

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER
AND YEAR ENDED DECEMBER 31, 2018**

	INDIVIDUAL 4 TH QUARTER		CUMULATIVE 4 TH QUARTER	
	31/12/2018 Unaudited RM'000	31/12/2017 Unaudited RM'000	31/12/2018 Unaudited RM'000	31/12/2017 Unaudited RM'000
1 Revenue	1,597,712	1,376,188	6,011,839	5,509,538
2 Operating expenses	(1,582,427)	(1,357,206)	(5,949,426)	(5,440,986)
3 Other operating income	1,195	3,921	6,363	9,024
4 Profit from operations	16,480	22,903	68,776	77,576
5 Finance cost	(2,242)	(1,952)	(8,193)	(6,855)
6 Profit before tax	14,238	20,951	60,583	70,721
7 Taxation	(3,675)	(5,261)	(15,968)	(18,640)
8 Profit for the period, net of tax	10,563	15,690	44,615	52,081
9 Net profit for the period	10,563	15,690	44,615	52,081
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	2	(33)	-	(36)
11 Total comprehensive income	10,565	15,657	44,615	52,045
12 Net profit attributable to owners of the parent	10,563	15,690	44,615	52,081
13 Total comprehensive income attributable to owners of the parent	10,565	15,657	44,615	52,045
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent	6.70	9.95	28.30	33.03

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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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	31/12/2018 Unaudited RM'000	31/12/2017 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	26,458	27,316
Intangible assets	159	186
Deferred tax assets	6,346	4,241
	<u>32,963</u>	<u>31,743</u>
2 Current Assets		
Inventories	738,571	612,110
Trade and other receivables	1,289,573	1,167,616
Deposits, bank and cash balances	101,970	63,036
	<u>2,130,114</u>	<u>1,842,762</u>
3 Total Assets	<u>2,163,077</u>	<u>1,874,505</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	139	139
Retained earnings	414,692	385,843
Equity attributable to owners of parent	<u>597,003</u>	<u>568,154</u>
5 Current Liabilities		
Trade and other payables	1,499,227	1,268,827
Derivative financial instrument	104	884
Borrowings	29,000	-
Taxation	2,959	3,527
	<u>1,531,290</u>	<u>1,273,238</u>
6 Non Current Liabilities		
Borrowings	32,192	30,392
Long term liabilities	2,592	2,718
Deferred tax liabilities	-	3
	<u>34,784</u>	<u>33,113</u>
7 Total Liabilities	<u>1,566,074</u>	<u>1,306,351</u>
8 Total Equity and Liabilities	<u>2,163,077</u>	<u>1,874,505</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.7867</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 YEAR ENDED DECEMBER 31, 2018

	Issued and fully paid ordinary shares		Attributable to owners of the parent		Total Equity	
	Number of shares 000	Amount RM'000	Non-distributable Share premium on ordinary shares RM'000	Distributable Foreign currency translation reserve RM'000		
<u>YEAR ENDED DECEMBER 31, 2018</u>						
At January 1, 2018	157,658	182,172	-	139	385,843	568,154
Total comprehensive income for the period	-	-	-	-	44,615	44,615
Dividends	-	-	-	-	(15,766)	(15,766)
At December 31, 2018	157,658	182,172	-	139	414,692	597,003
<u>YEAR ENDED DECEMBER 31, 2017</u>						
At January 1, 2017	157,658	157,658	24,514	175	348,740	531,087
Total comprehensive income for the period	-	-	-	(36)	52,081	52,045
Transition to no-par value regime (Note a)	-	24,514	(24,514)	-	-	-
Dividends	-	-	-	-	(14,978)	(14,978)
At December 31, 2017	157,658	182,172	-	139	385,843	568,154

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 YEAR ENDED DECEMBER 31, 2018**

	31/12/2018 Unaudited RM'000	31/12/2017 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	60,583	70,721
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	8,915	9,111
Amortization of trademark	27	435
Net unrealized derivative (gains)/losses	(688)	1,075
Loss/(gain) on disposal of property, plant and equipment	3	(66)
Written off property, plant and equipment	-	20
Write-back of provision for property restoration cost	(126)	-
Interest income	(134)	(148)
Interest expenses	8,193	6,855
Net allowance for impairment of trade receivables	6,784	1,096
Inventories written off	13,701	10,712
Net allowance of inventory obsolescence	3,292	2,130
Net unrealized foreign exchange losses/(gains)	675	(2,143)
Operating cash flows before changes in working capital	<u>101,225</u>	<u>99,798</u>
Changes in working capital:		
Inventories	(143,454)	(21,790)
Trade and other receivables	(129,088)	(71,582)
Trade and other payables	229,630	27,234
	<u>(42,912)</u>	<u>(66,138)</u>
Interest paid	(8,138)	(6,906)
Interest received	134	148
Tax paid	(18,297)	(17,123)
	<u>(26,301)</u>	<u>(23,881)</u>
Net cash flows generated from operating activities	<u>32,012</u>	<u>9,779</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,303)	(5,135)
Proceed from disposal of property, plant and equipment	191	75
Net cash flows used in investing activities	<u>(8,112)</u>	<u>(5,060)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	30,800	(52,540)
Dividend paid	(15,766)	(14,978)
Net cash flows generated from/(used in) financing activities	<u>15,034</u>	<u>(67,518)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>38,934</u>	<u>(62,799)</u>
CURRENCY TRANSLATION DIFFERENCES	-	(36)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,036	125,871
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>101,970</u>	<u>63,036</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	101,970	63,036
	<u>101,970</u>	<u>63,036</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 Year Ended December 31, 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	2,811,756	3,092,810	61,741	5,966,307
Rendering of services	16,059	29,473	-	45,532
Total revenue from contracts with customers	2,827,815	3,122,283	61,741	6,011,839
Results				
Segment result	21,569	48,697	(1,490)	68,776
Finance cost				(8,193)
Taxation				(15,968)
Profit for the financial period				44,615
As at December 31, 2018				
Net assets				
Segment assets	1,115,903	875,257	23,018	2,014,178
Unallocated assets				148,899
Total assets				2,163,077
Segment liabilities	(534,295)	(837,206)	(5,043)	(1,376,544)
Unallocated liabilities				(189,530)
Total liabilities				(1,566,074)
Other information				
Capital expenditure	3,025	2,455	2,771	8,251
Depreciation of property, plant and equipment	1,829	2,483	4,603	8,915
Amortization of trademarks	27	-	-	27
Net allowance/(write-back of allowance) for doubtful debts	8,181	(1,346)	(51)	6,784
Inventories written off	12,564	49	1,088	13,701

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

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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Year Ended December 31, 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	2,611,809	2,802,291	55,337	5,469,437
Rendering of services	16,996	23,105	-	40,101
Total revenue from contracts with customers	2,628,805	2,825,396	55,337	5,509,538
Results				
Segment result	45,668	32,790	(882)	77,576
Finance cost				(6,855)
Taxation				(18,640)
Profit for the financial period				<u>52,081</u>
As at December 31, 2017				
Net assets				
Segment assets	968,133	784,354	24,460	1,776,947
Unallocated assets				97,558
Total assets				<u>1,874,505</u>
Segment liabilities	(460,866)	(693,387)	(2,905)	(1,157,158)
Unallocated liabilities				(149,193)
Total liabilities				<u>(1,306,351)</u>
Other information				
Capital expenditure	1,661	1,620	1,511	4,792
Depreciation of property, plant and equipment	1,808	2,483	4,820	9,111
Amortization of trademarks	435	-	-	435
Net allowance for doubtful debts	712	370	14	1,096
Inventories written off	8,498	1,161	1,053	10,712

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(I) Compliance with MFRS 134: Interim Financial Reporting

1. Corporate Information

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 25, 2019.

2. Accounting Policies and Basis of Preparation

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

The Group is undertaking an efficiency and profitability improvement project in the Marketing and Distribution segment which led to RM3.8 million cost incurred in the fourth quarter of 2018. This program will continue until the second quarter of 2019. This project will deliver sales optimization and cost efficiencies during 2019 and an ongoing improved cost base and profitability in the long-term.

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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, 2018.

9. Segment Information

The Group's segmental information for the financial year ended December 31, 2018 and December 31, 2017 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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,286	2,226	8,915	9,111
Amortization of trademark	7	7	27	435
Net unrealized derivative losses/(gains)	341	475	(688)	1,075
Rental income	(400)	(318)	(1,351)	(1,260)
Interest income	(54)	(31)	(134)	(148)
Interest expenses	2,242	1,952	8,193	6,855
Loss/(gain) on disposal of property, plant and equipment	13	2	3	(66)
Net allowance for impairment of trade receivables	3,196	2,173	6,784	1,096
Inventories written off	5,251	4,109	13,701	10,712
Net allowance of inventory obsolescence	478	634	3,292	2,130
Net unrealized foreign exchange (gains)/losses	(997)	(805)	675	(2,143)
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 the year ended December 31, 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 year ended December 31, 2018 and December 31, 2017, as well as the balances with the related parties as at December 31, 2018 and December 31, 2017:

	Current year ended December 31, 2018 RM'000	Preceding year ended December 31, 2017 RM'000	Intercompany balances - due from/(to) as at	
			December 31, 2018 RM'000	December 31, 2017 RM'000
Sale of goods and services:				
- related companies (goods)	1,705	1,880	241	287
- related companies (rental)	715	633	105	108
- related companies (cost sharing)	272	468	30	77
- related companies (human resource and information technology charges)	657	733	99	66
	<u>3,349</u>	<u>3,714</u>	<u>475</u>	<u>538</u>
Purchase of goods and services:				
- related companies (goods)	(18,465)	(16,836)	(3,756)	(2,698)
- related company (management fee)	(5,181)	(5,070)	-	(1,355)
- related company (information technology charges)	(17,278)	(15,996)	(322)	(303)
Others (interest):				
- immediate holding company	(1,065)	(1,059)	(85)	(73)
- intermediate holding company	(437)	(401)	(77)	(34)
	<u>(42,426)</u>	<u>(39,362)</u>	<u>(4,240)</u>	<u>(4,463)</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 December 31, 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 December 31, 2018 and up to February 25, 2019.

16. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at December 31, 2018 are as follows:

	RM'000
Contracted	<u>3,030</u>
Analyzed as follows:	
- Property, plant and equipment	<u>3,030</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, 2018
(II) Compliance with Appendix 9B of the Listing Requirements
1. Review of Performance

	Individual 4 th Quarter				Immediate Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2018	31/12/2017	Changes		30/09/2018	Changes		31/12/2018	31/12/2017	Changes	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,597,712	1,376,188	221,524	16.1%	1,515,990	81,722	5.4%	6,011,839	5,509,538	502,301	9.1%
Profit from operations	16,480	22,903	(6,423)	(28.0%)	15,189	1,291	8.5%	68,776	77,576	(8,800)	(11.3%)
Profit before interest and tax	16,480	22,903	(6,423)	(28.0%)	15,189	1,291	8.5%	68,776	77,576	(8,800)	(11.3%)
Profit before tax	14,238	20,951	(6,713)	(32.0%)	12,777	1,461	11.4%	60,583	70,721	(10,138)	(14.3%)
Profit after tax	10,563	15,690	(5,127)	(32.7%)	9,191	1,372	14.9%	44,615	52,081	(7,466)	(14.3%)
Profit attributable to owners of the parent	10,563	15,690	(5,127)	(32.7%)	9,191	1,372	14.9%	44,615	52,081	(7,466)	(14.3%)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Review of Performance (continued)

Quarterly

Revenues for the quarter grew by 16.1% from RM 1.38 billion to RM 1.60 billion as compared to the corresponding fourth quarter of 2017, while improving by 5.4% from RM 1.52 billion in the third quarter of 2018. The increase in comparison to the corresponding fourth quarter of 2017 and preceding third quarter of 2018 reflects the stability of sales and ongoing organic growth of existing clients in all segments.

Operating expenses for the quarter increased by 16.6% from RM 1.36 billion to RM 1.58 billion as compared to corresponding fourth quarter of 2017. The cost increased more than the improvement in revenue due to increased cost base for the marketing and distribution segment resulting in profit from operations decreasing by 28.0% compared to the corresponding fourth quarter of 2017. Operating expenses increased by 5.4% from RM 1.50 billion to RM 1.58 billion as compared to the preceding third quarter of 2018 slightly in line with revenue movement. These cost increases were predominantly a result of the commencement of growth and efficiency improvement project and a one-off expense for a provision for doubtful debt, both in the Marketing and Distribution segment.

Profit before tax for the quarter declined by 32.0% compared to the same quarter of 2017 due to the increased cost base for the marketing and distribution segment. However, profit before tax grew 11.4% compared to the preceding third quarter of 2018, reflecting the continuing organic growth in revenue, supported by stable operating costs.

Year-to-date

Revenues grew by 9.1% from RM 5.51 billion to RM 6.01 billion as compared to 2017. This revenue growth resulted from underlying organic growth in existing clients, primarily in the Logistics segment and new clients, primarily in Marketing and Distribution segment.

Operating expenses increased by 9.3% from RM 5.44 billion to RM 5.95 billion as compared to 2017. This cost increase was largely in line with the revenue growth listed above. However, the cost increase for the period was 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 14.3% 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 4 th Quarter				Immediate Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2018	31/12/2017	Changes		30/09/2018	Changes		31/12/2018	31/12/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	716,963	637,144	79,819	12.5%	726,384	(9,421)	(1.3%)	2,827,815	2,628,805	199,010	7.6%
Segment results	1,941	14,226	(12,285)	(86.4%)	4,935	(2,994)	(60.7%)	21,569	45,668	(24,099)	(52.8%)

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Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 12.5% compared to the corresponding fourth quarter of 2017, increasing from RM 637.1million to RM 717.0 million, while declining by 1.3% against those of the preceding third quarter of 2018 which was RM 726.4 million. This segment's improved revenue compared to the corresponding quarter reflects stability of sales and ongoing organic growth of existing clients. The slight reduction against preceding quarter was due to a general downturn of consumer demand following introduction of the Sales and Services Tax (SST).

The operating result for the quarter was RM 1.9 million, which was 86.4% below the same fourth quarter of 2017 and below the preceding third quarter of 2018 by 60.7%. The reduction in operating result was predominantly due to the commencement of growth and efficiency improvement project and a one-off expense for a provision for doubtful debt, both in the marketing and distribution segment.

Year-to-date

Revenues for 2018 were RM 2.83 billion, which were 7.6% above revenues of RM 2.63 billion in 2017. This segment's revenues grew due to organic growth of existing clients and contributed by new clients.

The operating result for 2018 was RM 21.6 million, which was 52.8% below 2017. The reduction in operating result reflects a product mix shift in the second quarter, increased doubtful debts provision and increased cost base relative to the prior period.

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QUARTERLY REPORT

Quarterly report on consolidated results for the financial year ended December 31, 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 4 th Quarter				Immediate Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2018	31/12/2017	Changes		30/09/2018	Changes		31/12/2018	31/12/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	861,917	722,387	139,530	19.3%	775,767	86,150	11.1%	3,122,283	2,825,396	296,887	10.5%
Segment results	14,035	8,365	5,670	67.8%	11,133	2,902	26.1%	48,697	32,790	15,907	48.5%

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Logistics segment (continued)

Quarterly

Revenues for the quarter grew by 19.3% compared to the corresponding fourth quarter of 2017, increasing from RM 722.4 million to RM 861.9 million, while improving by 11.1% against those of the preceding third quarter of 2018 which was RM 775.8 million. The growth in revenue compared to the corresponding fourth quarter of 2017 and preceding third quarter of 2018 reflect the organic growth in this segment and does not have a festive period effect as the products are not seasonal.

The operating result for the quarter was RM 14.0 million, which is an 67.8% increase on RM 8.4 million reported for the corresponding fourth quarter of 2017 and an 26.1% increase on RM 11.1 million reported for the preceding third quarter of 2018. This reflects strong revenue supported by improved margin mix and continued gains from operational efficiencies.

Year-to-date

Revenues for 2018 grew by 10.5% compared to 2017, increasing from RM 2.83 billion to RM 3.12 billion. The growth in revenue was organically driven.

The operating result for 2018 was RM 48.7 million, which is an 48.5% increase on 2017. This reflects strong revenues supported by improving margin mix, one-off debts recovery in first quarter of 2018 and operational efficiencies which reduce operating expenses.

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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 including rental.

	Individual 4 th Quarter				Immediate Preceding 3 rd Quarter			Cumulative 4 th Quarter			
	31/12/2018	31/12/2017	Changes		30/09/2018	Changes		31/12/2018	31/12/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,832	16,657	2,175	13.1%	13,839	4,993	36.1%	61,741	55,337	6,404	11.6%
Segment results	504	312	192	61.5%	(879)	1,383	>100%	(1,490)	(882)	(608)	68.9%

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Others segment (continued)

Quarterly

Revenues for the quarter grew by 13.1% from RM 16.7 million to RM 18.8 million as compared to corresponding fourth quarter 2017 and increased by 36.1% on the preceding third quarter of 2018. The improvement in revenue against prior year reflects the improved per store revenue growth as outlet openings are strategically driven. At the end of the fourth quarter of 2018, Famous Amos operated 91 outlets nationwide and one outlet in Brunei.

The operating result for the fourth quarter of 2018 was RM 0.5 million, which represents a RM 0.2 million improvement on the corresponding fourth quarter of 2017 and a RM 1.4 million improvement on the preceding third quarter of 2018. The improvement on the corresponding quarter of 2017 is due to improved revenue while the improvement against the preceding third quarter of 2018 relates to seasonal revenue fluctuations.

Year-to-date

Revenues were RM 61.7 million in 2018 which increased by 11.6% against 2017. The improvement in revenue against prior year reflects the addition in total outlets and improving consumer demand.

The operating result for the fourth quarter of 2018 was RM 0.6 million lower than prior year. The reductions reflect rising expenses despite improved revenue.

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 fourth quarter of 2018 compared to the third quarter of 2018.

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3. Prospects

The Group takes a cautiously optimistic outlook on 2019. Prospects remain positive for the Logistics Segment. The Group expects to complete the acquisition of Auric Pacific (M) Sdn Bhd in the first quarter of 2019 and this will positively contribute to the profitability of the Marketing and Distribution segment in 2019. The Group commenced an efficiency and profitability improvement project in the Marketing and Distribution segment which will involve a significant increase in cost in the first half of 2019. This project is expected to deliver sales optimization and cost efficiencies during 2019 and an ongoing improved cost base and profitability in the long term.

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 that will help 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 December 31, 2018 RM'000	Quarter ended December 31, 2017 RM'000	Year ended December 31, 2018 RM'000	Year ended December 31, 2017 RM'000
Current year	4,370	5,846	18,076	19,138
Deferred tax	(695)	(585)	(2,108)	(498)
	<u>3,675</u>	<u>5,261</u>	<u>15,968</u>	<u>18,640</u>

The effective tax rate for the quarter ended December 31, 2018 was slightly higher compared to similar quarter last year as a subsidiary benefited from reduced tax rate as provided under the Malaysian Budget 2017. However, the year to date effective tax rate is comparable to previous year as all subsidiaries contributed positively to the bottom line, whilst non-deductible expenses mainly in the form depreciation remained unchanged in the short term.

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6. Status of Corporate Proposals Announced

The Company had on December 21, 2018, entered into a conditional share purchase agreement with Auric Pacific Group Limited for the acquisition of the entire equity interest in Auric Pacific (M) Sdn. Bhd. for a cash consideration of SGD157,674,000 (equivalent to RM480,905,700) based on Bank Negara Malaysia's published middle rate of SGD1:RM3.0500 as at 9.00 a.m. on December 21, 2018 ("Proposed Acquisition").

The Proposed Acquisition was approved by the shareholders at an Extraordinary General Meeting held on February 22, 2019.

7. Group Borrowings and Debt Securities

	As at December 31, 2018 RM'000	As at December 31, 2017 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowing	29,000	-
<u>Long Term Borrowings</u>		
- Advances from holding companies	32,192	30,392
Total borrowings	<u>61,192</u>	<u>30,392</u>

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value December 31, 2018 RM'000	Fair Value December 31, 2018 RM'000
Foreign exchange contracts		
- less than 1 year	29,036	28,932
Total	<u>29,036</u>	<u>28,932</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.

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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 this 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 December 31, 2018 resulting in an unrealized derivative loss of RM 0.1 million.

The unrealized derivative loss was due to the slight strengthening of the MYR after forex contracts were entered. In total, a net unrealized gain on derivative contracts amounting to RM 0.7 million had been credited to the statement of comprehensive income for the year ended December 31, 2018.

9. Fair Value Changes of Financial Liabilities

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

10. Changes in Material Litigation

There is no material litigation as at February 25, 2019.

11. Dividend Proposed or Declared

No dividend was declared or recommended for the quarter under review.

12. Earnings Per Share

(a) The earnings used as the numerator in calculating basic and diluted earnings per share for the quarter under review and for year ended December 31, 2018 are RM 10,563,000 and RM 44,615,000 respectively.

(b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share for the quarter under review and for year ended December 31, 2018 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, 2017.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)
Company Secretary

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

Petaling Jaya
February 25, 2019