

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

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2023

	INDIVIDUAL 2ND QUARTER		CUMULATIVE 2ND QUARTER	
	30/06/2023 Unaudited RM'000	30/06/2022 Unaudited RM'000	30/06/2023 Unaudited RM'000	30/06/2022 Unaudited RM'000
1 Revenue	1,821,524	1,748,607	3,784,901	3,563,491
2 Operating expenses	(1,785,627)	(1,704,319)	(3,696,765)	(3,477,797)
3 Other operating income	3,135	5,188	7,325	8,103
4 Profit before interest and tax	39,032	49,476	95,461	93,797
5 Finance costs	(6,599)	(6,856)	(13,447)	(13,381)
6 Profit before tax	32,433	42,620	82,014	80,416
7 Taxation	(8,643)	(10,167)	(21,190)	(19,609)
8 Profit for the period, net of tax	23,790	32,453	60,824	60,807
9 Net profit for the period	23,790	32,453	60,824	60,807
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	11	11	14	15
11 Total comprehensive income	23,801	32,464	60,838	60,822
12 Net profit attributable to owners of the parent	23,790	32,453	60,824	60,807
13 Total comprehensive income attributable to owners of the parent	23,801	32,464	60,838	60,822
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	15.09	20.58	38.58	38.57
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	19.02	24.26	46.43	45.80

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, 2022 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023**

	30/06/2023 Unaudited RM'000	31/12/2022 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	27,468	27,644
Right-of-use assets	123,917	132,313
Intangible assets	371,116	378,064
Deferred tax assets	7,827	7,751
	<u>530,328</u>	<u>545,772</u>
2 Current Assets		
Inventories	1,003,804	789,954
Trade and other receivables	1,695,714	1,559,361
Derivative financial instrument	890	-
Cash and bank balances	77,273	35,923
	<u>2,777,681</u>	<u>2,385,238</u>
3 Total Assets	<u>3,308,009</u>	<u>2,931,010</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	187	173
Retained earnings	659,585	649,211
Equity attributable to owners of parent	<u>841,944</u>	<u>831,556</u>
5 Current Liabilities		
Trade and other payables	1,969,643	1,557,925
Derivative financial instrument	-	1,108
Lease liabilities	34,758	34,288
Borrowings	188,000	188,259
Taxation	21,308	15,003
	<u>2,213,709</u>	<u>1,796,583</u>
6 Non Current Liabilities		
Borrowings	145,593	186,289
Lease liabilities	98,251	106,426
Long term liabilities	5,251	5,251
Deferred tax liabilities	3,261	4,905
	<u>252,356</u>	<u>302,871</u>
7 Total Liabilities	<u>2,466,065</u>	<u>2,099,454</u>
8 Total Equity and Liabilities	<u>3,308,009</u>	<u>2,931,010</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>5.3403</u>	<u>5.2744</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, 2022 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS
ENDED JUNE 30, 2023**

	----- 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>SIX MONTHS ENDED JUNE 30, 2023</u>					
At January 1, 2023	157,658	182,172	173	649,211	831,556
Total comprehensive income for the period	-	-	14	60,824	60,838
Dividends	-	-	-	(50,450)	(50,450)
At June 30, 2023	157,658	182,172	187	659,585	841,944
<u>SIX MONTHS ENDED JUNE 30, 2022</u>					
At January 1, 2022	157,658	182,172	147	562,339	744,658
Total comprehensive income for the period	-	-	15	60,807	60,822
Dividends	-	-	-	(17,342)	(17,342)
At June 30, 2022	157,658	182,172	162	605,804	788,138

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, 2022 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2023

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED JUNE 30, 2023**

	30/06/2023 Unaudited RM'000	30/06/2022 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	82,014	80,416
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	4,844	5,034
Depreciation of right-of-use assets	17,556	17,349
Amortization of intangible assets	6,948	6,080
Net unrealized derivative gains	(1,998)	(2,581)
(Gain)/loss on disposal of property, plant and equipment	(71)	297
Property, plant and equipment written off	1	-
Interest income	(192)	(262)
Interest expenses	10,140	10,185
Interest expenses on lease liabilities	3,307	3,196
Reversal of loss allowance on trade receivables	(288)	(2,252)
Inventories written off	11,500	7,334
Net write-down/(reversal of write-down) of slow moving inventories	(2,081)	(956)
Net unrealized foreign exchange losses/(gains)	2,362	(112)
Operating cash flows before changes in working capital	<u>134,042</u>	<u>123,728</u>
Changes in working capital:		
Inventories	(222,921)	(69,157)
Trade and other receivables	(139,237)	(186,042)
Trade and other payables	385,328	175,854
	<u>23,170</u>	<u>(79,345)</u>
Interest paid	(13,380)	(13,563)
Interest received	189	262
Tax paid	(16,962)	(14,487)
	<u>(30,153)</u>	<u>(27,788)</u>
Net cash flows used in operating activities	<u>127,059</u>	<u>16,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,498)	(3,859)
Proceed from disposal of property, plant and equipment	225	42
Net cash flows used in investing activities	<u>(6,273)</u>	<u>(3,817)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	(37,423)	(88,993)
Repayment of lease liabilities	(16,802)	(17,053)
Dividend paid	(25,225)	-
Net cash flows used in financing activities	<u>(79,450)</u>	<u>(106,046)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	41,336	(93,268)
CURRENCY TRANSLATION DIFFERENCES	14	15
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	35,923	109,477
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u>77,273</u>	<u>16,224</u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	77,273	16,224
	<u>77,273</u>	<u>16,224</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, 2022 and the accompanying explanatory notes attached to the interim financial statements.

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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Six Months Ended June 30, 2023</u>	<u>Consumer</u>			
	<u>Goods</u>	<u>Healthcare</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	2,118,323	1,562,845	41,374	3,722,542
Rendering of services	18,032	44,327	-	62,359
Total revenue from contracts with customers	2,136,355	1,607,172	41,374	3,784,901
Results				
Segment profit/(loss) before interest and tax	62,294	34,821	(1,654)	95,461
Finance costs				(13,447)
Taxation				(21,190)
Profit for the period, net of tax				<u>60,824</u>
As at June 30, 2023				
Net assets				
Segment assets	1,566,857	1,179,414	73,718	2,819,989
Unallocated assets				488,020
Total assets				<u>3,308,009</u>
Segment liabilities	(874,548)	(969,486)	(61,529)	(1,905,563)
Unallocated liabilities				(560,502)
Total liabilities				<u>(2,466,065)</u>
Other information				
Capital expenditure	976	2,271	1,857	5,104
Depreciation of property, plant and equipment	1,347	2,282	1,494	5,123
Depreciation of right-of-use assets	10,036	4,300	3,358	17,694
Amortization of intangible assets	6,079	869	-	6,948
(Reversal of)/loss allowance on trade receivables	(674)	454	(68)	(288)
Inventories written off	9,568	2,296	(364)	11,500

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

For the Six Months Ended June 30, 2022	Consumer			Consolidated
	Goods	Healthcare	Others	
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	2,023,654	1,453,167	32,698	3,509,519
Rendering of services	17,660	36,312	-	53,972
Total revenue from contracts with customers	2,041,314	1,489,479	32,698	3,563,491
Results				
Segment profit/(loss) before interest and tax	67,192	27,518	(913)	93,797
Finance costs				(13,381)
Taxation				(19,609)
Profit for the period, net of tax				60,807
As at June 30, 2022				
Net assets				
Segment assets	1,445,625	895,123	80,501	2,421,249
Unallocated assets				418,105
Total assets				2,839,354
Segment liabilities	(710,410)	(697,476)	(73,745)	(1,481,631)
Unallocated liabilities				(569,585)
Total liabilities				(2,051,216)
Other information				
Capital expenditure	859	1,382	1,390	3,631
Depreciation of property, plant and equipment	1,194	1,826	2,203	5,223
Depreciation of right-of-use assets	9,630	4,196	3,662	17,488
Amortization of intangible assets	6,080	-	-	6,080
Reversal of allowance on trade receivables	(1,417)	(685)	(150)	(2,252)
Inventories written off	5,061	1,896	377	7,334

The Group recognized revenue from sales of goods at a point in time, upon delivery of goods and revenue from rendering of services over time.

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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 August 25, 2023.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and six months ended June 30, 2023 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, 2022.

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, 2022. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2023, 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, 2022 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 is no debt and equity securities in the Group and there were no changes during the quarter under review.

8. Dividend Paid

No dividend was paid during the quarter ended June 30, 2023.

9. Segment Information

The Group's segmental information for the financial six months ended June 30, 2023 and June 30, 2022 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	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,382	2,486	4,844	5,034
Depreciation of right-of-use assets	8,879	8,765	17,556	17,349
Amortization of intangible assets	3,475	3,040	6,948	6,080
Net unrealized derivative gains	(519)	(1,285)	(1,998)	(2,581)
Rental income	(635)	(646)	(1,281)	(1,303)
Interest income	(64)	(159)	(192)	(262)
Interest expenses	4,964	5,210	10,140	9,785
Interest expenses on lease liabilities	1,635	1,646	3,307	3,196
Interest - other	-	-	-	400
(Gain)/loss on disposal of property, plant and equipment	(59)	12	(71)	297
Reversal of loss allowance on trade receivables	(663)	(1,026)	(288)	(2,252)
Inventories written off	5,471	5,008	11,500	7,334
Net reversal of write-down of slow-moving inventories	(779)	(77)	(2,081)	(956)
Net unrealized foreign exchange losses/(gains)	1,905	(545)	2,362	(112)
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 six months ended June 30, 2023.

13. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

14. Related Party Disclosures

The following table provides information on significant transactions which have been entered into with related parties during financial six months ended June 30, 2023 and June 30, 2022, as well as the balances with the related parties as at June 30, 2023 and June 30, 2022:

	Current period ended June 30, 2023 RM'000	Preceding period ended June 30, 2022 RM'000	Intercompany balances - due from/(to) as at	
			June 30, 2023 RM'000	June 30, 2022 RM'000
Sale of goods and services:				
- related companies (goods)	2,743	2,594	663	859
- related companies (rental)	368	391	97	110
- related companies (cost sharing)	437	404	226	287
- related companies (human resource and information technology charges)	393	391	137	117
	<u>3,941</u>	<u>3,780</u>	<u>1,123</u>	<u>1,373</u>
Purchase of goods and services:				
- related companies (goods and services)	(13,768)	(13,501)	(4,715)	(4,405)
- related company (management fee)	(5,002)	(4,977)	(5)	(8)
- related companies (royalty fee)	(2,673)	(2,774)	-	-
- related company (information technology charges)	(18,869)	(14,830)	(237)	(218)
Others:				
interest expense				
- immediate holding company	(32)	(96)	(30)	(11)
- intermediate holding company	(221)	(177)	(76)	(60)
	<u>(40,565)</u>	<u>(36,355)</u>	<u>(5,063)</u>	<u>(4,702)</u>

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended June 30, 2023 and up to August 25, 2023.

16. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at June 30, 2023 are as follows:

	RM'000
Contracted	<u>1,306</u>
Analyzed as follows:	
- Property, plant and equipment	<u>1,306</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – SIX MONTHS ENDED JUNE 30, 2023

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

1. Review of Performance

	Individual 2 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2023	30/06/2022	Changes		31/03/2023	Changes		30/06/2023	30/06/2022	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,821,524	1,748,607	72,917	4.2%	1,963,377	(141,853)	(7.2%)	3,784,901	3,563,491	221,410	6.2%
Profit before interest and tax	39,032	49,476	(10,444)	(21.1%)	56,429	(17,397)	(30.8%)	95,461	93,797	1,664	1.8%
Profit before tax	32,433	42,620	(10,187)	(23.9%)	49,581	(17,148)	(34.6%)	82,014	80,416	1,598	2.0%
Profit after tax	23,790	32,453	(8,663)	(26.7%)	37,034	(13,244)	(35.8%)	60,824	60,807	17	0.0%
Profit attributable to owners of the parent	23,790	32,453	(8,663)	(26.7%)	37,034	(13,244)	(35.8%)	60,824	60,807	17	0.0%

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1. Review of Performance (continued)

Quarterly

Revenue for the quarter improved by 4.2% compared to the corresponding second quarter of 2022, increased from RM 1.75 billion to RM 1.82 billion, while decreased by 7.2% against those of the preceding first quarter of 2023 which were RM 1.96 billion. The improved revenue in comparison to the corresponding second quarter of 2022 was due to higher sales recorded in Healthcare and Others segments coming from new clients and ongoing growth of existing clients in Healthcare segment and higher outlet sales for Others segment with resumption of batter supply. Revenue declined compared to the preceding first quarter of 2023, largely due to Ramadan being in early Q2 in Consumer Goods segment which created higher festive sales in preceding first quarter coupled with change in sales mix in Healthcare segment.

Operating expense for the quarter increased 4.8% from RM 1.70 billion to RM 1.79 billion compared to the corresponding second quarter of 2022, while decreased by 6.6% against those of the preceding first quarter of 2023 which were at RM 1.91 billion. The changes in operating expenses were largely in line with the movement in revenue. The operating expense increased more than the revenue growth as compared to the corresponding second quarter of 2022 were largely due to higher cost base to support future growth.

Profit before tax for the quarter decreased by 23.9% compared to the same quarter of 2022 and decreased by 34.6% as compared to the preceding first quarter of 2023. The decline as compared to the corresponding second quarter of 2022 was the outcome of higher operating expense as above-mentioned and higher foreign exchange loss. The decrease in profit before tax against preceding first quarter of 2023 was due to lower sales.

Period-to-date

Revenue grew by 6.2% from RM 3.56 billion to RM 3.78 billion compared to 2022, reflecting the ongoing growth with existing clients and new clients secured in Consumer Goods and Healthcare segments and resumption of batter supply in Others segment.

Operating expense increased by 6.3% from RM 3.48 billion to RM 3.70 billion, which were largely in line with the revenue growth.

Consequently, profit before tax improved by 2.0% compared to 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Comments to the Performance of the Business Segments

Consumer Goods segment

Under the segment Consumer Goods, the Group provides the full range of services. The service portfolio ranges from product feasibility studies and registration to importation, customs clearance, marketing, sales, warehousing, physical distribution, invoicing, cash collection, after-sales and other value-added services.

	Individual 2 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2023	30/06/2022	Changes		31/03/2023	Changes		30/06/2023	30/06/2022	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	999,695	1,016,824	(17,129)	(1.7%)	1,136,660	(136,965)	(12.0%)	2,136,355	2,041,314	95,041	4.7%
Segment profit before interest and tax	24,522	35,880	(11,358)	(31.7%)	37,772	(13,250)	(35.1%)	62,294	67,192	(4,898)	(7.3%)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consumer Goods segment (continued)

Quarterly

Revenue for the quarter declined 1.7% compared to the corresponding second quarter of 2022, decreased from RM 1,016.8 million to RM 999.7 million, and declined 12.0% against those of the preceding first quarter of 2023 which was RM 1,136.7 million. The decline of revenue compared to the corresponding second quarter was due to timing of festive sales as Hari Raya was earlier in 2023. The declined revenue compared to the preceding first quarter was due to higher festive sales in preceding first quarter.

The operating profit for the quarter was RM 24.5 million, which was 31.7% lower than RM 35.9 million reported for the same second quarter in 2022 and 35.1% or RM 13.3 million lower than reported for the preceding first quarter of 2023. The decline in operating profit against the corresponding second quarter was due to change in sales mix and higher cost base, whereas the decline in operating result against the preceding first quarter of 2023 was due to decline in revenue, change in sales mix and offset by lower selling and logistic expenses in line with lower sales volume.

Period-to-date

Revenue grew 4.7% from RM 2.04 billion to RM 2.14 billion as compared to 2022 mainly due to ongoing growth with existing clients and new clients secured in the segment.

The operating profit for 2023 was RM 62.3 million, 7.3% lower than RM 67.2 million reported in 2022. The declined operating profit was largely due to higher cost base for logistics and personnel expenses to support the revenue growth.

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Healthcare segment

Under the segment Healthcare, the Group provides a wide range of integrated and customized solutions, including registration, market entry studies, marketing and sales, redressing, physical distribution, as well as invoicing and cash collection.

	Individual 2 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2023	30/06/2022	Changes		31/03/2023	Changes		30/06/2023	30/06/2022	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	800,687	713,368	87,319	12.2%	806,485	(5,798)	(0.7%)	1,607,172	1,489,479	117,693	7.9%
Segment profit before interest and tax	15,628	13,182	2,446	18.6%	19,193	(3,565)	(18.6%)	34,821	27,518	7,303	26.5%

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Healthcare segment (continued)

Quarterly

Revenue for the quarter as compared to the corresponding second quarter of 2022 improved 12.2% from RM 713.4 million to RM 800.7 million, but declined slightly by 0.7% against preceding first quarter of 2023 to RM 806.5 million. The improvement in revenue compared to the corresponding second quarter was driven by new clients secured and strong growth from existing clients, whereas the slight decrease compared to the preceding first quarter of 2023 was due to a change in sales mix.

The operating profit for the quarter was RM 15.6 million, which was 18.6% higher than RM 13.2 million reported for the same quarter in 2022, and 18.6% lower than RM 19.2 million reported for the preceding first quarter of 2023. The improvement in operating profit against the corresponding second quarter of 2022 was driven by sales growth and improved margin mix. The decline in operating profit compared to the preceding first quarter of 2023 was partly due to a change in sales mix and higher foreign exchange loss.

Period-to-date

Revenue for 2023 increased 7.9% from RM 1.49 billion to RM 1.61 billion as compared to 2022 due to growth in this segment.

The operating profit for YTD 2023 was RM 34.8 million, 26.5% higher than RM 27.5 million reported in the prior year due to revenue growth and improved margin mix.

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Others segment

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

	Individual 2 nd Quarter				Immediately Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2023	30/06/2022	Changes		31/03/2023	Changes		30/06/2023	30/06/2022	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	21,142	18,415	2,727	14.8%	20,232	910	4.5%	41,374	32,698	8,676	26.5%
Segment loss before interest and tax	(1,118)	414	(1,532)	<(100.0%)	(536)	(582)	<(100.0%)	(1,654)	(913)	(741)	(81.2%)

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Others segment (continued)

Quarterly

Revenue for the quarter grew 14.8% from RM 18.4 million to RM 21.1 million as compared to the corresponding second quarter of 2022 and improved by 4.5% against those of the preceding first quarter of 2023 of RM 20.2 million. Higher revenue compared to the corresponding second quarter of 2022 reflects the resumption of batter supply, while the increase in revenue compared to the preceding first quarter of 2023 was due to normal seasonal flows with higher festive sales. At the end of the second quarter of 2023, there were a total of 86 outlets located in West and East Malaysia as well as two outlets in Brunei.

Period-to-date

Revenue for 2023 grew 26.5% compared to YTD 2022, increasing from RM 32.7 million to RM 41.4 million. The improvement reflects the strong sales and resumption of batter supply.

The operating loss for YTD 2023 reduced by RM 0.7 million compared to the prior year.

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

There were no material items that have affected the performance of the second quarter of 2023 compared to the first quarter of 2023.

3. Prospects

In 2023, the Group celebrates 100 years of presence in Malaysia. Whilst there is current macro economic softness, the Group has a well diversified portfolio and we will continue to prioritize in gaining new businesses, increasing cost efficiency and managing working capital. The Group is well positioned to benefit from favorable long-term market, industry, and consolidation trends in Asia Pacific.

4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

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5. Taxation

	Quarter ended June 30, 2023 RM'000	Quarter ended June 30, 2022 RM'000	Period ended June 30, 2023 RM'000	Period ended June 30, 2022 RM'000
Current year income tax	9,297	9,941	22,908	20,624
Deferred tax	(654)	226	(1,718)	(1,015)
	<u>8,643</u>	<u>10,167</u>	<u>21,190</u>	<u>19,609</u>

The effective tax rate for the quarter ended and six months period ended June 30, 2023 was higher compared to the corresponding quarter and period due to higher non-deductible expenses in current quarter.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced that is not completed as of August 25, 2023.

7. Group Borrowings and Debt Securities

	As at June 30, 2023 RM'000	As at June 30, 2022 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Advances from holding companies	-	1,568
- Bank borrowings	188,000	149,000
	<u>188,000</u>	<u>150,568</u>
<u>Long Term Borrowings</u>		
- Advances from holding companies	15,593	11,183
- Bank borrowings	130,000	220,000
	<u>145,593</u>	<u>231,183</u>
Total borrowings	<u>333,593</u>	<u>381,751</u>

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8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value June 30, 2023 RM'000	Fair Value June 30, 2023 RM'000
Foreign exchange contracts - less than 1 year	64,221	65,111
Total	64,221	65,111

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, 2022.

The Group's open foreign exchange contracts have been fair valued using the current market rates as of June 30, 2023, resulting in an unrealized derivative gain of RM 0.9 million.

This unrealized derivative gain was due to the contractual foreign exchange rate lower than fair value.

In total, a net unrealized gain on derivative contracts amounting to RM 2.0 million had been credited to the statement of comprehensive income for the six months ended June 30, 2023 from the reversal of the unrealized loss on derivatives of RM 1.1 million on the outstanding contracts on December 31, 2022 and unrealized gain of RM 0.9 million for the current financial year.

9. Fair Value Changes of Financial Liabilities

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

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10. Changes in Material Litigation

There is no material litigation as of August 25, 2023.

11. Dividend Proposed or Declared

The final single tier dividend of 16.0 sen per ordinary shares in respect of the financial year ended December 31, 2022 was approved by shareholders at the Thirty-First Annual General Meeting of the Company held on May 19, 2023 and paid on July 20, 2023.

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 six months ended June 30, 2023, are RM 23,790,000 and RM 60,824,000 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 six months ended June 30, 2023 is 157,658,076.

13. Auditors' report on preceding annual financial statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended December 31, 2022.

By Order of the Board

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

Petaling Jaya
August 25, 2023