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, 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2019

		INDIVIDUAL 2ND QUARTER		CUMULATIVE 2ND QUARTER	
		30/06/2019	30/06/2018	30/06/2019	30/06/2018
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
1	Revenue	1,573,529	1,442,464	3,136,204	2,898,137
2	Operating expenses	(1,547,313)	(1,421,711)	(3,102,796)	(2,865,366)
3	Other operating income	1,510	175	2,549	4,336
4	Profit from operations	27,726	20,928	35,957	37,107
5	Finance cost	(9,907)	(1,840)	(17,307)	(3,539)
6	Profit before tax	17,819	19,088	18,650	33,568
7	Taxation	(6,175)	(5,035)	(7,624)	(8,707)
8	Profit for the period, net of tax	11,644	14,053	11,026	24,861
9	Net profit for the period	11,644	14,053	11,026	24,861
10	Other comprehensive income :				
	- Currency translation differences arising from consolidation	16	4	5	(15)
11	Total comprehensive income	11,660	14,057	11,031	24,846
12	Net profit attributable to owners of the parent	11,644	14,053	11,026	24,861
13	Total comprehensive income attributable to owners of the parent	11,660	14,057	11,031	24,846
14	Earnings per share (EPS) based on item 12 above (See Note 1 below)				
	(i) EPS attributable to owners of parent	7.39	8.91	6.99	15.77
15	Cash earnings per share (EPS) (See Notes 1 and 2 below)				
	(i) Cash EPS attributable to owners of parent	11.53	10.29	13.11	18.59

Note:

1 The weighted average number of shares used in item 14 and 15 above is computed : 157,658,076 shares.

2 The cash earnings used as the numerator in calculating cash EPS is defined as net profit attributable to owners of parent excluding depreciation, amortization and MFRS 16 impact.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended December 31, 2018 and the accompanying explanatory notes attached to the interim financial statements.

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, 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

		30/06/2019 Unaudited RM'000	31/12/2018 Audited RM'000
1	Non Current Assets		
	Property, plant and equipment	32,119	26,595
	Right-of-use assets	141,024	-
	Intangible assets	399,688	159
	Deferred tax assets	10,476	6,346
		583,307	33,100
2	Current Assets		
	Inventories	841,341	734,523
	Trade and other receivables	1,388,196	1,300,540
	Derivative financial instrument	131	-
	Cash and bank balances	59,455	101,970
		2,289,123	2,137,033
3	Total Assets	**2,872,430**	**2,170,133**
4	Equity		
	Ordinary share capital	182,172	182,172
	Foreign currency translation reserve	145	140
	Retained earnings	409,921	414,661
	Equity attributable to owners of parent	**592,238**	**596,973**
5	Current Liabilities		
	Trade and other payables	1,566,264	1,506,313
	Derivative financial instrument	-	104
	Lease liabilities	29,224	-
	Borrowings	18,628	29,000
	Taxation	4,892	2,959
		1,619,008	1,538,376
6	Non Current Liabilities		
	Borrowings	529,482	32,192
	Derivative financial instrument	1,720	-
	Lease liabilities	113,496	-
	Long term liabilities	2,572	2,592
	Deferred tax liabilities	13,914	-
		661,184	34,784
7	Total Liabilities	**2,280,192**	**1,573,160**
8	Total Equity and Liabilities	**2,872,430**	**2,170,133**
9	Net assets per share attributable to ordinary equity holders of the company (RM)	3.7565	3.7865

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.

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, 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED JUNE 30, 2019

	Attributable to owners of the parent				
	Non-distributable			Distributable	Total Equity
	Issued and fully paid ordinary shares				
	Number of shares	Amount	Foreign currency translation reserve	Retained earnings	
	000	RM'000	RM'000	RM'000	RM'000
SIX MONTHS ENDED JUNE 30, 2019					
At January 1, 2019	157,658	182,172	140	414,661	596,973
Total comprehensive income for the period	-	-	5	11,026	11,031
Dividends	-	-	-	(15,766)	(15,766)
At June 30, 2019	157,658	182,172	145	409,921	592,238
SIX MONTHS ENDED JUNE 30, 2018					
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

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.

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, 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX MONTHS ENDED JUNE 30, 2019

	30/06/2019 Unaudited RM'000	30/06/2018 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,650	33,568
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	4,954	4,447
Depreciation of right-of-use assets	18,248	-
Amortization of intangible assets	3,047	13
Net unrealized derivative losses/(gains)	1,494	(934)
Gain on disposal of property, plant and equipment	(1)	-
Write-back of provision for property restoration cost	(20)	-
Interest income	(349)	(67)
Interest expenses	11,762	3,539
Interest expenses on lease liabilities	4,294	-
Loss allowance on trade receivables	1,285	861
Inventories written off	5,946	5,462
Net write-down of slow moving inventories	5,722	2,165
Net unrealized foreign exchange losses	1,190	923
Operating cash flows before changes in working capital	76,222	49,977
Changes in working capital:		
Inventories	(41,592)	(46,085)
Trade and other receivables	(14,358)	(115,416)
Trade and other payables	(12,523)	90,749
	(68,473)	(70,752)
Interest paid	(11,840)	(3,510)
Interest received	349	67
Tax paid	(9,028)	(7,082)
	(20,519)	(10,525)
Net cash flows (used in) operating activities	**(12,770)**	**(31,300)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,961)	(3,748)
Acquisition of subsidiaries, net cash outflow	(466,719)	-
Proceed from disposal of property, plant and equipment	11	-
Net cash flows used in investing activities	**(473,669)**	**(3,748)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	464,772	25,000
Payment of lease liabilities	(20,853)	3,600
Net cash flows generated from financing activities	**443,919**	**28,600**
CHANGES IN CASH AND CASH EQUIVALENTS	**(42,520)**	**(6,448)**
CURRENCY TRANSLATION DIFFERENCES	5	(15)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	101,970	63,036
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	**59,455**	**56,573**
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	59,455	56,573
	59,455	56,573

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.

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, 2019

The figures have not been audited

SEGMENTAL INFORMATION

For the Six Months Ended June 30, 2019	Marketing & Distribution Services	Logistics Services	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	1,539,772	1,516,543	33,829	3,090,144
Rendering of services	11,946	34,114	-	46,060
Total revenue from contracts with customers	1,551,718	1,550,657	33,829	3,136,204
Results				
Segment result	15,862	24,470	(4,375)	35,957
Finance cost				(17,307)
Taxation				(7,624)
Profit for the period, net of tax				11,026
As at June 30, 2019				
Net assets				
Segment assets	1,296,041	948,592	97,446	2,342,079
Unallocated assets				530,351
Total assets				2,872,430
Segment liabilities	(616,711)	(802,691)	(3,647)	(1,423,049)
Unallocated liabilities				(857,143)
Total liabilities				(2,280,192)
Other information				
Capital expenditure	1,632	2,584	2,342	6,558
Depreciation of property, plant and equipment	1,382	1,328	2,244	4,954
Depreciation of right-of-use assets	10,996	4,055	3,197	18,248
Amortization of intangible assets	3,047	-	-	3,047
Loss/(reversal of) allowance on trade receivables	159	1,128	(2)	1,285
Inventories written off	5,455	(132)	623	5,946

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.

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

The figures have not been audited

SEGMENTAL INFORMATION

For the Six Months Ended June 30, 2018	Marketing & Distribution Services	Logistics Services	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	1,373,185	1,466,509	29,070	2,868,764
Rendering of services	11,283	18,090	-	29,373
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 period, net of tax				24,861
As at June 30, 2018				
Net assets				
Segment assets	1,092,166	794,862	24,050	1,911,078
Unallocated assets				110,351
Total assets				2,021,429
Segment liabilities	(531,457)	(735,439)	(2,338)	(1,269,234)
Unallocated liabilities				(174,961)
Total liabilities				(1,444,195)
Other information				
Capital expenditure	1,340	973	1,227	3,540
Depreciation of property, plant and equipment	880	1,239	2,328	4,447
Amortization of intangible assets	13	-	-	13
Loss/(reversal of) allowance on trade receivables	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.

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)
(Incorporated in Malaysia)

QUARTERLY REPORT
Quarterly report on consolidated results for the financial quarter ended June 30, 2019

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(I) <u>Compliance with MFRS 134: Interim Financial Reporting</u>

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 30, 2019.

2. Accounting Policies and Basis of Preparation

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

<u>MFRS 16 Leases</u>

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 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.

As at June 30, 2019, the right-of-use assets and lease liabilities are RM 141.0 million and RM 142.7 million respectively. Also, in relation to those leases under MFRS 16, the Group has recognized depreciation and interest expenses, instead of operating expenses. During the six months ended June 30, 2019, the Group recognized RM 18.2 million of depreciation charges and RM 4.3 million of interest expenses relating to these leases.

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 a growth and efficiency 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 15.7 million incurred in the financial quarter ended June 30, 2019. This project will deliver sales optimization and cost efficiencies during 2019 and an ongoing improved cost base and profitability in the long term. Besides that, 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.

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 June 30, 2019.

9. Segment Information

The Group's segmental information for the financial six months ended June 30, 2019 and June 30, 2018 is presented separately in this interim financial report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Profit before Tax

The following items are included in profit before tax:

	Current quarter ended		Cumulative Year-to-Date ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,690	2,159	4,954	4,447
Depreciation of right-of-use assets	9,334	-	18,248	-
Amortization of intangible assets	3,040	7	3,047	13
Net unrealized derivative losses/(gains)	311	(562)	1,494	(934)
Rental income	(470)	(317)	(932)	(634)
Interest income	(329)	(19)	(349)	(67)
Interest expenses	7,805	1,840	11,762	3,539
Interest expenses on lease liabilities	2,102	-	4,294	-
Interest other - stamp duty	-	-	1,251	-
Gain on disposal of property, plant and equipment	-	-	(1)	-
(Reversal of loss allowance)/loss allowance on trade receivables	(1,103)	(138)	1,285	861
Inventories written off	3,384	2,262	5,946	5,462
Net write-down of slow moving inventories	1,082	1,116	5,722	2,165
Net unrealized foreign exchange losses	585	1,850	1,190	923
Exceptional items (Consulting cost)	4,545	-	15,747	-
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.

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

There were no material events subsequent to the end of the period reported that have not been reflected in the interim financial statements for the six months ended June 30, 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:

The provisional fair values of the identifiable assets and liabilities relating to acquisition:	**Total fair value recognized on acquisition of Auric Group RM'000**
Assets	
Property, plant and equipment	3,696
Right-of-use assets	1,548
Intangible assets	60,655
Deferred tax assets	2,103
Inventories	71,303
Trade and other receivables	79,507
Cash and bank balances	16,560
Total assets	235,372
Liabilities	
Trade and other payables	(55,756)
Lease liabilities	(1,555)
Deferred tax liabilities	(14,557)
Borrowings	(22,146)
Total liabilities	(94,014)
Total identifiable net assets acquired	141,358
Goodwill on acquisition	341,921
Purchase consideration	483,279

The allocation of purchase price was based upon a preliminary valuation, and the estimates and assumptions used are subject to change within the one-year measurement period.

13. Changes in the Composition of the Group (contd.)

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	466,719

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, 2019 and June 30, 2018, as well as the balances with the related parties as at June 30, 2019 and June 30, 2018:

	Current year ended	Preceding year ended	Intercompany balances - due from/(to) as at	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	RM'000	RM'000	RM'000	RM'000
Sale of goods and services:				
- related companies (goods)	2,199	1,200	2,396	243
- related companies (rental)	614	316	121	134
- related companies (cost sharing)	155	212	66	74
- related companies (human resource and information technology charges)	359	364	139	105
	3,327	2,092	2,722	556
Purchase of goods and services:				
- related companies (goods and services)	(10,119)	(9,206)	(3,220)	(3,628)
- related company (management fee)	(2,585)	(2,558)	(9)	(91)
- related company (information technology charges)	(8,770)	(8,480)	(498)	(219)
Others (interest):				
- immediate holding company	(224)	(540)	(71)	(101)
- intermediate holding company	(491)	(212)	(33)	(35)
	(22,189)	(20,996)	(3,831)	(3,714)

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, 2019.

15. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended June 30, 2019 and up to August 30, 2019.

16. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at June 30, 2019 are as follows:

	RM'000
Contracted	1,870
Analyzed as follows:	
- Property, plant and equipment	1,870

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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, 2019

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

1. Review of Performance

	Individual 2nd Quarter				Immediately Preceding 1st Quarter			Cumulative 2nd Quarter			
	30/06/2019	30/06/2018	Changes		31/03/2019	Changes		30/06/2019	30/06/2018	Changes	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,573,529	1,442,464	131,065	9.1%	1,562,675	10,854	0.7%	3,136,204	2,898,137	238,067	8.2%
Profit from operations	27,726	20,928	6,798	32.5%	8,231	19,495	>100.0%	35,957	37,107	(1,150)	(3.1%)
Profit before interest and tax	27,726	20,928	6,798	32.5%	8,231	19,495	>100.0%	35,957	37,107	(1,150)	(3.1%)
Profit before tax	17,819	19,088	(1,269)	(6.6%)	831	16,988	>100.0%	18,650	33,568	(14,918)	(44.4%)
Profit/(loss) after tax ("PAT/(LAT)")	11,644	14,053	(2,409)	(17.1%)	(618)	12,262	>100.0%	11,026	24,861	(13,835)	(55.6%)
Profit/(loss) attributable to owners of the parent	11,644	14,053	(2,409)	(17.1%)	(618)	12,262	>100.0%	11,026	24,861	(13,835)	(55.6%)

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Quarterly report on consolidated results for the financial quarter ended June 30, 2019

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Review of Performance (continued)

	Individual 2nd Quarter				Immediately Preceding 1st Quarter			Cumulative 2nd Quarter			
	30/06/2019	30/06/2018	Changes		31/03/2019	Changes		30/06/2019	30/06/2018	Changes	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
PAT/(LAT)	11,644	14,053	(2,409)	(17.1%)	(618)	12,262	>100.0%	11,026	24,861	(13,835)	(55.6%)
Adjusted for:											
Add: Unusual items:											
- *Auric Malaysia's acquisition and financing cost* (1)	6,008	-	6,008	-	6,220	(212)	(3.4%)	12,228	-	12,228	-
- *Amortization of intangible assets* (2)	3,033	-	3,033	-	-	3,033	-	3,033	-	3,033	-
- *Purchase price allocation adjustments* (3)	5,756	-	5,756	-	-	5,756	-	5,756	-	5,756	-
- *Cost incurred for growth and efficiency improvement project, net of tax*	3,454	-	3,454	-	8,514	(5,060)	(59.4%)	11,968	-	11,968	-
Adjusted operating PAT (4)	29,895	14,053	15,842	112.7%	14,116	15,779	111.8%	44,011	24,861	19,150	77.0%
Adjusted for:											
Less: Auric Malaysia's adjusted operating PAT (5)	16,007	-	16,007	-	-	16,007	-	16,007	-	16,007	-
Add: MFRS 16 impact (6)	791	-	791	-	841	(50)	(5.9%)	1,632	-	1,632	-
Comparative PAT (7)	14,679	14,053	626	4.5%	14,957	(278)	(1.9%)	29,636	24,861	4,775	19.2%

Notes
(1) One-off expenses relating to the acquisition of Auric Pacific and interest expenses on financing loan.
(2) Amortization of intangible assets recognized pursuant to purchase price allocation.
(3) Purchase price allocation adjustments on the acquisition of Auric Pacific.
(4) Intended to represent PAT from ongoing operating activities, specifically excluding significant one-off items and amortization of intangible assets.
(5) Auric Malaysia's adjusted operating PAT from date of acquisition to period ended June 30, 2019.
(6) Impact arising from adoption of MFRS 16 Leases.
(7) To remove historical items not present in 2018, to allow for ease of comparison to 2018.

1. Review of Performance (continued)

Quarterly

Revenues for the quarter grew by 9.1% from RM 1.44 billion to RM 1.57 billion as compared to the corresponding second quarter of 2018, while improving by 0.7% from RM 1.56 billion in the preceding first quarter of 2019. The increase in comparison to the corresponding second quarter of 2018 was predominantly because of the contribution from the acquisition of Auric Malaysia of RM109.4 million and stable sales and ongoing organic growth of existing clients in all segments. The contribution from Auric Malaysia's business is strongly influenced by festive sales related to the Hari Raya holiday. The marginal improvement as compared to the preceding first quarter was due to a change in sales mix and timing of hospital tender sales in the logistics segment, and normal seasonal flows that affect other segments.

Operating expenses for the quarter increased by 8.8% from RM 1.42 billion to RM 1.55 billion as compared to corresponding second quarter of 2018. The increase was largely in line with revenue growth listed above, with continued gains from operational efficiency in all segments. Operating expenses decreased by 0.5% from RM 1.56 billion to RM 1.55 billion as compared to the preceding first quarter of 2019 was in line with marginal growth in revenue and continued gains from operational efficiency for the quarter.

Profit before tax for the quarter declined by 6.6% compared to the same quarter of 2018 due to the abovementioned costs incurred, amortization of intangible assets, additional finance costs incurred on borrowings for Auric Pacific acquisition, and adoption of MFRS 16 Leases. Compared to the preceding first quarter of 2019, there was an improvement by more than 100% due to contribution of the Auric Malaysia's business, reduced cost incurred for growth and the efficiency improvement project in the marketing and distribution segment and one-off costs relating to the Auric Pacific acquisition recognized in the preceding quarter.

With Auric Malaysia's contribution, MFRS 16 impact and unusual items adjusted, the comparative PAT grew by 4.5% from RM 14.1 million to RM14.7 million as compared to the corresponding second quarter of 2018, while decreasing by 1.9% from RM 15.0 million in the preceding first quarter of 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Review of Performance (continued)

Year-to-date

Revenues grew by 8.2% from RM 2.90 billion to RM 3.14 billion as compared to 2018. This revenue growth results from positive contribution from Auric Malaysia's business and underlying organic growth with existing clients in all segments.

Operating costs increased by 8.3% from RM 2.87 billion to RM 3.10 billion. These cost increases were largely in line with the revenue growth listed above. However, the cost increase for the period was slightly higher than growth in revenue due to commencement of a major growth and efficiency improvement project in marketing and distribution segment and one-off cost relating to the Auric Pacific acquisition mitigated by adoption of MFRS 16 Leases as mentioned above. It should be noted that without the one-off project and acquisition costs, operating costs would have been significantly lower.

Profit before tax declined by 44.4% as compared to 2018. The lower profit before tax performance was due to the abovementioned costs incurred, amortization of intangible assets, additional finance costs on borrowings for Auric Pacific acquisition and interest expense recognized in relation to lease liabilities.

Comparative PAT grew by 19.2% from RM 24.9 million to RM 29.6 million as compared to 2018.

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 2nd Quarter				Immediately Preceding 1st Quarter			Cumulative 2nd Quarter			
	30/06/2019	30/06/2018	Changes		31/03/2019	Changes		30/06/2019	30/06/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	815,495	693,897	121,598	17.5%	736,223	79,272	10.8%	1,551,718	1,384,468	167,250	12.1%
Segment results [1]	16,247	9,470	6,777	71.6%	(385)	16,632	>100.0%	15,862	14,693	1,169	8.0%
Adjusted for:											
Less: Auric Malaysia's results (EBIT) [2]	21,351	-	21,351	-	-	21,351	-	21,351	-	21,351	-
Add: Unusual items:											
- Amortization of intangible assets [3]	3,033	-	3,033	-	-	3,033	-	3,033	-	3,033	-
- Cost incurred for growth and efficiency improvement project	4,545	-	4,545	-	11,202	(6,657)	(59.4%)	15,747	-	15,747	-
- Purchase price allocation adjustments [4]	7,574	-	7,574	-	-	7,574	-	7,574	-	7,574	-
Comparative segment results	10,048	9,470	578	6.1%	10,817	(769)	(7.1%)	20,865	14,693	6,172	42.0%

Notes
[1] Defined as profit before interest and tax.
[2] Auric Malaysia's profit before interest and tax from date of acquisition to period ended June 30, 2019.
[3] Amortization of intangible assets recognized pursuant to purchase price allocation.
[4] Purchase price allocation adjustments on the acquisition of Auric Pacific.

Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter grew by 17.5% compared to the corresponding second quarter of 2018, increasing from RM 693.9 million to RM 815.5 million, while improving by 10.8% against those of the preceding first quarter of 2019 which was RM 736.2 million. This segment's improved revenue reflects the positive contribution from Auric Malaysia's business of RM 109.4 million, in addition to stability of sales and ongoing organic growth of existing clients.

The operating result for the quarter was RM 16.2 million, which was an 71.6% increase on RM 9.5 million reported for the same second quarter in 2018 and more than 100% increase on -RM 0.4 million reported for the preceding first quarter of 2019. The improvement in operating result was predominantly because of the contribution from Auric Malaysia's business while reduced by additional growth and efficiency project cost incurred in second quarter of 2019 of RM 4.5 million and amortization of intangible assets.

With the Auric Malaysia's contribution and unusual items adjusted, the comparative operating result grew by 6.1% from RM 9.5 million to RM 10.0 million as compared to the corresponding second quarter of 2018, while declining by 7.1% from RM 10.8 million in the preceding first quarter of 2019.

Year-to-date

Revenues for 2019 were RM 1.55 billion, which were 12.1% above revenues of RM 1.38 billion in 2018. This segment's revenues grew due to acquisition of Auric Malaysia, stability of sales and ongoing organic growth with existing clients and new clients secured in the fourth quarter of 2018.

The operating result for 2019 was RM 15.9 million, which was an 8.0% increase on 2018 predominantly due to the acquisition of Auric Malaysia. However, if the operating result is restated to remove the growth and efficiency project cost incurred, the operating result would have increased by RM 16.9 million or 114.8% compared to 2018.

The comparative segment result grew by 42.0% from RM 14.7 million to RM 20.9 million as compared to 2018.

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 2nd Quarter				Immediately Preceding 1st Quarter			Cumulative 2nd Quarter			
	30/06/2019	30/06/2018	Changes		31/03/2019	Changes		30/06/2019	30/06/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	740,066	733,212	6,854	0.9%	810,591	(70,525)	(8.7%)	1,550,657	1,484,599	66,058	4.4%
Segment results	11,735	11,161	574	5.1%	12,735	(1,000)	(7.9%)	24,470	23,529	941	4.0%

Logistics segment (continued)

Quarterly

Revenues for the quarter grew marginally by 0.9% compared to the corresponding second quarter of 2018, increasing from RM 733.2 million to RM 740.0 million, while reducing by 8.7% against those of the preceding first quarter of 2019 which was RM 810.6 million. The growth in revenue compared to the corresponding second 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 first quarter of 2019 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 first quarter of 2019 due to organic growth.

The operating result for the quarter was RM 11.7 million, which is an 5.1% increase on RM 11.2 million reported for the corresponding second quarter of 2018 and a 7.9% decrease on RM 12.7 million reported for the preceding first quarter of 2019. The improvement in operating result compared to the corresponding same second quarter of 2018 reflects continued gains from operational efficiencies. The reduction compared to the preceding first quarter of 2019 is closely correlated to the lower revenue result.

Year-to-date

Revenues for 2019 grew by 4.4% compared to 2018, increasing from RM 1.48 billion to RM 1.55 billion. The growth in revenue was organically driven.

The operating result for 2019 was RM 24.5 million, which is a 4.0% increase on 2018. The result increase was largely in line with the revenue growth listed above but reduced by a one-off income recognized in 2018 for bad debt recovery.

Others segment

This segment consists most notably of the Famous Amos chocolate chip cookie retail chain as well as central overheads including rental in 2018.

	Individual 2nd Quarter				Immediately Preceding 1st Quarter			Cumulative 2nd Quarter			
	30/06/2019	30/06/2018	Changes		31/03/2019	Changes		30/06/2019	30/06/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,968	15,355	2,613	17.0%	15,861	2,107	13.3%	33,829	29,070	4,759	16.4%
Segment results	(256)	297	(553)	(>100.0%)	(4,119)	3,863	(93.8%)	(4,375)	(1,115)	(3,260)	(>100.0%)

Others segment (continued)

Quarterly

Revenues for the quarter grew by 17.0% from RM 15.4 million to RM 18.0 million as compared to the corresponding second quarter of 2018, while improving by 13.3% on the preceding first quarter of 2019. The improvement in revenues against the corresponding second quarter reflects the improved per store revenue growth as outlet openings are more strategically driven, while the improvement from the preceding first quarter of 2019 is due to normal seasonal flows which create much larger festive sales in the current quarter. At the end of the second quarter of 2019, Famous Amos operated 91 outlets nationwide and one outlet in Brunei.

The operating result for the second quarter of 2019 was -RM 0.3 million, which represents a lower operating result on the corresponding second quarter of 2018, due to unrealized derivative losses recorded for interest rate swap. As compared to preceding first quarter of 2019, there was an RM3.9 million improvement predominantly due to a one-off cost relating to acquisition of Auric Malaysia recognized in previous quarter.

Year-to-date

Revenues were RM 33.9 million in 2019, which increased by 16.4% against 2018. The improvement in revenues against prior year reflects improved per store revenue growth as outlet openings are more strategically driven.

The operating result for the second quarter of 2019 was -RM 3.3 million lower than prior year 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 30/06/2019	Immediately Preceding Quarter 31/03/2019		
	RM'000	RM'000	RM'000	%
Revenue	1,573,529	1,562,675	10,854	0.7%
Profit from operations	27,726	8,231	19,495	>100.0%
Profit before interest and tax	27,726	8,231	19,495	>100.0%
Profit before tax	17,819	831	16,988	>100.0%
Profit/(loss) after tax	11,644	(618)	12,262	>100.0%
Profit/(loss) attributable to owners of the parent	11,644	(618)	12,262	>100.0%

For the current quarter, the Group recorded a higher profit before tax as compared to the immediately preceding first quarter of 2019 predominantly due to the acquisition of Auric Malaysia, lower costs from the growth and efficiency improvement costs in the marketing and distribution segment.

3. Prospects

The Group takes an optimistic outlook on 2019. Prospects remain positive for the Logistics and Others segments, while the Marketing and Distribution segment continues to show improvement due to the growth and profitability project currently underway and the addition of the newly acquired business from Auric Malaysia. When the costs for the ongoing growth and profitability project are removed, this segment shows growth and the Group remains optimistic that this segment will grow as compared to prior year. The costs for this project were incurred between the fourth quarter of 2018 and the second quarter of 2019. This project focuses on both short-term improvements and long-term sustainable growth and efficiency. Benefits will be realized in future quarters.

The Group completed the acquisition of Auric Pacific (M) Sdn Bhd on March 29, 2019 and the integration is nearing completion with several revenue and operating cost efficiencies realized. The Auric Malaysia's business was fully consolidated in the second quarter of 2019 and performance to date has exceeded initial expectations.

The Group continues to leverage on its deep market knowledge and reach in Malaysia, gained over more than 90 years, and from its position in the global DKSH group, which is the leading market expansion services company in Asia. The global DKSH group provides to the Group a world class information technology platform, best in class strategic and operational guidance, and the benefits of a strong network of group companies across Asia. Malaysia remains an ideal environment for further growth in the medium to long term and the Group expects to continue to grow with the Malaysian economy.

4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

5. Taxation

	Quarter ended June 30, 2019 RM'000	Quarter ended June 30, 2018 RM'000	Period ended June 30, 2019 RM'000	Period ended June 30, 2018 RM'000
Current year income tax	8,301	5,625	10,295	9,822
Deferred tax	(2,126)	(590)	(2,671)	(1,115)
	6,175	5,035	7,624	8,707

The effective tax rate for the quarter ended June 30, 2019 was higher compared to similar quarter and prior period as all subsidiaries contributed positively to the bottom line, except for the holding company which experienced low profit as a result of one-off cost whilst other non-deductible expenses mainly in the form depreciation remained unchanged in the short term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at August 30, 2019.

7. Group Borrowings and Debt Securities

	As at June 30, 2019 RM'000	As at June 30, 2018 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
Short Term Borrowings		
- Bank borrowings	18,628	25,000
Long Term Borrowings		
- Advances from holding companies	29,482	33,992
- Bank borrowings	500,000	-
	529,482	33,992
Total borrowings	548,110	58,992

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value June 30, 2019 RM'000	Fair Value June 30, 2019 RM'000
Foreign exchange contracts		
- less than 1 year	32,154	32,285
Interest rate swap contract		
- 1 year to 3 year	250,000	248,280
Total	**282,154**	**280,565**

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 June 30, 2019 resulting in an unrealized derivative gain of RM 0.2 million.

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

In previous 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 1.7 million.

In total, a net unrealized loss on derivative contracts amounting to RM 1.5 million had been debited to the statement of comprehensive income for the six months ended June 30, 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 August 30, 2019.

11. Dividend Proposed or Declared

The final single tier dividend of 10.0 sen per ordinary shares in respect of the financial year ended December 31, 2018 (2017: final single tier dividend of 10.0 sen per ordinary share) was approved by shareholders at the Twenty-Seventh Annual General Meeting of the Company held on May 29, 2018 and paid on July 16, 2019.

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, 2019 are RM 11,644,000 and RM 11,026,000 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, 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
August 30, 2019