the same fourth quarter in 2020 and a 51.2% improvement from RM16.4 million reported for the preceding third quarter of 2021. The improvement in operating result against the corresponding fourth quarter was mainly due to the increase in revenue. The improvement compared to the preceding third quarter of 2021 was due to increase in sales, improved margin mix and lower operating expenses from improved operational efficiencies.

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

Revenues grew by 10.2% from RM 3.45 billion to RM 3.80 billion as compared to 2020. This revenue growth was contributed by the ongoing organic growth with existing clients and new clients secured as well as the continuous improved sales from own brands.

The operating result for 2021 was RM 103.1 million, which was a 26.7% increase on RM 81.4 million reported in 2020. The improved result was largely due to the movement in revenue as mentioned above and improved operation efficiencies.

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**Logistics segment**

Under the segment Logistics, the Group provides supply chain services ranging from warehousing and distribution, to order processing and sales collections. Sales and marketing services for clients in this segment are generally not provided by the Group but are mostly run by the clients. The businesses represented under this segment include the Healthcare business and supply chain focused parts of the Consumer Goods business.

	Individual 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2021	31/12/2020	Changes		30/09/2021	Changes		31/12/2021	31/12/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	638,521	652,530	(14,009)	(2.1%)	702,395	(63,874)	(9.1%)	2,890,960	2,864,890	26,070	0.9%
Segment profit before interest and tax	15,947	13,815	2,132	15.4%	11,042	4,905	44.4%	52,262	47,499	4,763	10.0%



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

##### **Quarterly**

Revenues for the quarter reduced by 2.1% compared to the corresponding fourth quarter of 2020, decreasing from RM 652.5 million to RM 638.5 million, while reducing by 9.1% against those of the preceding third quarter of 2021 which were RM 702.4 million. The reduction in revenue compared to the corresponding fourth quarter in 2020 was due to the exit of a telecommunications client in the fourth quarter of 2020, offset by the new clients secured in current quarter and organic growth of existing clients. The decrease in revenue compared to the preceding third quarter of 2021 was due to change of business model for exiting clients offset by new clients secured in fourth quarter.

The operating result for the quarter was RM 15.9 million, which was a 15.4% increase on RM 13.8 million reported for the same quarter in 2020 and a 44.4% improvement from RM 11.0 million reported for the preceding third quarter of 2021. The improvement in operating result against the corresponding fourth quarter was due to a one-off debtor provision in the corresponding fourth quarter and the reversal of trade receivable provisions in current quarter offset by the decrease in revenue due to the abovementioned reason. The increase compared to the preceding third quarter of 2021 was due to better margin mix and continued gain from operational efficiencies despite decline in revenue.

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

Revenues for 2021 improved by 0.9% compared to 2020, increasing from RM 2.86 billion to RM 2.89 billion. The improved revenue was due to the recovery from the effects of the COVID-19 pandemic in 2020, offset by the exit of a telecommunications client in the fourth quarter of 2020.

The operating result for 2021 was RM 52.3 million, which was a 10.0% increase from RM 47.5 million reported in prior year. The improved result was due to better margin mix and continued gain from operational efficiencies.

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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 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2021	31/12/2020	Changes		30/09/2021	Changes		31/12/2021	31/12/2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,615	11,211	6,404	57.1%	7,879	9,736	123.6%	47,451	43,562	3,889	8.9%
Segment profit/(loss) before interest and tax	8,484	(2,726)	11,209	411.2%	(3,630)	12,114	333.7%	(485)	(19,934)	19,449	97.6%

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

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

##### **Quarterly**

Revenues for the quarter grew by 57.1% from RM 11.2 million to RM 17.6 million as compared to the corresponding fourth quarter of 2020, while improving by 123.6% against those of the preceding third quarter of 2021 which were RM 9.7 million. The improvement in revenue compared to the corresponding fourth quarter was due to business operations being affected by the timing and period of movement control order imposed by the government in 2020 as compared to 2021. The improved revenue as compared to the preceding third quarter of 2021 was due to market re-opening following the relaxation of COVID-19 standard operating procedures in October 2021. At the end of the fourth quarter of 2021, there were a total of 97 outlets located in West and East Malaysia as well as two outlets in Brunei.

The operating result for the quarter was RM 8.5 million which was higher than -RM2.7 million reported for the same fourth quarter of 2020, while improving by 333.7% against those of the preceding third quarter of 2021 which was -RM 3.6 million. The improved result in comparison to the corresponding fourth quarter of 2020 and preceding third quarter of 2021 was due a one-off gain recognized on internal reorganization of the business of the Performance Materials of RM 8.5 million and higher sales recorded as abovementioned.

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

Revenues for 2021 grew by 8.9% compared to 2020, increasing from RM 43.6 million to RM 47.5 million. The improvement reflects the recovery from the effects of the COVID-19 pandemic.

The operating result for 2021 improved by RM 19.5 million compared to prior year predominantly due to a one-off gain recognized on internal reorganization of the business of the Performance Materials of RM 8.5 million, lower unrealized derivative losses on interest rate swap and higher sales recorded as abovementioned.

#### **2. Material Changes in Profit before Taxation for the Current Quarter as compared to the Immediately Preceding Quarter**

The quarter under review was affected by disposal of the entire equity interest in DKSH Performance Materials Malaysia Sdn Bhd to DKSH Switzerland Ltd, which resulted in a gain of RM 8.5 million as compared to the preceding third quarter of 2021.

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**3. Prospects**

2022 begins with Malaysia still in the midst of the COVID-19 pandemic and the market remains somewhat uncertain. Up to this point, the Group has successfully navigated the pandemic, consumer demand remains relatively stable 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.

The Group begins 2022 with a well-diversified portfolio of clients across varied industries, channels, and product categories. We continue to focus on winning new business, cost efficiency improvements, working capital management, and other growth initiatives while closely monitoring the short-term outlook to ensure prudent navigation of the current situation. The medium and long-term outlook remains positive, and the Group is well positioned for growth post-COVID-19.

**4. Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast.

**5. Taxation**

	Quarter ended December 31, 2021 RM'000	Quarter ended December 31, 2020 RM'000	Year ended December 31, 2021 RM'000	Year ended December 31, 2020 RM'000
Current year income tax	9,378	10,778	36,237	32,522
Deferred tax	<u>2,887</u>	<u>(3,996)</u>	<u>(629)</u>	<u>(6,900)</u>
	<u><u>12,265</u></u>	<u><u>6,782</u></u>	<u><u>35,608</u></u>	<u><u>25,622</u></u>

The effective tax rate for the quarter ended December 31, 2021 was higher compared to the corresponding quarter due to timing difference arising from the derecognition of deferred tax assets for two subsidiaries in corresponding quarter. The effective tax rate for the period ended December 31, 2021 was lower compared to prior period as the impact from the non-deductible derivative losses from interest rate swap and non-deductible financing costs incurred for the acquisition of Auric Malaysia have reduced significantly and a one-off gain on internal reorganization recorded in 2021.

**6. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as of February 23, 2022.

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**7. Group Borrowings and Debt Securities**

	As at December 31, 2021 RM'000	As at December 31, 2020 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	450,000	83,000
<u>Long Term Borrowings</u>		
- Advances from holding companies	20,744	33,967
- Bank borrowings	-	450,000
	<u>20,744</u>	<u>483,967</u>
Total borrowings	<u>470,744</u>	<u>566,967</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value December 31, 2021 RM'000	Fair Value December 31, 2021 RM'000
Foreign exchange contracts		
- less than 1 year	85,809	85,427
Interest rate swap contract		
- less than 1 year	225,000	224,095
<b>Total</b>	<b>310,809</b>	<b>309,522</b>

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the date of the statement of financial position, unless hedged by forward foreign exchange contracts when the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

Future liabilities in foreign currencies are covered by forward-purchased currencies from reputable banks when their amounts and due dates are known. Forward hedges are exclusively used for bona-fide and documented trade transactions and not for speculative purposes in line with the DKSH Treasury policy. There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the

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risk management objectives and policies to mitigate this risk since the financial year ended December 31, 2020.

The Group's open foreign exchange contracts have been fair valued using the current market rates as of December 31, 2021 resulting in an unrealized derivative loss of RM 0.4 million.

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

In 2019, the Group entered interest rate swap ("IRS") contract to manage its exposure of the floating rate borrowing. The cumulative IRS contract to-date amounted to RM 225 million. The IRS contract was entered to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowing. The fair value gains or losses on remeasuring the fair value of the IRS contract is recognized immediately in statement of comprehensive income as unrealized item.

The fair value of the IRS recognized in statement of comprehensive income for current period amounted to unrealized derivative loss of RM 0.9 million.

In total, a net unrealized loss on derivative contracts amounting to RM 1.3 million had been debited to the statement of comprehensive income for the financial year ended December 31, 2021.

#### **9. Fair Value Changes of Financial Liabilities**

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

#### **10. Changes in Material Litigation**

There is no material litigation as of February 23, 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 the financial year ended December 31, 2021 are RM 30,312,000 and RM 91,275,000 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 the financial year ended December 31, 2021 is 157,658,076.

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **13. Auditors' report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended December 31, 2020.

By Order of the Board

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

Petaling Jaya  
February 23, 2022