

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2019

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND YEAR ENDED DECEMBER 31, 2019**

	INDIVIDUAL 4TH QUARTER		CUMULATIVE 4TH QUARTER	
	31/12/2019 Unaudited RM'000	31/12/2018 Unaudited RM'000	31/12/2019 Unaudited RM'000	31/12/2018 Audited RM'000
1 Revenue	1,608,574	1,597,712	6,455,088	6,010,281
2 Operating expenses	(1,578,756)	(1,582,427)	(6,365,349)	(5,947,896)
3 Other operating income	4,718	1,195	8,844	6,362
4 Profit before interest and tax	34,536	16,480	98,583	68,747
5 Finance cost	(9,951)	(2,242)	(37,587)	(8,195)
6 Profit before tax	24,585	14,238	60,996	60,552
7 Taxation	(7,270)	(3,675)	(21,911)	(15,968)
8 Profit for the period, net of tax	17,315	10,563	39,085	44,584
9 Net profit for the period	17,315	10,563	39,085	44,584
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	4	2	3	1
11 Total comprehensive income	17,319	10,565	39,088	44,585
12 Net profit attributable to owners of the parent	17,315	10,563	39,085	44,584
13 Total comprehensive income attributable to owners of the parent	17,319	10,565	39,088	44,585
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	10.98	6.70	24.79	28.28
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	15.38	8.16	39.99	33.95

**Note:**

- The weighted average number of shares used in item 14 and 15 above is computed : 157,658,076 shares.
- The cash earnings used as the numerator in calculating cash EPS is defined as net profit attributable to owners of parent excluding depreciation, amortization and MFRS 16 impact.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended December 31, 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 DECEMBER 31, 2019**

	31/12/2019 Unaudited RM'000	31/12/2018 Audited RM'000
<b>1 Non Current Assets</b>		
Property, plant and equipment	33,023	26,595
Right-of-use assets	131,722	-
Intangible assets	393,949	159
Deferred tax assets	6,210	6,346
	<u>564,904</u>	<u>33,100</u>
<b>2 Current Assets</b>		
Inventories	719,097	734,523
Trade and other receivables	1,403,115	1,300,540
Cash and bank balances	28,848	101,970
	<u>2,151,060</u>	<u>2,137,033</u>
<b>3 Total Assets</b>	<u><b>2,715,964</b></u>	<u><b>2,170,133</b></u>
<b>4 Equity</b>		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	143	140
Retained earnings	437,980	414,661
Equity attributable to owners of parent	<u><b>620,295</b></u>	<u><b>596,973</b></u>
<b>5 Current Liabilities</b>		
Trade and other payables	1,405,781	1,506,313
Derivative financial instrument	1,402	104
Lease liabilities	30,953	-
Borrowings	7,409	29,000
Taxation	2,127	2,959
	<u>1,447,672</u>	<u>1,538,376</u>
<b>6 Non Current Liabilities</b>		
Borrowings	527,287	32,192
Derivative financial instrument	1,146	-
Lease liabilities	104,545	-
Long term liabilities	2,579	2,592
Deferred tax liabilities	12,440	-
	<u>647,997</u>	<u>34,784</u>
<b>7 Total Liabilities</b>	<u><b>2,095,669</b></u>	<u><b>1,573,160</b></u>
<b>8 Total Equity and Liabilities</b>	<u><b>2,715,964</b></u>	<u><b>2,170,133</b></u>
<b>9 Net assets per share attributable to ordinary equity holders of the company (RM)</b>	<u>3.9344</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 YEAR ENDED DECEMBER 31, 2019**

	Attributable to owners of the parent		Foreign currency translation reserve	Distributable	Total Equity
	Non-distributable				
	Issued and fully paid ordinary shares				
	Number of shares 000	Amount RM'000	RM'000	Retained earnings RM'000	RM'000
<u>YEAR ENDED DECEMBER 31, 2019</u>					
At January 1, 2019	157,658	182,172	140	414,661	596,973
Total comprehensive income for the period	-	-	3	39,085	39,088
Dividends	-	-	-	(15,766)	(15,766)
At December 31, 2019	157,658	182,172	143	437,980	620,295
<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	-	-	1	44,584	44,585
Dividends	-	-	-	(15,766)	(15,766)
At December 31, 2018	157,658	182,172	140	414,661	596,973

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 YEAR ENDED DECEMBER 31, 2019**

	31/12/2019 Unaudited RM'000	31/12/2018 Audited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	60,996	60,552
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	11,057	8,920
Depreciation of right-of-use assets	36,885	-
Amortization of intangible assets	9,126	27
Net unrealized derivative losses/(gains)	2,415	(688)
Loss/(gain) on disposal of property, plant and equipment	10	(2)
Written off property, plant and equipment	-	171
Write-back of provision for property restoration cost	(13)	(126)
Interest income	(1,011)	(134)
Interest expenses	27,907	8,195
Interest expenses on lease liabilities	8,329	-
Loss allowance on trade receivables	2,276	6,785
Inventories written off	20,119	13,698
Net (reversal of)/write-down of slow moving inventories	(762)	3,292
Net unrealized foreign exchange losses	651	675
Operating cash flows before changes in working capital	<u>177,985</u>	<u>101,365</u>
Changes in working capital:		
Inventories	67,372	(139,403)
Trade and other receivables	(24,346)	(140,056)
Trade and other payables	(154,701)	236,449
	<u>(111,675)</u>	<u>(43,010)</u>
Interest paid	(27,877)	(8,120)
Interest received	1,011	134
Tax paid	(23,619)	(18,297)
	<u>(50,485)</u>	<u>(26,283)</u>
<b>Net cash flows generated from operating activities</b>	<u><b>15,825</b></u>	<u><b>32,072</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(16,253)	(8,196)
Acquisition of subsidiaries, net cash outflow	(467,059)	-
Proceed from disposal of property, plant and equipment	215	23
<b>Net cash flows used in investing activities</b>	<u><b>(483,097)</b></u>	<u><b>(8,173)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings	444,569	30,800
Payment of lease liabilities	(41,445)	-
Dividend paid	(15,766)	(15,766)
<b>Net cash flows generated from financing activities</b>	<u><b>387,358</b></u>	<u><b>15,034</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<u><b>(79,914)</b></u>	<u><b>38,933</b></u>
CURRENCY TRANSLATION DIFFERENCES	3	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	101,970	63,036
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><b>22,059</b></u>	<u><b>101,970</b></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	28,848	101,970
Bank overdrafts	(6,789)	-
	<u>22,059</u>	<u>101,970</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 Year Ended December 31, 2019</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	3,119,837	3,192,151	67,893	6,379,881
Rendering of services	23,642	51,565	-	75,207
<b>Total revenue from contracts with customers</b>	<b>3,143,479</b>	<b>3,243,716</b>	<b>67,893</b>	<b>6,455,088</b>
<b>Results</b>				
Segment profit before interest and tax	41,809	62,760	(5,986)	98,583
Finance cost				(37,587)
Taxation				(21,911)
Profit for the period, net of tax				<u>39,085</u>
<b>As at December 31, 2019</b>				
<b>Net assets</b>				
Segment assets	1,293,269	844,646	94,774	2,232,689
Unallocated assets				483,275
Total assets				<u>2,715,964</u>
Segment liabilities	(552,143)	(676,760)	(3,616)	(1,232,519)
Unallocated liabilities				(863,150)
Total liabilities				<u>(2,095,669)</u>
<b>Other information</b>				
Capital expenditure	3,942	4,786	7,122	15,850
Depreciation of property, plant and equipment	3,317	2,899	4,841	11,057
Depreciation of right-of-use assets	22,048	8,098	6,739	36,885
Amortization of intangible assets	9,126	-	-	9,126
Loss/(reversal of) allowance on trade receivables	2,411	(133)	(2)	2,276
Inventories written off	17,199	1,425	1,495	20,119

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**

<b><u>For the Year Ended December 31, 2018</u></b>	<b><u>Marketing &amp; Distribution Services</u></b>	<b><u>Logistics Services</u></b>	<b><u>Others</u></b>	<b><u>Consolidated</u></b>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	2,803,968	3,081,589	61,741	5,947,298
Rendering of services	22,289	40,694	-	62,983
<b>Total revenue from contracts with customers</b>	<b>2,826,257</b>	<b>3,122,283</b>	<b>61,741</b>	<b>6,010,281</b>
<b>Results</b>				
Segment profit before interest and tax	21,569	48,697	(1,519)	68,747
Finance cost				(8,195)
Taxation				(15,968)
Profit for the period, net of tax				<b>44,584</b>
<b><u>As at December 31, 2018</u></b>				
<b>Net assets</b>				
Segment assets	1,120,884	877,345	23,783	2,022,012
Unallocated assets				148,121
Total assets				<b>2,170,133</b>
Segment liabilities	(533,122)	(839,294)	(5,443)	(1,377,859)
Unallocated liabilities				(195,301)
Total liabilities				<b>(1,573,160)</b>
<b>Other information</b>				
Capital expenditure	3,025	2,455	2,911	8,391
Depreciation of property, plant and equipment	1,828	2,483	4,609	8,920
Amortization of intangible assets	27	-	-	27
Loss/(reversal of) allowance on trade receivables	8,181	(1,345)	(51)	6,785
Inventories written off	12,564	46	1,088	13,698

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 19, 2020.

##### **2. Accounting Policies and Basis of Preparation**

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

As at December 31, 2019, the right-of-use assets and lease liabilities are RM 131.7 million and RM 135.5 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 year, the Group recognized RM 36.9 million of depreciation charges and RM 8.3 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 13.4 million incurred for the financial year ended December 31, 2019. This project shall deliver sales optimization and cost efficiencies and an ongoing improved cost base and profitability in the short term and long term. Besides that, the Group incurred one-off expenses relating to the acquisition of Auric Malaysia amounting to RM 4.9 million in the first quarter of 2019.

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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, 2019.

#### **9. Segment Information**

The Group's segmental information for the financial year ended December 31, 2019 and December 31, 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	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	3,058	2,291	11,057	8,920
Depreciation of right-of-use assets	9,433	-	36,885	-
Amortization of intangible assets	3,040	7	9,126	27
Net unrealized derivative (gains)/losses	(15)	(95)	2,415	(688)
Rental income	(374)	(317)	(1,752)	(1,351)
Interest income	(296)	(13)	(1,011)	(134)
Interest expenses	7,925	2,242	27,907	8,195
Interest expenses on lease liabilities	2,026	-	8,329	-
Interest - others	-	-	1,351	-
Loss/(gain) on disposal of property, plant and equipment	145	(10)	10	(2)
(Reversal of)/loss allowance on trade receivables	(519)	2,727	2,276	6,785
Inventories written off	7,417	2,988	20,119	13,698
(Reversal of)/net write-down of slow-moving inventories	(4,174)	649	(762)	3,292
Net unrealized foreign exchange (gains)/losses	(1,362)	749	651	675
Exceptional items (Consulting cost)	(2,378)	3,806	13,369	3,806
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 year ended December 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:

<b>The provisional fair values of the identifiable assets and liabilities relating to acquisition:</b>	<b>Total fair value recognized on acquisition of Auric Group RM'000</b>
<b>Assets</b>	
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
<b>Total assets</b>	<b>235,372</b>
<b>Liabilities</b>	
Trade and other payables	(55,756)
Lease liabilities	(1,555)
Deferred tax liabilities	(14,557)
Borrowings	(22,146)
<b>Total liabilities</b>	<b>(94,014)</b>
Total identifiable net assets acquired	141,358
Goodwill on acquisition	342,261
Purchase consideration	<b>483,619</b>

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

	<b>RM'000</b>
Fair value of consideration	483,619
Less: Cash and cash equivalent of subsidiary companies	<u>(16,560)</u>
Net cash outflows from acquisition of subsidiary companies	<u>467,059</u>

**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, 2019 and December 31, 2018, as well as the balances with the related parties as at December 31, 2019 and December 31, 2018:

	Current year ended December 31, 2019 RM'000	Preceding year ended December 31, 2018 RM'000	Intercompany balances - due from/(to) as at	
			December 31, 2019 RM'000	December 31, 2018 RM'000
<b>Sale of goods and services:</b>				
- related companies (goods)	4,786	1,705	1,853	241
- related companies (rental)	1,169	715	263	105
- related companies (cost sharing)	277	272	69	30
- related companies (human resource and information technology charges)	684	657	131	99
	<u>6,916</u>	<u>3,349</u>	<u>2,316</u>	<u>475</u>
<b>Purchase of goods and services:</b>				
- related companies (goods and services)	(18,583)	(18,465)	(2,628)	(3,756)
- related company (management fee)	(6,966)	(5,181)	(1,545)	-
- related company (royalty fee)	(753)	-	(753)	-
- related company (information technology charges)	(18,204)	(17,278)	(441)	(322)
<b>Others (interest):</b>				
- immediate holding company	(942)	(1,065)	(142)	(85)
- intermediate holding company	(441)	(437)	(70)	(77)
	<u>(45,889)</u>	<u>(42,426)</u>	<u>(5,579)</u>	<u>(4,240)</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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, 2019.

**15. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the quarter ended December 31, 2019 and up to February 19, 2020.

**16. Capital Commitments**

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

	RM'000
Contracted	<u>2,421</u>
Analyzed as follows:	
- Property, plant and equipment	<u>2,421</u>

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

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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, 2019**
**(II) Compliance with Appendix 9B of the Listing Requirements**
**1. Review of Performance**

	Individual 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2019	31/12/2018	Changes		30/09/2019	Changes		31/12/2019	31/12/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,608,574	1,597,712	10,862	0.7%	1,710,310	(101,736)	(5.9%)	6,455,088	6,010,281	444,807	7.4%
Profit before interest and tax	34,536	16,480	18,056	109.6%	28,090	6,446	22.9%	98,583	68,747	29,836	43.4%
Profit before tax	24,585	14,238	10,347	72.7%	17,761	6,824	38.4%	60,996	60,552	444	0.7%
Profit after tax ("PAT")	17,315	10,563	6,752	63.9%	10,744	6,571	61.2%	39,085	44,584	(5,499)	(12.3%)
Profit attributable to owners of the parent	17,315	10,563	6,752	63.9%	10,744	6,571	61.2%	39,085	44,584	(5,499)	(12.3%)

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**1. Review of Performance (continued)**

	Individual 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2019	31/12/2018	Changes		30/09/2019	Changes		31/12/2019	31/12/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
PAT	17,315	10,563	6,752	63.9%	10,744	6,571	61.2%	39,085	44,584	(5,499)	(12.3%)
Adjusted for:											
<i>Add: Unusual items:</i>											
- <i>Auric Malaysia's acquisition and financing cost</i> <sup>(1)</sup>	5,130	-	5,130	-	6,511	(1,381)	(21.2%)	23,869	-	23,869	-
- <i>Amortization of intangible assets</i> <sup>(2)</sup>	3,033	-	3,033	-	3,033	-	-	9,098	-	9,098	-
- <i>Purchase price allocation adjustments, net of tax</i> <sup>(3)</sup>	-	-	-	-	-	-	-	5,756	-	5,756	-
- <i>Cost incurred for growth and efficiency improvement project, net of tax</i>	(1,808)	2,893	(4,701)	<(100.0%)	-	(1,808)	(100.0%)	10,160	2,893	7,267	>100.0%
Adjusted operating PAT <sup>(4)</sup>	23,670	13,456	10,214	75.9%	20,288	3,382	16.7%	87,968	47,477	40,491	85.3%
<i>Adjusted for:</i>											
<i>Less: Auric Malaysia's adjusted operating PAT</i> <sup>(5)</sup>	4,620	-	4,620	-	8,411	(3,791)	(45.1%)	29,038	-	29,038	-
<i>Add: MFRS 16 impact</i> <sup>(6)</sup>	838	-	838	-	1,304	(466)	(35.7%)	3,774	-	3,774	-
Comparative PAT <sup>(7)</sup>	19,888	13,456	6,432	47.8%	13,181	6,707	50.9%	62,704	47,477	15,227	32.1%

**Notes**
<sup>(1)</sup> One-off expenses relating to the acquisition of Auric Malaysia and interest expenses on financing loan.

<sup>(2)</sup> Amortization of intangible assets recognized pursuant to purchase price allocation.

<sup>(3)</sup> Purchase price allocation adjustments on the acquisition of Auric Malaysia, net of tax.

<sup>(4)</sup> Intended to represent PAT from ongoing operating activities, specifically excluding significant one-off items and amortization of intangible assets.

<sup>(5)</sup> Auric Malaysia's adjusted operating PAT from date of acquisition to period ended December 31, 2019.

<sup>(6)</sup> Impact arising from adoption of MFRS 16 Leases.

<sup>(7)</sup> To remove historical items not present in 2018, to allow for ease of comparison to 2018.

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**1. Review of Performance (continued)**

**Quarterly**

Revenues for the quarter grew by 0.7% from RM 1.60 billion to RM 1.61 billion compared with the corresponding fourth quarter of 2018, while reducing by 5.9% from RM 1.71 billion in the preceding third quarter of 2019. The increase in comparison to the corresponding fourth quarter was predominantly because of the contribution from the acquisition of Auric Malaysia, and ongoing organic growth of existing clients in the Marketing and Distribution segment, offset by the reduction in revenues for the Logistics segment due to timing of government tender sales. The reduction as compared to the preceding third quarter was mainly contributed by the Logistics segment which recorded lower revenue, again due to timing of government tender sales.

Operating expenses for the quarter showed no increase compared with the corresponding fourth quarter of 2018, remaining stable at RM 1.58 billion. With unusual items removed, operating expenses decreased by 0.5% compared with the corresponding fourth quarter of 2018, despite improved revenue. This reflects the continued gains from operational efficiency in all segments and the impact of MFRS 16. Operating expenses reduced by 6.2% from RM 1.68 billion to RM 1.58 billion compared with the preceding third quarter of 2019. This is slightly more than the decrease in revenues and indicates that costs are well controlled and free of any significant adjustments.

Profit before tax for the quarter improved by 72.7% compared with the same quarter of 2018 due to contribution of the Auric Malaysia business and ongoing organic growth of existing clients in all segments. When compared with the preceding third quarter of 2019, profit before tax grew by 38.4% mainly due to an adjustment to costs incurred for the ongoing growth and efficiency improvement project and one-off other income recognized in the fourth quarter of 2019.

With the Auric Malaysia contribution, MFRS 16 impact and unusual items adjusted, the comparative PAT grew by 47.8% from RM 13.5 million to RM 19.9 million compared with the corresponding fourth quarter of 2019, while improving by 50.9% from RM 13.2 million in the preceding third quarter of 2019. Comparative PAT is intended to remove items that make it difficult to compare to prior year. This indicator shows that even without the Auric Malaysia acquisition, MFRS 16 adjustments, and costs related the growth and efficiency improvement program the underlying business has grown well both in terms of revenue and profitability, with profit growth stronger than revenue due to significant cost and efficiency improvements.

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Review of Performance (continued)**

##### **Year-to-date**

Revenues grew by 7.4% from RM 6.01 billion to RM 6.46 billion compared with 2018. This revenue growth results from the positive contribution from the Auric Malaysia business and underlying organic growth of existing clients in all segments.

Operating costs increased by 7.0% from RM 5.95 billion to RM 6.37 billion. These cost increases were largely in line with the revenue growth listed above. However, it should be noted that without the one-off project and acquisition costs and acquisition adjustments, operating costs would have been significantly lower.

Profit before tax increased marginally by 0.7% compared with 2018. This was due to the abovementioned costs incurred, additional finance costs on borrowings for the Auric Malaysia acquisition and impact of MFRS 16.

With the Auric Malaysia contribution, MFRS 16 impact and unusual items adjusted, the comparative PAT grew by 32.1% from RM 47.5 million to RM 62.7 million compared with 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 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2019	31/12/2018	Changes		30/09/2019	Changes		31/12/2019	31/12/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	785,925	716,963	68,962	9.6%	805,836	(19,911)	(2.5%)	3,143,479	2,826,257	317,222	11.2%
Segment profit before interest and tax	12,486	1,941	10,545	>100.0%	13,461	(975)	(7.2%)	41,809	21,569	20,240	93.8%
<i>Adjusted for:</i>											
<i>Less: Auric Malaysia's results (EBIT) <sup>(1)</sup></i>	5,788	-	5,788	-	11,069	(5,281)	(47.7%)	38,208	-	38,208	-
<i>Add: Unusual items:</i>											
<i>- Amortization of intangible assets <sup>(2)</sup></i>	3,033	-	3,033	-	3,033	-	-	9,098	-	9,098	-
<i>- Cost incurred for growth and efficiency improvement project</i>	(2,378)	3,806	(6,184)	<(100.0%)	-	(2,378)	-	13,369	3,806	9,563	>100%
<i>- Purchase price allocation Adjustments, before tax <sup>(3)</sup></i>	-	-	-	-	-	-	-	7,574	-	7,574	-
Comparative segment results	7,353	5,747	1,606	27.9%	5,425	1,928	35.5%	33,642	25,375	8,267	32.6%

**Notes**
<sup>(1)</sup> Auric Malaysia's profit before interest and tax from date of acquisition to period ended December 31, 2019.

<sup>(2)</sup> Amortization of intangible assets recognized pursuant to purchase price allocation.

<sup>(3)</sup> Purchase price allocation adjustments on the acquisition of Auric Malaysia, before tax.

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Marketing and Distribution segment (continued)**

##### **Quarterly**

Revenues for the quarter grew by 9.6% compared with the corresponding fourth quarter of 2018, increasing from RM 717.0 million to RM 785.9 million, while decreasing by 2.5% against those of the preceding third quarter of 2019 which was RM 805.8 million. This segment's improved revenue against the corresponding fourth quarter reflects the positive contribution from Auric Malaysia business, in addition to ongoing organic growth of existing clients and new clients secured in the fourth quarter of 2018. The downturn compared to the preceding third quarter of 2019 was primarily due to weak consumer demand for milk powder products.

The operating result for the quarter was RM 12.5 million, which was more than 100% increase on RM 1.9 million reported for the same fourth quarter in 2018 and below the preceding third quarter of 2019 of RM 13.5 million by 7.2%. The improvement in operating result against the corresponding fourth quarter was predominantly because of the contribution from the Auric Malaysia business, an adjustment to the cost incurred for growth and efficiency improvement project and offset by amortization of intangible assets. The reduction in operating result against the preceding quarter of 2019 was in line with the decrease in revenues and also due to an increase in market hygiene costs.

With the Auric Malaysia contribution and unusual items adjusted, the comparative operating result grew by 27.9% from RM 5.7 million to RM 7.4 million compared with the corresponding fourth quarter of 2018, while increasing by 35.5% from RM 5.4 million in the preceding third quarter of 2019 due to reversal of provisions relating to departure of non-profitable clients (an improvement initiative relating to the growth and efficiency improvement project).

##### **Year-to-date**

Revenues for 2019 were RM 3.14 billion, which is 11.2% above revenues of RM 2.83 billion in 2018. This segment's revenues grew due to the acquisition of Auric Malaysia, ongoing organic growth with existing clients and new clients secured in the fourth quarter of 2018.

The operating result for 2019 was RM 41.8 million, which is a 93.8% increase on 2018 predominantly due to the acquisition of Auric Malaysia with higher operating margins, revenue growth as highlighted above and operating efficiency improvement.

With the Auric Malaysia contribution, MFRS 16 impact and unusual items adjusted, the comparative segment result grew by 32.6% from RM 25.4 million to RM 33.6 million compared with 2018, which reflects organic growth on existing clients, increases from business development and operating efficiency improvement.

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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 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2019	31/12/2018	Changes		30/09/2019	Changes		31/12/2019	31/12/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	803,150	861,917	(58,767)	(6.8%)	889,909	(86,759)	(9.7%)	3,243,716	3,122,283	121,433	3.9%
Segment profit before interest and tax	20,879	14,035	6,844	48.8%	17,411	3,468	19.9%	62,760	48,697	14,063	28.9%

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Logistics segment (continued)**

##### **Quarterly**

Revenues for the quarter reduced by 6.8% compared to the corresponding fourth quarter of 2018, decreasing from RM 861.9 million to RM 803.2 million, while reducing by 9.7% against those of the preceding third quarter of 2019 which were RM 889.9 million. The reduction in revenue compared to the corresponding fourth quarter and preceding third quarter does not have a festive period effect as the products are not seasonal. There is some fluctuation from quarter to quarter based on government tender sales and the downturn in the fourth quarter reflects this.

The operating result for the quarter was RM 20.9 million, which is a 48.8% increase on the RM 14.0 million reported for the corresponding fourth quarter of 2018 and a 19.9% increase on the RM 17.4 million reported for the preceding third quarter of 2019. The improvement in operating result compared to the corresponding fourth quarter and preceding third quarter reflects the continued gains from operational efficiencies despite reduction in revenues.

##### **Year-to-date**

Revenues for 2019 grew by 3.9% compared with 2018, increasing from RM 3.12 billion to RM 3.24 billion. The growth in revenue was organically driven.

The operating result for 2019 was RM 62.8 million, which is a 28.9% increase on 2018. This reflects the strong revenue supported by improving margin mix and continued gain from operational efficiencies.

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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 in 2018.

	Individual 4 <sup>th</sup> Quarter				Immediately Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2019	31/12/2018	Changes		30/09/2019	Changes		31/12/2019	31/12/2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	19,499	18,832	667	3.5%	14,565	4,934	33.9%	67,893	61,741	6,152	10.0%
Segment profit before interest and tax	1,171	504	667	>100.0%	(2,782)	3,953	>100.0%	(5,986)	(1,519)	(4,467)	(>100.0%)

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Others segment (continued)**

##### **Quarterly**

Revenues for the quarter grew by 3.5% from RM 18.8 million to RM 19.5 million compared with corresponding fourth quarter of 2018 while increased by 33.9% on the preceding third quarter of 2019. The improvement in revenue against corresponding fourth quarter reflects the improved per store revenue growth as outlet openings are strategically driven, while the improvement from the preceding third quarter is due to normal seasonal flows which create much larger festive sales in the fourth quarter. At the end of the fourth quarter of 2019, Famous Amos operated 97 outlets nationwide and two outlets in Brunei.

The operating result for the fourth quarter of 2019 was RM 1.2 million, which was more than 100% increase on RM 0.5 million reported for the same fourth quarter in 2018 due to improved revenue and the impact of MFRS 16. As compared to preceding third quarter of 2019, the higher operating result was largely due to seasonal revenue fluctuation.

##### **Year-to-date**

Revenues were RM 67.9 million in 2019, which increased by 10.0% against 2018. The improvement in revenue against prior year reflects improved per store revenue growth as outlet openings are more strategically driven.

The operating result for 2019 was -RM 5.9 million lower than prior year of -RM1.5 million predominantly due to a one-off cost relating to acquisition of Auric Malaysia.

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

There were no material items that have affected the performance of the fourth quarter of 2019 compared to the third quarter of 2019.

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**3. Prospects**

The Group takes an optimistic outlook on 2020, with some caution relating to current market conditions. The Marketing and Distribution segment is well placed with Auric Malaysia fully integrated into the Group and delivering strong profit, while synergies are being developed and efficiencies gained. The growth and efficiency project will continue in 2020, although all costs have now been recognized, meaning that only benefits and no further costs will be seen in 2020 as the uplift realized in 2019 will continue to deliver and further benefits will come as additional improvements are being identified and implemented. Underlying organic growth of existing clients is healthy, the client portfolio has been optimized, and new business development is strong. The Logistics segment is likewise considered to be well placed to continue to grow in 2020 and beyond. While the shift is not as strong as in the Marketing and Distribution segment, due to the prior results and base costs being healthier as a baseline, the Logistics segment will continue to benefit from increased consumer demand for healthcare and telecommunications, while maintaining an efficient cost base, that we will continue to optimize. The Others segment also continues to see growth, both in terms of revenue per store, and market coverage and it is expected that growth will continue in 2020.

We are presently the leading market expansion services provider in Malaysia, with over 90 years of market presence, deep market knowledge, a well-developed capillary distribution network, a fully integrated and up-to-date information technology platform, and have unrivalled strength through our key position in the global DKSH Group. In order to maintain and grow this position we continue to invest in the best people and latest technology, while ensuring that processes improvement is continuous and sustainable profit growth is the key priority. With the ongoing growth of the Malaysian economy and overall growth of the market expansion services industry, due to the benefits of outsourcing and task specialization, we expect to continue to prosper in the medium to long term.

**4. Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast.

**5. Taxation**

	Quarter ended December 31, 2019 RM'000	Quarter ended December 31, 2018 RM'000	Year ended December 31, 2019 RM'000	Year ended December 31, 2018 RM'000
Current year income tax	7,196	4,370	21,789	18,076
Deferred tax	74	(695)	122	(2,108)
	<u>7,270</u>	<u>3,675</u>	<u>21,911</u>	<u>15,968</u>

The effective tax rate for the quarter ended December 31, 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 and financing cost incurred for acquisition of Auric Malaysia which are not tax deductible.

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**6. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at February 19, 2020.

**7. Group Borrowings and Debt Securities**

	As at December 31, 2019 RM'000	As at December 31, 2018 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	620	29,000
- Bank overdrafts	6,789	-
	<u>7,409</u>	<u>29,000</u>
<u>Long Term Borrowings</u>		
- Advances from holding companies	27,287	32,192
- Bank borrowings	500,000	-
	<u>527,287</u>	<u>32,192</u>
Total borrowings	<u>534,696</u>	<u>61,192</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value December 31, 2019 RM'000	Fair Value December 31, 2019 RM'000
Foreign exchange contracts		
- less than 1 year	38,521	38,178
Interest rate swap contract		
- 1 year to 3 year	250,000	247,795
<b>Total</b>	<b><u>288,521</u></b>	<b><u>285,973</u></b>

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, 2018.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at December 31, 2019 resulting in an unrealized derivative loss of RM 0.3 million.

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

In first quarter of 2019, the Group entered into interest 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 year ended December 31, 2019 amounted to unrealized loss RM 2.2 million.

In total, a net unrealized loss on derivative contracts amounting to RM 2.5 million had been debited to the statement of comprehensive income for the year ended December 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 February 19, 2020.

#### **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. 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, 2019 are RM 17,315,000 and RM 39,085,000 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, 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  
February 19, 2020