

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and three months ended March 31, 2019

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER
AND THREE MONTHS ENDED MARCH 31, 2019**

| | INDIVIDUAL 1ST QUARTER | | CUMULATIVE 1ST QUARTER | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31/03/2019 Unaudited RM'000 | 31/03/2018 Unaudited RM'000 | 31/03/2019 Unaudited RM'000 | 31/03/2018 Unaudited RM'000 |
| 1 Revenue | 1,562,675 | 1,455,673 | 1,562,675 | 1,455,673 |
| 2 Operating expenses | (1,555,483) | (1,443,655) | (1,555,483) | (1,443,655) |
| 3 Other operating income | 1,039 | 4,161 | 1,039 | 4,161 |
| 4 Profit from operations | 8,231 | 16,179 | 8,231 | 16,179 |
| 5 Finance cost | (7,400) | (1,699) | (7,400) | (1,699) |
| 6 Profit before tax | 831 | 14,480 | 831 | 14,480 |
| 7 Taxation | (1,449) | (3,672) | (1,449) | (3,672) |
| 8 (Loss)/profit for the period, net of tax | (618) | 10,808 | (618) | 10,808 |
| 9 Net (loss)/profit for the period | (618) | 10,808 | (618) | 10,808 |
| 10 Other comprehensive income : | | | | |
| - Currency translation differences arising from consolidation | (11) | (19) | (11) | (19) |
| 11 Total comprehensive (loss)/income | (629) | 10,789 | (629) | 10,789 |
| 12 Net (loss)/profit attributable to owners of the parent | (618) | 10,808 | (618) | 10,808 |
| 13 Total comprehensive (loss)/income attributable to owners of the parent | (629) | 10,789 | (629) | 10,789 |
| 14 (Loss)/earnings per share (EPS) based on item 12 above (See Note 1 below) | | | | |
| (i) EPS attributable to owners of parent | (0.39) | 6.86 | (0.39) | 6.86 |

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, 2018 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019**

| | 31/03/2019 Unaudited RM'000 | 31/12/2018 Audited RM'000 |
|--|-----------------------------------|---------------------------------|
| 1 Non Current Assets | | |
| Property, plant and equipment | 31,701 | 26,595 |
| Right-of-use assets | 148,549 | - |
| Intangible assets | 395,718 | 159 |
| Deferred tax assets | 11,376 | 6,346 |
| | <u>587,344</u> | <u>33,100</u> |
| 2 Current Assets | | |
| Inventories | 794,257 | 734,523 |
| Trade and other receivables | 1,403,398 | 1,300,540 |
| Cash and bank balances | 145,075 | 101,970 |
| | <u>2,342,730</u> | <u>2,137,033</u> |
| 3 Total Assets | <u>2,930,074</u> | <u>2,170,133</u> |
| 4 Equity | | |
| Ordinary share capital | 182,172 | 182,172 |
| Foreign currency translation reserve | 129 | 140 |
| Retained earnings | 414,043 | 414,661 |
| Equity attributable to owners of parent | <u>596,344</u> | <u>596,973</u> |
| 5 Current Liabilities | | |
| Trade and other payables | 1,451,506 | 1,506,313 |
| Derivative financial instrument | 148 | 104 |
| Lease liabilities | 30,084 | - |
| Borrowings | 196,546 | 29,000 |
| Taxation | 1,697 | 2,959 |
| | <u>1,679,981</u> | <u>1,538,376</u> |
| 6 Non Current Liabilities | | |
| Borrowings | 530,742 | 32,192 |
| Derivative financial instrument | 1,124 | - |
| Lease liabilities | 119,311 | - |
| Long term liabilities | 2,572 | 2,592 |
| | <u>653,749</u> | <u>34,784</u> |
| 7 Total Liabilities | <u>2,333,730</u> | <u>1,573,160</u> |
| 8 Total Equity and Liabilities | <u>2,930,074</u> | <u>2,170,133</u> |
| 9 Net assets per share attributable to ordinary equity holders of the company (RM) | <u>3.7825</u> | <u>3.7865</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, 2018 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE MONTHS ENDED MARCH 31, 2019

| | Attributable to owners of the parent | | Foreign currency translation reserve | Distributable Retained earnings | Total Equity |
|--|---------------------------------------|------------------|--------------------------------------|------------------------------------|--------------|
| | Non-distributable | | | | |
| | Issued and fully paid ordinary shares | | | | |
| | Number of shares 000 | Amount RM'000 | RM'000 | RM'000 | RM'000 |
| <u>THREE MONTHS ENDED MARCH 31, 2019</u> | | | | | |
| At January 1, 2019 | 157,658 | 182,172 | 140 | 414,661 | 596,973 |
| Total comprehensive (loss)/income for the period | - | - | (11) | (618) | (629) |
| At March 31, 2019 | 157,658 | 182,172 | 129 | 414,043 | 596,344 |
| <u>THREE MONTHS ENDED MARCH 31, 2018</u> | | | | | |
| At January 1, 2018 | 157,658 | 182,172 | 139 | 385,843 | 568,154 |
| Total comprehensive income for the period | - | - | (19) | 10,808 | 10,789 |
| At March 31, 2018 | 157,658 | 182,172 | 120 | 396,651 | 578,943 |

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, 2018 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31, 2019**

| | 31/03/2019 Unaudited RM'000 | 31/03/2018 Unaudited RM'000 |
|---|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 831 | 14,480 |
| Adjustments for non-cash items: | | |
| Depreciation of property, plant and equipment | 2,264 | 2,228 |
| Depreciation of right-of-use assets | 8,914 | - |
| Amortization of trademarks | 6 | 6 |
| Net unrealized derivative losses/(gains) | 1,183 | (372) |
| Gain on disposal of property, plant and equipment | (1) | - |
| Write-back of provision for property restoration cost | (20) | - |
| Interest income | (20) | (48) |
| Interest expenses | 3,957 | 1,699 |
| Interest expenses on lease liabilities | 2,192 | - |
| Loss allowance on trade receivables | 2,388 | 999 |
| Inventories written off | 2,562 | 3,200 |
| Net write-down of slow moving inventories | 4,640 | 1,049 |
| Net unrealized foreign exchange losses/(gains) | 605 | (927) |
| Operating cash flows before changes in working capital | <u>29,501</u> | <u>22,314</u> |
| Changes in working capital: | | |
| Inventories | 2,384 | (10,312) |
| Trade and other receivables | (32,837) | (170,414) |
| Trade and other payables | (110,747) | 58,946 |
| | <u>(141,200)</u> | <u>(121,780)</u> |
| Interest paid | (3,841) | (1,561) |
| Interest received | 20 | 48 |
| Tax paid | (4,104) | (3,660) |
| | <u>(7,925)</u> | <u>(5,173)</u> |
| Net cash flows (used in) operating activities | <u>(119,624)</u> | <u>(104,639)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (4,235) | (1,904) |
| Acquisition of subsidiaries, net cash outflow | (466,719) | - |
| Proceed from disposal of property, plant and equipment | 11 | 22 |
| Net cash flows used in investing activities | <u>(470,943)</u> | <u>(1,882)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings | 643,950 | 90,100 |
| Payment of lease liabilities | (10,267) | - |
| Net cash flows generated from financing activities | <u>633,683</u> | <u>90,100</u> |
| CHANGES IN CASH AND CASH EQUIVALENTS | 43,116 | (16,421) |
| CURRENCY TRANSLATION DIFFERENCES | (11) | (19) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 101,970 | 63,036 |
| CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD | <u>145,075</u> | <u>46,596</u> |
| Note : Cash and cash equivalents comprise of :- | | |
| Cash and bank balances | 145,075 | 46,596 |
| | <u>145,075</u> | <u>46,596</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, 2018 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 Three Months Ended March 31, 2019</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 | 730,221 | 799,143 | 15,861 | 1,545,225 |
| Rendering of services | 6,002 | 11,448 | - | 17,450 |
| Total revenue from contracts with customers | 736,223 | 810,591 | 15,861 | 1,562,675 |
| Results | | | | |
| Segment result | (385) | 12,735 | (4,119) | 8,231 |
| Finance cost | | | | (7,400) |
| Taxation | | | | (1,449) |
| Loss for the period, net of tax | | | | <u>(618)</u> |
| As at March 31, 2019 | | | | |
| Net assets | | | | |
| Segment assets | 1,190,320 | 891,268 | 88,126 | 2,169,714 |
| Unallocated assets | | | | 760,360 |
| Total assets | | | | <u>2,930,074</u> |
| Segment liabilities | (561,364) | (760,887) | (2,765) | (1,325,016) |
| Unallocated liabilities | | | | (1,008,714) |
| Total liabilities | | | | <u>(2,333,730)</u> |
| Other information | | | | |
| Capital expenditure | 840 | 1,926 | 1,066 | 3,832 |
| Depreciation of property, plant and equipment | 564 | 640 | 1,060 | 2,264 |
| Depreciation of right-of-use assets | 5,322 | 2,030 | 1,562 | 8,914 |
| Amortization of trademarks | 6 | - | - | 6 |
| Loss allowance on trade receivables | 653 | 1,735 | - | 2,388 |
| Inventories written off | 2,881 | (681) | 362 | 2,562 |

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

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SEGMENTAL INFORMATION

| <u>For the Three Months Ended March 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 | 686,408 | 745,124 | 13,715 | 1,445,247 |
| Rendering of services | 4,163 | 6,263 | - | 10,426 |
| Total revenue from contracts with customers | 690,571 | 751,387 | 13,715 | 1,455,673 |
| Results | | | | |
| Segment result | 5,223 | 12,368 | (1,412) | 16,179 |
| Finance cost | | | | (1,699) |
| Taxation | | | | (3,672) |
| Profit for the period, net of tax | | | | 10,808 |
| <u>As at March 31, 2018</u> | | | | |
| Net assets | | | | |
| Segment assets | 1,102,810 | 802,446 | 22,218 | 1,927,474 |
| Unallocated assets | | | | 106,026 |
| Total assets | | | | 2,033,500 |
| Segment liabilities | (501,935) | (721,988) | (2,103) | (1,226,026) |
| Unallocated liabilities | | | | (228,531) |
| Total liabilities | | | | (1,454,557) |
| Other information | | | | |
| Capital expenditure | 535 | 541 | 620 | 1,696 |
| Depreciation of property, plant and equipment | 437 | 622 | 1,169 | 2,228 |
| Amortization of trademarks | 6 | - | - | 6 |
| Loss/(reversal of) allowance on trade receivables | 1,090 | (90) | (1) | 999 |
| Inventories written off | 2,840 | 119 | 241 | 3,200 |

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 May 31, 2019.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and three months ended March 31, 2019 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, 2018.

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, 2018.

On January 1, 2019, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after January 1, 2019.

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015 – 2017
- Definition of Material (Amendments to MFRS 101 and MFRS 108)
- Revised Conceptual Framework for Financial Reporting

The adoption of the new and amended MFRSs and IC Interpretation above have not resulted in material impact on the financial statements of the Group except as discussed below:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of

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the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group has applied MFRS 16 using the modified retrospective approach with no restatement of comparative information. The lease liabilities will be measured based on the present value of the remaining lease payment, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset will be measured based on the present value of the remaining leases payment.

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, 2018 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 has undertaken an efficiency and profitability improvement project in the Marketing and Distribution segment in the fourth quarter of 2018. This has led to RM 3.8 million cost incurred in the fourth quarter of 2018 and a further RM 11.2 million incurred in first quarter of 2019. This program will continue until 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. The Group incurred one-off expenses relating to the acquisition of Auric Pacific amounting to RM 4.9 million in the first quarter of 2019.

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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 March 31, 2019.

9. Segment Information

The Group's segmental information for the financial three months ended March 31, 2019 and March 31, 2018 is presented separately in this interim financial report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. (Loss)/profit before Tax

The following items are included in (loss)/profit before tax:

| | Current quarter ended | | Cumulative Year-to-Date ended | |
|---|-----------------------|----------------|-------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property, plant and equipment | 2,264 | 2,288 | 2,264 | 2,288 |
| Depreciation of right-of-use assets | 8,914 | - | 8,914 | - |
| Amortization of trademarks | 6 | 6 | 6 | 6 |
| Net unrealized derivative losses/(gains) | 1,183 | (372) | 1,183 | (372) |
| Rental income | (303) | (317) | (303) | (317) |
| Interest income | (20) | (48) | (20) | (48) |
| Interest expenses | 3,957 | 1,699 | 3,957 | 1,699 |
| Interest expenses on lease liabilities | 2,192 | - | 2,192 | - |
| Gain on disposal of property, plant and equipment | (1) | - | (1) | - |
| Loss allowance on trade receivables | 2,388 | 999 | 2,388 | 999 |
| Inventories written off | 2,562 | 3,200 | 2,562 | 3,200 |
| Net write-down of slow moving inventories | 4,640 | 1,049 | 4,640 | 1,049 |
| Net unrealized foreign exchange losses/(gains) | 605 | (927) | 605 | (927) |
| Exceptional items (Consulting cost) | 11,202 | - | 11,202 | - |
| Gain on disposal of quoted/unquoted investment | - | - | - | - |
| 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 three months ended March 31, 2019.

13. Changes in the Composition of the Group

The Group 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. ("Auric Malaysia") ("Proposed Acquisition").

The Proposed Acquisition was approved by the shareholders at an Extraordinary General Meeting held on February 22, 2019 and was completed on March 29, 2019.

Summary of effects of the Proposed Acquisition on the statement of financial position of the Group is illustrated as follows:

| Identifiable net assets as at acquisition date | RM'000 |
|---|-----------------|
| Assets | |
| Property, plant and equipment | 5,244 |
| Intangible assets | 1 |
| Deferred tax assets | 4,486 |
| Inventories | 63,729 |
| Trade and other receivables | 77,151 |
| Cash and bank balances | 16,560 |
| Total assets | <u>167,171</u> |
| Liabilities | |
| Trade and other payables | (57,311) |
| Borrowings | (22,146) |
| Total liabilities | <u>(79,457)</u> |
| Total identifiable net assets acquired | 87,714 |
| Goodwill* | 395,565 |
| Fair value consideration | <u>483,279</u> |

* Subject to Purchase Price Allocation ("PPA") exercise to be completed within one year from the acquisition date.

Summary of effects of the Proposed Acquisition on the statement of cash flows:

| | RM'000 |
|---|----------------|
| Fair value of consideration | 483,279 |
| Less: Cash and cash equivalent of subsidiary companies | (16,560) |
| Net cash outflows from acquisition of subsidiary companies | <u>466,719</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Related Party Disclosures

The following table provides information on significant transactions which have been entered into with related parties during financial three months ended March 31, 2019 and March 31, 2018, as well as the balances with the related parties as at March 31, 2019 and March 31, 2018:

| | Current year ended March 31, 2019 RM'000 | Preceding year ended March 31, 2018 RM'000 | Intercompany balances - due from/(to) as at | |
|---|--|--|--|-----------------------------|
| | | | March 31, 2019 RM'000 | March 31, 2018 RM'000 |
| Sale of goods and services: | | | | |
| - related companies (goods) | 424 | 824 | 473 | 605 |
| - related companies (rental) | 303 | 158 | 104 | 87 |
| - related companies (cost sharing) | 59 | 147 | 77 | 127 |
| - related companies (human resource and information technology charges) | 178 | 188 | 101 | 116 |
| | <u>964</u> | <u>1,317</u> | <u>755</u> | <u>935</u> |
| Purchase of goods and services: | | | | |
| - related companies (goods and services) | (4,885) | (4,856) | (4,240) | (3,197) |
| - related company (management fee) | (1,284) | (1,299) | (348) | (290) |
| - related company (information technology charges) | (4,568) | (4,329) | (375) | (200) |
| | | | | |
| Others (interest): | | | | |
| - immediate holding company | (250) | (252) | (79) | (174) |
| - intermediate holding company | (113) | (108) | (35) | (71) |
| | <u>(11,100)</u> | <u>(10,844)</u> | <u>(5,077)</u> | <u>(3,932)</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 March 31, 2019.

15. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended March 31, 2019 and up to May 31, 2019.

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16. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at March 31, 2019 are as follows:

| | RM'000 |
|---------------------------------|--------------|
| Contracted | <u>2,071</u> |
| Analyzed as follows: | |
| - Property, plant and equipment | <u>2,071</u> |

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – THREE MONTHS ENDED MARCH 31, 2019
(II) Compliance with Appendix 9B of the Listing Requirements
1. Review of Performance

| | Individual 1 st Quarter | | | | Immediately Preceding 4 th Quarter | | | Cumulative 1 st Quarter | | | |
|--|------------------------------------|------------|----------|----------|---|----------|----------|------------------------------------|------------|----------|----------|
| | 31/03/2019 | 31/03/2018 | Changes | | 31/12/2018 | Changes | | 31/03/2019 | 31/03/2018 | Changes | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 1,562,675 | 1,455,673 | 107,002 | 7.4% | 1,597,712 | (35,037) | (2.2%) | 1,562,675 | 1,455,673 | 107,002 | 7.4% |
| Profit from operations | 8,231 | 16,179 | (7,948) | (49.1%) | 16,480 | (8,249) | (50.1%) | 8,231 | 16,179 | (7,948) | (49.1%) |
| Profit before interest and tax | 8,231 | 16,179 | (7,948) | (49.1%) | 16,480 | (8,249) | (50.1%) | 8,231 | 16,179 | (7,948) | (49.1%) |
| Profit before tax | 831 | 14,480 | (13,649) | (94.3%) | 14,238 | (13,407) | (94.2%) | 831 | 14,480 | (13,649) | (94.3%) |
| (Loss)/profit after tax | (618) | 10,808 | (11,426) | (105.7%) | 10,563 | (11,181) | (105.9%) | (618) | 10,808 | (11,426) | (105.7%) |
| (Loss)/profit attributable to owners of the parent | (618) | 10,808 | (11,426) | (105.7%) | 10,563 | (11,181) | (105.9%) | (618) | 10,808 | (11,426) | (105.7%) |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Review of Performance (continued)

Quarterly

Revenues for the quarter grew by 7.4% from RM 1.46 billion to RM 1.56 billion as compared to the corresponding first quarter of 2018, while reducing by 2.2% from RM 1.60 billion in the preceding fourth quarter of 2018. The increase in comparison to the corresponding first quarter of 2018 results reflect stability of sales and ongoing organic growth of existing clients in all segments. The reduction as compared to the preceding fourth quarter of 2018 was due to a change in sales mix in the logistics segment and normal seasonal flows that affect other segments.

Operating expenses for the quarter increased by 7.7% from RM 1.44 billion to RM 1.55 billion as compared to corresponding first quarter of 2018. The resulting reduction in operating result was predominantly due to the commencement of a major growth and efficiency improvement project and increased warehousing cost, both in the marketing and distribution segment.

Profit before tax for the quarter declined by 94.3% and 94.2% compared to the same quarter of 2018 and preceding fourth quarter of 2018 respectively due to the abovementioned costs incurred, primarily the growth and efficiency improvement project in the marketing and distribution segment. If profit before tax is restated to remove the RM 11.2 million (preceding fourth quarter of 2018: RM 3.8 million) of costs relating to the growth and efficiency project and the RM 4.9 million of one-off costs relating the Auric Pacific acquisition, profit before tax would have increased by 17.0% compared to the first quarter of 2018 and lower by 6.1% compared to the preceding fourth quarter of 2018.

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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 1 st Quarter | | | | Immediately Preceding 4 th Quarter | | | Cumulative 1 st Quarter | | | |
|-----------------|------------------------------------|------------|---------|----------|---|---------|----------|------------------------------------|------------|---------|----------|
| | 31/03/2019 | 31/03/2018 | Changes | | 31/12/2018 | Changes | | 31/03/2019 | 31/03/2018 | Changes | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 736,223 | 690,571 | 45,652 | 6.6% | 716,963 | 19,260 | 2.7% | 736,223 | 690,571 | 45,652 | 6.6% |
| Segment results | (385) | 5,223 | (5,608) | (107.4%) | 1,941 | (2,326) | (119.8%) | (385) | 5,223 | (5,608) | (107.4%) |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 6.6% compared to the corresponding first quarter of 2018, increasing from RM 690.6 million to RM 736.2 million, while improving by 2.7% against those of the preceding fourth quarter of 2018 which was RM 717.0 million. This segment's improved revenue compared to the corresponding quarter and preceding fourth quarter reflects stability of sales and ongoing organic growth of existing clients and new clients secured in the fourth quarter of 2018.

The operating result for the quarter was -RM 0.4 million, which was 107.4% below the same first quarter of 2018 and below the preceding fourth quarter of 2018 by 119.8%. The reduction in operating result was predominantly due to the commencement of a growth and efficiency improvement project in the fourth quarter of 2018 and increased warehousing cost. The growth and efficiency project costs will be incurred between the fourth quarter of 2018 and second quarter of 2019, with positive impacts to profitability commencing in the second quarter of 2019 and continuing on an ongoing basis. With the cost incurred on the growth and efficiency improvement project removed, the operating result would have shown growth. If the operating result is restated to remove the RM11.2 million (preceding fourth quarter 2018: RM 3.8 million) of costs relating to the growth and efficiency project, the operating result would have increased by 107.1% compared to the first quarter of 2018 and 88.4% compared to the preceding fourth quarter of 2018.

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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 1 st Quarter | | | | Immediately Preceding 4 th Quarter | | | Cumulative 1 st Quarter | | | |
|-----------------|------------------------------------|------------|---------|--------|---|----------|--------|------------------------------------|------------|---------|--------|
| | 31/03/2019 | 31/03/2018 | Changes | | 31/12/2018 | Changes | | 31/03/2019 | 31/03/2018 | Changes | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 810,591 | 751,387 | 59,204 | 7.9% | 861,917 | (51,326) | (6.0%) | 810,591 | 751,387 | 59,204 | 7.9% |
| Segment results | 12,735 | 12,368 | 367 | 3.0% | 14,035 | (1,300) | (9.3%) | 12,735 | 12,368 | 367 | 3.0% |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Logistics segment (continued)

Quarterly

Revenues for the quarter grew by 7.9% compared to the corresponding first quarter of 2018, increasing from RM 751.4 million to RM 810.6 million, while reducing by 6.0% against those of the preceding fourth quarter of 2018 which was RM 861.9 million. The growth in revenue compared to the corresponding first quarter of 2018 reflects the organic growth in this segment and does not have a festive period effect as the products are not seasonal. The reduction compared to the preceding fourth quarter of 2018 was due to a change in sales mix and related quite strongly to timing of hospital tender sales. Other clients' sales in this segment continued to grow when compared to the preceding fourth quarter of 2018 due to organic growth.

The operating result for the quarter was RM 12.7 million, which is an 3.0% increase on RM 12.4 million reported for the corresponding first quarter of 2018 and an 9.3% decrease on RM 14.0 million reported for the preceding fourth quarter of 2018. The improvement in operating results compared to the corresponding same first quarter of 2018 reflects strong revenue growth supported by improved margin mix and continued gains from operational efficiencies. The reduction compared to the preceding fourth quarter of 2018 is closely correlated to the lower revenue result.

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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 1 st Quarter | | | | Immediately Preceding 4 th Quarter | | | Cumulative 1 st Quarter | | | |
|-----------------|------------------------------------|------------|---------|---------|---|---------|---------|------------------------------------|------------|---------|---------|
| | 31/03/2019 | 31/03/2018 | Changes | | 31/12/2018 | Changes | | 31/03/2019 | 31/03/2018 | Changes | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 15,861 | 13,715 | 2,146 | 15.6% | 18,832 | (2,971) | (15.8%) | 15,861 | 13,715 | 2,146 | 15.6% |
| Segment results | (4,119) | (1,412) | (2,707) | >100.0% | 504 | (4,623) | >100.0% | (4,119) | (1,412) | (2,707) | >100.0% |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Others segment (continued)

Quarterly

Revenues for the quarter grew by 15.6% from RM 13.7 million to RM 15.8 million as compared to the corresponding first quarter of 2018 while they decreased by 15.8% on the preceding fourth quarter of 2018. The improvement in revenue against the corresponding first quarter reflects the improved per store revenue growth as outlet openings are more strategically driven, while the reduction from the preceding fourth quarter of 2018 is due to normal seasonal flows which create much larger festive sales in the fourth quarter. At the end of the first quarter of 2019, Famous Amos operated 91 outlets nationwide and one outlet in Brunei.

The operating result for 2018 was -RM 4.1 million, which was lower compared to the corresponding first quarter of 2018 and preceding fourth quarter of 2018 predominantly due to a one-off cost relating to acquisition of Auric Malaysia which was completed on March 29, 2019.

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

| | Individual quarter | | Changes | |
|--|-------------------------------|---|----------|----------|
| | Current quarter 31/03/2019 | Immediately Preceding quarter 31/12/2018 | | |
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 1,562,675 | 1,597,712 | (35,037) | (2.2%) |
| Profit from operations | 8,231 | 16,480 | (8,249) | (50.1%) |
| Profit before interest and tax | 8,231 | 16,480 | (8,249) | (50.1%) |
| Profit before tax | 831 | 14,238 | (13,407) | (94.2%) |
| (Loss)/profit after tax | (618) | 10,563 | (11,181) | (105.9%) |
| (Loss)/profit attributable to owners of the parent | (618) | 10,563 | (11,181) | (105.9%) |

For the current quarter, the Group recorded a lower profit before tax as compared to the immediately preceding fourth quarter of 2018 predominantly due to commencement of growth and efficiency improvement project in marketing and distribution segment and one-off cost relating to acquisition of Auric Malaysia which was completed on March 29, 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Prospects

The Group continues to take a cautiously optimistic outlook on 2019. Prospects remain positive for the Logistics and Others segments, while the Marketing and Distribution segment shows improvement. When the costs for the ongoing growth and profitability project are removed, this segment shows growth and the Group is optimistic that this segment will grow on prior year. The costs for this project are expected to be incurred between the fourth quarter of 2018 and the second quarter of 2019 and benefits will start to be realized in the second quarter of 2019. This project focuses on both short-term improvements and long-term sustainable growth and efficiency so benefits will continue to be realized in future quarters and then on an ongoing basis.

The Group completed the acquisition of Auric Pacific (M) Sdn Bhd on March 29, 2019 and the integration has proceeded smoothly with several operating efficiencies already identified and plans on track for a full and successful integration of this strategically complementary business into the existing operations of the Group over the next year. This acquisition is expected to contribute positively to the results of the group in 2019.

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 March 31, 2019 RM'000 | Quarter ended March 31, 2018 RM'000 | Period ended March 31, 2019 RM'000 | Period ended March 31, 2018 RM'000 |
|--------------|---|---|--|--|
| Current year | 1,994 | 4,197 | 1,994 | 4,197 |
| Deferred tax | (545) | (525) | (545) | (525) |
| | <u>1,449</u> | <u>3,672</u> | <u>1,449</u> | <u>3,672</u> |

The effective tax rate for the quarter ended March 31, 2019 was higher compared to similar quarter last year as all subsidiaries contributed positively to the bottom line, except for two subsidiaries which experienced low profit as a result of one-off cost whilst non-deductible expenses mainly in the form depreciation remained unchanged in the short term.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 and was completed on March 29, 2019.

7. Group Borrowings and Debt Securities

| | As at March 31, 2019 RM'000 | As at March 31, 2018 RM'000 |
|--|--------------------------------------|--------------------------------------|
| Unsecured and fully denominated in Ringgit Malaysia: | | |
| <u>Short Term Borrowings</u> | | |
| - Bank borrowings | 196,546 | 85,000 |
| <u>Long Term Borrowings</u> | | |
| - Advances from holding companies | 30,742 | 35,492 |
| - Bank borrowings | 500,000 | - |
| | <u>530,742</u> | <u>35,492</u> |
| Total borrowings | <u>727,288</u> | <u>120,492</u> |

8. Disclosure of Derivatives

| Type of derivatives | Contract / Notional Value March 31, 2019 RM'000 | Fair Value March 31, 2019 RM'000 |
|-----------------------------|--|--|
| Foreign exchange contracts | | |
| - less than 1 year | 39,756 | 39,904 |
| Interest rate swap contract | | |
| - 1 year to 3 year | 250,000 | 251,124 |
| Total | <u>295,303</u> | <u>296,575</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 this risk since the financial year ended December 31, 2018.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at March 31, 2019 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 current quarter, the Group entered into interest rate swap ("IRS") contract to manage its exposure of the floating rate borrowing. The cumulative IRS contract to-date amounted to RM 250 million. The IRS contract was entered to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowing. The fair value gains or losses on remeasuring the fair value of the IRS contract is recognized immediately in statement of comprehensive income as unrealized item.

The fair value of the IRS recognized in statement of comprehensive income for current quarter amounted to unrealized loss RM 1.1 million.

In total, a net unrealized loss on derivative contracts amounting to RM 1.2 million had been credited to the statement of comprehensive income for the three months ended March 31, 2019.

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 May 31, 2019.

11. Dividend Proposed or Declared

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Loss/(earnings) Per Share

- (a) The (loss)/earnings used as the numerator in calculating basic and diluted earnings per share for the quarter under review and for three months ended March 31, 2019 are -RM 618,000 and RM 10,808,000 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 three months ended March 31, 2019 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, 2018.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)
Company Secretary

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

Petaling Jaya
May 31, 2019