

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER
AND SIX MONTHS ENDED JUNE 30, 2018**

	INDIVIDUAL 2 ND QUARTER		CUMULATIVE 2 ND QUARTER	
	30/06/2018 Unaudited RM'000	30/06/2017 Unaudited RM'000	30/06/2018 Unaudited RM'000	30/06/2017 Unaudited RM'000
1 Revenue	1,442,464	1,393,697	2,898,137	2,763,365
2 Operating expenses	(1,421,711)	(1,370,849)	(2,865,366)	(2,726,819)
3 Other operating income	175	942	4,336	2,521
4 Profit from operations	20,928	23,790	37,107	39,067
5 Finance cost	(1,840)	(1,320)	(3,539)	(3,088)
6 Profit before taxation	19,088	22,470	33,568	35,979
7 Taxation	(5,035)	(6,113)	(8,707)	(9,576)
8 Profit for the period from operations, net of tax	14,053	16,357	24,861	26,403
9 Net profit for the period	14,053	16,357	24,861	26,403
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	4	(9)	(15)	-
11 Total comprehensive income	14,057	16,348	24,846	26,403
12 Net profit attributable to owners of the parent	14,053	16,357	24,861	26,403
13 Total comprehensive income attributable to owners of the parent	14,057	16,348	24,846	26,403
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent	8.91	10.37	15.77	16.75

Note:

1 The weighted average number of shares used in item 14 above is computed : 157,658,076 shares.

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, 2017 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 six months ended June 30, 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

	30/06/2018 Unaudited RM'000	31/12/2017 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	26,406	27,316
Intangible assets	173	186
Deferred tax assets	5,352	4,241
	<u>31,931</u>	<u>31,743</u>
2 Current Assets		
Inventories	650,568	612,110
Trade and other receivables	1,282,152	1,167,616
Derivative financial instrument	205	-
Deposits, bank and cash balances	56,573	63,036
	<u>1,989,498</u>	<u>1,842,762</u>
3 Total Assets	<u>2,021,429</u>	<u>1,874,505</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	124	139
Retained earnings	394,938	385,843
Equity attributable to owners of parent	<u>577,234</u>	<u>568,154</u>
5 Current Liabilities		
Trade and other payables	1,376,238	1,268,827
Derivative financial instrument	-	884
Borrowings	25,000	-
Taxation	6,247	3,527
	<u>1,407,485</u>	<u>1,273,238</u>
6 Non Current Liabilities		
Borrowings	33,992	30,392
Long term liabilities	2,718	2,718
Deferred tax liabilities	-	3
	<u>36,710</u>	<u>33,113</u>
7 Total Liabilities	<u>1,444,195</u>	<u>1,306,351</u>
8 Total Equity and Liabilities	<u>2,021,429</u>	<u>1,874,505</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.6613</u>	<u>3.6037</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, 2017 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, 2018

	Issued and fully paid ordinary shares		Attributable to owners of the parent			Total Equity
			Non-distributable		Distributable	
	Number of shares 000	Amount RM'000	Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	RM'000
<u>SIX MONTHS ENDED JUNE 30, 2018</u>						
At January 1, 2018	157,658	182,172	-	139	385,843	568,154
Total comprehensive income for the period	-	-	-	(15)	24,861	24,846
Dividends	-	-	-	-	(15,766)	(15,766)
At JUNE 30, 2018	157,658	182,172	-	124	394,938	577,234
<u>SIX MONTHS ENDED JUNE 30, 2017</u>						
At January 1, 2017	157,658	157,658	24,514	175	348,740	531,087
Total comprehensive income for the period	-	-	-	-	26,403	26,403
Transition to no-par value regime (Note a)	-	24,514	(24,514)	-	-	-
Dividends	-	-	-	-	(14,978)	(14,978)
At JUNE 30, 2017	157,658	182,172	-	175	360,165	542,512

Note a : In accordance with Section 74 of the Companies Act 2016, the Company's shares no longer have a par or nominal value with effect from January 31, 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. In the accordance with the transitional provisions under Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have twenty four months upon the commencement of the Companies Act 2016 to utilize the credit. During the financial period, the Company has utilized none of the credit of the share premium account which have now become part of the share capital.

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, 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED JUNE 30, 2018**

	30/06/2018 Unaudited RM'000	30/06/2017 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,568	35,979
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	4,447	4,510
Amortization of trademark	13	420
Net unrealized derivative (gains)/losses	(934)	470
Gain on disposal of property, plant and equipment	-	(2)
Interest income	(67)	(84)
Interest expenses	3,539	3,088
Net allowance/(write back of allowance) for impairment of trade receivables	861	(975)
Inventories written off	5,462	4,064
Net allowance of inventory obsolescence	2,165	407
Net unrealized foreign exchange losses/(gains)	923	(184)
Operating cash flows before changes in working capital	<u>49,977</u>	<u>47,693</u>
Changes in working capital:		
Inventories	(46,085)	15,077
Trade and other receivables	(115,416)	(154,552)
Trade and other payables	90,749	50,696
	<u>(70,752)</u>	<u>(88,779)</u>
Interest paid	(3,510)	(3,147)
Interest received	67	84
Tax paid	(7,082)	(9,281)
Net cash flows used in operating activities	<u>(31,300)</u>	<u>(53,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,748)	(2,176)
Proceed from disposal of property, plant and equipment	-	14
Net cash flows used in investing activities	<u>(3,748)</u>	<u>(2,162)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings/(repayment)	25,000	(53,111)
Drawdown	3,600	-
Net cash flows generated from/(used in) financing activities	<u>28,600</u>	<u>(53,111)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>(6,448)</u>	<u>(108,703)</u>
CURRENCY TRANSLATION DIFFERENCES	(15)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,036	125,871
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u>56,573</u>	<u>17,168</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	56,573	17,168
	<u>56,573</u>	<u>17,168</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, 2017 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, 2018</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	1,376,222	1,471,772	29,070	2,877,064
Rendering of services	8,246	12,827	-	21,073
Total revenue from contracts with customers	1,384,468	1,484,599	29,070	2,898,137
Results				
Segment result	14,693	23,529	(1,115)	37,107
Finance cost				(3,539)
Taxation				(8,707)
Profit for the financial period				<u>24,861</u>
As at June 30, 2018				
Other Information				
Segment assets	1,092,166	794,862	24,050	1,911,078
Unallocated assets				110,351
Total assets				<u>2,021,429</u>
Segment liabilities	(531,457)	(735,439)	(2,338)	(1,269,234)
Unallocated liabilities				(174,961)
Total liabilities				<u>(1,444,195)</u>
Capital expenditure	1,340	973	1,227	3,540
Depreciation of property, plant and equipment	880	1,239	2,328	4,447
Amortization of trademarks	13	-	-	13
Net allowance/(write back of allowance) for doubtful debts	1,783	(871)	(51)	861
Inventories written off	4,969	186	307	5,462

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 Six Months Ended June 30, 2017</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	1,344,464	1,372,675	27,993	2,745,132
Rendering of services	8,343	9,890	-	18,233
Total revenue from contracts with customers	1,352,807	1,382,565	27,993	2,763,365
Results				
Segment result	24,565	14,784	(282)	39,067
Finance cost				(3,088)
Taxation				(9,576)
Profit for the financial period				26,403
Other Information				
As at June 30, 2017				
	RM'000	RM'000	RM'000	RM'000
Segment assets	983,562	823,795	24,498	1,831,855
Unallocated assets				54,177
Total assets				1,886,032
Segment liabilities	(516,748)	(683,831)	(3,153)	(1,203,732)
Unallocated liabilities				(139,788)
Total liabilities				(1,343,520)
Capital expenditure	430	495	699	1,624
Depreciation of property, plant and equipment	869	1,208	2,433	4,510
Amortization of trademarks	420	-	-	420
Net (write back of allowance)/allowance for doubtful debts	(5)	(983)	13	(975)
Inventories written off	3,344	720	-	4,064

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 8, 2018.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and six months ended June 30, 2018 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, 2017.

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, 2017. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2018, 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, 2017 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 dividends were paid during the quarter ended June 30, 2018.

9. Segment Information

The Group's segmental information for the financial six months ended June 30, 2018 and June 30, 2017 is presented separately in this interim financial report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Profit before Tax from Operations

The following items are included in profit before tax from operations:

	Current quarter ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,159	2,248	4,447	4,510
Amortization of trademark	7	169	13	420
Net unrealized derivative (gains)/losses	(562)	123	(934)	470
Rental income	(317)	(320)	(634)	(619)
Interest income	(19)	(16)	(67)	(84)
Interest expenses	1,840	1,320	3,539	3,088
Gain on disposal of property, plant and equipment	-	(2)	-	(2)
Net allowance/(write back of allowance) for impairment of trade receivables	(138)	(583)	861	(975)
Inventories written off	2,262	2,085	5,462	4,064
Net allowance of inventory obsolescence	1,116	403	2,165	407
Net unrealized foreign exchange losses/(gains)	1,850	989	923	(1,173)
Gain on disposal of quoted/unquoted investment	-	-	-	-
Impairment of assets	-	-	-	-
Exceptional items	-	-	-	-

11. Valuation of Property, Plant and Equipment

Property, plant and equipment have been brought forward without amendment from the previous audited annual 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 six months ended June 30, 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2018 and June 30, 2017, as well as the balances with the related parties as at June 30, 2018 and June 30, 2017:

	Current six months ended June 30, 2018 RM'000	Preceding six months ended June 30, 2017 RM'000	Intercompany balances - due from/(to) as at	
			June 30, 2018 RM'000	June 30, 2017 RM'000
Sale of goods and services:				
- related company (goods)	1,200	1,220	243	502
- related company (rental)	316	314	134	117
- related company (cost sharing)	212	238	74	87
- related company (human resource and information technology charges)	364	370	105	73
	<u>2,092</u>	<u>2,142</u>	<u>556</u>	<u>779</u>
Purchase of goods and services:				
- related company (goods)	9,206	8,523	(3,268)	(2,006)
- related company (management fee)	2,558	2,313	(91)	(1,285)
- related company (information technology charges)	8,480	7,841	(219)	(392)
Others (interest):				
- immediate holding company	540	589	(101)	(64)
- intermediate holding company	212	206	(35)	(35)
	<u>20,996</u>	<u>19,472</u>	<u>(3,714)</u>	<u>(3,782)</u>

The amounts receivable from or payable to related parties are unsecured, non-interest bearing and carry credit terms between 30 to 120 days. There were no overdue balances from related parties as at June 30, 2018.

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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, 2018 and up to August 8, 2018.

16. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at June 30, 2018 are as follows:

	RM'000
Contracted	<u>2,582</u>
Analyzed as follows:	
- Property, plant and equipment	<u>2,582</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, 2018
(II) Compliance with Appendix 9B of the Listing Requirements
1. Review of Performance

	Individual 2 nd Quarter				Immediate Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2018	30/06/2017	Changes		31/03/2018	Changes		30/06/2018	30/06/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,442,464	1,393,697	48,767	3.5%	1,455,673	(13,209)	(0.9%)	2,898,137	2,763,365	134,772	4.9%
Operating profit	20,928	23,790	(2,862)	(12.0%)	16,179	4,749	29.4%	37,107	39,067	(1,960)	(5.0%)
Profit before interest and tax	20,928	23,790	(2,862)	(12.0%)	16,179	4,749	29.4%	37,107	39,067	(1,960)	(5.0%)
Profit before tax	19,088	22,470	(3,382)	(15.1%)	14,480	4,608	31.8%	33,568	35,979	(2,411)	(6.7%)
Profit after tax	14,053	16,357	(2,304)	(14.1%)	10,808	3,245	30.0%	24,861	26,403	(1,542)	(5.8%)
Profit attributable to owners of the parent	14,053	16,357	(2,304)	(14.1%)	10,808	3,245	30.0%	24,861	26,403	(1,542)	(5.8%)

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**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD – SIX MONTHS ENDED JUNE 30, 2018**

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

1. Review of Performance (continued)

Quarterly

Revenues for the quarter grew by 3.5% from RM 1.39 billion to RM 1.44 billion as compared to the corresponding second quarter of 2017, while decreasing by 0.9% from RM 1.46 billion in the first quarter of 2018. The increase in comparison to the prior year is due to organic growth in existing clients while the revenue reduction in comparison to the preceding first quarter is due to a shift in consumer demand due to the transition of the Goods and Services Tax (GST) rate from 6% to 0% which was effective from June 1, 2018.

Operating costs for the quarter increased by 3.7% from RM 1.37 billion to RM 1.42 billion as compared to corresponding second quarter of 2017, which the increase was largely in line with the revenue growth listed above. Operating cost decreased by 1.5% from RM 1.44 billion to RM 1.42 billion as compared to the preceding first quarter of 2018. The larger decline in operating cost relative to the reduction in revenue was primarily due to reduction in provisions and cost efficiencies in the second quarter, resulting in a second quarter operating profit increase of 29.4% compared to the preceding first quarter of 2018.

Profit before tax for the quarter declined by 15.1% compared to the similar quarter of 2017. However, as compared to the preceding first quarter of 2018, there was an improvement of 31.8% due to stable and lower operating costs relative to revenues.

Year-to-date

Revenues grew by 4.9% from RM 2.76 billion to RM 2.90 billion as compared to 2017. This revenue growth results from underlying organic growth in existing clients, primarily in the Logistics segment.

Operating costs increased by 5.0% from RM 2.73 billion to RM 2.87 billion as compared to 2017. These cost increases were largely in line with the revenue growth listed above. However, the cost increase for the period were slightly higher than the growth in revenue due to a change in product mix which led to a corresponding small increase in cost of goods sold and slight increase in cost base to support future growth.

Profit before tax declined by 6.7% as compared to 2017. The lower profit before tax performance is a result of the change in product mix and slight increase in cost base as mentioned above.

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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 2 nd Quarter				Immediate Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2018	30/06/2017	Changes		31/03/2018	Changes		30/06/2018	30/06/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	693,897	687,736	6,161	0.9%	690,571	3,326	0.5%	1,384,468	1,352,807	31,661	2.3%
Segment results	9,470	15,890	(6,420)	(40.4%)	5,223	4,248	81.3%	14,693	24,565	(9,872)	(40.2%)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 0.9% compared to the corresponding second quarter of 2017, increasing from RM 687.7 million to RM 693.9 million, while improving by 0.5% against those of the preceding first quarter of 2018 which was RM 690.6 million. This segment's improved revenue reflects stability of sales and ongoing organic growth of existing clients.

The operating result for the quarter was RM 9.5 million, which was 40.4% below the same second quarter of 2017 but was above the preceding first quarter of 2018 by 81.3%. The reduction in operating result against the second quarter of 2017 reflects a product mix shift, increased cost base to support future growth whereas the slight improvement over the preceding first quarter of 2018 due to favorable sales mix with the onset of festive period sales and stable costs.

Year-to-date

Revenues for 2018 were RM 1.38 billion, which were 2.3% above revenues of RM 1.35 billion in 2017. This segment's revenues grew due to organic growth of existing clients and due to the timing of Chinese New Year, with it being later in 2018 than in 2017, which resulted in more seasonal sales being captured in the first quarter of 2018.

The operating result for 2018 was RM 14.7 million, which was 40.2% below 2017. The reduction in operating result reflects a product mix shift in the second quarter and increased cost base relative to the prior period to support future growth.

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended June 30, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Logistics segment

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

	Individual 2 nd Quarter				Immediate Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2018	30/06/2017	Changes		31/03/2018	Changes		30/06/2018	30/06/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	733,212	691,607	41,605	6.0%	751,387	(18,175)	(2.4%)	1,484,599	1,382,565	102,034	7.4%
Segment results	11,161	7,924	3,237	40.9%	12,368	(1,207)	(9.8%)	23,529	14,784	8,745	59.2%

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Logistics segment (continued)

Quarterly

Revenues for the quarter were RM 733.2 million, which were 6.0% higher than the RM 691.6 million revenues in the corresponding second quarter of 2017, and 2.4% below revenues of RM 751.4 million of the preceding first quarter of 2018. The growth in revenue compared to the corresponding second quarter of 2017 reflect the organic growth in both the Healthcare and Telecommunications segments. The downturn compared to the preceding first quarter of 2018 was due to altered demand due to the transition of the GST rate from 6% to 0% which was effective from June 1, 2018.

The operating result for the quarter was RM 11.2 million, which is an 40.9% increase on RM 7.9 million reported for the corresponding second quarter of 2017, reflecting improved margin mix and continued gains from operational efficiencies. As compared to preceding first quarter of 2018, there was a 9.8% decrease due to a one-off bad debt recovery in first quarter of 2018.

Year-to-date

Revenues for 2018 grew by 7.4% compared to 2017, increasing from RM 1.38 billion to RM 1.48 billion. The growth in revenue was organically driven.

The operating result for 2018 was RM 23.5 million, which is an 59.2% increase on 2017. This reflects strong revenues supported by improving margin mix, a one-off bad debt recovery in the first quarter of 2018 and operational efficiencies which reduce operating expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Others segment

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

	Individual 2 nd Quarter				Immediate Preceding 1 st Quarter			Cumulative 2 nd Quarter			
	30/06/2018	30/06/2017	Changes		31/03/2018	Changes		30/06/2018	30/06/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	15,355	14,354	1,001	7.0%	13,715	1,640	12.0%	29,070	27,993	1,077	3.8%
Segment results	297	(24)	321	< (100%)	(1,412)	1,709	< (100%)	(1,115)	(282)	(833)	>100%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Others segment (continued)

Quarterly

Revenues for the quarter grew by 7.0% from RM 14.4 million to RM 15.4 million as compared to corresponding second quarter 2017 and increased by 12.0% on the preceding first quarter of 2018. The improvement in revenue against prior year reflects improving consumer demand, while the improvement from the preceding quarter is due to normal seasonal flows which create much larger festive sales in the current quarter. At the end of the second quarter of 2018, Famous Amos operated 84 outlets nationwide.

The operating result for the second quarter of 2018 was RM 0.3 million, which represents a RM 0.3 million improvement on the corresponding second quarter of 2017 and a RM 1.7 million improvement on the preceding first quarter of 2018. The improvement on the corresponding quarter of 2017 is due to improved revenue while the improvement against the preceding first quarter of 2018 relates to seasonal revenue fluctuations.

Year-to-date

Revenues were RM 29.1 million in 2018 which increased by 3.8% against 2017. The improvement in revenue against prior year reflects improving consumer demand.

The operating result for the second quarter of 2018 was RM 0.8 million lower than prior year. The reductions reflect relatively low sales growth with increased expenses.

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

There were no material items that have affected the performance of the second quarter of 2018 compared to the first quarter of 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Prospects

The Group takes an overall neutral outlook on 2018. Prospects remain positive for the Logistics Segment. However, prospects for the Marketing and Distribution Segment are less positive due to short-term volatility relating to the introduction of Sales and Services Tax (SST) on September 01, 2018 and a one-off negative impact from a specific client contract. The long-term outlook remains positive.

The client and customer portfolio remains well diversified and supported by a strong sales, marketing and distribution infrastructure with a capillary reach. With a scalable business model, the Group offers a comprehensive portfolio of services along the entire value chain, customized and tailor-made to clients' specific needs. Furthermore, operational risk management processes and controls, supported by an industry leading IT system, continue to support the existing businesses as well as new clients.

Two market trends additionally support a positive medium-to-long-term outlook for the Group. Firstly, the growing middle class in Malaysia supports the demand for consumer goods and healthcare products. Secondly, manufacturers increasingly focus on core competencies and seek specialized service providers in order to grow the market for and with them.

4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

5. Taxation

	Quarter ended June 30, 2018 RM'000	Quarter ended June 30, 2017 RM'000	Six months ended June 30, 2018 RM'000	Six months ended June 30, 2017 RM'000
Current year	5,625	5,950	9,822	9,334
Deferred tax	(590)	163	(1,115)	242
	<u>5,035</u>	<u>6,113</u>	<u>8,707</u>	<u>9,576</u>

The effective tax rate for the quarter and six months ended June 30, 2018 was lower as compared to similar quarter and prior period as all subsidiaries contributed positively to the bottom line, whilst non-deductible expenses in the form depreciation remained unchanged in the short term.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at August 8, 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Group Borrowings and Debt Securities

	As at June 30, 2018 RM'000	As at June 30, 2017 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowing	25,000	729
<u>Long Term Borrowings</u>		
- Advances from holding companies	<u>33,992</u>	<u>29,092</u>
Total borrowings	<u><u>58,992</u></u>	<u><u>29,821</u></u>

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value June 30, 2018 RM'000	Fair Value June 30, 2018 RM'000
Foreign exchange contracts		
- less than 1 year	<u>34,303</u>	<u>34,508</u>
Total	<u><u>34,303</u></u>	<u><u>34,508</u></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 risk management objectives and policies to mitigate these risk since the financial year ended December 31, 2017.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at June 30, 2018 resulting in an unrealized derivative gain of RM 0.2 million.

The unrealized derivative gain was due to the slight weakening of the MYR after forex contracts were entered. In total, a net unrealized gain on derivative contracts amounting to RM 1.0 million had been charged to the statement of comprehensive income for the six months ended June 30, 2018 from the reversal of the unrealized loss on derivative of RM 0.8 million on the outstanding contracts at balance sheet date last year and RM 0.2 million for the current period.

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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 August 8, 2018.

11. Dividend Proposed or Declared

The final single tier dividend of 10.0 sen per ordinary share in respect of the financial year ended December 31, 2017 (2016: final single tier dividend of 9.5 sen per ordinary share) was approved by shareholders at the Twenty-Sixth Annual General Meeting of the Company held on May 23, 2018 and paid on July 12, 2018.

12. Earnings Per Share

- (a) The earnings used as the numerator in calculating basic and diluted earnings per share for the quarter under review and for six months ended June 30, 2018 are RM 14,053,000 and RM 24,861,000 respectively.
- (b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share for the quarter under review and for six months ended June 30, 2018 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, 2017.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)
Company Secretary

Andre' Chai P'o-Lieng (MAICSA 7062103)
Company Secretary

Petaling Jaya
August 8, 2018