

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and three months ended March 31, 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND THREE MONTHS ENDED MARCH 31, 2020**

	<u>INDIVIDUAL 1ST QUARTER</u>		<u>CUMULATIVE 1ST QUARTER</u>	
	31/03/2020 Unaudited RM'000	31/03/2019 Unaudited RM'000	31/03/2020 Unaudited RM'000	31/03/2019 Audited RM'000
1 Revenue	1,723,471	1,562,675	1,723,471	1,562,675
2 Operating expenses	(1,697,741)	(1,555,483)	(1,697,741)	(1,555,483)
3 Other operating income	2,204	1,039	2,204	1,039
4 Profit before interest and tax	27,934	8,231	27,934	8,231
5 Finance cost	(9,385)	(7,400)	(9,385)	(7,400)
6 Profit before tax	18,549	831	18,549	831
7 Taxation	(8,447)	(1,449)	(8,447)	(1,449)
8 Profit/(loss) for the period, net of tax	10,102	(618)	10,102	(618)
9 Net profit/(loss) for the period	10,102	(618)	10,102	(618)
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	(6)	(11)	(6)	(11)
11 Total comprehensive income/(loss)	10,096	(629)	10,096	(629)
12 Net profit/(loss) attributable to owners of the parent	10,102	(618)	10,102	(618)
13 Total comprehensive income/(loss) attributable to owners of the parent	10,096	(629)	10,096	(629)
14 Earnings/(loss) per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent (sen)	6.41	(0.39)	6.41	(0.39)
15 Cash earnings per share (EPS) (See Notes 1 and 2 below)				
(i) Cash EPS attributable to owners of parent (sen)	10.57	1.58	10.57	1.58

## 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, 2019 and the accompanying explanatory notes attached to the interim financial statements.

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(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and three months ended March 31, 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2020**

	31/03/2020 Unaudited RM'000	31/12/2019 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	31,961	33,023
Right-of-use assets	125,394	131,722
Intangible assets	390,909	393,949
Deferred tax assets	6,020	6,211
	<u>554,284</u>	<u>564,905</u>
2 Current Assets		
Inventories	759,011	741,045
Trade and other receivables	1,540,256	1,393,300
Cash and bank balances	85,494	22,059
	<u>2,384,761</u>	<u>2,156,404</u>
3 Total Assets	<u><b>2,939,045</b></u>	<u><b>2,721,309</b></u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	137	143
Retained earnings	448,044	437,942
Equity attributable to owners of parent	<u>630,353</u>	<u>620,257</u>
5 Current Liabilities		
Trade and other payables	1,458,439	1,417,796
Derivative financial instrument	4,005	1,402
Lease liabilities	30,130	30,952
Borrowings	166,670	620
Taxation	3,522	2,127
	<u>1,662,766</u>	<u>1,452,897</u>
6 Non Current Liabilities		
Borrowings	528,857	527,287
Derivative financial instrument	3,005	1,146
Lease liabilities	99,576	104,545
Long term liabilities	2,737	2,737
Deferred tax liabilities	11,751	12,440
	<u>645,926</u>	<u>648,155</u>
7 Total Liabilities	<u><b>2,308,692</b></u>	<u><b>2,101,052</b></u>
8 Total Equity and Liabilities	<u><b>2,939,045</b></u>	<u><b>2,721,309</b></u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.9982</u>	<u>3.9342</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, 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE MONTHS ENDED MARCH 31, 2020**

	----- Attributable to owners of the parent -----			Distributable	Total Equity
	----- Non-distributable -----				
	Issued and fully paid ordinary shares				
	Number of shares 000	Amount RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	RM'000
<u>THREE MONTHS ENDED MARCH 31, 2020</u>					
At January 1, 2020	157,658	182,172	143	437,942	620,257
Total comprehensive income for the period	-	-	(6)	10,102	10,096
At March 31, 2020	<u>157,658</u>	<u>182,172</u>	<u>137</u>	<u>448,044</u>	<u>630,353</u>
<u>THREE MONTHS ENDED MARCH 31, 2019</u>					
At January 1, 2019	157,658	182,172	140	414,661	596,973
Total comprehensive loss for the period	-	-	(11)	(618)	(629)
At March 31, 2019	<u>157,658</u>	<u>182,172</u>	<u>129</u>	<u>414,043</u>	<u>596,344</u>

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, 2019 and the accompanying explanatory notes attached to the interim financial statements.

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## QUARTERLY REPORT

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THREE MONTHS ENDED MARCH 31, 2020**

	31/03/2020 Unaudited RM'000	31/03/2019 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	18,549	831
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	2,985	2,264
Depreciation of right-of-use assets	9,316	8,914
Amortization of intangible assets	3,040	6
Net unrealized derivative losses	4,506	1,183
Loss/(gain) on disposal of property, plant and equipment	352	(1)
Write-back of provision for property restoration cost	-	(20)
Interest income	(185)	(20)
Interest expenses	7,476	3,957
Interest expenses on lease liabilities	1,909	2,192
Loss allowance on trade receivables	569	2,388
Inventories written off	3,542	2,562
Net write-down of slow moving inventories	1,072	4,640
Net unrealized foreign exchange losses	1,328	605
Operating cash flows before changes in working capital	<u>54,459</u>	<u>29,501</u>
Changes in working capital:		
Inventories	(22,580)	2,384
Trade and other receivables	(150,538)	(32,837)
Trade and other payables	41,359	(110,747)
	<u>(131,759)</u>	<u>(141,200)</u>
Interest paid	(9,379)	(3,841)
Interest received	185	20
Tax paid	(4,539)	(4,104)
	<u>(13,733)</u>	<u>(7,925)</u>
<b>Net cash flows used in operating activities</b>	<u><b>(91,033)</b></u>	<u><b>(119,624)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,367)	(4,235)
Acquisition of subsidiaries, net cash paid	-	(466,719)
Proceed from disposal of property, plant and equipment	-	11
<b>Net cash flows used in investing activities</b>	<u><b>(4,367)</b></u>	<u><b>(470,943)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings	167,620	643,950
Repayment of lease liabilities	(8,779)	(10,267)
<b>Net cash flows generated from financing activities</b>	<u><b>158,841</b></u>	<u><b>633,683</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>63,441</b>	<b>43,116</b>
CURRENCY TRANSLATION DIFFERENCES	(6)	(11)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,059	101,970
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><b>85,494</b></u>	<u><b>145,075</b></u>
Note : Cash and cash equivalents comprise of :-		
Cash and bank balances	85,494	145,075
	<u>85,494</u>	<u>145,075</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, 2019 and the accompanying explanatory notes attached to the interim financial statements.

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The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Three Months Ended March 31, 2020</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	832,943	853,512	13,064	1,699,519
Rendering of services	7,370	16,582	-	23,952
<b>Total revenue from contracts with customers</b>	<b>840,313</b>	<b>870,094</b>	<b>13,064</b>	<b>1,723,471</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	22,426	14,880	(9,372)	27,934
Finance cost				(9,385)
Taxation				(8,447)
Profit for the period, net of tax				<u>10,102</u>
<b>As at March 31, 2020</b>				
<b>Net assets</b>				
Segment assets	1,350,560	966,301	92,121	2,408,982
Unallocated assets				530,063
Total assets				<u>2,939,045</u>
Segment liabilities	(579,210)	(763,433)	(2,323)	(1,344,966)
Unallocated liabilities				(963,726)
Total liabilities				<u>(2,308,692)</u>
<b>Other information</b>				
Capital expenditure	345	751	1,204	2,300
Depreciation of property, plant and equipment	782	773	1,430	2,985
Depreciation of right-of-use assets	5,495	2,076	1,745	9,316
Amortization of intangible assets	3,040	-	-	3,040
Loss allowance on trade receivables	325	244	-	569
Inventories written off	2,579	586	377	3,542

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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(Incorporated in Malaysia)

**QUARTERLY REPORT**

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

The figures have not been audited

**SEGMENTAL INFORMATION**

<b><u>For the Three Months Ended March 31, 2019</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	730,221	799,143	15,861	1,545,225
Rendering of services	6,002	11,448	-	17,450
<b>Total revenue from contracts with customers</b>	<b>736,223</b>	<b>810,591</b>	<b>15,861</b>	<b>1,562,675</b>
<b>Results</b>				
Segment profit/(loss) before interest and tax	(385)	12,735	(4,119)	8,231
Finance cost				(7,400)
Taxation				(1,449)
Loss for the period, net of tax				<b>(618)</b>
<b><u>As at March 31, 2019</u></b>				
<b>Net assets</b>				
Segment assets	1,190,320	891,268	88,126	2,169,714
Unallocated assets				760,360
<b>Total assets</b>				<b>2,930,074</b>
Segment liabilities	(561,364)	(760,887)	(2,765)	(1,325,016)
Unallocated liabilities				(1,008,714)
<b>Total liabilities</b>				<b>(2,333,730)</b>
<b>Other information</b>				
Capital expenditure	840	1,926	1,066	3,832
Depreciation of property, plant and equipment	564	640	1,060	2,264
Depreciation of right-of-use assets	5,322	2,030	1,562	8,914
Amortization of intangible assets	6	-	-	6
Loss allowance on trade receivables	653	1,735	-	2,388
Inventories written off	2,881	(681)	362	2,562

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

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## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended March 31, 2020

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

#### **(I) Compliance with MFRS 134: Interim Financial Reporting**

##### **1. Corporate Information**

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

These condensed consolidated interim financial statements were approved by the Board of Directors on May 28, 2020.

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

The unaudited condensed consolidated interim financial statements for the current quarter and three months ended March 31, 2020 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, 2019.

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, 2019. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2020, did not have any material impact on the financial results of the Group.

##### **3. Disclosure of Audit Report Qualification and Status of Matters Raised**

The auditors' report on the financial statements of the Group for the year ended December 31, 2019 was not qualified.

##### **4. Seasonal or Cyclical Factors**

The Group's segments cover primarily Consumer Goods and Healthcare businesses. Consequently, net sales are influenced by the festive seasons of Chinese New Year, Hari Raya, Deepavali and Christmas.

##### **5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

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

#### **6. Material Changes in Estimates**

There were no material changes in estimates used to prepare these interim financial statements.

#### **7. Changes in Debt and Equity Securities**

There were no changes in debt and equity securities during the quarter under review.

#### **8. Dividend Paid**

No dividend was paid during the quarter ended March 31, 2020.

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

The Group's segmental information for the financial three months ended March 31, 2020 and March 31, 2019 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	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,985	2,264	2,985	2,264
Depreciation of right-of-use assets	9,316	8,914	9,316	8,914
Amortization of intangible assets	3,040	6	3,040	6
Net unrealized derivative losses	4,506	1,183	4,506	1,183
Rental income	(272)	(303)	(272)	(303)
Interest income	(185)	(20)	(185)	(20)
Interest expenses	7,476	3,957	7,476	3,957
Interest expenses on lease liabilities	1,909	2,192	1,909	2,192
Interest - other	-	1,251	-	1,251
Loss/(gain) on disposal of property, plant and equipment	352	(1)	352	(1)
Loss allowance on trade receivables	569	2,388	569	2,388
Inventories written off	3,542	2,562	3,542	2,562
Net write-down of slow-moving inventories	1,072	4,640	1,072	4,640
Net unrealized foreign exchange (gains)/losses	1,328	605	1,328	605
Exceptional items (Consulting cost)	-	11,202	-	11,202
Gain on disposal of quoted/unquoted investment	-	-	-	-
Impairment of assets	-	-	-	-

**11. Valuation of Property, Plant and Equipment**

Property, plant and equipment have been brought forward without amendment from the previous audited annual financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

There were no material events subsequent to the end of the period reported that have not been reflected in the interim financial statements for the three months ended March 31, 2020.

**13. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

**13. Related Party Disclosures**

The following table provides information on significant transactions which have been entered into with related parties during financial three months ended March 31, 2020 and March 31, 2019, as well as the balances with the related parties as at March 31, 2020 and March 31, 2019:

	Current year ended March 31, 2020 RM'000	Preceding year ended March 31, 2019 RM'000	Intercompany balances - due from/(to) as at	
			March 31, 2020 RM'000	March 31, 2019 RM'000
<b>Sale of goods and services:</b>				
- related companies (goods)	1,008	424	1,502	473
- related companies (rental)	272	303	175	104
- related companies (cost sharing)	78	59	78	77
- related companies (human resource and information technology charges)	182	178	111	101
	<u>1,540</u>	<u>964</u>	<u>1,866</u>	<u>755</u>
<b>Purchase of goods and services:</b>				
- related companies (goods and services)	(5,831)	(4,885)	(3,539)	(4,240)
- related company (management fee)	(1,783)	(1,284)	(129)	(348)
- related company (royalty fee)	(1,086)	-	(753)	-
- related company (information technology charges)	(5,356)	(4,568)	(167)	(375)
<b>Others (interest):</b>				
- immediate holding company	(215)	(250)	(148)	(79)
- intermediate holding company	(108)	(113)	(70)	(35)
	<u>(14,379)</u>	<u>(11,100)</u>	<u>(4,806)</u>	<u>(5,077)</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 March 31, 2020.

#### **14. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the quarter ended March 31, 2020 and up to May 28, 2020.

#### **15. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at March 31, 2020 are as follows:

	RM'000
Contracted	<u>2,126</u>
Analyzed as follows:	
- Property, plant and equipment	<u>2,126</u>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Individual 1 <sup>st</sup> Quarter				Immediately Preceding 4 <sup>th</sup> Quarter			Cumulative 1 <sup>st</sup> Quarter			
	31/3/2020	31/3/2019	Changes		31/12/2019	Changes		31/3/2020	31/3/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,723,471	1,562,675	160,796	10.3%	1,608,574	114,897	7.1%	1,723,471	1,562,675	160,796	10.3%
Profit before interest and tax	27,934	8,231	19,703	>100.0%	34,536	(6,602)	(19.1%)	27,934	8,231	19,703	>100.0%
Profit before tax	18,549	831	17,718	>100.0%	24,585	(6,036)	(24.6%)	18,549	831	17,718	>100.0%
Profit/(loss) after tax	10,102	(618)	10,720	>100.0%	17,315	(7,213)	(41.7%)	10,102	(618)	10,720	>100.0%
Profit/(loss) attributable to owners of the parent	10,102	(618)	10,720	>100.0%	17,315	(7,213)	(41.7%)	10,102	(618)	10,720	>100.0%

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

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

##### **Quarterly**

Revenues for the quarter grew by 10.3% from RM 1.56 billion to RM 1.72 billion compared with the corresponding first quarter of 2019, while improving by 7.1% from RM 1.61 billion in the preceding fourth quarter of 2019. The increase in comparison to the corresponding first quarter and preceding fourth quarter was predominantly because of the contribution from the acquisition of Auric Malaysia, new clients secured in 2019, and increased consumer demand during first stages of the Movement Control Order period in the Marketing and Distribution segment. The results also reflect stability of sales and ongoing organic growth of existing clients in both the Marketing and Distribution segment and Logistics segment.

Operating expenses for the quarter increased by 9.1% from RM 1.56 billion to RM 1.70 billion as compared to corresponding first quarter of 2019. This is slightly less than the increase in revenues and indicates that costs are well controlled and free of any significant adjustments. With the amortization of intangible assets and cost incurred for the growth and efficiency improvement project removed, the operating expenses increased less than the revenue growth listed above reflecting the continued gains from operational efficiency in all segments. Operating expenses increased by 7.5% from RM 1.58 billion as compared to the preceding fourth quarter of 2019 largely in line with revenue growth, with a slight increase in cost base in the Logistics segment.

Profit before tax for the quarter improved by more than 100% compared to the same quarter of 2019 due to contribution of the Auric Malaysia business, the presence of costs relating to the growth and efficiency improvement project in the first quarter of 2019, and ongoing organic growth of existing clients in all segments except for lower profit in the Others segment due to unrealized derivative losses recorded for interest rate swap. Compared to the preceding fourth quarter of 2019, profit before tax decreased by 24.6% mainly due to lower profit in the Others segment as mentioned above.

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## QUARTERLY REPORT

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Comments to the Performance of the Business Segments

#### **Marketing and Distribution segment**

Under the segment Marketing and Distribution, the Group provides the full range of services. The service portfolio ranges from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value-added services.

	Individual 1 <sup>st</sup> Quarter				Immediately Preceding 4 <sup>th</sup> Quarter			Cumulative 1 <sup>st</sup> Quarter			
	31/03/2020	31/03/2019	Changes		31/12/2019	Changes		31/03/2020	31/03/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	840,313	736,223	104,090	14.1%	785,925	54,388	6.9%	840,313	736,223	104,090	14.1%
Segment profit/(loss) before interest and tax	22,426	(385)	22,811	>100.0%	12,486	9,940	79.6%	22,426	(385)	22,811	>100.0%

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

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

##### **Quarterly**

Revenues for the quarter grew by 14.1% compared to the corresponding first quarter of 2019, increasing from RM 736.2 million to RM 840.3 million, while improving by 6.9% against those of the preceding fourth quarter of 2019 which was RM 785.9 million. This segment's improved revenue reflects the positive contribution from Auric Malaysia business, in addition to ongoing organic growth of existing clients and new clients secured in 2019, and an increase in consumer demand during early stages of the Movement Control Order period.

The operating result for the quarter was RM 22.4 million, which was more than a 100% increase on RM -0.4 million reported for the same first quarter in 2019 and by 79.6% above the preceding fourth quarter of 2019 of RM 12.5 million. The improvement in operating result against the corresponding first quarter was predominantly because of the contribution from the Auric Malaysia business and the non-recurring cost incurred for the growth and efficiency improvement project in the corresponding first quarter of 2019. The improvement compared to the preceding fourth quarter of 2019 was due to an improved cost base and improved sales due to the upcoming festive season and a better margin mix from own brands which have a seasonal uplift ahead of Hari Raya.

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**Logistics segment**

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

	Individual 1 <sup>st</sup> Quarter				Immediately Preceding 4 <sup>th</sup> Quarter			Cumulative 1 <sup>st</sup> Quarter			
	31/03/2020	31/03/2019	Changes		31/12/2019	Changes		31/03/2020	31/03/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	870,094	810,591	59,503	7.3%	803,150	66,944	8.3%	870,094	810,591	59,503	7.3%
Segment profit before interest and tax	14,880	12,735	2,145	16.8%	20,879	(5,999)	(28.7%)	14,880	12,735	2,145	16.8%



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

##### **Quarterly**

Revenues for the quarter grew by 7.3% compared to the corresponding first quarter of 2019, increasing from RM 810.6 million to RM 870.1 million, while improving by 8.3% against those of the preceding fourth quarter of 2019 which was RM 803.1 million. The growth in revenue was organic in both the Healthcare and Telecommunications areas of the segment.

The operating result for the quarter was RM 14.9 million, which is a 16.8% increase on the RM 12.7 million reported for the corresponding first quarter of 2019, while reducing by 28.7% against those of preceding fourth quarter of 2019 which was RM 20.9 million. The improvement in operating result compared to the corresponding first quarter of 2019 reflects strong revenue growth supported by improved margin mix. The decline as compared to the preceding fourth quarter of 2019 was due to one-off income recognized in fourth quarter of 2019 and a slight increase in cost base to support new businesses and future growth.

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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.

	Individual 1 <sup>st</sup> Quarter				Immediately Preceding 4 <sup>th</sup> Quarter			Cumulative 1 <sup>st</sup> Quarter			
	31/03/2020	31/03/2019	Changes		31/12/2019	Changes		31/03/2020	31/03/2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,064	15,861	(2,797)	(17.6%)	19,499	(6,435)	(33.0%)	13,064	15,861	(2,797)	(17.6%)
Segment (loss)/ profit before interest and tax	(9,372)	(4,119)	(5,253)	>(100.0%)	1,171	(10,543)	>(100.0%)	(9,372)	(4,119)	(5,253)	>(100.0%)

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

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

##### **Quarterly**

Revenues for the quarter declined by 17.6% compared to the corresponding first quarter of 2019, decreasing from RM 15.9 million to RM 13.1 million, while reducing by 33.0% against those of the preceding fourth quarter of 2019 which were RM 19.5 million. The reduction in revenue compared to the corresponding first quarter of 2019 was due to business operations being affected by the imposition of the Movement Control Order by the government in March, while the reduction from the preceding fourth quarter is mainly due to normal seasonal flows which create much larger festive sales in the fourth quarter. At the end of the first quarter of 2020, Famous Amos operated 99 outlets nationwide and two outlets in Brunei.

The operating result for the quarter of -RM 9.4 million was lower than -RM 4.1 million reported for the same first quarter in 2019 due to unrealized derivatives loss recorded for interest rate swap and increased financing cost incurred for acquisition of Auric Malaysia. The downturn as compared to the preceding fourth quarter of 2019 was due to the lower sales recorded due to low season and the Movement Control Order, and additional unrealized derivative losses recorded for interest rate swap.

#### **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 first quarter of 2020 compared to the fourth quarter of 2019.

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**3. Prospects**

The Group ended 2019 having positively progressed with the transformation of the Marketing and Distribution segment, both through the improvement project on the Fast Moving Consumer Goods (“FMCG”) business and through the successful acquisition and integration of Auric Malaysia, and there was continued steady and stable growth in the Logistics and Others segments. As 2020 began the Group was very well positioned to continue this growth trajectory.

The first and second quarters of 2020 have been marked by the COVID-19 pandemic and the related Movement Control Order (“MCO”) in Malaysia from March 18, 2020 onwards. This development has had significant effects on the market. The Group had prepared detailed Business Continuity Plans and enacted these seamlessly to enable ongoing service of all essential healthcare and FMCG products to the market. We prioritized employee and stakeholder health and welfare while ensuring ongoing operations at the maximum allowed levels during various phases of the crisis response. As the Group has a well-diversified portfolio that includes many essential Healthcare and grocery products, the short-term effect has been limited, however, the longer-term market effects are unclear and the Group is planning conservatively in the case of a general economic downturn while also ensuring that no opportunities are overlooked for product innovation, business development, capturing cost efficiencies, and improved human resources practices.

As the longer-term market effects of the COVID-19 pandemic are unclear, we take a cautious approach to cashflow management. The management has reviewed cashflow forecasts with a conservative approach and the board has reviewed this analysis and decided in order to take a more cautious approach, not to pay a dividend for 2019. The board will continue to review the prevailing market and cash position throughout the year and will consider an interim dividend when it is prudent to do so. Despite current uncertainties, the Group is confident about the growth opportunities 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 March 31, 2020 RM’000	Quarter ended March 31, 2019 RM’000	Period ended March 31, 2020 RM’000	Period ended March 31, 2019 RM’000
Current year income tax	8,947	1,944	8,947	1,944
Deferred tax	(500)	(545)	(500)	(545)
	<u>8,447</u>	<u>1,449</u>	<u>8,447</u>	<u>1,449</u>

The effective tax rate for the quarter ended March 31, 2020 was lower compared to similar quarter last year. In 2019, all entities contributed positively to the bottom line, except for holding company and one subsidiary whilst expenses such as one-off and financing costs incurred for the acquisition of Auric Malaysia and depreciation 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 May 28, 2020.

**7. Group Borrowings and Debt Securities**

	As at March 31, 2020 RM'000	As at March 31, 2019 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowings	166,670	196,546
<u>Long Term Borrowings</u>		
- Advances from holding companies	28,857	30,742
- Bank borrowings	500,000	500,000
	<u>528,857</u>	<u>530,742</u>
Total borrowings	<u>695,527</u>	<u>727,288</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value March 31, 2020 RM'000	Fair Value March 31, 2020 RM'000
Foreign exchange contracts		
- less than 1 year	74,119	74,996
Interest rate swap contract		
- 1 year to 3 year	250,000	242,113
<b>Total</b>	<u>324,119</u>	<u>317,109</u>

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the date of the statement of financial position, unless hedged by forward foreign exchange contracts when the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

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Future liabilities in foreign currencies are covered by forward-purchased currencies from reputable banks when their amounts and due dates are known. Forward hedges are exclusively used for bona-fide and documented trade transactions and not for speculative purposes in line with the DKSH Treasury policy. There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate this risk since the financial year ended December 31, 2019.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at March 31, 2020 resulting in an unrealized derivative gain of RM 0.9 million.

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

In 2019, 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 derivative loss of RM 7.9 million.

In total, a net unrealized loss on derivative contracts amounting to RM 7.0 million had been debited to the statement of comprehensive income for the three months ended March 31, 2020.

#### **9. Fair Value Changes of Financial Liabilities**

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

#### **10. Changes in Material Litigation**

There is no material litigation as at May 28, 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 three months ended March 31, 2020 are RM 10,102,000 and RM 10,102,000 respectively.
- (b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share for the quarter under review and for three months ended March 31, 2020 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, 2019.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)  
SSM PC No. 201908000378  
Company Secretary

Andre' Chai P'o-Lieng (MAICSA 7062103)  
SSM PC No. 202008001116  
Company Secretary

Petaling Jaya  
May 28, 2020