Annual Report 2019

DKSH Holdings (Malaysia) Berhad

Delivering growth – in Asia and beyond.

Enriching people's lives

We provide access to high quality products, services and insights, creating sustainable value for our partners and generating jobs.

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Corporate information

Board of Directors

Stephen John Ferraby	Non-Independent Non-Executive Chairman
Lee Chong Kwee	Senior Independent Non-Executive Director
Datuk Haji Abdul Aziz bin Ismail	Independent Non-Executive Director
Chan Thian Kiat	Independent Non-Executive Director
Jason Michael Nicholas McLaren	Non-Independent Executive Director/Group Finance Director
Lian Teng Hai	Non-Independent Non-Executive Director

Audit Committee

Lee Chong Kwee	Chairman of the Audit Committee
Datuk Haji Abdul Aziz bin Ismail	Member
Chan Thian Kiat	Member

Nominating and Remuneration Committee

Lee Chong Kwee	Chairman of the Nominating and Remuneration Committee
Stephen John Ferraby	Member
Datuk Haji Abdul Aziz bin Ismail	Member

Registered office

Address: B-11-01, The Ascent, Paradigm, No. 1, Jalan SS 7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Phone +60 3 7882 8888 Fax +60 3 7882 8899

Auditors

Ernst & Young PLT, Chartered Accountants Address: Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur	Phone +60 3 7495 8000 Fax +60 3 2095 9076 / 2095 9078

Share registrar

Tricor Investor & Issuing House Services Sdn Bhd Address: Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur	Phone +60 3 2783 9299 Fax +60 3 2783 9222

Stock Exchange listing

Listed on Bursa Malaysia Securities Berhad (Main Market) since December 13, 1994	Stock name: DKSH Stock code: 5908

Company Secretaries

Lwee Wen Ling, SSM Practising No. 201908000378, MAICSA 7058065

Andre’ Chai P’o-Lieng, SSM Practising No. 202008001116, MAICSA 7062103

Principal bankers

Deutsche Bank (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Management discussion and analysis

The management review of DKSH Holdings (Malaysia) Berhad and its subsidiaries (“the Group” or “DKSH”) outlines an in-depth analysis of the financial year 2019 and provides an outlook into DKSH’s further growth.

Management discussion and analysis

Jason Michael Nicholas McLaren
Non-Independent Executive Director/Group Finance Director

Organic growth and a successful strategic acquisition

The past year was a year of growth, both organically and through integration of a strategic acquisition. The Group's net sales increased from RM 6.0 billion in 2018 to RM 6.5 billion in 2019, an increase of 7.4%. Operating Profit After Tax[1] grew by 85.3%, while Comparative Profit After Tax[2] grew by 32.1%. These growth rates indicate that there was strong improvement in the existing business, ongoing business development, and reduction in costs, all resulting in a strong position even without including the effects of the successful acquisition.

On March 29, 2019, the Group completed the acquisition of Auric Pacific (M) Sdn. Bhd. ("Auric Pacific"), now known as DKSH Food Services (M) Sdn. Bhd.. This strategic acquisition was made in order to expand the Group's market share and own brand portfolio. Auric Pacific had a strong presence in the foodservice channel, serving hotels, restaurants, and cafes throughout Malaysia; and in chilled and frozen products in both foodservice and grocery channels. This includes own brands such as Buttercup and SCS Butter which are market leaders in the mélange and butter categories. In addition, Auric Pacific represented several well known and successful brands that were a natural complement to the Group's existing portfolio. Due to the similarity of operations and complementary nature of channels, this acquisition gave the Group the opportunity to significantly increase our market presence in chilled and frozen products, and the foodservice channel, increasing our return on sales, while bringing efficiencies in operations, and developing synergies in products in both the newly acquired brand portfolio and the Group's existing portfolio.

The integration of Auric Pacific was fully completed by September 2019 and cost efficiencies and synergies between the businesses have already been realized over the first three quarters of consolidated activities. Sales have exceeded expectations and have been at elevated levels since the acquisition. When coupled with the cost efficiencies realized by leveraging on the Group's existing operations, operating profit exceeded the financing cost associated with the acquisition. This acquisition will position the Group for further growth in all channels.

In 2019 there was a major change in an accounting standard relating to how leases are recognized and presented[3] and the Group undertook a major improvement project in the Marketing and Distribution segment, which will be discussed below. The results as detailed in this Annual Report were impacted by these significant items along with the acquisition and intangible asset amortization. To enable a like-for-like comparison of our performance, we focus on the Group's Operating Profit After Tax results.

Marketing and Distribution segment

This segment includes our Fast Moving Consumer Goods ("FMCG") business, Performance Materials business, and the newly acquired operations of Auric Pacific. This segment provides a full-service offering including marketing and sales, distribution and logistics, invoicing, credit management, warehousing, delivery, and many other value-added services.

Revenue grew from RM 2.8 billion to RM 3.1 billion, a strong 11.2% increase. This includes organic growth in existing clients, addition of new clients, and additional sales due to the acquisition of Auric Pacific. The segment's profitability increased by 93.8% compared to 2018. This was

[1] *Adjusted to remove significant items of a non-operating nature.*
[2] *Adjusted to remove items that were not present in 2018 to allow a like-for-like comparison.*
[3] *MFRS16 Leases.*

Management discussion and analysis (continued)

largely influenced by profit relating to the acquisition and costs incurred for a major efficiency improvement project. When all of these abnormal and non-operating items are removed, the comparable profit growth from 2018 was a healthy 32.6%.

In addition to the acquisition of Auric Pacific, there was also a major improvement project undertaken within this segment to enhance the profitability of the existing FMCG business. This project started in the fourth quarter of 2018 and continued throughout 2019. The project's operations and methods will be merged into the normal way of working throughout the course of 2020. All one-off costs were recognized in 2018 and 2019 and, while some benefits were realized in 2019, the majority will be realized in 2020 and into 2021. This project focussed on an overall uplift of profitability by driving improvement in client portfolio, route-to-market development, sales force efficiency, inventory management, organizational structure, cost management, accounts receivable management, and many other elements of working capital and profitability related process improvement. This project has been an overall success and is anticipated to have completely paid back the initial investment by the end of 2020. Many of the methods and initiatives developed in this project are planned to be implemented in other segments within the business in the future.

The Performance Materials business deals with chemicals and additives in the industries of food and beverage, pharmaceuticals, personal care, and specialty chemicals and continues to contribute positively to the overall segment.

Following the major improvement project and the successful acquisition and integration of Auric Pacific, the Marketing and Distribution Segment has expanded its market presence to include a strong presence in the foodservice channel, chilled and frozen product categories, and has added the market leading Buttercup and SCS Butter brands to the portfolio of highly profitable own brands. This has had the effect of consolidating the Group's position as the leading market expansion services provider in FMCG.

Logistics segment

This segment includes the Healthcare business and a supply chain focused telecommunications business. The service offering is similar to the Marketing and Distribution segment, however, in this segment a higher proportion of clients manage their own sales due to the highly specialized nature of many of the products.

Net sales grew from RM 3.1 billion in 2018 to RM 3.2 billion in 2019, a 3.9% growth. This sales growth was due to a combination of organic growth, new business development and double-digit growth in the telecommunications business. Operating efficiencies continued to be realized and costs grew by less than sales, resulting in an increase of 28.9% in profit.

The growth of this segment is driven by the following key factors: the rising middle class in Malaysia, which is an ongoing trend that will continue to spur increased spending on healthcare over the medium to long term; the ongoing trend towards outsourcing, which leads to strong business development as the Group continues to provide more value-added services; and the continuing strong growth of our telecommunications client. Therefore, the Group anticipates this segment continuing to perform well in the future.

Segment "Others"

The key business in this segment is the Famous Amos Chocolate Chip Cookie chain of retail outlets. The segment also includes unallocated central overhead costs.

The Famous Amos business continued its recent growth, expanding market presence from 91 outlets at the end of 2018 to 99 at the end of 2019, including two in Brunei. This growth in outlets also led to an increase of 10.7% in sales from RM 61.7 million in 2018 to RM 68.4 million in 2019. This business also saw a steady increase in profit.

The outlook for this segment remains positive in the long-term and further strategic expansion of market presence is planned.

Well positioned for the future despite a new challenge in the present

The Group ended 2019 having positively transformed the Marketing and Distribution segment, both through the improvement project on the FMCG business and through the successful acquisition and integration of Auric Pacific. There was also continued steady and stable growth in the Logistics and Others segments. As 2020 began, the Group was well positioned to continue this growth trajectory.

However, 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 essential healthcare and FMCG products. We prioritized employees and stakeholders' 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

Management discussion and analysis (continued)

that no opportunities are overlooked for product innovation, business development, capturing cost efficiencies and improved human resources practices.

A time to be conserving – no dividend declared

As the longer-term market effects of the COVID-19 pandemic are unclear, we take a cautious approach to cashflow management and has prioritized retaining cash in the business in order to be well prepared for unexpected impacts from the COVID-19 crisis. 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 and to minimize financing costs, 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.

Jason Michael Nicholas McLaren
Non-Independent Executive Director/
Group Finance Director

DKSH at a glance

We help companies to grow their business in new and existing markets. We expand their access to knowledge, their sourcing base, their revenue opportunities and their market shares. Providing business partners with a comprehensive package of services to reach their individual goals is what we call Market Expansion Services.

Net sales: RM 6.5 billion

About 3,500 specialists

31 business locations

4 ISO-certified distribution centers, 13 regional distribution centers and 1 manufacturing plant

Network of more than 220 clients and 19,000 customers

Financial highlights

Consolidated results of DKSH Holdings (Malaysia) Berhad Group (RM'000)

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Net sales	5,572,186	5,271,047	5,509,538	6,010,281	6,457,085
Earnings before interest, tax, depreciation and amortization	65,256	85,768	87,122	77,694	155,177
Profit before tax	51,009	68,897	70,721	60,552	60,958
Net profit attributable to owners of the parent	36,836	50,467	52,081	44,584	39,047
Exceptional items	–	–	–	–	(13,369)
Net profit excluding exceptional items	36,836	50,467	52,081	44,584	52,416
Total assets employed	1,818,710	1,863,344	1,874,505	2,170,133	2,721,309
Shareholders' equity	495,579	531,087	568,154	596,973	620,257

Corporate profile

Headquartered in Switzerland, DKSH operates in 850 locations with 33,350 specialists.

DKSH is one of the oldest and largest Market Expansion Services providers in Malaysia. Having established its first branch office in 1923 in Penang, the Company has since grown from strength to strength. Today, it employs a workforce of about 3,500 specialists. Headquartered in Petaling Jaya, Selangor with 30 other business locations in Malaysia and Brunei, DKSH provides unparalleled market coverage, serving more than 220 clients and 19,000 customers across Malaysia.

As the leader in the Market Expansion Services sector with a focus on Asia, DKSH helps other companies and brands to grow their business in new or existing markets. We do this by offering our business partners tailor-made solutions along the entire value chain to support them in successfully achieving their business objectives. As a company, our services give people in Asia access to important daily products, create sustainable value for our partners and generate jobs across the region.

DKSH Holdings (Malaysia) Berhad was incorporated on December 24, 1991. On December 13, 1994, the Company was publicly listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

In 2019, we strengthened our presence in the fast-moving consumer goods industry with the additional distribution service of chilled and frozen products. We also gained a strong foothold in the confectionery market segment with the new house brands such as SCS Butter, Buttercup, Twin Cows, Toucan and Angus. At the same time, we expanded our business offering to include Food Services to serve new markets in the hotel, restaurant and café industries.

DKSH Holdings (Malaysia) Berhad is majority-owned by the DKSH Holding Ltd. of Switzerland ("DKSH Switzerland").

DKSH Holding Ltd. of Switzerland

Founded in 1865, DKSH Switzerland has a strong Swiss heritage with a long tradition of doing business in and with Asia and is deeply rooted in communities and businesses across Asia Pacific.

Publicly listed on the SIX Swiss Exchange since March 2012, DKSH Switzerland is a

Corporate profile (continued)

global company headquartered in Zurich and operates in 850 business locations with 33,350 specialists. DKSH Switzerland is one of the top 25 Swiss companies, generating net sales of CHF 11.6 billion in 2019.

DKSH Switzerland offers a tailor-made, integrated portfolio of sourcing, marketing, sales, distribution and after-sales services. It provides business partners with expertise as well as on-the-ground logistics based on a comprehensive network of unique size and depth. Business activities are organized into four (4) specialized Business Units that mirror DKSH's fields of expertise: Healthcare, Consumer Goods, Performance Materials and Technology.

Our business segments

In Malaysia, our business segments focus on the fields of consumer goods, healthcare and performance materials, offering a comprehensive range of Market Expansion Services to business partners in their respective areas.

Business Unit Consumer Goods focuses on fast moving consumer goods and food services.

Business Unit Healthcare provides access to high quality products ranging from pharmaceuticals, over-the-counter, consumer health, medical devices and diagnostics.

Business Unit Performance Materials distributes a wide range of innovative ingredients for the specialty chemicals, food and beverage, pharmaceutical and personal care industries.

Marketing and Distribution segment

Under this business segment, DKSH provides a comprehensive portfolio of services ranging from marketing to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods as well as other value-added services. The businesses represented under this segment are Consumer Goods, Food Services and Performance Materials.

The keystone to DKSH's full-service business model lies in its broad range of sales and marketing services, deep market-access insights and knowledge, long-established relationships in the country and unique distribution reach achieved through an extensive and experienced sales force network of 31 regional offices covering key market locations in West and East Malaysia as well as Brunei.

Core to DKSH's Marketing and Distribution infrastructure is an ISO- and TAPA-certified 510,000-square foot distribution center at Jalan Sungai Jati in Klang which has a capacity of 55,000 pallets for ambient and temperature-controlled products catering for Consumer Goods. In 2018, two more regional distribution centers were established in Klang to cater for expanded business needs.

DKSH's manufacturing plant in Shah Alam produces its Own Brands of butter and mélange products, including Buttercup which is a leading brand of mélange products in Malaysia.

The strength of our sales force is reinforced by an extensive supply chain infrastructure that is unique in size and depth, while local distribution teams ensure products represented by DKSH are widely accessible in hypermarkets and supermarkets, shops, kiosks, medical halls and pharmacies throughout Malaysia.

The majority of DKSH's sales team is equipped with hand-held devices using a powerful web-based IT application that is linked directly to DKSH's SAP system to access live inventory information and remotely process orders at any time. Alternatively, orders are also placed by customers directly through the centralized call center.

Logistics segment

DKSH's Logistics segment focuses on supply chain services ranging from import to forwarding, warehousing and distribution, order processing and collections. The businesses represented in this segment are primarily Healthcare and parts of Consumer Goods, which are entirely supply chain-centric. This also includes the distribution of prepaid telephone cards.

The Logistics segment continues its growth course in East Malaysia and operates a 207,000-square foot distribution center in Kota Kinabalu in 2015.

It is strategically located in Kota Kinabalu Industrial Park (KKIP) with easy access to Sepanggar Bay Container Port and the city center. This location enjoys high connectivity via various transportation networks, allowing DKSH to directly serve its consumer goods and healthcare customers in the region, including modern and traditional retail outlets, hospitals, clinics and pharmacies. Today, the Kota Kinabalu distribution center also serves as a regional hub for the company's smaller facilities in Tawau and Sandakan.

Corporate profile (continued)

DKSH's 190,000-square foot healthcare distribution center in Shah Alam serves customers, including hospitals, clinics, dental centers, pharmacies and retail outlets throughout Malaysia. The Shah Alam distribution center is a leading service provider for clinical trials in supply chain activities, addressing the increasingly complex clinical supply packaging, labeling and distribution requirements. Its technologically advanced cold chain and redressing facilities have industry-standard storage for vaccines and bio-tech products. In 2019, this healthcare distribution center received a top-level certification from the Transported Asset Protection Association (TAPA) for its Facility Security Requirements.

The healthcare distribution center in Shah Alam received TAPA's accreditation for world-class standards of security and safety practices in logistics and supply chain in 2019.

In line with DKSH's commitment to quality and compliance, both the Shah Alam and Kota Kinabalu facilities comply with Good Distribution Practice (GDP) and Good Distribution Practice for Medical Device (GDPMD) requirements and adhere to strict ISO 9001:2015 and ISO 13485:2016 international standards.

Segment "Others"

The primary business activity in this segment is the Famous Amos chocolate chip cookie business. Famous Amos is a retailer of chocolate chip cookies as well as a selected assortment of complementary products such as hampers, gifts, chocolates and confectionery items. In 2019, there were a total of 97 Famous Amos outlets located in West and East Malaysia as well as two outlets in Brunei. This segment also includes central overheads such as rental.

Our core business: Market Expansion Services

DKSH helps companies grow in existing markets and expand into new ones by providing a complete range of specialized services along the entire value chain. From sourcing, market analysis and research, marketing and sales to distribution and logistics as well as after-sales services, our services are precisely tailored to the exact needs of our clients and customers.

In 2019, Famous Amos expanded to Brunei with two outlets offerings its famous freshly baked homestyle cookies.

We offer intelligently integrated and tailored services to deliver seamless end-to-end solutions, no matter how big or small the requirements. To do this, we draw on more than 150 years of experience, deep industry expertise, extensive on-the-ground logistics and our vast network of business and personal relationships throughout Asia.

Corporate profile (continued)

We provide access to a global sourcing network

Our unique sourcing network and a deep industry experience enable us to provide any material and product our customers need. We offer the perfect mix of cost effectiveness, quality and dependable supply. With DKSH, business partners can expand their sourcing base and focus on growing their business.

We enable business partners to innovate for growth

In our application, formulation and product development laboratories, we generate new product ideas and develop and customize them. We work on new ingredients and technology applications, provide hands-on training and run acceptance tests. We turn our market insight into strategic advice for our business partners.

We open up new revenue opportunities for business partners

DKSH offers a complete array of marketing and sales services for consumer goods, healthcare products and performance materials. We have a long-standing track record in brand-building and service all relevant channels to market, customers and outlets. In Malaysia, we offer comprehensive market coverage to help our business partners expand their business.

We deliver what our business partners need, at the right time and place

With our unmatched logistics infrastructure and state-of-the-art distribution centers, we transport, store and distribute clients' products efficiently and professionally across the country. As part of our comprehensive package of Market Expansion Services, we provide many additional specialized services, including supply chain management, regulatory support, logistics, invoicing and cash collection.

We are at our business partners' service throughout the entire lifespan of their products

DKSH provides a broad range of after-sales services and support that ensure top-quality standards, fast problem resolution and the ability to establish a high-value image. We offer real added value to clients and customers.

How we work with our partners

At DKSH, our business partners are either clients or customers, depending on their position in the value chain and the services we provide to them. Our business model is centered on DKSH's role as the key link between clients and customers. Because we take profound responsibility for the businesses of our partners, our Market Expansion Services offer more than just outsourcing of particular activities.

With our position as the leading Market Expansion Services provider with a focus on Asia, we benefit from economies of scale, unique cross-regional and cross-industry synergies as well as significant bargaining power with the trade.

Leveraging on our strong market presence, clients can capitalize on the superior commercial terms and conditions made available by DKSH. On the other hand, our scope and scale allow us to provide our customers a comprehensive portfolio of products and services.

Our clients

Our clients are manufacturers of fast-moving consumer goods, pharmaceuticals, consumer health products, medical devices and specialty chemicals who wish to sell their products in markets with high-entry barriers.

Strategically, our clients want to grow their business by increasing sales in existing markets, enhancing efficiency and margins, or launching into new markets. We offer Market Expansion Services to clients from Europe, the Americas and Asia.

We support our clients in marketing, selling and distributing their products as well as providing after-sales services and market insight.

Our customers

Our customers are manufacturers to whom we provide raw materials which are processed or used in their own production or retailers, such as supermarkets, department stores, bakery ingredient stores, mom-and-pop stores, hospitals, doctors and pharmacists that resell the products we provide to end consumers. Our customers also include food services distribution channels such as hotels as well as food and beverage establishments.

Strategically, our customers want to increase their sourcing base, market shares and revenue opportunities.

We support our customers in obtaining the best raw materials, products and brands at the best price, while providing them with knowledge and market insight.

At DKSH, we have a service philosophy that takes profound responsibility for the goods and brands of our clients. It is about a proactive approach that provides strategic advice based on experience, know-how and networks of specialists working for DKSH. In striving to be the leading Market Expansion Services provider with a focus on Asia, we stick to what we do best by doing more of the same, more efficiently.

Directors' profiles

Stephen John Ferraby
Aged 55, Male, Australian

Non-Independent Non-Executive Chairman
Member of the Nominating & Remuneration Committee

Mr. Stephen John Ferraby was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 21, 2017 as a Non-Independent Non-Executive Director. On May 24, 2017, he was appointed as a Member of the Nominating Committee of the Company. On May 25, 2017, he was re-designated as the Non-Independent Non-Executive Chairman of DKSH Holdings (Malaysia) Berhad. On February 19, 2020, the Board of DKSH Holdings (Malaysia) Berhad set up a Remuneration Committee by way of merging with Nominating Committee and Mr. Ferraby was appointed as a member of Remuneration Committee. Currently, Mr. Ferraby is the Non-Independent Non-Executive Chairman and a member of Nominating & Remuneration Committee of the Company.

He graduated with a Bachelor's degree in Commerce (First Class) from the University of Birmingham, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Ferraby is currently the Head of Corporate Affairs and Strategic Investments and a member of the Executive Committee of DKSH Holding Ltd, Switzerland, a major shareholder of DKSH Holdings (Malaysia) Berhad. He was previously a member of the Board of Commissioners of PT. Wicaksana Overseas International, which is listed on the Jakarta Stock Exchange. He stepped down from this role on February 27, 2020. From 2010 to 2015, he was the CFO of DKSH Thailand Ltd. including two years as President of the organization. From 2006 to 2010, he was the CFO Asia Pacific at CEVA Logistics and before that was CFO and CEO at an Australian private equity sponsored company. From 1995 to 2006, he held various positions at Exel PLC, a UK FTSE 100 company, including Group Head of Internal Audit, European Finance Director and five years as CFO Asia Pacific, based in Singapore from 2001. From 1985 to 1995, he served in the fields of audit, advisory and corporate finance at Ernst & Young in Australia and the United Kingdom.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Ferraby attended all four Board meetings held during the financial year ended December 31, 2019.

Directors' profiles (continued)

Lee Chong Kwee
Aged 63, Male, Singaporean

Senior Independent Non-Executive Director
Chairman of Audit Committee
Chairman of Nominating & Remuneration Committee

Mr. Lee Chong Kwee was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 23, 2016 as an Independent Non-Executive Director. On November 22, 2016, he was appointed as Chairman of the Audit Committee and a member of the Nominating Committee. On May 24, 2017, Mr. Lee was re-designated as the Senior Independent Non-Executive Director of the Company and Chairman of the Nominating Committee of DKSH Holdings (Malaysia) Berhad. On February 19, 2020, the Board of DKSH Holdings (Malaysia) Berhad set up a Remuneration Committee and merged it with the Nominating Committee. Mr. Lee was then appointed as the Chairman of the new Nominating and Remuneration Committee. Currently, Mr. Lee is the Senior Independent Non-Executive Director, Chairman of the Audit Committee, and Chairman of the Nominating & Remuneration Committee.

Mr. Lee graduated with a Bachelor of Science (Honours) degree in Mathematics and Statistics from the University of Malaya. He also holds a Certified Diploma in Accounting and Finance, ACCA. Mr. Lee was formerly the Chief Executive Officer, Asia Pacific, of Exel Singapore Pte Ltd for six years. During his tenure, he and his team established Exel as the region's leading integrated logistics provider, with operations in 18 countries. He was named Supply Chain Manager of the Year – Asia Pacific, in the Asia Logistics Award 2003 organized by Lloyds FTB Asia. Prior to Exel, he spent 17 years with Singapore Airlines in senior positions in Hong Kong, the United States of America, Japan, the United Kingdom and Singapore.

Mr. Lee is presently the Chairman and Non-Executive Director of Mapletree Logistics Trust Management Ltd. He is a Fellow of the Singapore Institute of Directors.

Mr. Lee does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Lee attended all four Board meetings held during the financial year ended December 31, 2019.

Directors' profiles (continued)

Datuk Haji Abdul Aziz bin Ismail
Aged 67, Male, Malaysian

Independent Non-Executive Director
Member of the Audit Committee
Member of the Nominating & Remuneration Committee

Datuk Haji Abdul Aziz bin Ismail was appointed as a Non-Independent Non-Executive Director and a member of the Audit Committee of DKSH Holdings (Malaysia) Berhad on July 19, 2007. Datuk Haji Abdul Aziz was re-designated as an Independent Non-Executive Director on August 23, 2016 having fulfilled the criteria of independent director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. On May 24, 2017, Datuk Haji Abdul Aziz was appointed as a member of the Nominating Committee of DKSH Holdings (Malaysia) Berhad. On February 19, 2020, the Board of DKSH Holdings (Malaysia) Berhad set up a Remuneration Committee by way of merging with Nominating Committee and Datuk Haji Abdul Aziz was appointed as a member of Remuneration Committee. Currently, Datuk Haji is an Independent Non-Executive Director, member of Audit Committee and member of Nominating & Remuneration Committee of the Company.

Datuk Haji Abdul Aziz graduated with a Master of Business Administration from Eastern Illinois University, United States and with a Bachelor of Arts in Business Administration from Augustana College, United States. He also holds an Advanced Diploma in Information Systems from the Canberra University Australia on a Colombo Plan Scholarship. In 1993, he attended the Advanced Management Program at Wharton University of Pennsylvania, United States of America, and participated in the INSEAD Advanced Management Program at Fontainebleau, France, in July 2005.

Datuk Haji Abdul Aziz held several senior positions at Lembaga Tabung Angkatan Tentera ("LTAT") from 1995 to 2017, including ten years as Deputy Chief Executive from 2001 to 2011, and General Manager of Perbadanan Perwira Harta Malaysia, a subsidiary corporation of LTAT from 2011 to 2017. On December 31, 2017, Datuk Haji Abdul Aziz retired from Perbadanan Perwira Harta Malaysia. Prior to joining LTAT, he was a Senior Auditor attached to the Auditor-General's office of Malaysia from April 1977 to May 1985. He was formerly a director of Affin Fund Management Berhad and Boustead Al-Hadharah REIT.

Datuk Haji Abdul Aziz does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Datuk Haji Abdul Aziz attended three out of the four Board meetings held during the financial year ended December 31, 2019.

Directors' profiles (continued)

Chan Thian Kiat
Aged 64, Male, Malaysian

Independent Non-Executive Director
Member of the Audit Committee

Mr. Chan Thian Kiat was appointed to the Board of DKSH Holdings (Malaysia) Berhad on August 9, 2017 as an Independent Non-Executive Director and a member of Audit Committee.

He graduated with a Bachelor of Commerce degree from the University of Melbourne, Australia and is a fellow member of Certified Practising Accountant, CPA Australia and an Associate of the Institute of Chartered Secretaries and Administrators.

Mr. Chan held several positions at Bank of America Malaysia Berhad from 1984 to 2001, including five years as Head of Corporate Finance/Marketing from 1997 to 2001. He is currently the Principal Consultant of Corporate Finance Consultancy Services at BA Associates Sdn. Bhd. Mr. Chan sit on the Board of Kellington Group Berhad.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Chan attended all four Board meetings held during the financial year ended December 31, 2019.

Directors' profiles (continued)

Jason Michael Nicholas McLaren
Aged 44, Male, Australian

Non-Independent Executive Director/
Group Finance Director

Mr. Jason Michael Nicholas McLaren was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 26, 2015 as a Non-Independent Non-Executive Director. Mr. McLaren was subsequently re-designated as a Non-Independent Executive Director on April 15, 2015 following his appointment as the Group Finance Director of the Company.

Mr. McLaren graduated with a Master of Commercial Law and Master of Business Administration from Deakin University, Australia and with a Bachelor of Financial Administration and Bachelor of Arts (Political Science) from University of New England, Australia. He is a Certified Practicing Accountant, CPA Australia. Mr. McLaren has more than 18 years of collective international exposure and experience in financial management as country finance director, financial controller, management accountant and financial reporting analyst in diverse industries and several continents. He joined DKSH Singapore in 2011 where his last position was Head of Country Management – DKSH Singapore and Indonesia, Country Finance Director – DKSH Singapore and President Director – DKSH Indonesia, overseeing DKSH's operations in Singapore and Indonesia. Before that, he worked for Fosroc International Limited from 2009 to 2011 as Regional Financial Controller, during which he took on a regional role and had responsibility for all finance related functions in eight countries across Asia.

Mr. McLaren sits on the boards of the various subsidiaries of DKSH Holdings (Malaysia) Berhad.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/ or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. McLaren attended all four Board meetings held during the financial year ended December 31, 2019.

Directors' profiles (continued)

Lian Teng Hai
Aged 66, Male, Malaysian

Non-Independent Non-Executive Director

Mr. Lian Teng Hai was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 26, 2015 as a Non-Independent Executive Director. On November 8, 2018, Mr. Lian was re-designated as the Non-Independent Non-Executive Director of the Company.

Mr. Lian holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom. He retired from DKSH employment in April 2019 as the Senior General Manager, Sales & Client Management, Consumer Goods DKSH Thailand where he was responsible for sustainable growth strategy. Between the period April 2017 to July 2018, Mr. Lian was the Regional Vice President responsible for Consumer Goods in DKSH Vietnam and DKSH Indonesia. Previously, Mr. Lian was the Vice President of Consumer Goods, responsible for the sales, distribution and supply chain of Consumer Goods, telecommunication products and the operation of food retail chain stores. Mr. Lian has more than 40 years of experience in several industries covering industrial products distribution, fast moving consumer goods, printing and photo imaging, timepieces and vehicle fleet management. He previously held various positions within Jasa Kita Engineering Sdn. Bhd., a company involved in the manufacturing, assembling and distribution of electric motors, power tools and other industrial equipment from 1975 to 1988. He joined The East Asiatic Co (M) Berhad in 1988 where his last position was General Manager of Technical Marketing Division and Consumer Product Division in 1992. From 1992 to 1996, Mr. Lian was an Executive Director of Marco Corporation (M) Sdn. Bhd., a company specializing in distribution and chain store retailing of timepieces. In 1996, he was invited by Spanco Sdn. Bhd. to head a privatization project involving vehicle fleet management of saloon vehicles of the Federal Government of Malaysia. Mr. Lian was formerly an Independent Director and Chairman of Audit Committee of Marco Holdings Berhad (2003 to 2011) and GPA Holdings Berhad (2011 to 2013). He is an honorary advisor to the Malaysian Watch Trade Association since 1994.

Mr. Lian sits on the boards of the various subsidiaries of DKSH Holdings (Malaysia) Berhad. Previously, he was the board member of Jasa Kita Berhad. He resigned from the board on Jasa Kita Berhad with effective from May 1, 2018.

Mr. Lian does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Lian attended three out of the four Board meetings held during the financial year ended December 31, 2019.

Key Senior Management's profiles

Key Senior Management's profiles

Jason Michael Nicholas McLaren
Aged 44, Male, Australian

Non-Independent Executive Director/
Group Finance Director

Mr. Jason Michael Nicholas McLaren was appointed as the Group Finance Director of the Company on April 15, 2015.

For details of Mr. McLaren, please refer to page 16 of this Annual Report.

Patrick Stillhart
Aged 47 Male, Swiss

Vice President, FMCG,
Malaysia & Singapore

Mr. Patrick Stillhart was appointed as Vice-President for Fast Moving Consumer Goods of South East Asia on July 1, 2018 and assumed the role of Vice President, FMCG, Malaysia and Singapore on January 1, 2020.

Mr. Stillhart holds a Business Administration MBA from the University of St.Gallen (HSG), Switzerland. Mr. Stillhart brings with him over 20 years of experience in the FMCG industry in Sales, Marketing and General Management in Asia, the Middle East and Europe. He started a professional career with Nestlé in 1998 in Switzerland and moved with Nestlé to the Middle East, Malaysia and Indonesia in roles with increasing responsibility. His recent postings were in Indonesia from 2010-2017, where he led the Coffee and Breakfast Cereal Business Units in Nestlé and he was the regional head of sales for Africa – Middle East – Asia for the Nestle breakfast cereal business, based in Dubai.

Currently, Mr. Stillhart leads the Consumer Goods Division for Malaysia and Singapore.

Mr. Stillhart does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Chew Wen Chin
Aged 42 Male, Malaysian

Vice President, Food Services & Brand Development Asia Pacific

Mr. Chew was appointed as Vice President, Food Services & Brand Development of DKSH Malaysia Sdn. Bhd., a wholly owned subsidiary of DKSH Holdings (Malaysia) Berhad on September 1, 2019.

Mr. Chew holds a Bachelor of Arts (Business Administration) from Ottawa University, United States. Mr. Chew brings with him over 20 years of experience in the FMCG industry in sales and marketing with the last eight years in general management.

Prior to joining DKSH, Mr. Chew worked for DKSH Market Expansion Services Sdn. Bhd. (formerly known as Auric Marketing Sdn. Bhd.) ("Auric"), as the Chief Executive Officer which includes the distribution business and the manufacturing facilities. Before his time at Auric, Mr. Chew held various business roles including Trade Marketing Representative with British American Tobacco, Area Sales Executive with Sara Lee Malaysia, National Sales Manager with SCA Hygiene Sdn. Bhd., Senior Channel Manager with Philips Lighting Sdn. Bhd., General Manager of DKSH and Managing Director of Oji Household Product Sdn. Bhd..

Currently, Mr. Chew is responsible for leading the operations of Food Services for Malaysia, Singapore and Hong Kong as well as developing the strategy and strengthening our position of our Own Brands in the region.

Mr. Chew does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Lee Yoong Hwa
Aged 48, Male, Malaysian

Vice President, Healthcare

Mr. Lee was appointed as Vice President, Healthcare of DKSH Malaysia Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on January 1, 2020.

Mr. Lee holds a Master of Business Administration from Multimedia University, Malaysia and Bachelor of Business from Monash University, Australia. Mr. Lee brings with him 23 years of commercial experience in the healthcare industry with the last eleven years in general management.

Prior to joining DKSH, Mr. Lee worked for Merck Consumer Health, initially as the General Manager Malaysia before then taking on the additional General Manager responsibilities of Vietnam and then Singapore. Before his time at Merck Consumer Health, Mr. Lee has held various business roles including Senior Marketing Executive with Diethelm and Merck, Sales Executive with Sime Darby Berhad and Auditor with Price Waterhouse Coopers.

Currently, Mr. Lee is responsible for developing the strategy, leading the operations and strengthening our position as the leading Market Expansion Services provider for Business Unit Healthcare in Malaysia.

Mr. Lee does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Victor Liew Wai Tuck
Aged 45, Male, Malaysian

Director, Performance Materials, Indonesia, Malaysia & Singapore,

Mr. Victor Liew Wai Tuck joined DKSH Malaysia Sdn. Bhd. on July 1, 2015 and was appointed as Director, Business Unit Performance Material of PT. DKSH Indonesia on October 16, 2015. On October 1, 2018, he was appointed to the key senior management as his role was expanded to also cover the operations in Malaysia and Singapore.

He studied Printing Management in London College of Printing and graduated in 1995. Mr. Liew has 22 years' experience in Business Development and 18 years of management with Regional Business Development and Operations in Malaysia, Vietnam and Indonesia.

Prior joining DKSH Malaysia, he was the Country General Manager for PT. Mega Kemiraya Indonesia, a wholly-owned subsidiary of MegaChem Singapore Limited. From 2008 to 2015, he was in charge of business growth and EBIT for Specialty Chemicals distribution in Indonesia. From 2000 to 2008, he was the Assistant General Manager, Member of the Board of Management and also the Executive officer for Texchem-Pack Vietnam and Eye Graphic Vietnam, both companies are previously wholly-owned subsidiary of Texchem-Pack Holding Singapore Limited.

He instrumentally set up both packaging manufacturing companies in Vietnam and grew the business from South to North of Vietnam. From 1997 to 2000, he was the Area Sales Manager for Heidelberg Malaysia Sdn. Bhd., (formerly known as EAC Graphics Division) being responsible to drive sales on Kodak Polychrome Graphics materials to the Malaysian market and working together with a sales team stationed throughout Malaysia. From 1996 to 1997, he was the Technical Sales Executive, under the Graphic Arts Division for Eastman Kodak Malaysia Sdn. Bhd. He was responsible for overseeing the total Sales and Marketing for Malaysia. He manages the Key Distributor Channels and work directly with key big customers. In mid 1997, Heidelberg Asia has been appointed by Eastman Kodak to become the Exclusive Distributor for Kodak Graphic Arts Materials. He has successfully and smoothly transferred the whole Eastman Kodak Graphic Arts Division in Eastman Kodak Malaysia to Heidelberg Malaysia Sdn. Bhd. (formerly known as EAC Graphics Division). During that time, he has opted to follow the Eastman Kodak Graphic Arts Division to Heidelberg Malaysia Sdn. Bhd.

Currently, Mr. Liew leads the Business Unit Performance Material for Indonesia, Malaysia and Singapore. The business serves industries such as Specialty Chemicals, Food and Beverage, Personal Care and Pharmaceutical.

Mr. Liew does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Ooi Eng Keong
Aged 40, Male, Malaysian

Director, The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.

Mr. Ooi was appointed as Director for The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on January 2, 2018.

Mr. Ooi graduated with a double majors in Business Studies & Marketing from Middlesex University, London, UK and a distinction in Master of Business Administration from Cardiff Metropolitan University, Wales.

Mr. Ooi has over 18 years' experience in both FMCG and non-FMCG industry with multi organizational functions (Marketing, Sales & General Management), multi-channel (Modern Trade, Traditional Trade & On premise), multi business model (Beverage Franchise, Distributor & Brand Franchise) and multi industry (Food, Beverage & Non-Food) exposure in organizations such as URC Snack Foods, Reckitt Benckiser, PepsiCo International and Texchem Resources Berhad.

Currently, Mr. Ooi is responsible for driving growth and profitability of Famous Amos, Malaysia and Brunei, as well as the expansion of the brand into new markets in the South East Asia region. He leads the development and execution of business strategies, goals and implementation of revenue generation initiatives.

Mr. Ooi does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Loke Kah Keong
Aged 50, Male, Malaysian

Vice President, Supply Chain Management, Malaysia

Mr. Loke Kah Keong was appointed as the Vice President, Supply Chain Management of DKSH Malaysia Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on January 16, 2019. He was also appointed to the key senior management on January 16, 2019.

He holds a B. Sc (Business Administration), Hawaii Pacific University, United States and a Master of Business Administration from the Heriot-Watt University, United Kingdom.

He joined DKSH in 2003 as Country Logistics Manager, in Vietnam. In 2009, he moved to DKSH Malaysia as General Manager, Supply Chain Management, Consumer Goods. In 2014, he was posted to DKSH Taiwan as General Manager, Supply Chain Management, Consumer Goods before assuming the role of General Manager, Transformation, Supply Chain Management in 2017 based in Bangkok, managing projects in Hong Kong, Indonesia and Malaysia.

Mr. Loke brings with him 23 years of experience in supply chain management and logistics. Before joining DKSH, he held various positions with LF Logistics Malaysia, 3A Pharmaceutical Ltd Vietnam, PIL Logistics (Malaysia) and Diperdana Holdings, Malaysia.

Currently, Mr. Loke leads the local Supply Chain Management team and is responsible for the Supply Chain Management strategy implementation and operations in Malaysia.

Mr. Loke does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Lam Ah Fah, Doreen
Aged 58, Female, Malaysian

Senior Director, Regional IT, South Asia, Australia & New Zealand

Ms. Lam Ah Fah, Doreen was appointed as Senior Director, Regional IT, South Asia, Australia and New Zealand of DKSH Corporate Shared Services Center Sdn. Bhd. ("CSSC"), a wholly owned subsidiary of DKSH Holding Ltd on January 1, 2017.

She graduated with a Bachelor of Science with First Class Honours, majoring in Computer Science from University Science Malaysia, Penang. Ms. Lam has more than 25 years of working experience in Information Technology. Prior to joining DKSH, she was the IT Manager of EAC Marketing Sdn. Bhd., in charge of the overall IT operations for the FMCG business. From 2011 to 2014, she held the role of the General Manager of Country IT Malaysia. She was transferred to our IT shared services centre on April 2014 and led the Group IT Services division, in providing IT Service Management (ITSM) and application support for the DKSH group.

In addition to her regional role, Ms. Lam leads Country IT, Malaysia since December 1, 2017. In her expanded role, she oversees the execution of all IT functions for Malaysia. Most recently, with the acquisition of Wicaksana in Indonesia and Auric in Malaysia and Singapore, Ms. Lam together with CSSC had successfully integrated their IT systems to SAP Pegasus and other DKSH global solutions.

Ms. Lam does not hold any directorship in any public companies and listed issuers. She does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Jeffrey Vincent Ng Hoong Hong
Aged 58, Male, Malaysian

Senior Director, Country Human Resources

Mr. Jeffrey Ng was appointed as Senior Director, Country Human Resources of DKSH Malaysia Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on October 1, 2019.

Mr. Ng holds a Master of Science in Human Resources Development from Universiti Putra Malaysia and a Bachelor of Social Science from Universiti Sains Malaysia. Mr. Ng brings with him over 33 years of human capital management and consulting experiences having served Multinational cutting across several industries from food services, manufacturing, consulting and FMCG.

His current appointment at DKSH Malaysia is Mr. Ng's second stint as he was also the Director of Human Resources of DKSH Malaysia from 2011-2012. He has 18 years of experience in human resources line operations management; strategic human capital management, mergers and acquisition; organization change and restructuring; serving McDonald's, Pizza Hut, F&N Dairies, Sime Darby Berhad and DKSH Malaysia. Additionally, he has 15 years of human capital consulting and management experiences with Accenture and Hewitt Associates; and most recently in his own consulting practice before relinquishing such roles to re-join the company in 2019.

Currently, Mr. Ng is responsible for overall human resources management functions for DKSH Malaysia.

Mr. Ng does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year 2019.

Key Senior Management's profiles (continued)

Andre' Chai P'o-Lieng
Aged 59, Male, Malaysian

Senior Legal Counsel

Mr. Andre' Chai P'o-Lieng was appointed as Head of the Legal Department of DKSH Malaysia Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on January 14, 1994. His current designation is Senior Legal Counsel and he was appointed to the key senior management on June 24, 2016.

He graduated with a Bachelor of Laws degree and a Bachelor of Economics degree from the Australian National University, Australia in 1982 and 1984 respectively. He has more than 25 years of working experience as in the legal field. He is an Associate Member of the Malaysian Institute Chartered Secretaries and Administrators (MAICSA).

Prior to joining DKSH Malaysia Sdn. Bhd., he was in private practice with a legal firm from January 1993 to December 1993. Before that, he was an Executive with merchant bank from 1991 to 1992 and an Executive with a commercial bank from 1989 to 1991. He was also in practice in a legal firm from 1986 to 1989.

Mr. Chai overseas the legal matters of the Company.

Mr. Chai does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Corporate structure

DKSH

DKSH Holdings (Malaysia) Berhad

- 100% DKSH Malaysia Sdn. Bhd.
  - 100% DKSH Management Malaysia Sdn. Bhd.
- 100% DKSH Logistics Services Sdn. Bhd.*
- 100% The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.
  - 100% FACC (B) Sdn. Bhd.
- 100% DKSH Food Services (M) Sdn. Bhd. (formerly known as Auric Pacific (M) Sdn. Bhd.)
  - 100% DKSH Market Expansion Services Sdn. Bhd. (formerly known as Auric Marketing Sdn. Bhd.)
  - 100% DKSH Manufacturing Sdn. Bhd. (formerly known as Auric Pacific Food Processing Sdn. Bhd.)
- 100% DKSH Central Services Malaysia Sdn. Bhd.
- 100% DKSH Marketing Services Sdn. Bhd.*
- 100% DKSH Distribution Malaysia Sdn. Bhd.
  - 100% DKSH (B) Sdn. Bhd.

* In liquidation

Corporate governance overview statement

DKSH's Board of Directors has committed itself to maintaining the highest standards of integrity and transparency in its governance.

Corporate governance overview statement

The Board of Directors of the Company ("the Board") believes that good corporate governance and sustainable business performance are intertwined. The Board is committed to upholding high standards of integrity and transparency in its governance and ensuring comprehensive application of the Principles and Recommended Practices set out in the Malaysian Code on Corporate Governance ("MCCG"). In this process, the Board and Management are furthermore supported by the initiatives of the international DKSH Group of Switzerland ("DKSH Switzerland").

The Board is pleased to report on the application of the Recommended Practices of the MCCG to shareholders on the Group's corporate governance practices during the financial year ended December 31, 2019 in accordance with the MCCG and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

This statement is to be read together with the Corporate Governance Report 2019 ("CG Report") of the Company. The application of each Practice set out in the MCCG during the financial year ended December 31, 2019 is disclosed under DKSH Malaysia' Corporate Governance Report published on the Company's website:

http://www.dksh.com/my-en/home/investors/announcements

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(1) Board responsibilities

Roles and responsibilities of the Board

The Board has overall responsibility for the Company's strategic planning and direction, and for overseeing the conduct of the Company's business, corporate governance, investor relations, risks management practices and internal controls.

The Board has adopted a Board Charter which formalizes clear roles and responsibilities for the discharge of the Board's fiduciary and leadership functions. The Board Charter is subject to review by the Board as necessary to determine its adequacy for current circumstances, the Company's policies and applicable rules and regulations and is available on the Company's website at www.dksh.com.my

In executing its responsibilities, the Board has established dedicated committees and functions, and conducts respective performance reviews. Notwithstanding the delegation of specific authority to the Board Committees, the Board remains responsible for its fiduciary duties. The Board also ensures that the senior management is of sufficient calibre to implement the Board's strategies and corporate objectives and promote sustainability, taking into account the interest of various stakeholders.

As the Company is majority-owned by DKSH Switzerland, it practices a world-wide executive management program covering talent life cycle management, including appointing, professional learning and development, fixing the performance-orientated compensation program of senior management and where appropriate, cross-border assignments.

The Board also establishes a corporate culture which ensures that ethical conduct is permeated throughout the Company. The Company's Code of Conduct complimented by Group Policies and Guidelines, clearly express the Company's expectations as an employer and provides detailed guidance to employees on expected business and ethical behaviour. The Code of Conduct includes an internal reporting process for events of non-compliance and is available on the Company's website at www.dksh.com.my

As at the date of this statement, the Board has adopted a Whistleblower Policy and Procedures and published it on the Company's website at www.dksh.com.my, in line with the impending new requirement under the Section 15.29 of the Main Market Listing Requirements and guided by Guidance 3.2 of the Malaysian Code on Corporate Governance (MCCG) and T.R.U.S.T. principles of Guidelines on Adequate Procedures.

This Policy shall also similarly apply to any vendors, partners, associates or any individuals, including the general public, in the performance of their assignment or conducting the business for or on behalf of the Group.

Board balance and effectiveness

The Board collectively has a broad range of qualifications, the right mix of skills, experience and knowledge relevant to effectively direct and supervise the Company's business activities and ensure that the interests of all stakeholders are adequately protected.

The Independent Directors provide an effective check and balance in the functioning of the Board. Their presence is essential in providing unbiased, objective and impartial opinion, advice and judgment to the Board deliberations, mitigating risks of any possible conflict of interest or undue influence from interested parties.

The Independent and Non-Executive Directors play key roles in the Board Committees, namely Audit and Nominating Committees in shaping, contributing ideas and assisting the Board in making informed decisions towards the development and strengthening of the governance structures of the Company. None of the Non-Executive Directors participate in the day-to-day management of the Group, allowing them to bring impartial and objective participation at Board or Board Committee deliberations and decision making.

There is a distinct division of roles and responsibilities of the Chairman of the Board and the Group Finance Director. The Chairman of the Board is an Non-Independent Non-Executive Director who provides leadership at Board level and is responsible for encouraging overall Board and individual Directors effectiveness, drawing their respective knowledge, strength, experience and skills. The Group Finance Director, who is also a Non-Independent Executive Director, bears overall

Corporate governance overview statement (continued)

responsibilities for the Group's operational and business units organization effectiveness and ensuring that the strategies, policies and matters approved by the Board are effectively implemented.

The Group Finance Director, assisted by the Management team, is responsible for the management of the Group's business and also functions as the intermediary between the Board and Management.

Board meetings and supply of Board information

The Board meets at least four (4) times a year, with additional meetings convened on an ad-hoc basis as and when decisions on urgent matters are required between scheduled meetings. The meetings of the Board and Board Committees are scheduled in advance of the calendar year and an annual Schedule of Meetings is circulated to allow Directors to plan ahead.

The Directors have demonstrated their time commitment towards fulfilling their roles and responsibilities as Directors of the Company and all Directors have complied with the minimum requirement on attendance at Board meetings as provided in the Listing Requirements. During 2019, four Board meetings were held and the attendance of each Director thereat is set out in the table below.

The Board: Composition and attendance at the Board meetings held in 2019

Directors	Designation	No. of meetings attended
Stephen John Ferraby	Non-Independent Non-Executive Chairman	4/4
Lee Chong Kwee	Senior Independent Non-Executive Director	4/4
Datuk Haji Abdul Aziz bin Ismail	Independent Non-Executive Director	3/4
Chan Thian Kiat	Independent Non-Executive Director	4/4
Jason Michael Nicholas McLaren	Non-Independent Executive Director/ Group Finance Director	4/4
Lian Teng Hai	Non-Independent Non-Executive Director	3/4

The Board recognizes the importance of being fully informed on material matters that may have an impact on the Company and/or the Group. The fact that the Group Finance Director is also a Board member, supports a regular flow of information between the Board and Management.

Matters specifically reserved for the Board's decision, including quarterly interim financial results, are forwarded to its members prior to the meetings. Comprehensive meeting papers comprising matters arising, findings/updates, results, presentations, recommendations and any other relevant information are prepared and circulated in advance to enable the Board to make considerations, deliberations and decisions. The Board is given sufficient time to evaluate reports and proposals and if necessary, request additional information to enable the Board to make informed and effective decisions. Where necessary, members of the Management team are invited to attend Board or Board Committee meetings to report and update on specific items on the agenda to enable the Board/ Board Committee members to arrive at an informed decision.

Minutes of the Board Meetings have been accurately recorded by the Company Secretaries to reflect the deliberations, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities.

The Chairman of the Board and Board Committees ensure that all its members are given ample opportunity to express their views and opinions during meetings. Directors are encouraged to share their views and insights in the course of deliberations and to partake in discussions. Discussions, decisions and conclusions are duly recorded in the minutes of meetings, which are circulated to Board members and subsequently confirmed by the Chairman of the meeting.

The Chairman of the respective Board Committee informs the Directors at Board meetings of any salient matters raised at the respective Board Committee meetings which require the Board's notice, direction or approval.

There are no restrictions for Directors, individually or collectively, to obtain independent professional advice at the

Corporate governance overview statement (continued)

Company's expense in furtherance of their duties, as and when the need arises. The Board also has access to information on the affairs the Group which allows it to oversee the Company's business affairs and performance and has access to the advice and services of senior management and the Company Secretaries.

Support of Company Secretaries
The Board has direct access to the advice and services of the Companies Secretaries who support the Board in carrying out its roles and responsibilities. The Company Secretaries play an advisory role to the Board and facilitate overall compliance with the relevant requirements, codes or guidance and legislations including communication of key decisions and recommendations between the Board, Board Committees and Management. They also ensure statutory records of the Company are properly maintained and relevant disclosures, submissions and filings are made in a timely fashion to the regulators on behalf of the Company and the Board.

The Board is regularly updated and appraised of the latest developments in the legislation and regulatory framework affecting the Group.

In compliance with Practice 1.4 of the MCCG, the Board is supported by Company Secretary as follows:
- Andre' Chai P'o-Lieng, ACIS
- Lwee Wen Ling, FCIS

Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and are qualified to act as Company Secretary under Section 235(2) and Section 241 of the Act. For FY 2019, the Company Secretaries have attended the relevant continuous professional development program as required by Companies Commission of Malaysia for practicing Company Secretaries.

As at the date of this statement, both the Company Secretaries have registered with Companies Commission of Malaysia to act as Company Secretaries with the Registrar.

(2) Board composition

Board composition and size
For FY 2019, the Board consists of six (6) members: one (1) Non-Independent Non-Executive Chairman, three (3) Independent Non-Executive, thereof one Senior Independent Non-Executive Directors, one (1) Non-Independent Executive Director, who is also the Group Finance Director and one (1) Non-Independent Non-Executive Director. Therefore, the prescribed requirement for one third of the membership of the Board to be independent Board members is fulfilled. This also applies to Practice 4.1 of the MCCG where at least half of the Board comprises independent directors.

The Board composition and size are periodically assessed by the Board through the Nominating Committee for appropriateness to meet the current and future needs of the Company. The Independent Directors who constitute more than one-third of the composition of the Board, provide a check and balance in the functioning of the Board and enhance its effectiveness. All members of the Board have extensive professional background, bringing with them vast experience and knowledge. The profiles of the members of the Board are set out on pages 12 to 17 of this Annual Report.

Board Committees
The Board has delegated specific responsibilities to two Board Committees, namely the Nominating Committee and Audit Committee, each with clearly defined functions and terms of reference. These Committees assist the Board in making informed decisions through focused and in-depth deliberations on issues within their respective purview. The Committees report to the Board on the matters considered and their recommendation thereon. The final decision on all matters, however, lies with the Board after considering recommendations by the Committees except to the extent that certain matters are delegated by the Board to the said Committees.

Nominating Committee
For FY 2019, the Nominating Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Chairman as follows:

The Nominating Committee: Composition and attendance at the Nominating Committee meeting held in 2019

Directors	Designation	No. of meetings attended
Lee Chong Kwee	Chairman	1/1
Stephen John Ferraby	Member	1/1
Datuk Haji Abdul Aziz bin Ismail	Member	1/1

Corporate governance overview statement (continued)

Duties and responsibilities of the Nominating Committee are set out in its terms of reference approved by the Board which are available on the Company's website.

For FY 2019, the Nominating Committee met once during the year under review with full attendance of its members. Details of the activities undertaken by the Nominating Committee in discharging its duties during 2019 are set out as below:

(i) Reviewed the skills and competencies of the Board of Directors;
(ii) Assessed the size and composition of the Board and Committees;
(iii) Reviewed the attendance of the Board Members at Board and Board Committees Meetings;
(iv) Assessment of the training needs of Board Members through the assessment of individual Directors;
(v) Evaluated the eligibility of the retiring Directors by rotation to stand for re-election at the Annual General Meeting held in 2019. Criteria used in this assessment are guided by the Bursa Securities's Corporate Governance Guide;
(vi) Conducted online assessment of the Board, Board Committees, Individual Directors and the independence of Independent Directors. Criteria used in these assessments are guided by the Bursa Securities's Corporate Governance Guide after taking into consideration the current and future needs of the Company; and
(vii) Conducted the online assessment of the Audit Committee Member's Self and Peers

The annual assessment of each individual Director enables the Board to ensure that each of the Board members including the Group Finance Director has the character, experience, integrity, competence and time to effectively discharge the respective role.

The Nominating Committee was satisfied that the Board has the right size and the Board composition is well balanced having considered the appropriate mix of skills, experience, strength and independence and the diversity required to meet the current and future needs of the Company.

Appointment to the Board

The Nominating Committee is responsible for the nomination and election process and for making recommendations to the Board for appointment of new Directors. The Board, after reviewing recommendations of the Nominating Committee, evaluates the suitability of an individual to be appointed.

The Board sets out expectations on the character, knowledge, experience, integrity, competence and time commitment for its members and protocols when assessing new appointments. As recommended by the Nominating Committee, a Board Diversity Policy was adopted by the Board in 2015, taking into account the provisions under the Code of Conduct. The Policy articulates the diversity attributes and needs of the Board and the approach it would take to address such needs and in the process strengthen its composition. The Policy plays an integral role in the selection of candidates for Board membership. Whilst the Board recognises and embraces the benefits of Board diversity, the Board believes in providing equal opportunities to all based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole.

In February 2018, a board matrix detailing the qualifications, skills, experience and areas of expertise was developed and used as reference for the Board analyse the composition and requirements of the Board.

Re-election/Election of Directors

In line with the Listing Requirements, all Directors of the Company shall retire from office at least once every three (3) years whilst pursuant to the Company's Constitution, one third of the Directors will retire by rotation at the Annual General Meeting ("AGM") of the Company. A retiring Director shall be eligible to offer himself for re-election subject to shareholders' approval.

Pursuant to Article 105 of the Constitution of the Company, Stephen John Ferraby and Jason Michael Nicholas McLaren are due for retirement at the forthcoming 28th AGM. Being eligible, both have expressed their intention to seek re-election at the forthcoming 28th AGM.

The Board is satisfied that the retiring Directors will continue to bring their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions. In February 2020, the Board approved the recommendation of the Nominating Committee that both retiring Directors are eligible for re-election at the forthcoming 28th AGM.

The profiles of the retiring Directors standing for re-election at the forthcoming AGM of the Company, are set out on pages 12 and 16 of this Annual Report.

Board assessment

The Nominating Committee is responsible to conduct an annual assessment on the effectiveness of the Board, Board Committees, as well as the performance of individual Directors and his independence where applicable. The assessment aims at ensuring the Board members, individually and collectively, work efficiently and effectively in achieving their responsibilities as set out in the Board Charter or the respective terms of reference of the Board Committees.

The assessment of the Board was structured to ensure a balanced and objective review by the Directors in key areas. The internally developed criteria used in the assessment

Corporate governance overview statement (continued)

are guided by the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities") and customized to meet the expectations of the Board and the Company. Where appropriate, the Nominating Committee will review the assessment criteria.

The assessment questionnaires are designed using rating scales to assist the evaluation process. All Board members completed the assessment questionnaires by way of online assessment and on a confidential basis. The Directors' responses are collated and a comprehensive summary of the findings and recommendations is submitted to the Nominating Committee for evaluation, after which, the findings and recommendations are escalated to the Board for its consideration and proposed actions based on the Nominating Committee's recommendations. All Directors' responses from the annual assessment conducted were formally and properly documented. The results of the assessment indicated that the performance of the Board, the Board Committees and the individual Directors during the review period had been good and therefore, they had been effective in their overall discharge of functions and duties. It was also indicated from the results that there was no apparent weaknesses/shortcoming identified that warrants specific action plan to address the same.

Independence of Directors

Practice 4.2 of the MCCG sets out that the tenure of an Independent Director should not exceed a cumulative term of nine years, and if an Independent Director continues to serve on the Board upon completion of the nine years, he is subject to be re-designated as a Non-Independent Director. The MCCG also recommends that the Board must justify and seek shareholders' approval in the event it retains an Independent Director who has served in that capacity for more than nine years without re-designation as a Non-Independent Director. If the Board continues to retain an independent director after the twelfth year of his appointment, the Board shall seek the approval of the shareholders through a two-tier voting process on an annual basis.

For FY 2019 and up to the date of this Statement, the Board noted that none of its Board members have attained more than nine years of service as Independent Directors.

The Board noted that the Independent Directors have executed a declaration letter confirming their independence pursuant to relevant Main Listing Requirements of Bursa Securities. Based on the outcome of the abovementioned assessments, the Board is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company.

The Board, taking into account the assessment conducted by the Nominating Committee, reviews the independence of all Independent Directors annually. The Nominating Committee adopts the assessment criteria provided in the Bursa Securities's Corporate Governance Guide. Further, an annual confirmation of independence is obtained from the respective Independent Directors affirming that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgement or the ability to act in the best interests of the Group as prescribed in the Listing Requirements.

For the year under review, the Nominating Committee and the Board had, after evaluating the aforesaid annual assessment and considering the annual declaration made by Independent Directors, concluded that all Independent Directors of the Company had satisfied the criteria for independence as prescribed in the Listing Requirements. The Board is also satisfied with the level of independence demonstrated by these Directors in the management, and objective in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

Directors' training

All Directors are aware of the continuing education program requirement pursuant to the Listing Requirements. All Directors have attended and completed the Directors' Mandatory Accreditation Program ("MAP") as prescribed by the Bursa Securities.

The Board evaluates and determines the training needs of the Directors on a continuous basis and ensures its members have access to appropriate continuing education programs to enhance their business acumen and professionalism in discharging their duties. The Directors devote sufficient time to regularly expand their knowledge and enhance their skills to enable them to actively participate and contribute in their deliberations, discussions and decisions at Board and Board Committee levels. The Board is also kept informed of the requirements and updates issued by Bursa Securities and other regulatory authorities.

During the financial year under review, all Directors attended a number of training and seminar programs covering topics on finance, governance, corporate and global business and industry developments, which they have individually or collectively considered as relevant in the discharge of their duties as Directors of the Company.

The Company Secretaries facilitate the organization of internal training programs and Directors' attendance at external programs including keeping Directors informed of relevant external programs. A complete record of all internal and external programs attended by the Directors are kept and maintained by the Company Secretaries.

Corporate governance overview statement (continued)

Details of internal and external training programs, seminars, briefings etc attended by the Directors in 2019:

Name of Directors	Description of Training Programs, Seminars, Briefings etc
Stephen John Ferraby	• Shearn Delamore & Co. – Anti-Bribery Law in Malaysia and its Enforcement
Lee Chong Kwee	• Singapore Institute of Directors – Financial Reporting: Fraud in China • Temasek – 6th Temasek Cybersecurity Engagement Forum • Singapore Institute of Directors – ACRA-SGX-SID – Audit Committee Seminar 2019 • Singapore Institute of Directors – CTP 4 – Blockchain for Directors • Shearn Delamore & Co. – Anti-Bribery Law in Malaysia and its Enforcement • Singapore Institute of Directors – CGR – Annual Corporate Governance Roundup • Human Capital Leadership Institute (Temasek) – Directors-in-Dialogue Forum: The Future World for Boards • Center for Creative Leadership, Singapore – BOLD 3.0: Future-Fluent Board Leadership in Asia • Singapore Institute of Directors – S&C – SID Directors Conference 2019
Datuk Haji Abdul Aziz bin Ismail	• Malaysian Institute of Integrity (IIM) & Malaysian Anti-Corruption Agency (MACC) – NACP and Corporate Liability Provision Sessions • Shearn Delamore & Co. – Anti-Bribery Law in Malaysia and its Enforcement • Securities Commission – Invitation to the Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees • Bursa Securities – Leadership greatness in turbulence times – building corporate longevity
Chan Thian Kiat	• Malaysia Institute of Accountants (MIA) – MFRS Conference 2019 "Applications in Your Practice" • Bursa Securities – Cyber Security in the Boardroom – Accelerating from Acceptance to Action • Malaysian Institute of Integrity (IIM) & Malaysian Anti-Corruption Agency (MACC) – NACP and Corporate Liability Provision Sessions • Malaysian Institute of Accountants (MIA) – MIA's Engagement Session with Audit Committee Members on Integrated Reporting • Audit Committee Institute Malaysia – Audit Committee Institute Breakfast Roundtable 2019 • KPMG – ACI Breakfast Roundtable 2019 • Shearn Delamore & Co. – Anti-Bribery Law in Malaysia and its Enforcement • Bursa Securities – Leadership greatness in turbulence times – building corporate longevity • Bursa Securities – Bursa Malaysia's Thought Leadership: The Convergence of Digitization and Sustainability
Jason Michael Nicholas McLaren	• Malaysia Institute of Accountants (MIA) – CFO Conference 2019 – Leading in the Digital Age • Bursa Securities – Cyber Security in the Boardroom – Accelerating from Acceptance to Action • Bursa Malaysia & SC – Session on CG & Anti-Corruption
Lian Teng Hai	• Securities Commission – Sustainability Inspired Innovations – Enablers of the 21st Century • Shearn Delamore & Co. – Anti-Bribery Law in Malaysia and its Enforcement

Corporate governance overview statement (continued)

(3) Remuneration

Directors' remuneration

The determination of the remuneration of the Directors is a matter of the Board as a whole. The remuneration payable to Non-Executive Directors who are not employed by the DKSH Group of Companies is proposed by the Board and is subject to shareholders' approval at the Annual General Meeting of the Company. The remuneration shall be commensurate with the experience, expertise and responsibilities undertaken and role played by the individual Director concerned.

In February 2020, the Board set up a Remuneration Committee by way of merging with Nominating Committee. This aims to improve its efficiency and effectiveness in discharging the Board's duties.

As the Company is majority-owned by DKSH Switzerland, the remuneration of the Executive Directors is based on DKSH Switzerland's own world-wide remuneration policy and procedures which are set in line with international standards. The Executive Directors' remuneration is established by evaluating the scope of their functions within the context of the Malaysian market, and the responsibilities and skills required to perform their roles successfully subject to the annual internal performance review.

In addition, the remuneration of the Executive Directors is also directly linked to the achievement of actual financial results and financial key performance indicators of the Group.

Details of Directors remuneration (both Executive and Non-Executive) is shown under Note 6 of the Company's audited financial statements for the financial year ended December 31, 2019 on pages 98 to 99 of this Annual Report.

For financial year ended December 31, 2019 the disclosure of the remuneration for the Directors are as follows:

Group

	Executive Director (RM'000)	Non-Executive Director (RM'000)	Total (RM'000)
Fees	–	213	213
Salaries	723	–	723
Bonuses	342	–	342
Benefits-in-kind	–	–	–
Others	482	–	482

Note: Others include Employees Provident Fund ("EPF")

	Number of Directors	
Directors' Remuneration	**Executive Director**	**Non-Executive Director**
RM50,000 and below	–	3
RM50,001 - RM100,000	–	1
RM100,001 - RM150,000	–	–
RM1,500,001- RM1,550,000	1	–

Corporate governance overview statement (continued)

Company

	Executive Director (RM'000)	Non-Executive Director (RM'000)	Total (RM'000)
Fees	–	213	213
Salaries	–	–	–
Bonuses	–	–	–
Benefits-in-kind	–	–	–
Others	–	–	–

Note: Others include Employees Provident Fund ("EPF")

	Number of Directors	
Directors' Remuneration	**Executive Director**	**Non-Executive Director**
RM50,000 and below	–	3
RM50,001 - RM100,000	–	1
RM100,001 - RM150,000	–	–
RM1,450,001 - RM1,500,000	–	–

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(1) Audit Committee

Audit Committee of the Company

The Audit Committee of the Company was established by the Board in September 1994 and comprises solely of Independent Non-Executive Directors.

As at the date of this Statement, the Chairman of the Audit Committee is Mr. Lee Chong Kwee, Senior Independent Non-Executive Director, while Datuk Haji Abdul Aziz bin Ismail and Chan Thian Kiat are the members of the Audit Committee.

The Audit Committee has met the requirements of Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the requisite qualification prescribed by Bursa Malaysia Securities Berhad on Audit Committee.

The Audit Committee engages on a continuous basis with the senior management of the Company, as well as the internal and external auditors.

Practice 8.2 of the MCCG required the Audit Committee to have a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. The Terms of Reference of the Audit Committee has been updated accordingly in order for the AC to formalize such policy.

During 2019, the Audit Committee met four (4) times. Details of the activities undertaken by the Audit Committee during the financial year under review and the summary of duties and responsibilities as outlined in the Audit Committee's approved by the Board are set out in the Audit Committee Report on pages 54 and 56 of this Annual Report. The terms of reference of the Audit Committee are available on the Company's website at www.dksh.com.my

Financial reporting

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of the affairs of the Company and the Group.

The Board, assisted by the Audit Committee, oversees the Group's financial reporting process, compliance with applicable

Corporate governance overview statement (continued)

accounting standards and the quality of its financial reporting. Based on the Audit Committee's recommendation, the Board approves the quarterly and annual financial statements of the Group for disclosure to the shareholders and the regulatory authorities.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements for the year ended 2019 is set out on page 59 of this Annual Report.

Relationship with the Auditors
Through the Audit Committee, the Board maintains a formal and professional relationship with the internal and external auditors and ensures the Company has transparent procedures with the auditors in line with the auditors' professional requirements. The role of the Audit Committee in relation to both auditors is described in the terms of reference of the Audit Committee which is available on the Company's website.

The Audit Committee reviews and discusses with the external auditors any issues arising from the interim and final audits, audit plans, audit findings and other matters of concern. The Audit Committee members meet with the external auditors at least twice a year without the presence of the Executive Directors and Management.

For the financial year under review, the external auditors confirmed that they are and have been independent throughout the conduct of the audit engagement. The Audit Committee makes its own annual assessment of their suitability and independence in connection with the recommendation to retaining them as auditors and also ensures that provisions of other non-audit services rendered by them is not in conflict with their audit function.

The Audit Committee is satisfied that the objectivity and independence of the external auditors are not in any way impaired by reasons of the non-audit services provided to the Group.

(2) Risk Management and Internal Control Framework

Risk management and internal controls
The Board maintains a sound risk management framework and internal control system to safeguard shareholders' investment and the Group's assets. The Board recognises its overall responsibility for the Group's internal control system and its effectiveness including reviewing its adequacy and integrity. The internal and external auditors support the Board in exercising its supervisory and control functions.

Mindful of its duties in terms of identification of principal risks as well as the need to institute risk management and internal control measures, the Board has adopted an Enterprise Risk Management ("ERM") Framework to manage its risk and opportunities. A management committee known as ERM Committee, which reports directly to the Country Management Team ("CMT") and subsequently to Audit Committee ("AC"), was established by the Board in February 2020 with the primary responsibility of ensuring the effective functioning of the adopted ERM Framework. The Group adopts a balanced and pragmatic risk management approach in achieving its objectives. An overview of the state of risk management and internal controls of the Group is set out in the Statement on Risk Management and Internal Control on pages 51 to 53 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(1) Communication with Stakeholders

Shareholder communication and investor relations
The Company acknowledges the need for shareholders to be informed of all material business matters affecting the Company. The Company observes a corporate disclosure policy in accordance with Bursa Securities's Corporate Disclosure Guide and has in place appropriate corporate communications policies and procedures when liaising with shareholders and investors to ensure dissemination of information that is factual, accurate and clear in a timely manner.

The Company actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on the Company's website and engagement through the investor relations activities. In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders and the investing public with an overview of the Group's performance and operations. Shareholders and the investing public may also obtain the up-to-date information and activities of the Company and/or the Group, corporate announcements, quarterly results and annual reports by accessing the Company's website at www.dksh.com.my. The Company maintains and ensures that its website is current, informative and contains information relevant to all shareholders.

The Company believes that the AGM is the principal platform of communication with shareholders of the Company for better appreciation of the Company's objectives and challenges. The Board encourages shareholders' participation during question and answer sessions at the AGM and provides sufficient opportunity for shareholders to communicate their expectations and concerns. The external auditors are invited to the meeting to provide their professional and independent view to shareholders on the conduct of the statutory audit and the preparation and content of their audit report, if required.

The Group's Investor Relations function plays an important role in providing proactive engagements and communication with shareholders and investors. The Company conducts regular investor relations meetings post announcement of results

Corporate governance overview statement (continued)

and welcomes the visit of investors for dialogue or discussions on the performance of the Group. The Group Finance Director is available for such meetings to address queries or issues regarding the Company and/or the Group may be conveyed to him. During the year under review, four (4) investor relations meetings were held.

(2) Conduct of General Meetings

Notice of Annual General Meeting

In accordance with the Constitution of the Company, a notice to convene the AGM is issued by the Board. Notice is given at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an AGM.

The Board had on April 29, 2019 issued its Notice of Twenty-Seventh AGM of the Company ("27th AGM") at least twenty-eight (28) days before the date of the meeting i.e May 29, 2019 in compliance with Practice 12.1 of the MCCG.

Attendance of Directors at General Meetings

4 out of 6 Board members attended the AGM of the Company held on May 29, 2019 and provided responses to the shareholders on the key matters arose during the Meeting. Mr. Nicholas McLaren, the Group Finance Director had presented a short review of the Company's 2018 performance and key initiatives for 2019 to the shareholder on operations highlights, financial snapshot and growth strategies.

Poll Voting

The Company had conducted the poll voting electronically for all resolutions set out in the Notice of 27th AGM held on May 29, 2019. The Company has appointed an independent scrutineer to validate the votes cast at the 27th AGM. The poll results were announced by the Company to the Bursa Securities on the same day.

Compliance Statement

The Board is satisfied that the Company had observed good governance practices and in all, complied with the principles and recommendations of the Code.

This statement is made in accordance with Board's approval on May 18, 2020.

Sustainability statement

At DKSH, we strive for continuous improvement in efficiency and effectiveness to minimize our impact on the environment and conduct our business in a fair and responsible manner. We do business in a way that is profitable while creating long-lasting benefits for the community, environment, marketplace and workplace.

DKSH has in place a sustainability framework on initiatives covering economic, environmental and social perspectives.

Sustainability governance

At DKSH, we integrate sustainability into our business strategy and adopt best practice corporate governance principles in delivering sustainability performance and long-term growth for our stakeholders.

DKSH's Board of Directors provides oversight of DKSH's sustainability performance as well as approves the sustainability strategy. Furthermore, the Board reviews DKSH's sustainability matters on a quarterly basis to ensure relevance and alignment to DKSH's business goals. The Sustainability Committee, chaired by the Group Finance Director, updates the Board on all key sustainability matters.

To ensure an efficient and effective implementation of DKSH's sustainability initiatives and disclosures, DKSH has established the following governance structure:

Sustainability statement (continued)

Governance structure

Board of Directors	Reviews and approves the Group's sustainability report
Group Finance Director	Reviews sustainability matters with the Sustainability Committee Reports to the Board on sustainability matters
Sustainability Committee	Comprises representatives from relevant Business Units as well as supporting functions and departments Responsible for materiality assessment, identification and monitoring of initiatives/actions, execution of initiatives/actions and reporting Reports to the Group Finance Director on sustainability matters

Scope and boundary

This report has been prepared in accordance to the Sustainability Reporting Guidelines issued by Bursa Securities. We will gradually extend our report coverage as we progress further in our sustainability journey.

This report covers DKSH's business operations within Malaysia throughout January to December 2019.

Stakeholder engagement

Identification of relevant stakeholder groups resulted from an assessment carried out by the senior management. Groups were selected based on their ability to influence or impact (directly or indirectly) DKSH's approach to business, or the potential for DKSH to have an impact on them.

DKSH periodically engages with the following stakeholder groups:

Key stakeholder group	Engagement type
Clients	Periodic meetings and regular business reviews
Customers	Periodic meetings and regular business reviews
Employees	Employee surveys, engagement sessions, recreational events
Government agencies, local councils and regulatory authorities	On-site inspections, correspondences, social activities
Local communities	Community engagement activities
Shareholders and investors	Shareholder meetings and investor meetings
Vendors	Periodic meetings and regular business reviews

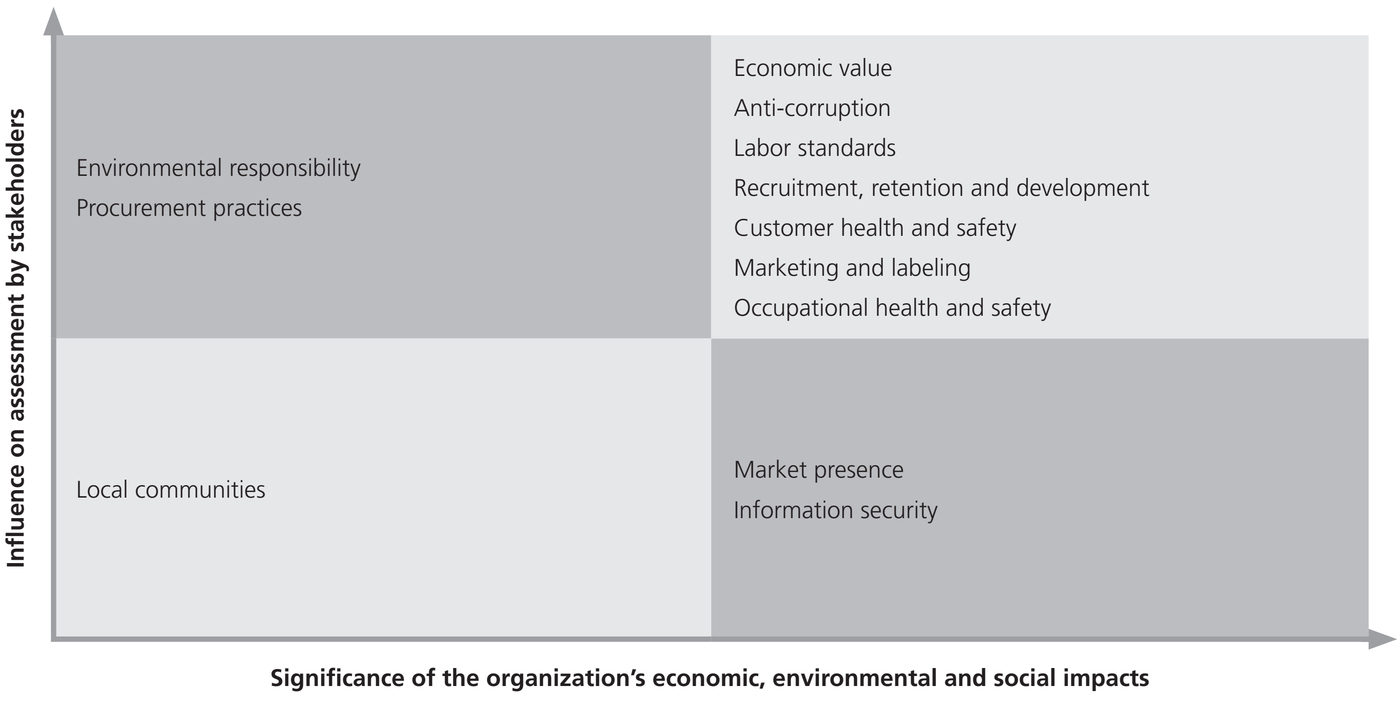
Sustainability statement (continued)

Materiality assessment

As we are majority-owned by DKSH Switzerland, we made reference to the materiality index that has been established by DKSH Switzerland.

For establishing our initial materiality matrix, a long list of topics was assembled from several sources, including various industry frameworks, sustainability reports by peers, clients and customers, as well as important factors identified by DKSH's risk profile. Subsequent steps included an elimination of topics with limited relevance for our business, followed by an impact assessment conducted by survey, involving personnel located in various parts of the business and geographies. Separately, expectations expressed by other important stakeholder groups, such as employees (via employee surveys), clients and customers, were taken up via direct feedback. In fact, many of our top clients and customers have adopted sustainability principles and reporting standards, and they expect DKSH to play its part in their upstream or downstream supply chains. These expectations also relate to stakeholder groups that DKSH does not directly engage with – largely consumers of healthcare and fast-moving, branded consumer goods.

For the current year under review, DKSH focused on the key material topics from the economic, environmental and social perspectives. As we progress in our sustainability journey, this materiality matrix will be assessed annually to ensure that our sustainability matters are aligned to the long-term business goals of DKSH. The remaining of the topics identified in the materiality assessment will be covered gradually in subsequent sustainability reporting.



Sustainability statement (continued)

Economic sustainability

Anti-corruption

As a Market Expansion Services provider, we play an important role in the supply chain of the industries we serve, acting as a link between our clients and customers. Trust and integrity are of paramount importance in our service business. We advocate compliant and ethical behavior in all our business activities, and we do not tolerate corruption. We operate in several industries with perceived higher integrity risks. It is therefore imperative that our employees understand our values and expected standards of business conduct and live up to and respect them in all their activities. We place great emphasis on hiring and retaining people who share our values and who, through their integrity, protect our business and that of our clients and customers.

We model our anti-corruption program on the requirements of the U.S. Foreign Corrupt Practices Act (FCPA), UK Bribery Act (2010) and the Malaysia Anti-Corruption Commission Act 2009 and we adhere to the same high standards.

DKSH expects lawful and ethical behavior from all employees and business partners as laid down in our Code of Conduct (CoC) and Supplier's Code of Conduct (SCoC), which also prohibit any form of bribery and corruption, including facilitation payments.

As stated in the Code of Conduct and the Anti-Bribery and Anti-Corruption policy, employees and intermediaries are required to immediately report any incidents of non-compliance – including demands for bribes or facilitation payments – to their supervisors or to GRC (an email address is provided in the published Code of Conduct and various internal policies, for use by internal and external stakeholders in confidence). Substantiated cases are investigated, ensuring confidentiality and protection of the reporters. An annual review of compliance with our standards is made to the senior management, to identify trends and the areas to focus compliance efforts.

Non-compliance risks are addressed in a comprehensive compliance program that includes policies, risk assessment, processes and procedures, training and education, monitoring and auditing, as well as confidential reporting and investigations.

The governance board that oversees the compliance program is the Country Compliance Committee which is a sub-committee of the Country Management Team (CMT) of DKSH Malaysia, led by the Head of Country Management as appointed by DSKH Switzerland's Chief Executive Officer. The Head of Country Management is supported by dedicated local compliance officers who operate under the guidance and control of DKSH Switzerland's Group Governance, Risk & Compliance ("GRC"). For compliance initiatives relating to specific Business Units or Functions, the local compliance officer engages directly with the global Business Unit or Function Heads.

Policies

- **Anti-Bribery and Anti-Corruption (ABAC)**
  The ABAC policy was developed to meet expected standards under the Malaysian Anti-Corruption Act 2009, the U.S. Foreign Corrupt Practices Act (FCPA) as well as the U.K. Bribery Act (2010). The policy prohibits any form of bribery or corruption, and addresses specific principles and rules to be followed, applicable to employees and appointed third parties alike.

- **Gifts, Hospitality and Entertainment (GHE)**
  The GHE policy builds on the same standards as the ABAC policy and provides more detailed guidance to employees on permissible and non-permissible practices when offering or accepting gifts, hospitality or entertainment. It sets acceptable limits and determines approval and reporting routines for exceptional circumstances.

- **Non-Trade Procurement (NTP)**
  The current version of the NTP policy builds on the dual objective of cost benefits through centralized, professional procurement processes on one hand, and proper checks and balances (e.g. conflict of interest, fraud and bribery prevention) on the other. The policy determines standards and procedures for vendor selection and appointment, and equally addresses requirements for concluding service agreements.

Training and communication are important cornerstones of our compliance culture. New employees undergo thorough onboarding procedures upon joining our organization. These include endorsing our policy framework and completing certified compliance training. Periodically, all employees need to refresh their knowledge of DKSH's anti-corruption policies and its standards and expectations on proper behavior in business.

Integrity of the supply chain

As an outsourcing partner to our clients, we are committed to upholding integrity in the supply chain, which includes our downstream business partners whom we rely on for parts of our service delivery. DKSH does not maintain relationships with business partners that do not share our values and meet our standards of doing business.

In communicating our anti-corruption policies, we focus on business partners assisting us with the execution of our business directly. These include sales

Sustainability statement (continued)

intermediaries, such as sub-distributors, tender agents and resellers, or vendors, such as commission agents, consultants, forwarders, importers, customs brokers, fulfilment agents and event organizers.

These business partners are engaged based on contracts that contain anti-corruption compliance clauses, with our Code of Conduct and Anti-Bribery and Anti-Corruption policy serving as contractual documents. Since the end of 2018, we have a more focused Supplier Code of Conduct in place as part of a contractual document for all supplier agreements. This will be realized over time as contracts are renewed or new contracts are entered.

Effectiveness of the compliance program
Management is responsible and accountable for ensuring proper application of compliance standards in the business. The compliance function, GRC, supports management through providing advice, methodologies, tools, etc. and performs reviews to assess the level of awareness, understanding and application of standards and compliance controls.

Externally, DKSH's compliance program is assessed by prospective or active clients and/or external audit firms appointed by them. The assessment includes thorough due diligence procedures and pre- or post-contract compliance audits and reviews.

The assessment of the effectiveness of our compliance program is further guided and evaluated by GRC through monthly reporting, updates and reviews.

Environmental sustainability

Environmental responsibility

At DKSH, our environmental commitment includes addressing our own impacts, supporting our suppliers and clients in managing theirs, and raising our employees' awareness of "green" issues.

We have a role in educating our employees about how they can reduce their environmental impact at home as well as at work. We installed recycling bins to encourage employees to segregate their office waste into recyclable and non-recyclable wastes and we have since stopped the use of single-use plastic bottles at our premises. In 2019, we introduced various online process workflows and replaced printed documents with electronic documents to eliminate paper usage. With this initiative, we achieved 25 percent reduction in paper printing at our headquarters. As part of our corporate sustainability effort, we collaborated with Eats, Shoots & Roots on its "Sayur in the City" project to empower urban communities to grow their own food.

In our own operations, with the adoption of our global Health, Safety and Environment (HSE) policy in 2017, we embarked on a journey to strengthen and standardize our environmental management across the business. In line with this policy, local HSE managers are responsible for maintaining a register of applicable national environmental laws and regulations and ensuring that all our operations are compliant through an adequate management program.

As a Market Expansion Services provider with a focus on sales, marketing and distribution, our main environmental impacts relate to our distribution centers, fleet and business travel. We also have a manufacturing facility which entails a different set of environmental impacts.

Distribution centers
To distribute our clients' and our own products, DKSH Malaysia operates 17 distribution centers ("DCs") and warehouses as well as one manufacturing plant throughout Malaysia. Our DCs, warehouses and manufacturing plant are typically leased, with a few of them built-to-suit. For any investment into new facilities, environmental criteria will be considered in the planning phase.

DCs account for a significant part of our carbon footprint. Energy is consumed for lighting, cooling and operating forklifts and other handling equipment. We aim to increase energy efficiency and choose lower carbon sources of energy where possible. Most of our material handling equipment is battery-operated. Temperature-controlled facilities are adequately insulated to reduce cooling requirements and air conditioning systems are carefully calibrated. Energy-efficient lighting is used, including the installation of smart LED systems.

Fugitive emissions, generated by the use of refrigerants, are another significant part of our carbon footprint. Temperature-sensitive products may require storage and transportation in air-conditioned vehicles

Sustainability statement (continued)

or in special transportation boxes. In addition to monthly checks of cold rooms by maintenance contractors, our operations team inspect the operating parameters and conduct thermal imaging scans to identify any failures of the insulation or other sources of inefficiency. We also have implemented 'design principles' such as:

1. Situating freezers inside cold rooms, and cold rooms inside air-conditioned rooms, to reduce the loss of chilled air
2. Segregating docking areas from storage areas to maintain a stable storage temperature
3. Where possible, choosing to build two smaller cold rooms rather than one big one to increase cooling efficiency

Preparing goods for delivery requires use of packaging (mostly cardboard cartons and plastic for pallet wrapping) and packaging waste is generated from incoming shipments. Healthcare cold chain goods need particularly extensive packaging to protect the delicate items and we have set standards for shipping healthcare products. Where possible, we use returnable packaging.

Transport

Our capillary distribution network serves thousands of customers daily. Delivery is mostly outsourced to specialized service providers, although we retain overall responsibility for delivery performance. One of our most significant impacts relates to fuel consumption within these vehicles.

Most of our service providers use diesel-powered delivery vehicles, although some are natural gas-powered. In our high-volume, high-frequency business (e.g. FMCG and Healthcare) with many deliveries drop points to be serviced, delivery route optimization is key for operating efficiently. Fuel savings lead to cost savings, representing a win-win situation.

Business travel

Despite our widespread use of communication technologies, traveling remains an important factor in our service delivery and for managing the company. Most of these journeys are made by vehicles not controlled by the company, such as business flights, travel by sales and service teams in their own cars, and public transport. Internal approval systems are in place to prevent unnecessary travel. In recent years, we have upgraded IT communication capabilities and promoted conference and video calls to reduce the need for business travel.

Office and IT infrastructure

As our offices are leased, often with central control of air-conditioning and other fixtures by the building management, we have poor visibility of our direct energy usage and limited scope to change the building fabric and fittings. Options to reduce energy consumption in such cases include, for example, upgrading lighting to LEDs, motion detectors and modifying how we use the space, e.g. "turn off at night" policies.

	2019	2018	2017
Waste recycled (tons)	445	532	463
Municipal waste disposed (tons)	1,078	1,390	829

In 2019, there were no incidents of non-compliance with environmental laws and regulations.

Social sustainability

Customer health and safety

Product safety is critical to our business models and to DKSH's brand reputation. We serve two major categories of business partners: clients, to whom we provide Market Expansion Services; and customers, who buy our products and services. These two categories differ regarding the legal position on liability, the reputational risk of an unsatisfactory product or service, and the nature of the activities we need to undertake to uphold customer health and safety.

Strong product stewardship mitigates against compliance risks and legal damages. Our main role is to safeguard the quality and safety of the products in our care and custody, and to ensure the safe delivery of any services we provide that are ancillary to our products. Traceability is also a key factor; if any issue arises in our supply chain, we can pinpoint and address it.

Health and safety risks differ across our Business Units, given their widely varying products. For example, the Performance Materials Business Unit predominantly serves the manufacturing industry, providing specialty chemicals and food ingredients. Meanwhile, the Consumer Goods and Healthcare Business Units operate closer to consumer markets, distributing food, chilled and frozen, non-food and healthcare products.

The variety of items, the number of markets and cross-border transfers, and the changing

Sustainability statement (continued)

regulatory landscape all demand the highest levels of product stewardship for the goods in our custody. Our ability to navigate such complexity is part of the reason clients choose to work with us.

All employees and contractors working in our distribution centers and manufacturing facility receive training on the proper handling of goods and the operation of related equipment (if applicable) before they are allowed to start working. Ensuring the safety of the final product is also a key focus in the pre-qualification of new suppliers to DKSH; corrective action plans, additional auditing or contract termination may be required in the case of significant non-compliance with quality and safety requirements. Beyond these controls, our management approach varies significantly by Business Unit due to the distinctly different products and legal requirements.

The Quality Assurance, Regulatory Affairs and Supply Chain Management teams in each Business Unit regularly perform quality audits and reviews to ensure ongoing compliance with applicable standards. Business Unit Performance Materials implemented a standard Internal Process Review (IPR) to assess health and safety risks and define mitigations.

Additionally, our operations are frequently audited by our clients or their appointed auditors. Due to the sensitivity of the products, most of these audits occur in the Business Unit Healthcare. In 2019, 24 such audits took place, which means that on average the Business Unit is subject to more than one audit per month per market of operation.

Business Unit Consumer Goods

Our focus is on the proper handling and storing of goods in line with good warehousing and distribution practices. Storage and handling of products is executed as per agreed specifications with our clients to ensure the integrity and safety of our products throughout their life cycle. This can include adaptation of products to local regulatory requirements.

DKSH complies with applicable regulations set by the food and drug administration. Freshness is key for food and beverage products. Some products must be stored under temperature-controlled conditions to preserve their quality. Our IT systems support good storage practices that enable methods such as FIFO (first in, first out) or FEFO (first expired, first out) to minimize product waste.

Business Unit Healthcare

Quality requirements and expectations are compliant with international guidelines (e.g. those from the World Health Organization, the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, the Pharmaceutical Inspection Co-operation Scheme) and the ASEAN Harmonization guidelines. We maintain rigorous and up-to-date quality standards when handling, storing and distributing healthcare products. All our distribution facilities relating to pharmaceutical products and medical devices are approved by the respective local health authorities with the appropriate internationally recognized Quality Management System certification (e.g. ISO 9001 and ISO 13485) and local health authority requirements (Good Distribution Practice, Good Distribution Practice for Medical Device as well as Good Manufacturing Practice).

Pharmacovigilance (PV)

Regulations on drug safety are continuously evolving and differ from market to market and across regions. This poses a challenge for all our healthcare clients. We have customer-facing compliance and regulatory services teams providing specialist support to get our clients' products to market and to diligently manage drug safety expectations.

Counterfeit products

Counterfeit products are a significant concern in the healthcare industry. We have established internal best practices related to the management of suspected counterfeit products and our SAP systems are validated for batch traceability across the entire supply chain.

Product recalls

If safety concerns trigger a product recall, our SAP systems allow for the full traceability of products and enable a fast and efficient recall. We have established internal best practice procedures in the event of a recall, which include setting up a product recall committee to steer escalation and tracking and monitoring of the entire process in collaboration with our clients.

Business Unit Performance Materials

This Business Unit has a dedicated and independent Regulatory Affairs (RA) team with specialists for Safety, Health and Environment (SHE), Quality Assurance (QA) and Registrations (REG) on local, regional and global levels. Critical safety, health and environment processes and controls are harmonized and documented to fully comply with the Globally Harmonized System (GHS), requirements related to Classification, Labelling and Packaging (CLP), and other health and safety standards.

Performance Materials has implemented a stringent and standardized qualification and certification program for supplier and service providers based on relevant and applicable standards such as GxP (for pharmaceuticals), IFS, BRC and ISO 22000 (for food), ISO

Sustainability statement (continued)

9000, CLP (for chemicals), internal Standard Operating Procedures (SOPs) and the DKSH HSE Policy. The evaluation, qualification and certification of service providers (logistics, warehouses, labs) and suppliers involves safety document assessments, safety audits and corrective action plans along the entire supply chain.

To ensure safe handling and usage of the products, we guarantee fully compliant product documentation and classification in all cases. For chemicals, Safety Data Sheets (SDS) and CLP are provided with all relevant products. For food and pharmaceuticals, health certificates and quality documents are provided, if applicable. Documentation and classification are subject to safety audits. Full product and batch traceability is guaranteed along the entire supply chain.

A global deviation reporting and management process ensures any health and safety related issues are documented, followed by corrective actions and reviews.

In 2019, DKSH recorded no incidents of non-compliance concerning the health and safety impacts of products and services.

Marketing and labeling

Our company's main activity is to market and distribute products sourced from manufacturers. Many of our products are imported and require local customization before being fit for sale. Additionally, a core activity in our service delivery to clients and customers is the advertising and promotion of our products.

The marketing of our products can involve various risks if not managed properly and supported with the relevant and necessary product information. Rising public awareness and new policy initiatives on transparency have increased demand for correct and complete product information, making this topic highly relevant for DKSH's business model and brand reputation.

Product adaptation and customization to meet regulatory requirements, including product labeling, is an important DKSH service offering. Our regulatory affairs teams in the various Business Units are responsible for establishing relevant Standard Operating Procedures and for monitoring compliance, with assistance from our quality assurance teams. In our Business Unit Healthcare, where regulations are particularly stringent, we perform customization work in accordance with Good Manufacturing Practices (GMP). In Business Unit Performance Materials, we implement and audit against GHS (Globally Harmonized System), with its strict requirements for classification, labeling and packaging.

For the marketing of our own-brand products, our regulatory affairs teams ensure compliance with applicable laws. For all the products distributed by the Business Units Consumer Goods and Healthcare, we observe guidelines on responsible marketing published by the relevant industry bodies. Policies, procedures and controls are in place and are supported by training activities to ensure that the marketing of our products meets our standards and expectations

Industry-specific risks in the healthcare business

Advertising and promotion of healthcare products in many jurisdictions are highly regulated, often limited or even disallowed. Many products are prescribed or dispensed by healthcare professionals, or they require professional expertise for their application. Various segments in the healthcare industry (specifically for prescription drugs and medical devices) and in the food sector (e.g. infant nutrition) have adopted codes of ethics advocating responsible marketing of their products. DKSH adheres to these standards through membership in the respective industry associations and by operating management programs to ensure compliance by employees and service providers.

DKSH recorded no incident regarding marketing and labeling practices in 2019.

Recruitment, retention and development

As a services provider with about 3,500 employees, our success largely depends on the availability of skilled people who share our values. As our reputation is built on trust, integrity and reliability, we seek to retain talent to maintain stable relationships with our business partners.

DKSH provides a variety of benefits to its employees, based on applicable policies. Standard benefits include life insurance, healthcare, disability and invalidity coverage, statutory retirement provision and parental leave.

In addition to offering competitive remuneration and other benefits, we provide a compelling Employer Value Proposition (EVP). The EVP is our promise to employees – what we offer them in exchange for their skills, capabilities and experiences.

Sustainability statement (continued)

The DKSH Employer Value Proposition

1. Enjoy a world of learning and development. Thanks to DKSH's great diversity of services, industries, clients, products, regions and employees, you'll enjoy a world of on-the-job learning and development that will drive your personal and professional growth

2. Own your career and take business responsibility. DKSH offers you a dynamic growth environment and unique culture where you can "write your own career ticket" by taking business responsibility and career ownership early on seizing development opportunities whenever they arise

3. Have a positive impact that touches people's lives. By helping DKSH and other companies grow and bring their products, solutions and progress to markets, you'll experience your own personal growth and the satisfaction of seeing the positive impact you have on the lives of others

Performance reviews

At DKSH, we encourage employees to own their professional development through proactive engagement.

An important feature is the six-monthly performance review where they can discuss and agree on their personal development plan with their line manager. It is a requirement of our General Employment Policy that all employees participate in a formal annual appraisal of their performance with their line manager. This is carried out through the DKSH Talent Portal, an online performance and talent management solution. Regular dialogues between managers and employees on development objectives, including constructive and focused feedback, are also a part of the development journey at DKSH.

All our employees have a yearly appraisal. All decision-making with respect to appraisals, development opportunities and promotions is required to uphold our equal opportunities commitment.

Learning and development

In learning and development, we subscribe to a 70-20-10 learning approach. This approach recognizes that the greatest impact of learning comes from job-related, hands-on experience and occupational training (70 percent). The remaining impact comes from learning through others (20 percent) and through formal courses (ten percent), largely provided internally via DKSH's Fantree Academy.

The DKSH Fantree Academy, our in-house learning and development center, offered 26 programs in 2019 (2018: 24) to develop capabilities across all levels of the organization. The training programs span three pillars: essential skills, leadership programs and functional skills. Training is provided through various channels, including classroom, instructor-led, on-the-job training and training through the company's intranet.

Since 2017, the number of trained employees and total number of course participants increased mostly every year. In 2017, 1,074 employees attended at least one Fantree Academy course, whereas in 2018 it was 1,483 employees. As employees can attend several courses, there were 3,157 registrations to training courses in total in 2019, compared to 3,177 in 2018.

Nearly 1,400 DKSH employees participated in Fantree Academy in 2019, each receiving an average of 11.1 hours of training.

Starting 2017, DKSH has launched a two-year leadership development program with the objective to establish a leadership culture and develop core leadership and functional competencies across all levels. Trainings in this program comprise Living the Leadership Principles, Leading People and Teams as well as Leadership Foundation Program. The target audience for these trainings are Assistant Managers and above. In 2018, 84 percent of this population has completed the first two modules of the leadership program. By end 2019, 80 percent completed the leadership program.

DKSH's Junior Executive Trainee (JET) program is a comprehensive graduate development program that is designed to attract and prepare high-performing fresh graduates to acquire management skills through experiential learning by providing cross-function exposure in DKSH.

Mobility, benefits and recognition

The diversity of our business enables our employees to gain new experiences by promoting internal mobility across markets and organizational units. We regularly advertise job openings internally to foster career progression and only recruit externally if no suitable internal applications are received. Our Mobility Guidelines, part of the DKSH Switzerland's Group Compensation and Benefits, provide guidance on supporting employees as they move through the company, such as subsidizing costs and providing cultural training to expatriate workers and their families when entering a new market.

Recognition is a key part of our approach to retaining talent. Each year, we celebrate the employees who have most embodied our corporate values through the DKSH Fantree Awards. DKSH also recognizes employees who have committed 25 years of service to the company.

As part of the national agenda to increase the participation of women in the workforce, DKSH introduced a career comeback

Sustainability statement (continued)

program to recruit and retain women who have been on career breaks but are keen to re-enter the workforce. Initiatives to support this program include part-time and reduced work options as well as flexible working hours to cater for certain work conditions such as for women in their final trimester of their pregnancies.

Testament to our continued success as an organization that practices excellent HR strategies in the development of our people, DKSH was named HR Asia Best Company to Work for in Asia by HR Asia and Employer of Choice (Private Sector) by the Malaysia-International HR Awards. For two years consecutively in 2018 and 2019, DKSH was ranked among Malaysia's top 50 most popular employers and won the Business Process Outsourcing and Shared Services Sector Award at the Malaysia's 100 (M100) Leading Graduate Employers Awards. In 2019, DKSH won two additional Sector Awards in the FMCG and Pharmaceutical categories at the M100 award ceremony.

	2019	2018	2017	2016	2015
Number of employees:					
• Male	1,383	1,248	1,269	1,254	1,200
• Female	2,049	1,864	1,771	1,651	1,613
Number of employees in middle and top management level:					
• Male	241	224	245	223	225
• Female	294	267	269	233	208
Number of employees by age group:					
• Below 30	991	867	842	827	756
• 30-39	1,129	1,061	1,047	1,023	1,046
• 40-49	863	768	767	719	690
• 50-59	424	403	376	327	317
• Above 60	25	13	8	9	4

Employee trainings	2019	2018	2017	2016
Total spend on training and development (RM'000)	645	558	497	476
Average hours of training per employee (hour)	11.1	16.5	11.7	11.5

Career comeback program	2019	2018	2017	2016
Number of comeback hires:	10	7	6	5

Junior Executive Program (JET)	2019-2020	2018-2019	2016-2017	2014-2015
Number of junior executives employed:	12	10	12	12

Sustainability statement (continued)

Employee recognition program	2019	2018	2017	2016	2015
DKSH Fantree Award Malaysia (previously RED Awards) recipients	15	8	15	9	*
Long Service Award recipients	23	29	22	30	24

* Data available from 2016.

Occupational health and safety

Considering the nature of our business, health and safety in the workplace, including operational settings at distribution centers and warehouses, remains one of our top priorities. In smaller parts of our business, we deal with the storage, handling and transportation of dangerous goods, (e.g. corrosives, aerosols) where there is the potential for our employees in Supply Chain Management and other Functions to be exposed to health and safety risks. Our capillary distribution network means a significant amount of travel for sales teams and delivery drivers (mostly contractors), making safe driving a priority as well.

Our Code of Conduct, which employees are trained on regularly, stipulates our approach to health and safety, the role we all must play in keeping our workplaces safe, and the importance of reporting hazards promptly to the line manager or Health, Safety and Environment (HSE) focal points.

Our induction training for all new recruits includes a comprehensive HSE module, in addition to any job-specific training they receive. This includes rules and guidelines within our key operations, such as usage of forklifts and other material handling equipment, and the wearing of personal protective equipment (PPE). All new recruits must complete the training (with signed attendance records) before commencing duties. Periodic refreshers are also held, and attendance is monitored.

Building on the "5S" model of workplace organization, we have a "7S" program within our major distribution centers to create healthy and safe workplaces: Sort, Set-in-order, Shine, Standardization, Sustain, Safety and Security.

HSE policy and management system

Since 2017, we have been operating a new HSE policy and management system which provides centralized support and global standards to local HSE managers who implement the system in line with local legislation. This includes as a minimum: vehicle and traffic safety management, fatigue management, alcohol and drugs prohibition, dangerous goods handling and storage, waste and environmental management, and specific guidelines for manufacturing operations and those operating, servicing or installing machinery. In cases where DKSH internal standards exceed local regulatory requirements, the DKSH standard should be met.

Roles, responsibilities and accountabilities are defined, documented and communicated to enable all individuals to fulfill their role in improving health and safety performance. Steering Committees (SC) at DKSH Switzerland's Group and local levels are responsible for setting the health and safety agenda, with policies and strategies to drive performance. The HSE Manager and HSE focal points drive implementation of the program throughout all the focal points in Malaysia. Local Business Units, Functions, their respective line managers and specific site managers act as risk owners, who are responsible and accountable for preventing and responding to incidents in their areas.

We have established a working HSE committee whereby committee members are selected by their respective Business Units to work together with the Country HSE Manager on local HSE plan and well as implementation of HSE policy, procedures and best practice across sites.

Contractors

The new HSE policy includes roles and responsibilities for Supply Chain Management ("SCM"), and we have issued training to our relevant employees on how to communicate our requirements to the suppliers they interact with. This includes ensuring all contractors working on our sites are aware of emergency procedures, proper lifting techniques and other safety procedures. HSE focal points are tasked to ensure contractors have a clear reporting line for any concerns they may have.

Specific HSE requirements relating to suppliers are also covered in SCM policies, the Standard Operating Procedure on Workplace Safety (which includes safe driving), Working Instructions on Visitor Safety, Contractor Safety and Permit to Work (which also covers safe driving), and Contractor Safety Guidelines.

For work activities at site, we have a Standard Operating Procedure on Hazard Identification and Risk Assessment and Risk Control (HIRARC), HIRARC Training and Guidelines, and a HIRARC Inspection Form. Following safety audits, corrective action plans are used to address any issues.

Sustainability statement (continued)

We evaluate our health and safety management approach through performance monitoring at site, market and DKSH Switzerland's Group levels. A health and safety scorecard is generated and reported to the DKSH Switzerland's Group Steering Committee on a quarterly basis. Management approaches are adapted accordingly. A global leadership team under DKSH Switzerland's Group Supply Chain Management conducts regular monitoring and reviews activities under an internal assessment program that includes safety.

2019 performance

In line with our health and safety objective of continuous improvement, DKSH continued to align our health and safety management and practices with global standards in 2019. Greater emphasis has been put on preventative measures and enhancing employee health and safety awareness in key areas of our business, including dangerous goods and hazardous substances management. We have improved our health and safety tracking, monitoring and reporting systems.

Workplace audits by key clients, customers and standards boards and regulatory bodies all facilitate hazard identification, including internal stakeholders across the organization. Key hazards consist of unsafe forklift activities, improper stacking of loads and storage of materials, improper manual lifting and/or handling, operating powered equipment and potentially dangerous goods and hazardous substances exposure. Actions taken to manage risks include engineering and administrative controls, as well as personal protective equipment. Examples are establishment of policies, processes and procedures, setting up of warning signs and equivalent mechanisms at the working environment, use of protective equipment, ensuring operational competency and trainings of our workers. In some instances, the risk is transferred via outsourcing of specific dangerous goods and hazardous substances to third party service providers with capabilities and capacities for management and safe storage.

Types of injury	2019	2018	2017
Number of lost-time injury cases	3	5	2
Number of work-related fatalities	0	0	0

Data was compiled via an internal reporting system guided by Occupational Safety and Health Administration (OSHA) reporting requirements.

Labor standards

In our service business, ethical conduct and integrity of our workforce is crucial for our reputation as a trusted service provider. Pleasant and safe workplaces free of discrimination and harassment and respecting human rights are key elements in our employment offering, as laid out in our Code of Conduct. We respect our workers' rights for freedom of association and collective bargaining.

We procure a sizeable range of supply chain-related services and products, such as outsourced transport and delivery services for our distribution network as well as labor and equipment and materials for our logistics and marketing operations (warehouse workers, product promoters, component suppliers for our own-brand manufacturing). To mitigate the risk of human rights violations, we focus our attention on contractors who directly help us deliver our service offering, including delivery drivers and warehouse workers.

The Human Resources (HR) and Supply Chain Management teams have responsibility for all hiring and for ensuring employees and contractors have the correct documentation. We comply to the Employment Act 1955 which governs the working hours and overtime work for employees under the employment laws of Malaysia. Our management programs also adhere to other applicable local laws and labor regulations to prevent the hiring of under-age persons or illegal workers as well as to ensure decent and safe workplaces. We expect all our business partners to respect the basic principles of human rights, as mandated by our Supplier Code of Conduct. Violation of these principles can lead to contract termination.

DKSH does not discriminate based on age, religion, gender or any other category, and this policy is enshrined in our Code of Conduct ("the Code"). As part of the Code and related trainings, we explain our stance on human rights and non-discrimination to employees and ask any staff member who feels that they, or one of their colleagues, is subject to discrimination or harassment to report it to the HR department. Organizationally, we practice a business partnering approach, whereby representatives of the HR department are stationed within operations for ease of access.

Our management approach on nondiscrimination and human rights practices is focused on legal compliance. We have three bargaining agreements in place (West Malaysia, Sabah and Sarawak) which are renewed every three years.

Discrimination and harassment

Our Global HR Function ensures that employees are aware of proper reporting channels for incidents of discrimination and harassment. In 2019, no such incidents were reported to HR.

Induction training for new employees and on-site contractors includes the importance of treating all people with respect. It specifically states that any form of discrimination based on gender, race or any other protected characteristic, sexual

Sustainability statement (continued)

harassment and bullying are not acceptable. The training encourages people to report to the site manager or HR in case of misconduct and emphasizes that reports will be kept confidential.

Labor rights
Our Code of Conduct and Supplier Code of Conduct respect workers' rights to freedom of association and collective bargaining and prohibit the use of forced or child labor. The induction training all employees and on-site contractors receive encourages any worker suspecting a violation of their colleague's human rights to report it in confidence.

Freedom of association and collective bargaining
We would never penalize anyone engaging in workers' groups in good faith. Where such arrangements exist, we respect the terms and conditions in collective agreements, and we nurture relationships with unions through constructive engagement. We are committed to ensuring that appropriate mechanisms are in place to enable employees and contractors to express their views about their workplace through, for example, open meetings for group discussion between employees and local management, or meetings with elected workers' representatives.

Child labor
The HR teams check that applicants are legally able to work, and proof of identity is needed for all contractors working on our sites.

DKSH recorded no incidents of discrimination or harassment in 2019.

Information security

The operation of our business results in a significant accumulation of data relating to our products and services as well as to our customers and business partners. Unavoidably in our business, we also serve clients who are competitors in the marketplace. Ensuring confidentiality is therefore crucial. At times, personal data needs to be collected relating to employees, contractors and others. In today's digital and interconnected world, risks of data theft or leakage have risen and information security has become a key topic for any business.

In line with our Code of Conduct, we are fully committed to processing and protecting personal data with due care and to comply with applicable data protection laws as well as DKSH's principles of protecting confidentiality. As the Company is majority-owned by DKSH Switzerland, our information security program and cyber security strategy is endorsed and supported by the Executive Committee and the Board of Directors of DKSH Switzerland. The overall program functions directly under DKSH Switzerland's Chief Information Officer. Our strategy focuses on cyber threat preventive countermeasures, stepping up organization information security maturity and group-wide cyber security awareness programs.

In line with our strategy, we have an IT Security Policy in place and a dedicated global Information Security team, which is available via a 24/7 hotline for urgent security matters.

In Malaysia, we have a local IT team responsible for regular IT security trainings. In 2019, one IT security roadshow was conducted to train staff on various topics relating to information security.

Quarterly DKSH Switzerland's Group-wide IT newsletters as well as ad-hoc IT news flashes ensure that awareness of sensitive topics is raised across all markets. In 2017, we embarked on the implementation of ISO 27001:2013 standard on information security management and achieved certification of the Corporate Shared Services Center SAP Infrastructure in 2018. Our quality assurance team ensures that the required standards are maintained on an ongoing basis.

To further demonstrate our commitment to protecting our clients' and customers' data, we harmonized our operations with the EU General Data Protection Regulation (GDPR). To align our operations with the GDPR, in May 2018 we implemented a new Group Data Privacy Policy, a new Website Policy and a Global Privacy Governance Structure. Under this structure, our Global Privacy Lead oversees the work of Privacy Coordinators in Malaysia who are the go-to persons for data security in every Business Unit and Function.

DKSH Switzerland's Group Internal Audit conducts independent audits on access management. Furthermore, the DKSH Switzerland's Group IT Security team performs audits on all market IT installations on a regular basis to prevent and counteract interruptions to business activities as well as to ensure timely resumption of normal operations in the event of information security incidents.

In 2019, DKSH received no complaints regarding data breaches of customer privacy and loss of customer data from outside parties or regulatory bodies. Similarly, DKSH is not aware of any identified leaks, thefts or losses of customer data.

Local communities

A strong commitment to the local communities we operate in has always been a key part of our business.

We create positive impacts on society by providing stable jobs with fair employment terms and opportunities for personal development, and by setting a clear standard for how business should be conducted. Furthermore, through our capillary distribution network, we enable market access for healthcare products and other necessary items, contributing to the quality of life in the communities we serve.

Sustainability statement (continued)

Alongside our business activities, we strive to create a positive impact by engaging in projects and selected sponsorship programs to develop and support local communities. However, as stated in our Code of Conduct, DKSH does not engage in political processes and for that matter refrains from any form of donation to political parties, elected officials or candidates for public office, or in support of any political campaigns.

In terms of charities, one of our core initiatives involves empowering indigenous communities towards education. For two consecutive years, we have partnered with SUKA Malaysia on its Empowered2Teach program which allowed us to reach out to the communities in remote areas where education is severely limited. In 2018, we supported the preschoolers of Kampong Sungai Poh in Gopeng, Perak. In 2019, we adopted Kelas Komuniti preschool in Kampong Tanam in Kuala Rompin, Pahang.

We are also open to offer roles to local people who have struggled to enter the workplace. In 2016, Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd. which is a business entity wholly owned by DKSH, launched project ORCHID (Opportunities in Rejuvenating Careers for the Hearing Impaired) in collaboration with the Malaysian Federation of the Deaf to empower the hearing-impaired community by providing career opportunities to them. In 2019, ten hearing-impaired individuals were employed at selected Famous Amos outlets.

DKSH supports humanitarian relief through donations of money, products, food and volunteering. In 2019, our efforts included donating to orphanages and elderly homes as well as the Salvation Army.

For the eighth year running, Famous Amos organized a Christmas charity sale, raising MYR 10,000 for SUKA Society Malaysia in 2019.

Famous Amos project ORCHID	2019	2018	2017	2016
Hearing-impaired employees hired	10	10	10	10

In 2019, more than 250 DKSH employees participated in 14 social projects and activities for local communities across East and West Malaysia.

This Sustainability Statement is made in accordance with the Resolution of the Board of Directors passed on May 18, 2020.

Continuing our support of SUKA Society Malaysia's Empowered2Teach program for the second year running, DKSH Malaysia provided pre-school education in the indigenous village of Kampong Tanam in Kuala Romping, Pahang.

DKSH Malaysia collaborated with Eats, Shoots & Roots to construct a composting area to keep YWCA's urban edible garden sustainable.

Statement on risk management and internal control

The Board of Directors ("the Board") is committed to a sound system of risk management and internal controls. These have and always will be an essential success factor for the Group and are an integral part of our organization's culture. The Board is therefore pleased to present its Statement on Risk Management and Internal Control for the financial year ended December 31, 2019, which has been prepared pursuant to Paragraph 15.26 (b) of the Main Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Malaysian Code on Corporate Governance and the Statement on Risk Management and Internal Control; Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group (comprising the Company and its subsidiaries) during the financial year.

Board's responsibility

The Board is responsible for the adequacy and effectiveness of the Group's risk management processes and internal control system to protect the assets of the Group and to safeguard shareholders' investments. Risk management and internal controls are embedded in the Group's management systems which range from the business planning processes, the management of client relationships, to the execution of the Group's daily business affairs.

The Group's system of internal controls is designed to manage and control risks within an acceptable risk appetite, rather than to eliminate risks altogether. Due to the inherent limitations of internal controls, the system can only provide reasonable but not absolute assurance against material misstatements, losses or fraud.

Management assists the Board in implementing and continuously fostering the risk management and internal control system of the Group. Management has therefore established a regular risk review and a Group risk register, as well as documented Internal Control system, which is subject to review. Management also regularly evaluates and identifies the key risks and establishes action plans to further improve controls and reduce risks.

Enterprise Risk Management

The Board recognizes that risk management is an integral part of the Group's business objectives and is critical for the Group to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Group has in place a risk management framework to promote effective risk management and enhance the corporate governance assurance process.

To further strengthen the risk management of the Group, the Board has set up an Enterprise Risk Management ("ERM") Committee in February 2020 which reports directly to the Country Management Team, which consists of the members of senior management of the Group and subsequently to the Audit Committee, with the primary responsibility of ensuring the effective functioning of the risk management framework.

The ERM Committee has developed a risk assessment template, whereby the current year actual incidences and impacts for the respective risks identified were recorded for review and mitigating actions were established.

The ERM Committee meeting is held every quarter to identify, assess, evaluate and manage risks of the Group. Principal risks are identified and appropriate risk mitigations are planned for implementation. These are reviewed on quarterly basis to ensure on-going effectiveness, adequacy and integrity. Enhancements are made in line with the Board's commitment to improve the Group's governance, risk management and internal control framework, and practicing effective control culture and environment for the Group's business operations. The on-going ERM exercise is presented quarterly to the Audit Committee for the Board to be updated on the risk management.

The Group's risk management framework encompasses the following key elements:

(i) Risk register: The Group regularly reviews its risk management system and the related risk registers which is guided by the ISO 31000 – Risk Management Principles and guidelines. This risk management system includes significant strategic, operational, financial and compliance risks, as well as clearly defined action plans. The Board was briefed by Management on the Risk Register 2019 and on the regular risk reviews conducted by Management;

(ii) Treasury: The Treasury department follows strictly the DKSH Corporate Treasury policy and is monitored by the Corporate Treasury Center in Singapore. The Group executes a conservative financial risk policy and hedges significant foreign exchange risks pertaining to the accounts payables; and

(iii) Insurance: The Group consciously covers and transfers certain risks exposure by securing adequate insurance coverage based on the Group's guidelines provided in the Group Policy on Risk and Insurance.

Internal control system

The following internal control components have been embedded to assist the Board to maintain a sound system of internal controls in the Group:

(i) Internal Control System ("ICS"): The Group maintains a formally documented ICS which focuses on the most critical financial reporting and operational risks. The ICS has been in place for more than ten (10) years and has since its beginning undergone regular reviews and testing by Management, whilst risks relevant to financial reporting have been reviewed and assessed by external auditors. Management further

Statement on risk management and internal control (continued)

provides assurance on the adequacy and effectiveness of the internal control system through annual Management Certifications;

(ii) Policies and procedures: The Group has put in place various formally documented policies and procedures and they are implemented throughout the Group. These policies and procedures are subject to periodic reviews, updates and continuous improvements to reflect the changing risks and operational needs;

(iii) Tone at the top: The Group's management team actively enforces good governance and internal controls and further instils a culture of risk management and zero tolerance for fraud;

(iv) Code of Conduct ("CoC"): The CoC was updated in 2015. This policy complements our corporate values and sets overall standards for ethical and compliant behaviour in all business dealings by employees and appointed third parties. To foster understanding and compliance with the CoC, it is compulsory for all employees to complete the CoC training module launched in March 2016 and obtain a certification. The CoC is also an integral part of the induction programs for new employees;

(v) Anti-Bribery and Anti-Corruption Policy ("ABAC"): This policy which was reviewed and updated in 2018, supplements the Group's CoC and outlines a clear zero tolerance policy for bribery and corruption. It sets out the anti-bribery and corruption controls and procedures which are adopted to prevent and mitigate the Group's bribery risks. It is compulsory for new employees to complete the ABAC training module and obtain a certification. A refresher training for relevant employees selected by the Group's Governance, Risk and Compliance function is conducted annually;

(vi) Limits of Authority ("LOA"): LOA which provides clarity on authorities assigned at Corporate, Business Unit, as well as country level was updated in 2019 and is reviewed periodically to cater for the changing business environment in which the Group operates;

(vii) Anti-Fraud Policy: In line with the Group's fraud policy which was updated in 2019, the Audit Committee and the management team reviews all fraud cases and ensures that the Group's zero fraud tolerance policy is adhered to. Formal reports are issued on all fraud cases and a fraud logbook is maintained to record and monitor recuperation strategy, efforts and successes including any sanction or legal action taken;

(viii) Fraud/Non-Compliance Reporting: The Group has made available in 2016, a fraud/non-compliance platform for fraud/non-compliance related matters to be reported by employees and others. Genuine and legitimate concerns can be raised via e-mail to myethics@dksh.com and/or my.compliance@dksh.com;

(ix) Whistleblower Policy and Procedures: In 2019, the Group has demarcated the direct reporting channels to serve as a platform for all employees and external parties to raise legitimate concerns about illegal, unethical or otherwise inappropriate behaviour observed in the course of our business. These include questionable accounting, fraud or employee misconduct. The policy assures whistleblowers protection from reprisals and handled with confidential safeguards, if reports are made in good faith or are not malicious;

(x) Insider Trading Policy: The Group has established measures to eliminate trading of shares during blocked periods and for persons with insider knowledge and the policy was reviewed in March 2017;

(xi) Financial Reporting: The monthly and year-end financial reports are provided to Management, business managers and Finance department for review and discussion as well as the international DKSH Group of Switzerland for scrutiny;

(xii) Credit Control: Formalized credit control procedures are in place and reviewed regularly;

(xiii) Inventory Management: Stringent controls are in place for inventories, which are further subject to regular cycle counts and stock takes;

(xiv) System access rights: Regular reviews of system access rights and segregation of duties have been carried out to strengthen internal controls;

(xv) Internal Audit: The Internal Audit Department, which has been in place since the Company's listing on Bursa Malaysia in 1994, continues to independently review key business processes, risks and evaluate compliance with policies and procedures as well as assess the adequacy and effectiveness of internal controls. Findings and corrective measures are regularly reported to the Audit Committee. The modus operandi of Internal Audit is further explained on pages 55 to 56 of this Annual Report;

(xvi) Governance, Risk and Compliance ("GRC"): The GRC Department was restructured to two departments, namely Governance & Risk, and Compliance in October 2019 which aimed to improve its efficiency and effectiveness in discharging its roles. Governance & Risk department oversees the governance and risk management framework of the Group whilst Compliance department oversees ethic and compliance program of the Group; and

(xvii) Organization Structure: The Board provides direction and oversight to the Group and Management and is supported by established Board Committees, namely the Audit Committee and Nominating Committee. Each Committee has clearly defined terms of reference. Responsibility for implementing the

Statement on risk management and internal control (continued)

Group's strategies, operation and day-to-day businesses is delegated to the Group Finance Director and Management. The organization structure sets out clear segregation of roles and responsibilities, lines of accountability and limits of authority to ensure effective and independent stewardship.

Other elements of the Group's risk management and internal control processes

(i) Business Continuity Planning: A formalized business continuity plan is established; and

(ii) Enterprise Resource Planning System: All operating units of the Group run on a standardized and integrated SAP platform with system integrated controls.

Review of this statement by external auditors

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report, and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the statement factually inaccurate.

Conclusion

For the year under review, and up to the date of approval of this statement, the Board considers the risk management framework and internal control system throughout the Group as sound and adequate to safeguard the shareholders' investment, stakeholders' interest and the Group's assets. The Board is satisfied that various initiatives and reviews undertaken in 2019 have further strengthened the effectiveness of the risk management processes and the internal control environment of the Group. There were no significant control failures or weaknesses that would result in material misstatements, losses or fraud.

The Board has received assurance from the Group Finance Director who is primarily responsible for the financial management of the Group that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the year under review and up to the date of approval of this statement.

The Board together with Management will continuously assess the suitability, adequacy and effectiveness of the Group's system of risk management and internal controls and will take corrective measures to enhance the system, as and when necessary.

This statement is made in respect of the financial year ended December 31, 2019 and in accordance with the Board's approval on May 8, 2020.

Audit Committee report

The Audit Committee of DKSH Holdings (Malaysia) Berhad is pleased to present the Audit Committee Report for the financial year ended December 31, 2019 ("FY 2019") in compliance with Paragraph 15.15 of the Main LR of Bursa Malaysia.

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is Lee Chong Kwee, appointed by the Board and assumed the role of Chairman since November 22, 2016. This complies with Paragraph 15.09(1) of the Main LR of Bursa Malaysia. All members have more than 20 years of business experience in various management, finance and audit functions and are financially literate.

The Audit Committee of DKSH Holdings (Malaysia) Berhad was established by the Board of Directors (the "Board") in September 1994. In performing their duties and discharging their responsibilities, the Audit Committee is guided by its terms of reference. The Audit Committee's Terms of Reference is available at the Company's website at www.dksh.com.my

Composition and Meetings

Four Audit Committee meetings were held in 2019. As a standing practice, all other Directors including the Group Finance Director was invited to attend all Audit Committee Meetings (except private sessions). The Group Finance Director facilitates the presentation as well as provides clarification on audit issues arising from the Group's operation. The Head of Internal Audit Department was invited to attend the Audit Committee Meetings to table their Internal Audit reports. The details of attendance of each Audit Committee member at the Committee's meetings during 2019 are set out below:

Audit Committee: Composition and attendance at the Audit Committee meetings held in 2019

Name	Status	No. of meetings attended
Lee Chong Kwee	Chairman, Senior Independent Non-Executive Director	4 out of 4 meetings
Datuk Haji Abdul Aziz bin Ismail	Member, Independent Non-Executive Director	3 out of 4 meetings
Chan Thian Kiat	Member, Independent Non-Executive Director	4 out of 4 meetings

For FY 2019, the External Auditors attended two Audit Committee meetings during the financial year. At the meetings, the Audit Committee had separate private sessions with the External Auditors without the presence of any Executive Director and Management of the Company to discuss relevant audit issues and obtain feedback.

Minutes of the Audit Committee Meetings were recorded by the Company Secretaries and tabled for confirmation at the next following Audit Committee Meeting and subsequently presented to the Board for notation. The Audit Committee Chairman conveyed to the Board on issues of significant concern raised by the Audit Committee, Internal Auditors and/or External Auditors.

Online Assessment of Term of Office and Performance

The Company has developed its online Audit Committee members' self and peer assessments survey which was duly completed by the Audit Committee members. Upon review, the Nominating Committee noted the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of the Audit Committee, thereby complying with Paragraph 15.20 of the Main Listing Requirements of Bursa Malaysia.

Summary of the work of Audit Committee in 2019

In 2019, the Audit Committee conducted its activities in line with the above described responsibilities. The following is a summary of the main activities carried out by the Committee during the FY 2019:

(i) Reviewed the quarterly financial results and annual audited financial statements before recommending to the Board for approval, focusing particularly on:
   a) The overall performance of the Group;
   b) The prospects for the Group;
   c) The changes and implementation of major accounting policies and practices; and
   d) Compliance with accounting standards and other legal requirements.

(ii) Reviewed the significant assumptions made in preparing the financial statements, including accounting estimates that have been identified as having high estimation uncertainty;

(iii) Reviewed the results of the interim and final audit by the External Auditors and the resolution of issues or areas of concern highlighted in their report;

(iv) Reviewed the independence, objectivity and effectiveness of the External Auditors and the services provided;

Audit Committee report (continued)

(v) Conducted the annual assessment on the suitability and independence of the External Auditors and received written assurance from the External Auditors confirming that they were, and have been independent throughout the conduct of their audit engagement in accordance with all relevant professional and regulatory requirements;
(vi) Reviewed with the External Auditors on the scope of work, audit plan and fees for the statutory audit for the financial year 2019 and thereafter recommend to the Board;
(vii) Assessment of the adequacy and effectiveness of the system of internal controls, reporting and risk management;
(viii) Assessment on the adequacy and performance of the Internal Audit Function;
(ix) Reviewed and approved the annual internal audit plan, scope of work and adequacy of its resources and monitoring of the audit plan;
(x) Reviewed the internal audit reports and the work performed by Internal Audit including audit findings, proposed action plans and status updates of internal audit recommendation;
(xi) Received the quarterly updates on investigations into fraud and ethics case reported;
(xii) Received the quarterly updates of new/amended accounting standards relevant to the Company;
(xiii) Reviewed the results of ad-hoc investigation audits performed by Internal Audit and the corrective actions taken;
(xiv) Reviewed the renewal of the 2019 Shareholders' Mandate for recurrent related party transactions of a revenue and trading nature entered with DKSH Holding Ltd and/or its subsidiaries before recommending their approval to the Board;
(xv) Received the quarterly updates on the actual value of recurrent related party transactions of a revenue and trading nature entered into by the Company and its subsidiaries and compliance with the authority granted pursuant to the 2018/2019 Shareholders' Mandate obtained for recurrent related party transactions;
(xvi) Reviewed and directed the adoption of the Whistleblower Policy and Procedure of the Group; and
(xvii) Reviewed the Audit Committee Report and the Statement of Risk Management and Internal Control before recommending their approval to the Board for inclusion in the Company's 2018 Annual Report.

There were no restrictions of resources or information to the Audit Committee that would have impaired the effective execution of the Audit Committee's responsibilities. Throughout the financial year, the Chairman of the Audit Committee has been in continuous contact with senior management, as well as the internal and External Auditors.

Summary of the work of the Internal Audit Function

The Audit Committee is supported by the in-house Internal Audit department in the discharge of its duties and responsibilities. The Internal Audit function which is independent, undertakes regular, objective and systematic review of the Group's system of internal controls, risk management and governance processes so as to provide reasonable assurance that the system continues to operate satisfactorily and effectively within the Group. In 2019, there was a change in the Head of Internal Audit as the previous Head moved on to another role. The Head of Internal Audit Department is currently supported by an Assistant Manager, a Senior Executive and an Executive. The Internal Audit function reports directly and regularly to the Chairman of the Audit Committee and a private meeting without the Management is held every quarter with the Chairman of the Audit Committee.

The objective, authority and responsibility of the Internal Audit department as well as the nature of assurance and consultancy activities provided by the function are described in the Internal Audit Charter. The Audit Committee has reviewed the Charter to ensure an appropriate structure, scope of activities, access and reporting arrangements are in place.

The annual internal audit plan, which is formulated on a risk-based approach, is reviewed and approved by the Audit Committee prior to the commencement of the audits. The audit approach is to focus on high risk business processes and to assess the effectiveness of internal controls therein.

The audit reports including significant findings in respect of any non-compliance, are highlighted for Management and Audit Committee's attention. Measures and agreed actions by Management to address the improvement areas highlighted are followed-up and reviewed on a quarterly basis.

As a subsidiary of the international DKSH Group of Switzerland, the Internal Audit department receives occasional support, training and resources from the Global Internal Audit team, which is based in Singapore. In the year under review, Internal Audit has continued its collaborative efforts with the Global Internal Audit team. This has benefited audits and audit coverage and the transfer of knowledge and best practices from other DKSH world-wide operations into the Malaysian operations.

The internal audit activities carried out during the year encompassed the following:

(i) Operational, financial and compliance audits, as well as fraud investigations;
(ii) Collaboration with auditors from the Global Internal Audit team on selected key audit areas;

Audit Committee report (continued)

(iii) Follow-up on implementation of recommendations and/or corrective actions by Management in addressing issues based on the audit findings; and
(iv) Performing of ad-hoc consultation and operational reviews as requested by the Audit Committee and/or Management.

The Audit Committee has assessed the adequacy and performance of the Internal Auditors for FY 2019 based on the following main criteria:

(i) Qualification;
(ii) Understanding;
(iii) Charter and Structure;
(iv) Skills and experiences;
(v) Communication;
(vi) Internal Audit Function; and
(vii) Performance.

All Internal Auditors have relevant audit background and experience. The total costs incurred for the Internal Audit function in respect of the financial year ended December 31, 2019 was approximately RM 668,006 (2018: RM 619,359) comprising mainly salaries, travelling, training and operational expenses.

This Audit Committee Report is made in accordance with the Resolution of the Board of Directors passed on February 19, 2020.

Additional compliance information

Utilisation of Proceeds
During the financial year, no proceeds were raised by the Company from any corporate proposal.

Share Buybacks
The Company did not undertake any share buy-back exercise during the financial year.

Recurrent Related Party Transactions of a revenue or trading nature ("RRPTs")
At the last Annual General Meeting of the Company held on May 29, 2019, the Company had obtained approval from shareholders to allow the Group to enter into RRPTs as specified in the Circular to Shareholders of the Company dated April 29, 2019.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, the details of RRPTs conducted during the financial year 2019 pursuant to the aforesaid shareholders' mandate are set out in the table below:

	Nature of RRPTs	Transacting parties with whom DKSH Group transact(s)	Interested Related Parties (as defined hereinunder) *	Amount transacted during the financial year 2019 RM'000
(i)	Hosting and support of system applications, data processing applications, provision of infrastructure and support facilities, provision of IT and organizational consultancy services by the transacting party to DKSH Holdings (Malaysia) Berhad and its subsidiaries ("DKSH Group")	DKSH Corporate Shared Services Center Sdn. Bhd. ("CSSC")	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	19,391
(ii)	Sale of goods by DKSH Group to transacting parties	DKSH Holding Ltd and its subsidiaries	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	4,721
(iii)	Provision of distribution and logistics services by DKSH Group to transacting parties	DKSH Holding Ltd and its subsidiaries	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	6,964
(iv)	Provision of Merchandising Services and Promotion Services by transacting parties for products distributed by DKSH Group	DKSH Holding Ltd and its subsidiaries	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	13,116

Additional compliance information (continued)

***Notes:**

1) DKSH Resources (Malaysia) Sdn. Bhd. ("DKSH Resources") is a major shareholder of DKSH Holdings (Malaysia) Berhad ("DHMB") (74.31% direct interest as at April 30, 2020 and a wholly-owned subsidiary of DKSH Asia.
2) DKSH Holdings (Asia) Sdn. Bhd. ("DKSH Asia") is the holding company of DKSH Resources and a wholly-owned subsidiary of DKSH Holding Ltd.
3) DKSH Holding Ltd is the holding company of DKSH Asia and the ultimate holding company of DKSH Resources.
4) Stephen John Ferraby ("SJF") is a Non-Independent Non-Executive Director and has been nominated to the Board of DHMB by DKSH Resources. SJF is a person connected with DKSH Holding Ltd, DKSH Asia and DKSH Resources.
5) Jason Michael Nicholas McLaren ("JNM") is a Non-Independent Executive Director/Group Finance Director and has been nominated to the Board of DHMB by DKSH Resources. JNM is a person connected with DKSH Holding Ltd, DKSH Asia and DKSH Resources. He is also a Director of DKSH Resources, DKSH Asia, CSSC and DKSH Smollan.
6) Lian Teng Hai ("LTH") is a Non-Independent Non-Executive Director and has been nominated to the Board of DHMB by DKSH Resources. LTH is a person connected with DKSH Holding Ltd, DKSH Asia and DKSH Resources.

Audit and Non-Audit Fees

The amount of audit fees and non-audit fees paid or payable to the Company's External Auditors by the Group and the Company for financial year 2019 are as follows:

	Group (RM)	Company (RM)
Audit services rendered	589,200	95,000
Non-Audit services rendered		
• Report on Directors' Statement on Risk Management and Internal Control	5,000	5,000
• Bonded warehouse count	7,000	–
• IFRS 16 implementation testing	8,000	–
Total	609,700	100,000

Material Contracts and Contracts relating to loan

None of the Directors and/or major shareholders has any material contract with the Company and/or its subsidiaries either still subsisting at the end of the financial year ended December 31, 2019 or entered into since the end of the previous financial year.

Directors' Training and Education

The Directors attended numerous trainings during the financial year ended December 31, 2019 and the details of trainings are disclosed in the Statement on Corporate Governance on page 32 of this Annual Report.

Share issuance scheme for employees

The Group did not offer any share scheme for employees during the financial year ended December 31, 2019.

List of Properties

The Group did not own any properties as at December 31, 2019.

Statement of Directors' responsibility

in respect of the audited financial statements

The Directors are required by the Companies Act 2016 ("CA") to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), the requirements of the CA in Malaysia, and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

This Statement on Directors' Responsibility is made in accordance with a resolution of the Board of Directors passed on May 18, 2020.

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended December 31, 2019.

Principal activities
The Company is principally an investment holding company. The principal activities of the Group are the provisioning of Market Expansion Services, which range from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value added services. These services are provided to consumer goods, healthcare and performance materials clients. The Group also operates retail outlets selling Famous Amos cookies, manufacturing and supplying of butter and margarine, and related bakery, confectionery and dairy products.

Other information relating to the subsidiaries are disclosed in Note 13 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	39,047	28,489
Profit attributable to owners of the parent	39,047	28,489

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except for the significant event as disclosed in Note 13 to the financial statements.

Dividends
The amount of dividend paid by the Company since December 31, 2018 was as follows:

	RM'000
In respect of the financial year ended December 31, 2018, a final single tier dividend of 10.0 sen per share, on 157,658,076 ordinary shares was paid on July 16, 2019	15,766

The Directors do not recommend the payment of a final dividend for the financial year ended December 31, 2019.

Directors' report (continued)

Directors
The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Lee Chong Kwee
Datuk Haji Abdul Aziz bin Ismail
Jason Michael Nicholas McLaren*
Lian Teng Hai*
Stephen John Ferraby
Chan Thian Kiat

* These Directors are also directors of the Company's subsidiaries.

The names of the Directors of the subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Liew Mei Ling	
Ooi Eng Keong	
Ng Hong Sim	
Hoo Fan Lee	
Chew Wen Chin	
Patrick Othmar Stillhart	(Appointed on March 29, 2019)
Jeffrey Vincent Ng Hoong Hong	(Appointed on December 18, 2019)
Varun Sethi	(Resigned on December 19, 2019)

Directors' benefits
Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' report (continued)

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2019	Acquired	Sold	At 31.12.2019
Ultimate holding company **DKSH Holding Ltd.**				
Stephen John Ferraby	9,770	4,082	–	13,852
The Company **DKSH Holdings (Malaysia) Berhad**				
Lee Chong Kwee	30,000	–	–	30,000
Stephen John Ferraby	10,000	–	–	10,000
Chan Thian Kiat	5,000	–	–	5,000
Subsidiaries **DKSH (B) Sdn. Bhd.**				
Jason Michael Nicholas McLaren	1	–	–	1
FACC (B) Sdn. Bhd.				
Jason Michael Nicholas McLaren	1	–	–	1

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Holding companies

The immediate and intermediate holding companies of the Company are DKSH Resources (Malaysia) Sdn. Bhd. and DKSH Holdings (Asia) Sdn. Bhd. respectively, both of which are incorporated in Malaysia. The ultimate holding company of the Company is DKSH Holding Ltd., a company incorporated in Switzerland and listed on the SIX Swiss Exchange.

Indemnity and insurance

During the financial year, the total amount of indemnity given to the directors and officers of the Group and of the Company is limited to a maximum liability of RM22,000,000 in aggregate. The total amount of insurance premium paid for the financial year ended December 31, 2019 was RM11,000.

Directors' report (continued)

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
   (ii) to ensure that any current assets which were unlikely to realize their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realize.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:
   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:
   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:
   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant event

Details of significant events are disclosed in Note 13 to the financial statements.

Directors' report (continued)

Auditors and auditors' remuneration
The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 8 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated May 4, 2020.

Jason Michael Nicholas McLaren **Lian Teng Hai**

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

We, Jason Michael Nicholas McLaren and Lian Teng Hai, being two of the Directors of DKSH Holdings (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 70 to 139 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated May 4, 2020.

Jason Michael Nicholas McLaren **Lian Teng Hai**

Statutory declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Jason Michael Nicholas McLaren, being the Director primarily responsible for the financial management of DKSH Holdings (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 70 to 139 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Jason Michael Nicholas McLaren
at Kuala Lumpur, Wilayah Persekutuan
on May 4, 2020

Jason Michael Nicholas McLaren

Before me,

Mohd Fitry Abdul Ghani
Commissioner of Oaths
No. W703

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion
We have audited the financial statements of DKSH Holdings (Malaysia) Berhad, which comprise the statements of financial position as at December 31, 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion
We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities
We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. We have determined that there is no key audit matter to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to the matter reported below. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue recognition

Risk
We draw your attention to Note 2.18 and Note 3.2 to the financial statements.

Total revenue for the Group for the financial year ended December 31, 2019 amounted to RM6.5 billion, which represents the most significant amount in the financial statements of the Group.

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia) (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Revenue recognition (continued)

Risk (continued)
The Group derives different streams of revenues arising from different structures of transactions and arrangements with its suppliers and customers from its business models.

Management has determined the following streams of revenues from its business models:

- Revenue from Marketing and Distribution stream is primarily derived from the comprehensive portfolio of services provided, ranging from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value-added services; and

- Revenue from Logistic stream is derived from supply chain services provided, ranging from warehousing and distribution, to order processing and collections. This also includes distribution of prepaid telephone cards.

Tailor-made services offered along this value chain result in distinctive services being provided to cater the needs of each supplier and customer of the Group. For each distinctive arrangement, management has to exercise judgement to determine whether the Group has the primary responsibility for providing the goods or services or for fulfilling the order, pricing latitude and inventory risk.

Hence, assessing whether a sale transaction contains the features of acting as principal or as an agent requires significant judgement. This requires detailed analysis of each contract regarding terms of business arrangements. These judgements could result in a risk that revenue from the sale of goods and/or services rendered is presented in gross amounts instead of net amounts, or vice versa.

Our audit response
In addressing this area of focus, we have performed, amongst others, the following procedures:

a) We have read and analyzed the contractual terms of the contracts with suppliers and arrangement with customers, on sampling basis, to evaluate management's assessment with regard to whether the Group is acting as principal or agent in accordance with MFRS 15 Revenue from Contracts with Customers;

b) We have used data analytics to identify any material new revenue streams; and

c) We have tested the internal controls over the recording of revenue transactions based on the revenue streams.

Information other than the financial statements and auditors' report thereon
The Directors of the Company are responsible for the other information. The other information comprises the Group's 2019 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia) (continued)

Report on the audit of the financial statements (continued)

Information other than the financial statements and auditors' report thereon (continued)
In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the financial statements
The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia) (continued)

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
20200600003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Phang Oy Lin
No. 02985/03/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
May 4, 2020

Statements of comprehensive income

for the financial year ended December 31, 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	6,457,085	6,010,281	61,645	50,676
Changes in inventories of finished goods		3,560	122,496	–	–
Raw materials and packaging materials used and finished goods purchased		(5,788,497)	(5,579,463)	–	–
Other income		8,844	6,362	–	–
Staff costs	5	(247,979)	(227,616)	–	–
Warehousing and logistics expenses		(107,172)	(76,416)	–	–
Loss allowance on trade receivables		(2,276)	(6,785)	–	–
Rental expenses		(1,776)	(38,700)	–	–
Depreciation of property, plant and equipment		(10,812)	(8,920)	–	–
Depreciation of rights-of-use assets		(36,694)	–	–	–
Amortization of intangible assets		(9,126)	(27)	–	–
Traveling and entertainment expenses		(15,077)	(14,337)	–	–
Information technology and communication expenses		(26,325)	(23,738)	–	–
Utilities, upkeep, repairs and maintenance costs		(18,833)	(15,185)	–	–
Office expenses		(4,485)	(4,274)	–	–
Other selling, advertising and promotional expenses		(63,871)	(55,326)	–	–
Other expenses		(38,021)	(19,605)	(5,498)	(1,597)
Finance costs	7	(37,587)	(8,195)	(23,819)	(3,991)
Profit before tax	8	60,958	60,552	32,328	45,088
Income tax expense	9	(21,911)	(15,968)	(3,839)	(3,544)
Profit net of tax		39,047	44,584	28,489	41,544
Other comprehensive income					
Currency translation differences to be reclassified to profit or loss in subsequent periods		3	1	–	–
Other comprehensive income for the financial year, net of tax		3	1	–	–
Total comprehensive income for the financial year		39,050	44,585	28,489	41,544
Profit attributable to owners of the parent		39,047	44,584	28,489	41,544
Total comprehensive income attributable to owners of the parent		39,050	44,585	28,489	41,544
Earnings per share attributable to owners of the parent • basic (sen)	10	24.77	28.28	–	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of financial position

as at December 31, 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	33,023	26,595	–	–
Intangible assets	12	393,949	159	–	–
Investments in subsidiaries	13	–	–	568,234	84,615
Deferred tax assets	14	6,211	6,346	–	–
Advances to subsidiaries	15	–	–	464,702	449,971
Right-of-use assets	26	131,722	–	–	–
		564,905	33,100	1,032,936	534,586
Current assets					
Inventories	16	741,045	734,523	–	–
Right of return assets	17	6,741	5,591	–	–
Trade and other receivables	18	1,383,546	1,294,944	3,727	2,637
Tax recoverable		3,013	5	–	–
Cash and bank balances	19	22,059	101,970	708	374
		2,156,404	2,137,033	4,435	3,011
Total assets		2,721,309	2,170,133	1,037,371	537,597
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	20	182,172	182,172	182,172	182,172
Foreign currency translation reserve		143	140	–	–
Retained earnings	21	437,942	414,661	271,173	258,450
Total equity		620,257	596,973	453,345	440,622

Statements of financial position

as at December 31, 2019 (continued)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current liabilities					
Trade and other payables	22	1,417,796	1,506,313	910	1,181
Derivative financial instruments	23	1,402	104	1,059	–
Borrowings (unsecured)	24	620	29,000	–	–
Income tax payable		2,127	2,959	1,201	1,099
Lease liabilities	26	30,952	–	–	–
		1,452,897	1,538,376	3,170	2,280
Non-current liabilities					
Borrowings (unsecured)	24	527,287	32,192	579,710	94,695
Provision for other liabilities	25	2,737	2,592	–	–
Derivative financial instruments	23	1,146	–	1,146	–
Deferred tax liabilities	14	12,440	–	–	–
Lease liabilities	26	104,545	–	–	–
		648,155	34,784	580,856	94,695
Total liabilities		2,101,052	1,573,160	584,026	96,975
Total equity and liabilities		2,721,309	2,170,133	1,037,371	537,597

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity

for the financial year ended December 31, 2019

		Attributable to owners of the parent			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group					
At January 1, 2019		182,172	140	414,661	596,973
Total comprehensive income		–	3	39,047	39,050
Transaction with owners					
Dividend for financial year ended December 31, 2018	27	–	–	(15,766)	(15,766)
Total transaction with owners		–	–	(15,766)	(15,766)
At December 31, 2019		182,172	143	437,942	620,257
At January 1, 2018		182,172	139	385,843	568,154
Total comprehensive income		–	1	44,584	44,585
Transaction with owners					
Dividend for financial year ended December 31, 2017	27	–	–	(15,766)	(15,766)
Total transaction with owners		–	–	(15,766)	(15,766)
At December 31, 2018		182,172	140	414,661	596,973

Statements of changes in equity

for the financial year ended December 31, 2019 (continued)

	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total RM'000
Company				
At January 1, 2019		182,172	258,450	440,622
Total comprehensive income		–	28,489	28,489
Transaction with owners				
Dividend for financial year ended December 31, 2018	27	–	(15,766)	(15,766)
Total transaction with owners		–	(15,766)	(15,766)
At December 31, 2019		182,172	271,173	453,345
At January 1, 2018		182,172	232,672	414,844
Total comprehensive income		–	41,544	41,544
Transaction with owners				
Dividend for financial year ended December 31, 2017	27	–	(15,766)	(15,766)
Total transaction with owners		–	(15,766)	(15,766)
At December 31, 2018		182,172	258,450	440,622

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of cash flows

for the financial year ended December 31, 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash flows from operating activities				
Profit before tax	60,958	60,552	32,328	45,088
Adjustments for non-cash items:				
Property, plant and equipment:				
• depreciation	10,812	8,920	–	–
• written off	188	171	–	–
• net gain on disposals	(171)	(2)	–	–
Depreciation of right-of-use assets	36,694	–	–	–
Net reversal of provision for property restoration cost	(13)	(126)	–	–
Inventories:				
• written off	20,119	13,698	–	–
• net (reversal of)/write-down of slow moving inventories	(776)	3,292	–	–
Loss allowance on trade receivables	2,276	6,785	–	–
Interest income (Note c)	(1,011)	(134)	(20,645)	(18,876)
Interest expense (Note b)	37,587	8,195	23,819	3,991
Dividend income	–	–	(41,000)	(31,800)
Net unrealized foreign exchange losses	651	675	–	–
Net unrealized derivative losses/(gains)	2,478	(688)	2,205	–
Amortization of intangible assets	9,126	27	–	–
Operating cash flows before changes in working capital	178,918	101,365	(3,293)	(1,597)
Changes in working capital:				
Inventories	45,874	(139,403)	–	–
Right of return assets	(1,150)	(5,591)	–	–
Receivables	(13,381)	(134,465)	(206)	(60)
Payables	(146,494)	236,449	(489)	559
Cash flows from/(used in) operations	63,767	58,355	(3,988)	(1,098)
Dividend received	–	–	41,000	31,800
Interest received (Note c)	1,011	134	19,761	18,301
Interest paid (Note b)	(37,557)	(8,120)	(23,601)	(3,916)
Tax paid	(23,620)	(18,297)	(3,737)	(3,357)
Net cash flows generated from operating activities	3,601	32,072	29,435	41,730

Statements of cash flows

for the financial year ended December 31, 2019 (continued)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	221	23	–	–
Purchase of property, plant and equipment (Note a)	(12,363)	(8,196)	–	–
Acquisition of subsidiaries, net cash paid (Note 13)	(467,059)	–	(483,619)	–
Net cash flows used in investing activities	(479,201)	(8,173)	(483,619)	–
Cash flows from financing activities				
Dividends paid on ordinary shares	(15,766)	(15,766)	(15,766)	(15,766)
Net drawdown of external borrowings	449,474	29,000	500,000	–
Net advances (to)/from:				
• intermediate holding company	–	300	–	300
• immediate holding company	(4,905)	1,500	(4,905)	1,500
Repayment of lease liabilities	(33,117)	–	–	–
Net advances to subsidiaries	–	–	(24,811)	(28,090)
Net cash flows generated from/(used in) financing activities	395,686	15,034	454,518	(42,056)
Changes in cash and cash equivalents	(79,914)	38,933	334	(326)
Currency translation differences	3	1	–	–
Cash and cash equivalents at beginning of financial year	101,970	63,036	374	700
Cash and cash equivalents at end of financial year (Note 19)	22,059	101,970	708	374

Note:
(a) The additions in property, plant and equipment were acquired by way of:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash	12,363	8,196	–	–
Deferred payment	2,067	403	–	–
Less: Payment made for previous year acquisitions	(403)	(208)	–	–
Additions (Note 11)	14,027	8,391	–	–

Statements of cash flows

for the financial year ended December 31, 2019 (continued)

Note: (continued)

(b) A reconciliation of interest expense and interest paid is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest paid	37,557	8,120	23,601	3,916
Interest payable	212	182	556	338
Less: Payment made for previous year interest expense	(182)	(107)	(338)	(263)
Interest expense (Note 7)	37,587	8,195	23,819	3,991

(c) A reconciliation of interest income and interest received is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest received	1,011	134	19,761	18,301
Interest receivable	–	–	3,451	2,567
Less: Receipt for previous year interest income	–	–	(2,567)	(1,992)
Interest income	1,011	134	20,645	18,876

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements

December 31, 2019

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.

The registered office and principal place of business of the Company are located at B-11-01, The Ascent, Paradigm, No. 1, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The immediate and intermediate holding companies of the Company are DKSH Resources (Malaysia) Sdn. Bhd. and DKSH Holdings (Asia) Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

The ultimate holding company of the Company is DKSH Holding Ltd., a company incorporated in Switzerland and listed on the SIX Swiss Exchange.

The Company is principally an investment holding company. The principal activities of the Group are the provisioning of Market Expansion Services, which range from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value added services. These services are provided to consumer goods, healthcare and performance materials clients. The Group also operates retail outlets selling Famous Amos cookies, manufacturing and supplying of butter and margarine, and related bakery, confectionery and dairy products.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on May 4, 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of MFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

At transition, the Group has applied MFRS 16 using the modified retrospective approach measuring the lease liability based on present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at January 1, 2019 and the right-of-use asset as an equal amount adjusted for any accrued or prepaid amount recognized under MFRS 117. Accordingly, the comparative information presented for 2018 has not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. When applying MFRS 16 to leases previously classified as operating leases under MFRS 117, the Group applied the practical expedients such as, exemption for leases with less than twelve-month of lease term, exclusion of initial direct cost from measuring the right-of-use asset, using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases various types of properties. On transition to MFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities as summarized below as of January 1, 2019:

	RM'000
Assets	
Right-of-use assets (Note 26)	152,398
Deferred tax assets (Note 14)	36,576
Liabilities	
Lease liabilities (Note 26)	152,398
Deferred tax liabilities (Note 14)	36,576

The weighted average incremental borrowing rate applied when measuring the lease liabilities at January 1, 2019 was 3.89%.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 16 Leases (continued)
The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

	RM'000
Operating lease commitments disclosed as of December 31, 2018	97,458
Discounted using the lessee's incremental borrowing rate at the date of initial application	(34,393)
Add: Lease payments relating to renewal period not included in operating lease commitments as at December 31, 2018	90,467
Less: Short-term and low value lease not recognized as a liability	(1,134)
Lease liabilities recognized as of January 1, 2019	152,398

2.3 Standards issued but not yet effective

A number of new standards, such as Amendments to References to Conceptual Framework in MFRS Standards, Definition of a Business (Amendments to MFRS 3), Definition of Material (Amendments to MFRS 101 and MFRS 108) and Amendments to MFRS 9, MFRS 139, MFRS 7 – Interest Rate Benchmark Reform are effective for annual periods beginning after January 1, 2020 and earlier application is permitted. The Group has not early adopted the new or amended standards. The amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

2.4 Economic entities in the Group

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.4 Economic entities in the Group (continued)

(a) Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.5 Current versus non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

(i) Expected to be realized or intended to be sold or consumed in normal operating cycle;
(ii) Held primarily for the purpose of trading;
(iii) Expected to be realized within twelve months after the reporting period; or
(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) It is expected to be settled in normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.6 Fair value measurement (continued)

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

• Quantitative disclosures of fair value measurement hierarchy	Note 31(e)
• Financial instruments (including those carried at amortized cost)	Notes 18, 22

2.7 Intangible assets

(a) Trademarks

Acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over its estimated useful life of an average of 10 years. The accounting policy on impairment of non-financial assets is disclosed in Note 2.10.

(b) Goodwill

The accounting policy on goodwill is disclosed in Note 2.4(b).

(c) Distribution rights

Distribution rights acquired in a business combination are recognized at fair value at the acquisition date. Distribution rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over its estimated useful life of 5 years. The accounting policy on impairment of non-financial assets is disclosed in Note 2.10.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred. The present value of the expected cost for the restoring an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The accounting policy on restoration cost is further disclosed in Note 2.17.

Property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarized as follows:

Renovations	3 - 10 years
Plant and machinery	5 - 10 years
Furniture, fittings and equipment	3 - 5 years
Motor vehicles	5 years

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

Depreciation on work-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the financial year.

At the end of the financial year, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policy on impairment of non-financial assets is disclosed in Note 2.10.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other gains/(losses) from operations.

2.9 Investments in subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

Investment in a subsidiary is carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of comprehensive income.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the financial year.

The impairment loss is charged to the statement of comprehensive income. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognized in the statement of comprehensive income.

2.11 Leases

Current financial year

As lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract gives the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an identified asset can be split into the right to obtain substantially all of the economic benefits from use of an identified asset and the right to direct the use of an identified asset.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases (continued)

Current financial year (continued)

As lessee (continued)

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to impairment.

The Group initially recognizes lease liabilities measured at the present value of lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate where the rate implicit in the lease is not readily determinable. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's property leases principally relating to warehouse and office typically include an initial non-cancellable period with an option to renew for an additional fixed period.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. All relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that could affect the exercise.

The Group applies the short-term lease recognition exemption in case the lease period is shorter than 12 months. It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases (continued)

Previous financial year

As lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

As lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as rental income in the period in which they are earned. The accounting policy for rental income is set out in Note 2.18.

2.12 Inventories
Inventories comprise raw materials, packaging materials and finished goods. Inventories are stated at the lower of cost and net realizable value.

Cost is principally determined on a weighted average basis and comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. The cost of conversion includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2.13 Share capital

(a) Classification
Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

(b) Dividends distribution
Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognized in the period in which the dividends are approved.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.14 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognized in the statement of comprehensive income except to the extent that the tax relates to items recognized outside the statement of comprehensive income, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:
- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the statement of comprehensive income is recognized outside the statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.14 Taxes (continued)

(c) Sales and Services Tax ("SST")
When SST is incurred, SST is recognized as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Whereas, revenue is recognized net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statement of financial position.

2.15 Employee benefits

(a) Short term employee benefits
The Group recognizes a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

(b) Defined contribution plan
Companies incorporated in Malaysia contribute to the Employees Provident Fund, the defined contribution plan. The Group's contributions are charged to the statement of comprehensive income. Once the contributions have been paid, the Group has no further payment obligations.

2.16 Cash and cash equivalents
For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and bank balances (less bank overdrafts), that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are presented within borrowings in current liabilities in the statements of financial position.

2.17 Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Restoration cost
Provision for restoration cost is estimated cost of dismantling, removing or restoring the property, plant and equipment at the lease inception date for operating leases with requirements to remove leasehold improvements at the end of the lease term.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition

(a) Sale of goods and rendering of services

The Group's sales are generated from the distribution of consumer goods, healthcare products and performance material products and from rendering of services. Revenue is recognized when a contractual promise to a customer has been fulfilled by transferring control over the promised goods or services, principally at the time of shipment to or receipt of the products by the customer, or over time when the services are performed. The Group's contractual promises generally represent one performance obligation. However, if a contract includes more than one performance obligation, the consideration is allocated based on the standalone selling prices of the individual performance obligations. The amount of revenue recognized is based on the expected consideration in exchange for the goods and services, taking into account contractually defined terms (e.g. trade discounts, cash discounts, volume rebates and returns) and excluding taxes or duty.

In both Marketing and Distribution, and Logistics segments, the Group enters into contracts with its suppliers for the distribution of products. Under these contracts, the Group might also provide procurement, marketing, sales, warehousing, logistics and collection services. The Group assesses on a contract-by-contract basis whether it is acting as a principal or agent. In some cases, the Group might not be considered the party primarily responsible for fulfilling the promise to the customer to provide the products, and/or might not have inventory risk before products has been transferred to the customer and/or might not have discretion in establishing the price for the specified product. In limited cases where the Group is acting as an agent, only the margin on sale, the fees or commissions earned are recorded in net sales.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return, allowance and rebate. The rights of return, allowance and rebate give rise to variable consideration.

(i) Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the most likely amount method to estimate the goods that will not be returned. The requirements in MFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability (included in trade and other payables). A right of return asset and corresponding adjustment to cost of sales are also recognized for the right to recover products from a customer.

(ii) Allowance and rebate

The Group provides allowance and rebate to certain customers based on certain criteria and consideration. Allowance and rebate are offset against amounts payable by the customer. To estimate the variable consideration for the expected future allowance and rebate, the Group applies the most likely amount method. The Group then applies the requirements on constraining estimates of variable consideration.

(b) Other revenue

Other revenue earned by the Group is recognized on the following basis:
- Interest income is recognized using the effective yield method.
- Rental income is recognized as they accrue unless collectability is in doubt.
- Dividend income is recognized when the entity's right to receive payment is established.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.19 Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

2.20 Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.21 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognized in the statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statement of comprehensive income of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. Exchange differences arising from such non-monetary items are also recognized directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognized in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognized in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.22 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15. The accounting policy for revenue recognition is set out in Note 2.18.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.22 Financial instruments - initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's and the Company's financial assets at amortized cost includes trade receivables, cash and bank balances and other financial receivables.

Financial assets at fair value through OCI (debt instruments)
The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group and the Company do not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company have not elected to classify irrevocably its non-listed equity investments under this category.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.22 Financial instruments - initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's and the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.22 Financial instruments - initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Derecognition (continued)

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. These provisions represent the difference between the trade receivables gross carrying amount and the estimated net collectible amount. The Group considers a financial asset in risk of default when contractual payments are 270 days past due. Trade receivables are written off against the provision account when there is an official announcement of liquidation or bankruptcy confirming that the receivable will not be collected.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.22 Financial instruments - initial recognition and subsequent measurement (continued)

(b) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has designated derivative financial instruments as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. For other financial liabilities, gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Notes to the financial statements

December 31, 2019 (continued)

2. Summary of significant accounting policies (continued)

2.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, and to realize the asset and settle the liability simultaneously.

2.24 Borrowing costs

Borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognized in the statements of comprehensive income in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.25 Segment reporting

For management purposes, the Group is organized into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. These segmental information are reviewed by the chief operating decision maker. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

Goodwill are tested for impairment at least annually and upon the occurrence of an indication of impairment. The impairment tests are performed annually at the same time each financial year at the cash-generating unit (CGU) level. The Group defines its CGUs based on the way that it monitors and derives economic benefits from the acquired goodwill. The impairment tests are performed by comparing the carrying value of the assets of these CGUs with their recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and value-in-use. Generally, the Group starts with a value-in-use calculation based on the future projected free cash flows discounted at an appropriate pre-tax rate of return. These calculations use free cash flow projections for the next five years based on financial budgets and economic growth rates approved by the Executive Committee. The discount rate reflects the current assessment of the time value of money and the risks specific to the CGUs (essentially country risks). The carrying amount of goodwill at December 31, 2019 was RM342 million. Further details are disclosed in Note 12.

Notes to the financial statements

December 31, 2019 (continued)

3. Significant accounting judgments and estimates (continued)

3.2 Critical judgment in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Revenue recognition - Principal versus agent considerations

The Group derives different streams of revenues arising from different structures of transactions and arrangements with its suppliers and customers from its business models.

The determination of whether the Group is principal or agent requires judgement. In making this judgement, the Group evaluates, among other factors, whether the Group has the primary responsibility for providing the goods or services or for fulfilling the order, latitude in establishing the price and control over inventory risk. Therefore, the Group reviews its contractual arrangements with each supplier and customer to assess whether they are acting as principal or agent in a specific arrangement. The Group also reviews its contractual arrangements when there are variations to the contract terms.

Management exercises judgement based on the above features to determine whether the Group is acting as principal or agent for each arrangement.

4. Revenue

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Sale of goods	6,381,920	5,947,298	–	–
Rendering of services	75,165	62,983	–	–
Interest income:				
• subsidiaries	–	–	20,536	18,742
• others	–	–	109	134
Dividend income:				
• subsidiaries	–	–	41,000	31,800
	6,457,085	6,010,281	61,645	50,676

Notes to the financial statements

December 31, 2019 (continued)

5. Staff costs

	Group	
	2019 RM'000	**2018 RM'000**
Salaries and bonuses	181,588	163,501
Defined contribution plan	26,079	23,761
Other employee benefits	40,823	40,354
	248,490	227,616
Staff cost included in cost of conversion of inventories	(511)	–
	247,979	227,616

Included in staff costs are Executive Directors' remuneration as disclosed in Note 6.

6. Directors' remuneration

The details of remuneration received/receivable by the Directors of the Group and of the Company for the financial year are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-executive Directors:				
• fees	213	175	213	175
Executive Directors:				
• salaries	723	1,237	–	–
• bonuses	342	852	–	–
• defined contribution plan	–	205	–	–
• other employee benefits	482	1,117	–	–
	1,547	3,411	–	–
Other Directors of the Group:				
• salaries	591	486	–	–
• bonuses	214	260	–	–
• defined contribution plan	175	131	–	–
• other employee benefits	550	165	–	–
	1,530	1,042	–	–
Total remuneration	3,290	4,628	213	175

Notes to the financial statements

December 31, 2019 (continued)

6. Directors' remuneration (continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-executive Directors:				
• fees				
Lee Chong Kwee	75	75	75	75
Datuk Haji Abdul Aziz bin Ismail	50	50	50	50
Chan Thian Kiat	50	50	50	50
Lian Teng Hai*	38	–	38	–
Total remuneration				
• Non-executive Directors	213	175	213	175
Executive Directors:				
Jason Michael Nicholas McLaren				
• salaries	723	688	–	–
• bonus	342	371	–	–
• other employee benefits	482	551	–	–
	1,547	1,610	–	–
Lian Teng Hai*				
• salaries	–	549	–	–
• bonus	–	481	–	–
• defined contribution plan	–	205	–	–
• other employee benefits	–	566	–	–
	–	1,801	–	–
Total remuneration				
• Executive Directors	1,547	3,411	–	–

* On November 8, 2018, Lian Teng Hai has been re-designated from Executive Director to Non-Executive Non-Independent Director.

Notes to the financial statements

December 31, 2019 (continued)

7. Finance costs

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest expense:				
• bankers' acceptances	2,268	1,934	–	–
• promissory notes	2,130	1,734	–	–
• revolving credit	3,883	2,934	978	502
• long term term loans	16,753	–	16,753	–
• advances from holding companies	1,384	1,502	1,384	1,502
• subsidiaries	–	–	1,953	1,987
• lease liabilities (Note 26)	8,329	–	–	–
• others	2,840	91	2,751	–
	37,587	8,195	23,819	3,991

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Auditors' remuneration:				
• statutory audits	589	474	95	95
• other services	20	13	5	5
Amortization of intangible assets	9,126	27	–	–
Property, plant and equipment:				
• depreciation	10,812	8,920	–	–
• written off	188	171	–	–
• net gain on disposals	(171)	(2)	–	–
Depreciation of right-of-use assets	36,694	–	–	–
Net reversal of provision for property restoration cost	(13)	(126)	–	–
Interest income:				
• subsidiaries	–	–	(20,536)	(18,742)
• external parties	(1,011)	(134)	(109)	(134)
Net derivatives losses/(gains):				
• realized	455	274	341	–
• unrealized	2,478	(688)	2,205	–
Net foreign exchange losses				
• realized	125	538	–	–
• unrealized	651	675	–	–

Notes to the financial statements

December 31, 2019 (continued)

8. Profit before tax (continued)

The following items have been included in arriving at profit before tax: (continued)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Inventories:				
• written off	20,119	13,698	–	–
• net (reversal of)/write-down of slow moving inventories	(776)	3,292	–	–
Loss allowance on trade receivables	2,276	6,785	–	–
Rental expenses	1,776	38,700	–	–
Rental income:				
• related companies	(1,169)	(715)	–	–
• external party	(583)	(636)	–	–

9. Income tax expense

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysian income tax:				
• Current financial year	21,570	18,231	3,848	3,544
• Under/(over) provision in prior financial years	220	(155)	(9)	–
	21,790	18,076	3,839	3,544
Deferred tax (Note 14):				
• Relating to origination and reversal of temporary differences	167	(2,010)	–	–
• Over provision in prior financial years	(46)	(98)	–	–
	121	(2,108)	–	–
Total income tax expense	21,911	15,968	3,839	3,544

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction. Companies in Brunei are taxed where for the first BND100,000 of the chargeable income, only 25% is taxable, the next BND150,000 only 50% is taxable and 100% is taxable for any remaining balance. The income tax rate applicable to the subsidiaries, DKSH (B) Sdn. Bhd. and FACC (B) Sdn. Bhd. in Brunei is 18.5% (2018: 18.5%). For a new company, the first BND100,000 of chargeable income is exempt from tax. This exemption applies for a company's first three consecutive years of assessment.

Notes to the financial statements

December 31, 2019 (continued)

9. Income tax expense (continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax	60,958	60,552	32,328	45,088
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	14,630	14,532	7,759	10,821
Different tax rate in other country	13	3	–	–
Expenses not deductible for tax purposes	10,673	1,689	5,929	355
Income not subject to tax	–	–	(9,840)	(7,632)
Effect of origination and reversal of temporary differences	44	65	–	–
Unutilized losses disregarded	(3,576)	(65)	–	–
Utilization of previously unrecognized deferred tax assets	(7)	(3)	–	–
Deferred tax assets not recognized	48	–	–	–
Under/(over) provision of income tax in prior financial years	220	(155)	(9)	–
Over provision of deferred tax in prior financial years	(46)	(98)	–	–
Income tax expense	21,911	15,968	3,839	3,544

10. Earnings per share - Basic

The earnings per share is calculated by dividing the net profit for the financial year attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019 RM'000	**2018 RM'000**
Profit net of tax attributable to owners of the parent	39,047	44,584
Weighted average number of ordinary shares in issue ('000)	157,658	157,658

	Group	
	2019 sen	**2018 sen**
Earnings per share - Basic	24.77	28.28

Diluted earnings per share is not presented as there were no potential dilutive ordinary shares during the financial year.

Notes to the financial statements

December 31, 2019 (continued)

11. Property, plant and equipment

	Renovations RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Group						
At December 31, 2019						
Cost						
At January 1, 2019	30,869	14,781	47,769	1,533	1,375	96,327
Acquisition of subsidiaries (Note 13)	129	2,274	1,119	174	–	3,696
Additions	3,529	2,372	6,951	794	381	14,027
Disposals	–	(54)	(91)	(663)	–	(808)
Reclassification	86	1,658	–	–	(1,744)	–
Written off	(850)	(281)	(1,287)	–	–	(2,418)
At December 31, 2019	33,763	20,750	54,461	1,838	12	110,824
Accumulated depreciation						
At January 1, 2019	19,043	11,124	38,212	1,353	–	69,732
Charge for the financial year	3,512	1,669	5,691	185	–	11,057
Disposals	–	(44)	(68)	(646)	–	(758)
Written off	(825)	(232)	(1,173)	–	–	(2,230)
At December 31, 2019	21,730	12,517	42,662	892	–	77,801
Net carrying amount	12,033	8,233	11,799	946	12	33,023

Notes to the financial statements

December 31, 2019 (continued)

11. Property, plant and equipment (continued)

	Renovations RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Group (continued)						
At December 31, 2018						
Cost						
At January 1, 2018	29,068	15,786	78,521	1,473	371	125,219
Additions	1,979	659	4,105	72	1,576	8,391
Disposals	–	(71)	(9)	–	–	(80)
Reclassification	10,481	3,685	(13,594)	–	(572)	–
Written off	(10,659)	(5,278)	(21,254)	(12)	–	(37,203)
At December 31, 2018	30,869	14,781	47,769	1,533	1,375	96,327
Accumulated depreciation						
At January 1, 2018	17,794	12,095	66,707	1,307	–	97,903
Charge for the financial year	2,885	1,104	4,873	58	–	8,920
Disposals	–	(58)	(1)	–	–	(59)
Reclassification	8,916	3,227	(12,143)	–	–	–
Written off	(10,552)	(5,244)	(21,224)	(12)	–	(37,032)
At December 31, 2018	19,043	11,124	38,212	1,353	–	69,732
Net carrying amount	11,826	3,657	9,557	180	1,375	26,595

The depreciation charged for the financial year included RM245,000 (2018: RM nil) which is included as part of the cost of conversion of inventories during the financial year.

Notes to the financial statements

December 31, 2019 (continued)

12. Intangible assets

	Group			
	Trademarks RM'000	Goodwill RM'000	Distribution rights RM'000	Total RM'000
Cost:				
At January 1, 2018, December 31, 2018 and January 1, 2019	8,493	–	–	8,493
Acquisition of subsidiaries (Note 13)	–	342,261	60,655	402,916
At December 31, 2019	8,493	342,261	60,655	411,409
Accumulated amortization:				
At January 1, 2018	8,307	–	–	8,307
Amortization during the financial year	27	–	–	27
At December 31, 2018 and January 1, 2019	8,334	–	–	8,334
Amortization during the financial year	27	–	9,099	9,126
At December 31, 2019	8,361	–	9,099	17,460
Net carrying amount:				
At December 31, 2019	132	342,261	51,556	393,949
At December 31, 2018	159	–	–	159

Notes to the financial statements

December 31, 2019 (continued)

12. Intangible assets (continued)

(a) Trademarks

Trademarks refer to the Alladdin's and Eva's trademarks acquired by the Group. The estimated average useful life of these trademarks is 10 years. Alladdin's trademark had been fully amortized in 2017 while Eva's trademark has remaining amortization period of 4.7 years (2018: 5.7 years).

(b) Distribution rights

Distribution rights refer to the distribution contracts that were acquired through business combination during the financial year. Distribution rights have a finite useful life and are amortized using the straight-line method over its estimated useful life of 5 years.

(c) Goodwill

The goodwill arose from the acquisition of equity interest in DKSH Food Services (M) Sdn. Bhd. (formerly known as Auric Pacific (M) Sdn. Bhd.) and its subsidiaries during the financial year. Further information relating to the acquisition is disclosed in Note 13 to the financial statements.

Impairment test for goodwill

For impairment testing purpose, goodwill acquired through business combination has been allocated to the Consumer Goods ("CG") CGU. The recoverable amount of CG CGU is determined based on value-in-use calculation, which use free cash flow projections for the next five financial years based on financial budgets and economic growth rates approved by the Executive Committee.

The pretax discount rate applied to the cash flow projection is 13.95%. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2.32%. As a result of the impairment test, management did not identify an impairment for this CGU.

The outcome of impairment testing is sensitive to variations in estimates and assumptions. Variations in estimates and assumptions have the following effect on the recoverable amount calculations (all else equal):

- A 3.5% point increase in the discount rate would result in an impairment of RM20 million.
- Reduced projections of earnings before interest and tax by 25% during forecast period 2020-2024 would result in an impairment of RM7 million.

The fluctuation of growth rate with all other variables remain constant will not have any significant impacts to the impairment of goodwill.

Notes to the financial statements

December 31, 2019 (continued)

13. Investments in subsidiaries

	Company	
	2019 RM'000	**2018 RM'000**
Non-current assets		
Unquoted shares at cost	575,528	91,909
Less: Accumulated impairment losses	(7,294)	(7,294)
	568,234	84,615
Movement in unquoted shares account		
At January 1	91,909	91,909
Additional investment	483,619	–
At December 31	575,528	91,909

Details of the subsidiaries are as follows:

		Proportion of ownership interest		
Name of Company	**Country of incorporation**	**2019 %**	**2018 %**	**Principal activities**
DKSH Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of Market Expansion Services for consumer goods, healthcare and performance materials clients.
DKSH Distribution Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of Market Expansion Services for healthcare clients. The Company has become inactive since previous financial year.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Malaysia	100	100	Sale of chocolate chip cookies and operation of retail outlets.
DKSH Marketing Services Sdn. Bhd.^	Malaysia	100	100	Dormant.
DKSH Logistics Services Sdn. Bhd.^	Malaysia	100	100	Dormant.
DKSH Central Services Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Food Services (M) Sdn. Bhd. (formerly known as Auric Pacific (M) Sdn. Bhd.)#	Malaysia	100	–	Investment holding company.
Held through DKSH Malaysia Sdn. Bhd.:				
• DKSH Management Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.

Notes to the financial statements

December 31, 2019 (continued)

13. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of Company	Country of incorporation	Proportion of ownership interest 2019 %	2018 %	Principal activities
Held through DKSH Distribution Malaysia Sdn. Bhd.:				
• DKSH (B) Sdn. Bhd.*	Brunei Darussalam	100	100	Dormant.
Held through The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.:				
• FACC (B) Sdn. Bhd.*	Brunei Darussalam	100	100	Sale of chocolate chip cookies and operation of retail outlets.
Held through DKSH Food Services (M) Sdn. Bhd. (formerly known as Auric Pacific (M) Sdn. Bhd.)				
• DKSH Manufacturing Sdn. Bhd. (formerly known as Auric Pacific Food Processing Sdn. Bhd.)#	Malaysia	100	–	Manufacturer of and dealer in butter and margarine and related confectionery products.
• DKSH Market Expansion Services Sdn. Bhd. (formerly known as Auric Pacific Marketing Sdn. Bhd.)#	Malaysia	100	–	Supply of bakery, confectionary and diary products.

* Audited by a member firm of Ernst & Young Global.
\# Subsidiary acquired during the financial year.
^ These subsidiaries have been placed under members' voluntary liquidation during the reporting period.

Notes to the financial statements

December 31, 2019 (continued)

13. Investments in subsidiaries (continued)

Acquisition of subsidiaries

On March 29, 2019, the Company completed the acquisition of 100% equity interest in Auric Pacific (M) Sdn. Bhd. and its subsidiaries ("Auric Malaysia"). Auric Malaysia is involved in the manufacturing and supplying of butter and margarine, and related bakery, confectionery and dairy products. The acquisition of Auric Malaysia is expected to increase the enlarged Group's scale and operations with increased number of client portfolios, which would enable the enlarged Group to increase its market share in the Market Expansion Services industry in Malaysia.

The fair values of the identifiable assets and liabilities of Auric Malaysia as at the date of acquisition were:

	Fair value RM'000
Assets:	
Property, plant and equipment	3,696
Right-of-use assets	1,548
Intangible assets	60,655
Deferred tax assets	3,539
Inventories	71,303
Trade and other receivables	77,497
Tax recoverable	2,010
Cash and bank balances	16,560
	236,808
Liabilities	
Trade and other payables	(55,598)
Provision for other liabilities	(158)
Lease liabilities	(1,555)
Deferred tax liabilities	(15,993)
Borrowings	(22,146)
	(95,450)
Total identifiable net assets acquired, at fair value	141,358
Goodwill on acquisition (Note 12)	342,261
Total purchase consideration, which representing the cost of investment	483,619

Total cash outflow on acquisition is as follows:

	RM'000
Cash Paid	483,619
Less: Net cash acquired with the subsidiaries	(16,560)
Net cash outflows from acquisition of subsidiaries	467,059

Notes to the financial statements

December 31, 2019 (continued)

13. Investments in subsidiaries (continued)

Acquisition of subsidiaries (continued)
The goodwill of RM342,261,000 relates to synergies and footprint improvements. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the trade and other receivables amounts to RM77,497,000. The gross amount of trade and receivables is RM78,340,000 and it is expected that the full contractual amounts can be collected.

From the date of acquisition, Auric Malaysia contributed net sales amounting to RM262,000,000 and a combined profit after tax of RM29,038,000. Assuming the business had been acquired as of January 1, 2019, the contribution for the net sales would have been RM349,000,000 with a corresponding profit after tax of RM38,717,000 as of December 31, 2019.

14. Deferred tax

	Group	
	2019 RM'000	**2018 RM'000**
At January 1	6,346	4,238
Acquisition of subsidiaries	(12,454)	–
Recognized in statement of comprehensive income (Note 9)	(121)	2,108
At December 31	(6,229)	6,346

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Group	**As at January 1, 2018 RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2018 RM'000**	**Adoption of MFRS 16 (Note 2.2) RM'000**	**Acquisition of subsidiaries RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2019 RM'000**
Deferred tax liabilities:							
Intangible assets	–	–	–	–	(14,557)	2,184	(12,373)
Right-of-use assets	–	–	–	(36,576)	(372)	5,484	(31,464)
Property, plant and equipment	(412)	111	(301)	–	(226)	(302)	(829)
	(412)	111	(301)	(36,576)	(15,155)	7,366	(44,666)
Offsetting	409		301				32,226
	(3)		–				(12,440)
Deferred tax assets:							
Receivables	1,577	1,092	2,669	–	(565)	(1,034)	1,070
Inventories	1,348	767	2,115	–	(694)	685	2,106
Lease liabilities	–	–	–	36,576	373	(4,584)	32,365
Others	1,725	138	1,863	–	3,587	(2,554)	2,896
	4,650	1,997	6,647	36,576	2,701	(7,487)	38,437
Offsetting	(409)		(301)				(32,226)
	4,241		6,346				6,211

Notes to the financial statements

December 31, 2019 (continued)

14. Deferred tax (continued)

	Group	
	2019 RM'000	2018 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	6,211	6,346
Deferred tax liabilities	(12,440)	–
	(6,229)	6,346

Deferred tax assets have not been recognized in respect of the following items:

	Group	
	2019 RM'000	2018 RM'000
Other deductible temporary differences	15	29
Unutilized capital allowances	161	106
Unabsorbed business losses	9,607	9,716
	9,783	9,851

Deferred tax assets have not been recognized where it is not probable that future taxable profits will be available against which the deductible temporary differences can be utilized for certain subsidiaries in the Group.

The Malaysia Finance Act gazetted on December 27, 2018 has imposed a time limitation to restrict the carry forward of the unutilized tax losses. The unutilized tax losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 7 consecutive years of assessment (i.e. from years of assessment 2019 to 2025) and any balance of the unutilized thereafter shall be disregarded.

However, for any unutilized tax losses that originated from the year of assessment 2019 onwards, these are allowed to be carried forward for a maximum period of 7 consecutive years of assessment immediately following that originating year of assessment and any balance of the unutilized tax losses thereafter shall be disregarded.

The foreign unabsorbed business losses applicable to subsidiary companies incorporated in Brunei are pre-determined by and subject to the tax legislation of Brunei.

Notes to the financial statements

December 31, 2019 (continued)

15. Advances to subsidiaries

	Company	
	2019 RM'000	2018 RM'000
Advances to subsidiaries	464,702	449,971

Advances to subsidiaries are unsecured and carry interest rates which range between 4.20% to 4.50% (2018: 4.22% to 4.54%) per annum. These advances are not intended to be recalled, in full or in part, within the next 12 months from the reporting date.

16. Inventories

	Group	
	2019 RM'000	2018 RM'000
Raw materials (at cost)	8,023	5,619
Packaging materials (at cost)	2,177	1,619
Finished goods (at lower of cost and net realizable value)	730,845	727,285
	741,045	734,523

During the financial year, the amount of inventories recognized as an expense in the statement of comprehensive income of the Group was RM5,784,937,000 (2018: RM5,456,967,000) and the amount written off was RM20,119,000 (2018: RM13,698,000).

17. Right of return assets

	Group	
	2019 RM'000	2018 RM'000
Right of return assets	6,741	5,591

Under MFRS 15, right of return assets are recognized for the right to recover products from customers when the customers exercise their right of return.

Notes to the financial statements

December 31, 2019 (continued)

18. Trade and other receivables

		Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current					
Trade receivables	(a)	1,367,392	1,275,384	–	–
Third parties		1,365,900	1,275,384	–	–
Related company		1,492	–	–	–
Less: Loss allowance on trade receivables		(19,611)	(20,081)	–	–
		1,347,781	1,255,303	–	–
Other receivables					
Deposits		9,478	8,734	2	2
Prepayments		1,996	1,042	1,208	–
Net Goods and Services Tax (GST) refundable		16,457	23,780	–	–
Sundry receivables		7,333	5,196	–	–
Amounts due from:					
• fellow subsidiaries	(b)	–	–	2,516	2,567
• related companies	(b)	501	889	1	68
		35,765	39,641	3,727	2,637
Total trade and other receivables		1,383,546	1,294,944	3,727	2,637
Add: Advances to a subsidiaries (Note 15)		–	–	464,702	449,971
Less: Prepayments		(1,996)	(1,042)	(1,208)	–
Less: Net GST refundable		(16,457)	(23,780)	–	–
Add: Cash and bank balances (Note 19)		22,059	101,970	708	374
Total financial assets at amortized cost		1,387,152	1,372,092	467,929	452,982

Notes to the financial statements

December 31, 2019 (continued)

18. Trade and other receivables (continued)

(a) Trade receivables

Credit terms of trade receivables range from payment in advance to 90 days (2018: payment in advance to 90 days). They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Neither past due nor impaired	1,236,877	1,172,798
Less than three months past due but not impaired	77,923	57,338
Between three to six months past due but not impaired	32,981	25,167
	110,904	82,505
Impaired	19,611	20,081
	1,367,392	1,275,384

Set out below is the accounts used to record the impairment:

	Group	
	2019 RM'000	**2018 RM'000**
Movement in allowance accounts:		
At January 1	20,081	24,224
Acquisition of subsidiaries	842	–
Allowance for impairment	2,276	6,785
Written off	(3,588)	(10,928)
At December 31	19,611	20,081

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Credit risk management with respect to trade receivables is disclosed in Note 31(d) to the financial statements.

Notes to the financial statements

December 31, 2019 (continued)

18. Trade and other receivables (continued)

(a) Trade receivables (continued)

The currency exposure profile of net trade receivables is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Ringgit Malaysia	1,326,878	1,235,248
Brunei Dollar	17,976	17,232
US Dollar	1,941	2,346
Singapore Dollar	145	170
Australian Dollar	6	–
Japanese Yen	27	13
Sterling Pound	808	–
Euro	–	294
	1,347,781	1,255,303

(b) Related party balances

The amounts receivable from fellow subsidiaries and related companies are unsecured, non-interest bearing and repayable within 30 to 90 days (2018: 30 to 90 days).

The currency exposure profile of related party balances is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	109	343	2,517	2,635
US Dollar	299	377	–	–
Swiss Franc	92	–	–	–
Singapore Dollar	1	169	–	–
	501	889	2,517	2,635

19. Cash and bank balances

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash and bank balances	22,059	101,970	708	374

Notes to the financial statements

December 31, 2019 (continued)

19. Cash and bank balances (continued)

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	14,287	97,921	708	374
US Dollar	1,924	933	–	–
Singapore Dollar	959	965	–	–
Euro	909	167	–	–
Swiss Franc	298	153	–	–
Australian Dollar	610	198	–	–
Thai Baht	2,021	–	–	–
Brunei Dollar	1,051	1,633	–	–
	22,059	101,970	708	374

20. Share capital

	Group and Company			
	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
Ordinary shares				
At January 1/December 31	157,658	157,658	182,172	182,172

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the financial statements

December 31, 2019 (continued)

21. Retained earnings

The Company may distribute dividends out of its retained earnings as at December 31, 2019 under the single tier system.

22. Trade and other payables

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
Trade payables				
Third parties	1,248,103	1,377,859	–	–
Other payables				
Accruals	90,775	72,805	294	843
Sundry payables	63,529	45,238	6	–
Refund liabilities	10,060	6,154	–	–
Amounts due to:				
• intermediate holding company	70	77	70	77
• immediate holding company	142	85	142	85
• subsidiaries	–	–	344	176
• related companies	5,117	4,095	54	–
	169,693	128,454	910	1,181
Total trade and other payables	1,417,796	1,506,313	910	1,181
Less: Refund liabilities	(10,060)	(6,154)	–	–
Add: Borrowings (Note 24)	527,907	61,192	579,710	94,695
Add: Lease liabilities (Note 26)	135,497	–	–	–
Total financial liabilities at amortized cost	2,071,140	1,561,351	580,620	95,876

Notes to the financial statements

December 31, 2019 (continued)

22. Trade and other payables (continued)

The currency exposure profile of payables is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Trade payables		
Ringgit Malaysia	1,183,456	1,329,699
US Dollar	53,781	35,196
Euro	1,995	1,133
Swiss Franc	–	135
Brunei Dollar	–	12
Singapore Dollar	2,061	4,914
Australian Dollar	2,273	664
Japanese Yen	1,108	237
Thai Baht	2,576	5,135
New Zealand Dollar	330	369
Sterling Pound	523	365
	1,248,103	1,377,859
Sundry payables		
Ringgit Malaysia	63,341	44,963
Brunei Dollar	188	275
	63,529	45,238

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Amounts due to related parties				
Ringgit Malaysia	3,292	2,420	610	338
Swiss Franc	1,503	–	–	–
US Dollar	341	1,721	–	–
Singapore Dollar	138	–	–	–
Japanese Yen	55	116	–	–
	5,329	4,257	610	338

Notes to the financial statements

December 31, 2019 (continued)

22. Trade and other payables (continued)

The average credit terms of payables are as follows:

	Group/Company Average credit terms	
	2019	**2018**
Trade payables	0 to 180 days	0 to 180 days
Sundry payables	30 days	30 days
Amounts due to related parties	Payable within 30 to 120 days	Payable within 30 to 120 days

The amounts payable to intermediate holding company, immediate holding company, subsidiaries and related companies are unsecured and non-interest bearing.

23. Derivative financial instruments

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
• Forward foreign exchange contract	(343)	(104)	–	–
• Interest rate swap contract	(1,059)	–	(1,059)	–
	(1,402)	(104)	(1,059)	–
Non-current				
• Interest rate swap contract	(1,146)	–	(1,146)	–
Total derivative financial instruments	(2,548)	(104)	(2,205)	–

Notes to the financial statements

December 31, 2019 (continued)

23. Derivative financial instruments (continued)

	Contract value RM'000	Fair value RM'000	Liabilities RM'000
Group			
2019			
Interest rate swap contract			
• at fair value through profit or loss	250,000	247,795	(2,205)
Forward foreign exchange contracts			
• at fair value through profit or loss	38,521	38,178	(343)
2018			
Forward foreign exchange contracts			
• at fair value through profit or loss	29,035	28,931	(104)
Company			
2019			
Interest rate swap contract			
• at fair value through profit or loss	250,000	247,795	(2,205)

The Group's derivative financial instruments relate to forward foreign exchange contracts which are entered into in currencies other than the Group's functional currency to manage exposure to fluctuations in foreign currency exchange rates on specified transactions.

At December 31, 2019, the settlement dates on open forward contracts ranged between 3 days and 4 months (2018: 3 days and 4 months).

At December 31, 2019, the Group and the Company had an interest rate swap agreement in place with a notional amount of RM250 million whereby the Group and the Company receive a variable rate equal to MYR 3 Months KLIBOR on the notional amount and pay interest at a fixed rate equal to 3.69%. The swap is being used to actively hedge its interest rate risk that may arise from changes in KLIBOR rate.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the floating rate loan (i.e., notional amount, maturity, payment and reset dates.) The Group has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of the interest rate swap is identical to the hedged risk component.

Notes to the financial statements

December 31, 2019 (continued)

23. Derivative financial instruments (continued)

The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts are as follows:

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
At December 31, 2019				
Trade payables:				
EUR 574,753	EUR	MYR	2,664	1EUR=RM4.6355
THB 19,198,720	THB	MYR	2,649	1THB=RM0.1380
USD 6,580,804	USD	MYR	27,471	1USD=RM4.1744
AUD 1,393,173	AUD	MYR	3,977	1AUD=RM2.8544
SGD 148,489	SGD	MYR	455	1SGD=RM3.0653
CHF 310,000	CHF	MYR	1,305	1CHF=RM4.2070
			38,521	
At December 31, 2018				
Trade payables:				
EUR 245,000	EUR	MYR	1,175	1EUR=RM4.7982
USD 5,021,652	USD	MYR	20,977	1USD=RM4.1773
THB 53,661,596	THB	MYR	6,883	1THB=RM0.1283
			29,035	

The fair value of outstanding forward contracts of the Group at the reporting date are at unfavorable net position of RM343,000 (2018: unfavorable net position of RM104,000).

Notes to the financial statements

December 31, 2019 (continued)

24. Borrowings (unsecured)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
Bankers' acceptances	620	16,000	–	–
Revolving credit	–	13,000	–	–
External borrowings	620	29,000	–	–
Non-current				
Term loans	500,000	–	500,000	–
Advances from:				
• intermediate holding company	10,122	10,122	10,122	10,122
• immediate holding company	17,165	22,070	17,165	22,070
• subsidiaries	–	–	52,423	62,503
	527,287	32,192	579,710	94,695
Total loans and borrowings	527,907	61,192	579,710	94,695

Reconciliation of liabilities/(assets) arising from financing activities

	Lease liabilities (Note 26) RM'000	**Bankers' acceptance, revolving credit and term loans RM'000**	**Advances from intermediate holding company RM'000**	**Advances from immediate holding company RM'000**	**Total RM'000**
Group					
At January 1, 2019	–	29,000	10,122	22,070	61,192
Adoption of MFRS 16 (Note 2.2)	152,398	–	–	–	152,398
Acquisition of subsidiaries	1,555	22,146	–	–	23,701
Net (repayments)/drawdowns	(33,117)	449,474	–	–	416,357
New leases	14,661	–	–	–	14,661
Net advances to	–	–	–	(4,905)	(4,905)
At December 31, 2019	135,497	500,620	10,122	17,165	663,404
At January 1, 2018	–	–	9,822	20,570	30,392
Net drawdown of borrowings	–	29,000	–	–	29,000
Net advances from	–	–	300	1,500	1,800
At December 31, 2018	–	29,000	10,122	22,070	61,192

Notes to the financial statements

December 31, 2019 (continued)

24. Borrowings (unsecured) (continued)

Reconciliation of liabilities/(assets) arising from financing activities (continued)

	Term loans RM'000	Advances from intermediate holding company RM'000	Advances from immediate holding company RM'000	Net advances to subsidiaries RM'000	Total RM'000
Company					
At January 1, 2019	–	10,122	22,070	(387,468)	(355,276)
Net drawdown of borrowings	500,000	–	–	–	500,000
Net advances to	–	–	(4,905)	(24,811)	(29,716)
At December 31, 2019	500,000	10,122	17,165	(412,279)	115,008
At January 1, 2018	–	9,822	20,570	(359,378)	(328,986)
Net advances from/(to)	–	300	1,500	(28,090)	(26,290)
At December 31, 2018	–	10,122	22,070	(387,468)	(355,276)

The bankers' acceptance and revolving credit are unsecured and repayable within the next 12 months.

Advances from intermediate holding company and immediate holding company bear interest which ranges between 4.20% to 4.50% (2018: 4.22% to 4.54%) per annum. These advances are unsecured and are not repayable within the next 12 months.

Advances from subsidiaries are deposits of excess cash placed with the Company and bear interest which ranges between 3.10% to 3.35% (2018: 3.10% to 3.35%) per annum. These advances are unsecured and are not repayable within the next 12 months.

Weighted average year end effective interest rates

	Group	
	2019 %	2018 %
Bankers' acceptances	4.12	3.67
Revolving credit	–	3.92

The remaining maturities of loans and borrowings as at December 31, 2019 and December 31, 2018:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	620	29,000	–	–
More than one year	527,287	32,192	579,710	94,695
Total	527,907	61,192	579,710	94,695

Notes to the financial statements

December 31, 2019 (continued)

25. Provision for other liabilities

	Group	
	2019 RM'000	2018 RM'000
Property restoration cost:		
At January 1	2,592	2,718
Addition	15	–
Acquisition of subsidiaries	158	–
Write-back of provision	(28)	(126)
At December 31	2,737	2,592

The amount represents a provision for property restoration cost upon expiry of lease term ranging from 5 to 15 years.

26. Leases

Group as a lessee

The Group has lease contracts for various items of property used in its operations. Leases of property generally have lease terms between 2 and 12 years. The Group's obligations under its leases are secured by the lessor's titled to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and therefore income from leasing is insignificant. There are several lease contracts that include extension and termination options and variable lease payments.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Properties RM'000
At January 1, 2019 (Note 2.2)	152,398
Depreciation	(36,885)
Additions	14,661
Acquisition of subsidiaries (Note 13)	1,548
At December 31, 2019	131,722

The depreciation charged for the financial year included RM191,000 which is included in the cost of conversion of inventories during the financial year.

Notes to the financial statements

December 31, 2019 (continued)

26. Leases (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019 RM'000
At January 1, 2019 (Note 2.2)	152,398
Additions	14,661
Acquisition of subsidiaries (Note 13)	1,555
Accretion of interest (Note 7)	8,329
Payments	(41,446)
At December 31, 2019	135,497
Current	30,952
Non-current	104,545

The maturity analysis of lease liabilities are disclosed in Note 31 (c) to the financial statements.

The following are the amounts recognized in profit or loss:

	2019 RM'000
Depreciation of right-of-use assets	36,885
Interest expenses on lease liabilities (Note 7)	8,329
Expenses relating to short-term leases (presented as rental expenses)	350
Variable lease payments (presented as rental expense)	1,426
Total amount recognized in profit or loss	46,990

The Group had total cash outflows for leases of RM43,222,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities RM16,209,000 and RM16,216,000 respectively in 2019. The Group does not have future cash outflows relating to leases that have not yet commenced as at December 31, 2019.

Notes to the financial statements

December 31, 2019 (continued)

27. Dividends

Dividends paid in respect of ordinary shares for the financial year are as follows:

	Group and Company			
	2019		2018	
	Gross dividend per share Sen	Amount of dividends RM'000	Gross dividend per share Sen	Amount of dividends RM'000
Final dividend:				
For financial year ended December 31, 2018 paid on July 16, 2019:				
• single tier	10.0	15,766	–	–
For financial year ended December 31, 2017 paid on July 12, 2018:				
• single tier	–	–	10.0	15,766
Dividends in respect of the year	10.0	15,766	10.0	15,766

The Directors do not recommend the payment of a final dividend for the financial year ended December 31, 2019.

28. Commitments

(a) Capital commitments

Capital expenditures not provided for in the financial statements are as follows:

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment:		
Approved and contracted for	2,421	3,030

(b) Non-cancellable operating lease commitments

The Group entered into non-cancellable operating lease agreements for the use of office premises, warehouses, outlets and certain office equipment. Office premises and warehouse leases have an average tenure of between three to ten years, outlet leases have an average tenure of between one to three years while office equipment leases have an average tenure of between two to five years.

The future minimum lease payments under non-cancellable operating leases as at December 31, 2018 are as follows:

	Group 2018 RM'000
Payable within one year	34,862
Payable after one year but not later than five years	60,561
Payable after five years	2,035
	97,458

Notes to the financial statements

December 31, 2019 (continued)

29. Significant related party transactions

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company, and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(a) Sales of goods and services:				
Sales of goods and services:				
• related companies (goods)	4,721	1,823	–	–
• related companies (rental)	1,169	715	–	–
• related companies (cost sharing)	277	272	–	–
• related companies (information technology charges)	52	62	–	–
• related companies (human resources charges)	684	657	–	–
	6,903	3,529	–	–
Others (interest):				
• subsidiaries	–	–	20,536	18,742
Others (dividend):				
• subsidiaries	–	–	41,000	31,800
	–	–	61,536	50,542
	6,903	3,529	61,536	50,542
(b) Purchases of goods and services:				
Purchases of goods and services:				
• related companies (goods)	6,964	5,733	–	–
• a related company (services)	13,116	12,731	–	–
• a related company (management fee)	6,966	5,181	–	–
• a related company (royalty fee)	753	–	–	–
• a related company (information technology charges)	19,391	18,201	–	–
	47,190	41,846	–	–
Others (interest):				
• immediate holding company	943	1,065	943	1,065
• intermediate holding company	441	437	441	437
• subsidiaries	–	–	1,953	1,987
	1,384	1,502	3,337	3,489
	48,574	43,348	3,337	3,489

Notes to the financial statements

December 31, 2019 (continued)

29. Significant related party transactions (continued)

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company, and related parties took place at terms agreed between the parties during the financial year: (continued)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(c) Net advances (to)/from:				
Intermediate holding company	–	300	–	300
Immediate holding company	(4,905)	1,500	(4,905)	1,500
Subsidiaries	–	–	(24,811)	(28,090)
	(4,905)	1,800	(29,716)	(26,290)

(d) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-executive Directors:				
• fees	213	175	213	175
Key management personnel:				
• Salaries and bonuses	6,748	8,326	–	–
• Defined contribution plan	665	823	–	–
• Other employee benefits	1,792	2,148	–	–
	9,205	11,297	–	–
	9,418	11,472	213	175

The related parties of the Group and of the Company are as follows:

Related parties	**Relationships**
DKSH Holding Ltd.	Ultimate holding company
DKSH Holdings (Asia) Sdn. Bhd.	Immediate holding company of DRSB
DKSH Resources (Malaysia) Sdn. Bhd. ("DRSB")	Immediate holding company
DKSH Marketing Services Sdn. Bhd.	Subsidiary
DKSH Distribution Malaysia Sdn. Bhd.	Subsidiary
DKSH (B) Sdn. Bhd.	Subsidiary
DKSH Logistics Services Sdn. Bhd.	Subsidiary
DKSH Central Services Malaysia Sdn. Bhd.	Subsidiary

Notes to the financial statements

December 31, 2019 (continued)

29. Significant related party transactions (continued)

The related parties of the Group and of the Company are as follows: (continued)

Related parties	Relationships
DKSH Malaysia Sdn. Bhd.	Subsidiary
DKSH Management Malaysia Sdn. Bhd.	Subsidiary
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Subsidiary
FACC (B) Sdn. Bhd.	Subsidiary
DKSH Food Services (M) Sdn. Bhd. (formerly known as Auric Pacific (M) Sdn. Bhd.)	Subsidiary
DKSH Manufacturing Sdn. Bhd. (formerly known as Auric Pacific Food Processing Sdn. Bhd.)	Subsidiary
DKSH Market Expansion Services Sdn. Bhd. (formerly known as Auric Marketing Sdn. Bhd.)	Subsidiary
DKSH Corporate Shared Services Center Sdn. Bhd.	Related company
DKSH Luxury & Lifestyle (Malaysia) Sdn. Bhd.	Related company
DKSH Technology Sdn. Bhd.	Related company
DKSH Singapore Pte. Ltd.	Related company
DKSH Korea Ltd.	Related company
DKSH International AG	Related company
PT DKSH (Indonesia), Jakarta	Related company
DKSH (Thailand) Ltd.	Related company
DKSH Japan K.K., Tokyo	Related company
Medinova AG	Related company
DKSH Management Ltd.	Related company
DKSH Market Expansion Services Pte. Ltd.	Related company
DKSH South East Asia Pte. Ltd.	Related company
DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd.	Related company
DKSH South East Asia Pte. Ltd. (SG Division)	Related company
DKSH Taiwan Ltd.	Related company
FAVOREX Pte. Ltd.	Related company
DKSH Switzerland Ltd.	Related company
DKSH Vietnam Co. Ltd.	Related company
DKSH Philippines Inc.	Related company
DKSH Marketing Services Pte. Ltd.	Related company

Subsidiary refers to companies within the listed Group of DKSH Holdings (Malaysia) Berhad.

Related company refers to companies outside the listed Group of DKSH Holdings (Malaysia) Berhad and companies under the Group of DKSH Holding Ltd..

Notes to the financial statements

December 31, 2019 (continued)

30. Segmental information

The Group is organized into three main business segments:
- Marketing and distribution services
- Logistics services
- Others - Famous Amos chocolate chip cookie business and central overheads

All the major operations of the Group are carried out in Malaysia. Accordingly, the segment reports as presented below had been reviewed by the chief operating decision maker.

(a) Primary reporting format - business segments

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2019					
Revenue					
Sale of goods	3,121,401	3,192,151	68,368	–	6,381,920
Rendering of services	23,600	51,565	–	–	75,165
Segment revenue	3,145,001	3,243,716	68,368	–	6,457,085
Intersegment revenue	695	–	–	(695)	–
Revenue	3,145,696	3,243,716	68,368	(695)	6,457,085
Results					
Segment results	41,807	62,760	(6,022)	–	98,545
Finance costs					(37,587)
Income tax expense					(21,911)
Profit for the financial year					39,047
Net assets					
Segment assets	1,287,439	878,135	94,738	–	2,260,312
Unallocated assets					460,997
Total assets					2,721,309
Segment liabilities	(552,972)	(691,656)	(3,475)	–	(1,248,103)
Unallocated liabilities					(852,949)
Total liabilities					(2,101,052)
Other information					
Capital expenditure	3,369	4,826	5,832	–	14,027
Depreciation of property, plant and equipment	3,317	2,899	4,841	–	11,057
Depreciation on right-of-use assets	22,048	8,098	6,739	–	36,885
Amortization of intangible assets	9,126	–	–	–	9,126
Loss allowance on trade receivables	2,411	(133)	(2)	–	2,276
Inventories written off	17,199	1,425	1,495	–	20,119

Notes to the financial statements

December 31, 2019 (continued)

30. Segmental information (continued)

(a) Primary reporting format - business segments (continued)

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2018					
Revenue					
Sale of goods	2,803,968	3,081,589	61,741	–	5,947,298
Rendering of services	22,289	40,694	–	–	62,983
Segment revenue	2,826,257	3,122,283	61,741	–	6,010,281
Intersegment revenue	1,037	–	–	(1,037)	–
Revenue	2,827,294	3,122,283	61,741	(1,037)	6,010,281
Results					
Segment results	21,569	48,697	(1,519)	–	68,747
Finance costs					(8,195)
Income tax expense					(15,968)
Profit for the financial year					44,584
Net assets					
Segment assets	1,120,884	877,345	23,783	–	2,022,012
Unallocated assets					148,121
Total assets					2,170,133
Segment liabilities	(533,122)	(839,294)	(5,443)	–	(1,377,859)
Unallocated liabilities					(195,301)
Total liabilities					(1,573,160)
Other information					
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 allowance on trade receivables	8,181	(1,345)	(51)	–	6,785
Inventories written off	12,564	46	1,088	–	13,698

Segment assets consist primarily of property, plant and equipment, inventories, right of return assets, and trade receivables. Segment liabilities comprise only trade payables. Capital expenditure comprises additions to property, plant and equipment (Note 11).

Notes to the financial statements

December 31, 2019 (continued)

30. Segmental information (continued)

(a) Primary reporting format - business segments (continued)

	Group	
	2019 RM'000	2018 RM'000
Unallocated assets mainly consists of:		
Intangible assets	393,949	159
Cash and bank balances	22,059	101,970
Other receivables	35,765	39,641
Deferred tax assets	6,211	6,346
Others	3,013	5
	460,997	148,121

Unallocated liabilities mainly consists of:		
Accruals and other payables	(154,304)	(118,043)
Revolving credit	–	(13,000)
Bankers' acceptances	(620)	(16,000)
Advances from holding companies	(27,287)	(32,192)
Team loans	(500,000)	–
Amounts due to:		
• intermediate holding company	(70)	(77)
• immediate holding company	(142)	(85)
• related companies	(5,117)	(4,095)
Deferred tax liabilities	(12,440)	–
Lease liabilities	(135,497)	–
Others	(17,472)	(11,809)
	(852,949)	(195,301)

(b) Secondary reporting format - geographical segments

Although the Group has two operations in Brunei Darussalam, there is no disclosure of the operations as separate geographical segment as the revenue contributed by the foreign incorporated companies are not material to constitute an independent geographical segment as stipulated under MFRS 8: Operating Segments.

Notes to the financial statements

December 31, 2019 (continued)

31. Financial risk management objectives and policies

The activities of the Group and of the Company expose the Group and the Company to a variety of financial risks, in the areas of interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group's and the Company's overall financial risk management objective is to ensure that the Group and the Company are adequately protected. Financial risk management involves risk reviews, monitoring of the compliance of internal control systems and adherence to DKSH Holding Ltd. Group's financial risk management policies.

(a) Interest rate risk

Interest rate exposures arise from the Group's and the Company's loans and borrowings and advances to subsidiaries. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

At the reporting date, the interest rate profile of the interest-bearing financial instruments is as below:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Net financial (liabilities)/assets:				
• Fixed rate instruments	(500,000)	–	(500,000)	–
• Floating rate instruments	(27,907)	(61,192)	384,992	355,276
	(527,907)	(61,192)	(115,008)	355,276

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statements of comprehensive income.

Notes to the financial statements

December 31, 2019 (continued)

31. Financial risk management objectives and policies (continued)

(a) Interest rate risk (continued)

Sensitivity analysis for floating rate instruments

A change of 5% in interest rates at the reporting date would result in the profit before tax to be higher/(lower) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Floating rate instruments (denominated in RM):				
5% increase	(15)	(20)	218	208
5% decrease	15	20	(218)	(208)

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales, purchases and payments on behalf that are denominated in a currency other than the functional currency to which they relate. The currencies giving rise to this risk are primarily United States Dollar (USD), Brunei Dollar (BND), Euro (EUR), Swiss Franc (CHF), Australian Dollar (AUD), Thai Baht (THB), Sterling Pound (GBP), Singapore Dollar (SGD), Japanese Yen (JPY) and New Zealand Dollar (NZD).

The Group is required to hedge their foreign exchange risk exposure arising from foreign currency cash flows that are not naturally offset by a simultaneous opposite commercial transaction in the same currency or mitigated in another way against its functional currency.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in its functional currency are as follows:

	Note
Trade receivables	18 (a)
Due from related companies	18 (b)
Cash and bank balances	19
Trade and other payables	22
Due to related companies	22

Notes to the financial statements

December 31, 2019 (continued)

31. Financial risk management objectives and policies (continued)

(b) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, BND, EUR, CHF, AUD, THB, GBP, SGD, JPY and NZD exchange rates against the functional currency of the Group entities, with all other variables held constant.

		Group	
		2019 Profit net of tax RM'000	2018 Profit net of tax RM'000
USD/RM	• strengthened 5%	(1,900)	(1,264)
	• weakened 5%	1,900	1,264
BND/RM	• strengthened 5%	724	716
	• weakened 5%	(724)	(716)
EUR/RM	• strengthened 5%	(41)	(26)
	• weakened 5%	41	26
CHF/RM	• strengthened 5%	(42)	1
	• weakened 5%	42	(1)
AUD/RM	• strengthened 5%	(63)	(18)
	• weakened 5%	63	18
THB/RM	• strengthened 5%	(21)	(195)
	• weakened 5%	21	195
GBP/RM	• strengthened 5%	11	(14)
	• weakened 5%	(11)	14
SGD/RM	• strengthened 5%	(40)	(137)
	• weakened 5%	40	137
JPY/RM	• strengthened 5%	(43)	(13)
	• weakened 5%	43	13
NZD/RM	• strengthened 5%	(13)	(14)
	• weakened 5%	13	14

Notes to the financial statements

December 31, 2019 (continued)

31. Financial risk management objectives and policies (continued)

(c) Liquidity risk

The Group and the Company manage operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. The Company relies on the distribution of dividends and interest income from subsidiaries to meet its working capital requirements.

The table below analyzes the Group's and the Company's financial liabilities into relevant maturity profile based on the remaining period in the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

Analysis of undiscounted financial instruments by remaining contractual maturities

	Less than one year RM'000	More than one year RM'000	Total RM'000
Group			
2019			
Trade and other payables	1,417,796	–	1,417,796
Borrowings	620	527,287	527,907
Lease liabilities	37,962	129,265	167,227
Derivatives - settled net	47,746	10,577	58,323
	1,504,124	667,129	2,171,253
2018			
Trade and other payables	1,506,313	–	1,506,313
Borrowings	29,000	32,192	61,192
Derivatives - settled net	29,035	–	29,035
	1,564,348	32,192	1,596,540
Company			
2019			
Trade and other payables	910	–	910
Borrowings	–	579,710	579,710
Derivatives - settled net	9,225	10,577	19,802
	10,135	590,287	600,422
2018			
Trade and other payables	1,181	–	1,181
Borrowings	–	94,695	94,695
	1,181	94,695	95,876

Notes to the financial statements

December 31, 2019 (continued)

31. Financial risk management objectives and policies (continued)

(d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and other financial instruments.

The Group's current credit risk grading framework comprise the following categories:

Category	Definition of category	Basis for recognizing expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is more than 270 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL
III	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

Group	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
At December 31, 2019						
Trade receivables - third parties	18	Note 1	Lifetime ECL (simplified)	1,365,900	(19,611)	1,346,289
Sundry receivables	18	I	12-month ECL	7,333	–	7,333
Amounts due from related companies (trade and non-trade)	18	I	12-month ECL	1,993	–	1,993
					(19,611)	
At December 31, 2018						
Trade receivables - third parties	18	Note 1	Lifetime ECL (simplified)	1,275,384	(20,081)	1,255,303
Sundry receivables	18	I	12-month ECL	5,196	–	5,196
Amounts due from related companies (trade and non-trade)	18	I	12-month ECL	889	–	889
					(20,081)	

Notes to the financial statements

December 31, 2019 (continued)

31. Financial risk management objectives and policies (continued)

(d) Credit risk (continued)

Company	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
At December 31, 2019						
Advances to subsidiaries	15	I	12-month ECL	464,702	–	464,702
Amount due from:						
• fellow subsidiaries (non-trade)	18	I	12-month ECL	2,516	–	2,516
• related companies (non-trade)	18	I	12-month ECL	1	–	1
					–	
At December 31, 2018						
Advances to subsidiaries	15	I	12-month ECL	449,971	–	449,971
Amount due from:						
• fellow subsidiaries (non-trade)	18	I	12-month ECL	2,567	–	2,567
• related companies (non-trade)	18	I	12-month ECL	68	–	68
					–	

Note 1 Trade receivables

For trade receivables, the Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Sundry receivables, advances to subsidiaries and amounts due from fellow subsidiaries and related companies

Expected credit loss is determined individually after considering the historical default experience and financial strength. Based on management's assessment, the probability of the default of these receivables is low and hence, ECL is insignificant.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets. However, the Company has a significant concentration of credit risk in the form of advances to subsidiaries.

Notes to the financial statements

December 31, 2019 (continued)

31. Financial risk management objectives and policies (continued)

(e) Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: cash and bank balances, receivables and payables (including amounts due to/from related companies) and short term borrowings.

The fair values of derivative financial instruments are determined based on the quoted market price of similar derivatives as they are not traded on an active market. These derivatives are classified as Level 2 financial instruments in accordance with MFRS 7 "Financial Instruments: Disclosures" classification hierarchy.

	Level 2	
Group	**2019 RM'000**	**2018 RM'000**
Derivative financial instruments	285,973	28,931

The Group does not have any financial instruments classified as Level 1 and Level 3 as at December 31, 2019 and 2018.

32. Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business via a mixture of equity and its debt obligation in adherence to DKSH Holding Ltd. Group's financial risk management policies.

The Group optimizes the overall capital management performance through improvement in the cash flows. The Group's cash flows management focuses on inventories, receivables and payables by ensuring that it has sufficient liquidity to meet its obligations. No significant changes were made in the objectives, policies or processes during the financial years ended December 31, 2019 and December 31, 2018.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans and borrowings	527,907	61,192	579,710	94,695
Less: Cash and bank balances	(22,059)	(101,970)	(708)	(374)
Net debt/(surplus cash)	505,848	(40,778)	579,002	94,321
Equity attributable to the owners of the parent	620,257	596,973	453,345	440,622
Total capital	620,257	596,973	453,345	440,622
Total capital and net debt	1,126,105	556,195	1,032,347	534,943
% of net debt to total capital and net debt	45%	–	56%	18%

The gearing ratio is not governed by the MFRS and its definition and calculation may vary from one group/company to another.

Analysis of shareholdings

as at April 30, 2020

Total number of issued shares	:	157,658,076
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Number of shareholders	:	3,274

Analysis by size of shareholdings (as per the Record of Depositors)

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued shares
Less than 100	204	6.23	1,543	Negligible
100 to 1,000	1,401	42.79	1,109,792	0.70
1,001 to 10,000	1,313	40.10	5,333,465	3.38
10,001 to 100,000	312	9.53	8,572,200	5.44
100,001 to less than 5% of issued shares	43	1.31	25,486,000	16.17
5% and above of issued shares	1	0.03	117,155,076	74.31
Total	**3,274**	**100.00**	**157,658,076**	**100.00**

Directors' Interests in Shares in the Company (as per the Register of Directors' Shareholdings)

	Direct interest		Deemed interest	
	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Stephen John Ferraby	10,000	0.006	–	–
Lee Chong Kwee	30,000	0.019	–	–
Datuk Haji Abdul Aziz bin Ismail	–	–	–	–
Chan Thian Kiat	5,000	0.003	–	–
Jason Michael Nicholas McLaren	–	–	–	–
Lian Teng Hai	–	–	–	–

Directors' Interests in Shares in a Related Corporation (as per the Register of Directors' Shareholdings)

	Direct interest		Deemed interest	
DKSH (B) Sdn Bhd - Subsidiary	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Jason Michael Nicholas McLaren	1	Negligible	–	–
FACC (B) Sdn Bhd – Subsidiary				
Jason Michael Nicholas McLaren	1	Negligible	–	–

Save as disclosed above, none of the Directors had any interest in shares of the Company or its related corporations.

Analysis of shareholdings

as at April 30, 2020 (continued)

Shareholdings of Substantial Shareholders in the Company (as per the Register of Substantial Shareholders)

Name	Direct interest No. of shares held	Direct interest % of issued shares	Deemed interest No. of shares held	Deemed interest % of issued shares
DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31	–	–

Top 30 largest shareholders (as per the Record of Depositors)

	Name	No. of shares held	% of issued shares
1.	DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31
2.	Lembaga Tabung Angkatan Tentera	7,631,200	4.84
3.	DB (Malaysia) Nominee Asing Sdn Bhd State Street Luxembourg Fund WLGK for Goodhart Partners Horizon Fund - HMG Global Emerging Markets Equity Fund	3,025,200	1.92
4.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Lombard Odier & Co Ltd (Clients)	2,417,699	1.53
5.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Maybank Malaysia Value Fund	1,574,600	1.00
6.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	1,335,000	0.85
7.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 1)	1,168,100	0.74
8.	HSBC Nominees (Asing) Sdn Bhd Caceis Bank for HMG Globetrotter	1,165,101	0.74
9.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NYBY for City of New York Group Trust	546,287	0.35
10.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Al-Faid (4389)	485,800	0.31
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NYBV for City of New York Group Trust	465,213	0.30
12.	Dynaquest Sdn Bhd	320,000	0.20
13.	Wong Lok Jee & Ong Lok Jee	320,000	0.20
14.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khoo Bee Lian	312,400	0.20

Analysis of shareholdings

as at April 30, 2020 (continued)

Top 30 largest shareholders (as per the Record of Depositors) (continued)

Name	No. of shares held	% of issued shares
15. Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS Switzerland AG (Clients Assets)	290,000	0.18
16. Affin Hwang Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Asia Humanistic Capital Inc	260,000	0.16
17. Ten Woon Hwa	245,000	0.16
18. CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kho Cheok Lian (MY1290)	207,000	0.13
19. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment Value Fund (950290)	205,300	0.13
20. Amerjeet Singh A/L Naib Singh	202,000	0.13
21. Datuk Tay Hock Tiam	180,000	0.11
22. CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS)	175,000	0.11
23. Lee Yau Chew	166,000	0.11
24. RHB Nominees (Asing) Sdn Bhd Exempt AN for RHB Securities Singapore Pte. Ltd. (A/C Clients)	162,000	0.10
25. Kenanga Nominees (Asing) Sdn Bhd Exempt AN for Phillip Securities Pte Ltd (Client Account)	157,900	0.10
26. HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Peng Seng (CCTS)	155,000	0.10
27. Neoh Choo EE & Company, Sdn. Berhad	155,000	0.10
28. Cheah Yee Lin	150,000	0.10
29. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	149,400	0.09
30. Lu Soh Khuan	145,000	0.09
Total	**140,926,276**	**89.39**

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Eighth Annual General Meeting ("28th AGM") of DKSH Holdings (Malaysia) Berhad (199101021067 (231378-A)) ("the Company") will be conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("Broadcast Venue") on Wednesday, June 24, 2020 at 10:00 a.m. to transact the following businesses:

Agenda

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the financial year ended December 31, 2019 and the Reports of the Directors and Auditors thereon.
   (Refer Note 12)

2. To approve the Directors' fees payable up to an amount of RM 280,000 for the period from June 25, 2020 until the next Annual General Meeting of the Company to be held in 2021.
   Ordinary Resolution 1

3. To re-elect Stephen John Ferraby who retires pursuant to Article 105 of the Constitution of the Company.
   Ordinary Resolution 2

4. To re-elect Jason Michael Nicholas McLaren who retires pursuant to Article 105 of the Constitution of the Company.
   Ordinary Resolution 3

5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending December 31, 2020 and to authorize the Directors to fix their remuneration.
   Ordinary Resolution 4

As Special Business:

To consider and if thought fit, to pass with or without modifications, the following as Ordinary Resolution:

6. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
   "THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("DKSH Group") to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group ("Related Parties") as specified in Section 2.5(a) of the Circular to Shareholders dated May 27, 2020 ("Proposed Shareholders' Mandate") provided that such arrangements and/or transactions are:
   (i) recurrent transactions of a revenue or trading nature;
   (ii) necessary for the day-to-day operations; and
   (iii) carried out in the ordinary course of business on normal commercial terms which are consistent with DKSH Group's normal business practices and policies, on terms not more favorable to Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

   AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Mandate will continue to be in force until:
   (i) the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or
   (ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340 (2) of the Companies Act 2016 ("Act") (but must not extend to such extensions as may be allowed pursuant to Section 340 (4) of the Act); or
   (iii) until the authority is revoked or varied by a resolution passed by the shareholders in a general meeting,

   whichever is the earlier.

   AND THAT the Directors of the Company be and are hereby empowered to complete and to do all such acts and things, including executing all such documents as may be required, as they may consider expedient or necessary to give effect to this resolution."
   Ordinary Resolution 5

7. To transact any other business of an Annual General Meeting for which due notice shall have been given.

By order of the Board

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

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

Company Secretaries

Petaling Jaya
May 27, 2020

Notice of Annual General Meeting (continued)

Notes:

Method of conducting 28th AGM

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 ("COVID-19"), the 28th AGM will be conducted on **a virtual basis through live streaming and online remote voting** via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Guide for the 28th AGM in order to register, participate and vote remotely via the RPV facilities.

2. The Broadcast Venue of the 28th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. Shareholders/proxy(ies) WILL NOT BE ALLOWED to attend the AGM in person at the Broadcast Venue on the day of the meeting.

3. Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 28th AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide for the 28th AGM to participate remotely via RPV.

Proxy

4. A member who is entitled to participate in this AGM via RPV is entitled to appoint proxy(ies) or attorney or in case of a corporation, to appoint a duly authorised representative to participate on such member's behalf. A proxy may but need not be a member of the Company.

5. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.

6. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointer or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or under the hand of an officer or attorney duly authorised.

7. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of the shareholdings to be represented by each proxy in the instrument appointing the proxies.

8. A member who has appointed a proxy or attorney or authorized representative to attend, participate, speak and vote at this 28th AGM via RPV must request his/her proxy or attorney or authorized representative to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the procedures for RPV in the Administrative Guide for the 28th AGM.

9. The instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or by electronic lodgement via TIIH Online website at https://tiih.online *(applicable to individual shareholders only)*. Kindly refer to the Administrative Guide – Electronic Lodgement of Form of Proxy. Proxy form must be submitted not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid.

Entitlement to attend AGM

10. For the purpose of determining members who shall be entitled to attend the 28th AGM, only the Company's members whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd on June 12, 2020 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.

Voting by poll

11. Pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice will be put to vote by poll.

Audited Financial Statements and the Reports of the Directors and Auditors thereon

12. The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Act for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Directors' fees

13. Pursuant to Section 230(1) of the CA 2016, which came into force on January 31, 2017, fees and benefits payable to Directors of the Company will have to be approved by shareholders at a general meeting. In this respect, the Board has agreed that the shareholders' approval shall be sought at the 28th AGM on the Directors' fees payable with effect from June 25, 2020 until the next AGM in 2021.

    The Directors' fees of an amount up to RM 280,000 are payable to NEDs

Notice of Annual General Meeting (continued)

who are not employed by DKSH group of companies. The Directors' fees are calculated based on the assumption that all the NEDs will remain in office until the next AGM and has included additional provisional sum for future appointment of a NED. There is no change in the structure of the proposed Directors' fees for the period from June 25, 2020 until the next AGM in 2021. The Board will seek shareholders' approval at the next AGM in the event the Directors' fees proposed is insufficient.

Re-election of Director who retire pursuant to Article 105

14. Stephen John Ferraby and Jason Michael Nicholas McLaren are due for retirement at this Annual General Meeting ("AGM") and being eligible, have offered themselves for re-election as Directors of the Company. The Board has considered the Nominating Committee's evaluation of the eligibility of the two retiring Directors who are Non-Independent Non-Executive Chairman and Non-Independent Executive Director respectively and is satisfied that both will continue to bring their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions.

Re-appointment of Auditors

15. Messrs Ernst & Young ("EY"), the auditors of the Company have expressed their willingness to continue in office as auditors of the Company for the financial year ending December 31, 2020. The Board has approved the Audit Committee's recommendation that they be retained having considered relevant feedback on their experience, performance and independence.

Explanatory Note to Special Business:

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 5, if passed, will renew the authority obtained at the last AGM in 2019 and allow DKSH Group to enter into recurrent related party transactions with DKSH Holding Ltd and its subsidiaries involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group, which are of a revenue or trading nature and necessary for DKSH Group's day-to-day operations.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated May 27, 2020.

Statement Accompanying Notice of Twenty-Eighth Annual General Meeting

(pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Stephen John Ferraby and Jason Michael Nicholas McLaren are standing for re-election as Directors of the Company. Their profiles are set out in the section entitled "Directors' profiles" on pages 12 to 17 of this Annual Report. The details of their interest in the shares of the Company are set out on page 140 of this Annual Report.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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Proxy Form

for the Twenty-Eighth Annual General Meeting

DKSH Holdings (Malaysia) Berhad

(199101021067 (231378-A))

No. of Shares held:	CDS Account No.:

I/We *(full name and in capital letters)* ____________________

NRIC (new and old)/Passport/Company No.: ____________ of *(full address)* ____________________

____

being a member of **DKSH Holdings (Malaysia) Berhad**, hereby appoint *(full name as per NRIC and in capital letters)* ____________

____________________ NRIC No. (new and old): ____________

of *(full address)* ____________________

and *(full name as per NRIC and in capital letters)* ____________ NRIC No. (new and old): ____________

of *(full address)* ____________________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty-Eighth Annual General Meeting of the Company to be held entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("Broadcast Venue") on Wednesday, June 24, 2020 at 10:00 a.m. or at any adjournment thereof. I/We indicate with an "X" in the spaces below how I/we wish my/our vote to be cast:

No.	Ordinary Resolutions	For	Against
1.	To approve the Directors' fees payable for the period from June 25, 2020 until the next Annual General Meeting of the Company to be held in 2021.		
2.	To re-elect Stephen John Ferraby as a Director of the Company.		
3.	To re-elect Jason Michael Nicholas McLaren as a Director of the Company.		
4.	To re-appoint Messrs Ernst & Young as Auditors of the Company.		
5.	To approve the renewal of the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.		

Subject to the above stated voting instruction, my/our proxy/proxies may vote or abstain from voting on any resolutions as he/she may think fit.

The proportions of my/our shareholdings to be represented by my/our proxies are as follows:

First Proxy
No. of shares: ____________
Percentage: ____________ %

Second Proxy
No. of shares: ____________
Percentage: ____________ %

____
Signature of Member/Common Seal *(if Member is a Corporation)*

Dated this ________ day of ____________, 2020.

Notes:

1. A member who is entitled to participate in this AGM via RPV is entitled to appoint proxy(ies) or attorney or in the case of a corporation, to appoint a duly authorized representative to participate in his/her place.
2. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.
3. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointer or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of the shareholdings to be represented by each proxy in the instrument appointing the proxies.
5. The instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or electronically (only applicable for individual shareholders). Kindly refer to the Administrative Guide – Electronic Submission of Form of Proxy. Proxy form must be submitted not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid.
6. Only the Company's members whose names appear in the Record of Depositors on June 12, 2020 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.

Fold this flap for sealing

Then fold here

Affix
Stamp

The Share Registrar of
DKSH Holdings (Malaysia) Berhad
(199101021067 (231378-A))

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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Resilient unique scalable

Well-diversified, unique and scalable, our business is resilient and difficult to replicate, resulting in strong barriers to entry and exit. Our diversity is broad in terms of industries, markets, products, services and business partners serviced and forms the foundation of our sustainable and profitable growth. The majority of the products we handle are close to the daily needs of the people in the markets where we are active, contributing to the resilience of our business model.

DKSH Holdings (Malaysia) Berhad (199101021067 (231378-A))
B-11-01, The Ascent, Paradigm, No. 1, Jalan SS7/26A, Kelana Jaya
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Phone +60 3 7882 8888, Fax +60 3 7882 8899