Annual Report 2018

DKSH Holdings (Malaysia) Berhad

Think Asia. Think DKSH.

Making business partners grow

As the No. 1 Market Expansion Services provider in Malaysia, we help companies to grow their business in new and existing markets.

Contents

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 Committee

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

Registered office

Address: B-11-01, The Ascent, Paradigm, No. 1, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Phone +60 3 7882 8888 Fax +60 3 7882 8899

Auditors

Ernst & Young, 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, MAICSA 7058065

Andre' Chai P'o-Lieng, MAICSA 7062103

Principal bankers

Deutsche Bank (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Public Bank Berhad

MUFG Bank (Malaysia) Berhad

Sumitomo Mitsui Banking Corporation Malaysia 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 2018 and provides an outlook into DKSH's further growth.

Management discussion and analysis

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

Revenue growth in challenging conditions

Despite challenging market conditions due to the unfavorable macro environment, the Group's net sales grew from RM 5.5 billion to RM 6.0 billion in 2018, up 9.1% year-on-year. There was strong improvement in net sales across all segments, with Healthcare, Telecommunications and Famous Amos businesses performing well. Growth continues to be driven by organic growth with existing clients, winning of new clients and strategic new business development.

Profit after tax is down by 14.4% from RM 52.1 million to RM 44.6 million despite better sales due to change in margin mix, one-off expenses and slight increase in cost base to support future growth.

The Group successfully and seamlessly switched from Goods and Services Tax ("GST") to the Sales and Service Tax ("SST") on September 1, 2018 with no business disruption. However, a tax holiday after the abolishment of GST prior to the implementation of SST and the resulting uncertainty in consumer demand significantly impacted the Marketing and Distribution segment, as it is most susceptible to shifts in consumer sentiment.

There were no significant adjustments or fundamental shifts in the Group's business focus during 2018. The results generally reflected the underlying performance of the business given the external economic environment, with some impact from one-off expenses.

Marketing and Distribution segment

For the Marketing and Distribution segment, the Group provides the full range of services along the value chain. The service portfolio ranges from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value-added services. This segment comprises the Fast Moving Consumer Goods ("FMCG") business and on a smaller scale, the Performance Materials business.

The Marketing and Distribution segment recorded a growth in revenue of 7.6%, increasing from RM 2.6 billion to RM 2.8 billion. This growth was largely contributed by new clients and organic growth on existing clients, which in turn increases market share both for the Group and for our clients. Difficult market conditions were experienced during the year, and as such there was an increase in operating costs due to additional warehousing space and associated costs, and one-off expenses on a provision for doubtful debt and commencement of growth and efficiency improvement project. As a result, expense increases were greater than the contribution of increasing net sales and the operating result was down by 52.8%, from RM 45.7 million to RM 21.6 million.

This segment also contains the Group's Performance Materials business that continued to perform well in 2018.

With market conditions continuing to be challenging and volatile, we are cautiously optimistic on the outlook of this segment, particularly as the consumer

Management discussion and analysis (continued)

sentiment of the country is expected to improve as political conditions stabilize. The segment's client portfolio remains well-diversified both in terms of product segment and balance of Malaysian, Asian and non-Asian products.

The acquisition of Auric Pacific (M) Sdn Bhd ("Auric Malaysia") will contribute to growth as Auric Malaysia is complementary to the existing business of the DKSH Group with strengths in the food service and chilled and frozen foods segments, as well as highly profitable house brands, predominantly market leading butter brand SCS and market share dominant melange product Buttercup. The complementary but similar nature of businesses allows for DKSH Malaysia to leverage on channel growth for existing clients in both businesses while realizing cost savings through scale and efficiencies in operations.

The Group is also undertaking an efficiency and profitability improvement project in this segment which will increase the operating cost in the first half of 2019. However, this project will deliver sales optimization and cost efficiencies during 2019 and an ongoing improved cost base and profitability in the long term.

Logistics segment

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

Net sales for this segment increased by 10.5% from RM 2.8 billion to RM 3.1 billion due to strong growth in both the Healthcare and Telecommunications businesses. Healthcare continued to benefit from rising healthcare spending in Malaysia and the product portfolio was further optimized to meet the latest market developments. Additionally, robust growth was experienced in existing clients while there was also a healthy contribution from new business development, both in terms of winning new clients and expanding portfolios with existing clients. This segment showed a strong operating result increase due to improved clients mix, stable costs and one-off effects of provision and debt recovery. Coupled with the strong revenue growth, the operating result rose by 48.5%, from RM 32.8 million to RM 48.7 million.

The Telecommunications business continued to grow very strongly as our key client continued to expand their network and take market share.

The outlook for this segment is optimistic and we expect to see continued revenue growth in 2019 as the healthcare market continues to grow in Malaysia and further expansion of telecommunications network infrastructure and user base by our client. Costs remain well-controlled, and the focus continues to be on realizing further efficiencies to drive even stronger profitability.

Segment "Others"

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

The Famous Amos business continued its success in 2018 as the strategic focus on outlet profitability, geographic coverage, and product portfolio delivered sales growth of 9.9%, while total outlets increased from 81 to 91 in Malaysia and one new outlet in Brunei Darussalam. The strong sales growth, coupled with rigorous cost control led to an improved, strongly positive profit result.

The outlook for this segment is optimistic. The Group is confident that the current business strategy that resulted in strong results in 2018 will continue to be effective in 2019, but results will as always be sensitive to any downshift in consumer sentiment. The Group intends to continue to strategically expand its market reach and anticipates a net increase in outlets during 2019.

Dividend

The Group remains committed to rewarding our shareholders through dividend payments and paid out a single tier interim dividend of 10.0 sen per ordinary share for the financial year ended December 31, 2017 ("FY 2017") on July 12, 2018.

The Board has recommended for approval of shareholders a single tier final dividend of 10.0 sen per ordinary share for the financial year ended December 31, 2018 ("FY 2018") to be payable on July 16, 2019 in respect of deposited securities as at July 2, 2019.

Management discussion and analysis (continued)

Further sustainable profitable growth

The Group experienced significant market challenges in 2018 which related quite strongly to external economic events including a major election and consequent change in government and tax policy. This led to further instability in consumer demand which impacted the Marketing and Distribution segment. Despite these challenges the Logistics and Others segments continued to grow, underlining the importance of the Group's well diversified portfolio which features consumers goods, performance materials, healthcare, and retail.

The Group continues to strategically diversify its portfolio with the acquisition of Auric Malaysia which will allow for the Marketing and Distribution segment to develop greater coverage both geographically as well as in terms of channels served. Auric Malaysia provides access to the lucrative food services and chilled and frozen foods channels and adds to the Group's house brands stable with SCS butter, Buttercup, and other dairy house brands. These new brands join the Group's existing house brands Alladdin, Morgan, Hirudoid, and Medinova, amongst others which deliver better margin.

The Group has made a major investment in an efficiency and profitability improvement project in the Marketing and Distribution segment. This project involves a complete review of all elements of the business operations including, but not limited to, customer and client profitability, inventory management, organizational structure, cost efficiencies, and future strategy. The focus is both on short-term and long-term gains equally emphasizing quick wins balanced with long term strategic development. Likewise, the focus is balanced between revenue growth through portfolio optimization, organic growth, and business development; and cost improvements through process improvement, organizational review, and cost improvements. The result of this project will be optimization of the Marketing and Distribution segment and accelerated profitable growth moving forward in 2019 and beyond.

In addition to the major strategic projects outlined above, the Group continues to focus on organic growth in existing clients, new business development, and growth through strategic acquisition, while continuing to focus on operating efficiencies. We continue to invest in people, ensuring we hire the best new talent while empowering our people to grow and contribute throughout their career with the right support and training. The Group also continues to improve processes and other cost factors through automation and technology based solutions. The Group continues to strongly invest in the omni-channel market approach, ensuring that our systems and business processes are agile and able to adapt to the rising need for e-commerce solutions.

The Group remains the number one Market Expansion Services provider in Malaysia and expects to strengthen that position and to see continued growth in all segments. The Logistics segment will continue its strong growth as the Group satisfies the continuously increasing demand for healthcare and telecommunications by innovating its service, developing new markets and channels and adding new clients to further strengthen the product and client portfolio. The Others segment will continue to grow as Famous Amos strategically expands both within Malaysia and Brunei Darussalam and further develops new products to drive consumer demand. The acquisition of Auric Malaysia and the major profitability improvement project, accompanied by the stabilizing economic environment, are expected to result in improved profitability in the Marketing and Distribution segment. Overall, the Group remains well positioned for sustained profitable growth in 2019 and beyond.

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 6.0 billion

More than 3,000 specialists

28 business locations

4 ISO-certified distribution centers and 10 regional distribution centers

Network of more than 180 clients and 17,000 customers

Financial highlights

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

	2014 RM'000	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**
Net sales	5,339,481	5,572,186	5,271,047	5,509,538	6,010,281
Earnings before interest, tax, depreciation and amortization	91,936	65,256	85,768	87,122	77,694
Profit before tax	80,415	51,009	68,897	70,721	60,552
Net profit attributable to owners of the parent	59,911	36,836	50,467	52,081	44,584
Exceptional items	–	–	–	–	–
Net profit excluding exceptional items	59,911	36,836	50,467	52,081	44,584
Total assets employed	1,495,561	1,818,710	1,863,344	1,874,505	2,170,133
Shareholders' equity	473,633	495,579	531,087	568,154	596,973

Corporate profile

Headquartered in Switzerland, DKSH operates in 35 markets with 33,000 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 more than 3,000 specialists. Headquartered in Petaling Jaya, Selangor with 27 other business locations nationwide, DKSH provides unparalleled market coverage, serving more than 180 clients and 17,000 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.

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").

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 global company headquartered in Zurich and operates in 35 markets with 33,000 specialists. DKSH Switzerland is one of the top 25 Swiss companies, generating net sales of CHF 11.3 billion in 2018.

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 specialized Business Units that mirror DKSH's fields of expertise: Consumer Goods, Healthcare, Performance Materials and Technology.

Corporate profile (continued)

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.

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 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 28 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-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.

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 services focus 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 with the establishment of a 207,000-square foot distribution center in Kota Kinabalu in 2015. This larger and more advanced distribution center represents a significant capacity upgrade in DKSH's consumer goods and healthcare infrastructure.

Business Unit Consumer Goods provides in-depth expertise and unrivalled direct access to a large customer network.

Business Unit Healthcare is a leading provider of Market Expansion Services for pharmaceutical, over-the-counter, consumer health and medical device companies.

Business Unit Performance Materials is the leading Market Expansion Services provider for companies in the specialty chemicals, food and beverage, pharmaceuticals and personal care industries.

Corporate profile (continued)

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 3,000 of 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.

DKSH's 190,000-square foot distribution center in Shah Alam continues to serve more than 8,700 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 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

DKSH's distribution center in Kota Kinabalu, Sabah, is strategically located with easy accessibility via various transportation networks to serve as a major regional hub in East Malaysia.

Corporate profile (continued)

The Shah Alam distribution center serves more than 8,700 customers, including hospitals, clinics, dental centers, pharmacies and retail outlets throughout Malaysia.

By using the best ingredients, like semi-sweet chocolate chips and flavorful nuts, Famous Amos' homemade-tasting cookies became famous just by word of mouth.

as well as a selected assortment of complementary products such as hampers, gifts, chocolates and confectionery items. In 2018, there were a total of 91 Famous Amos outlets located in West and East Malaysia as well as one outlet in Brunei which was established in November last year. This segment also includes central overheads including 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.

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.

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.

Corporate profile (continued)

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.

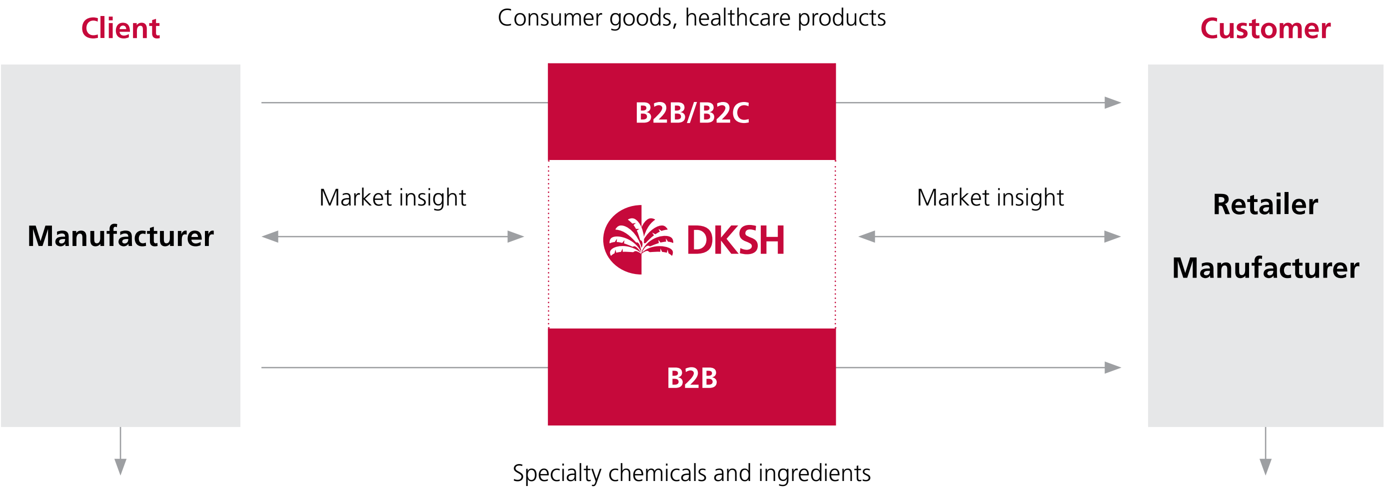
How we work with our partners

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 business 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.

Corporate profile (continued)



We support our clients in marketing, selling and distributing products, provide after-sales services and market insight in new and existing markets.

We support our customers in getting the best products, brands and raw materials at the best price and we provide them with knowledge and market insights.

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 and the Americas and increasingly also for clients originating in 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, mom-and-pop stores, doctors, hospitals or pharmacists who resell the products we provide to end consumers.

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 54, Male, Australian

Non-Independent Non-Executive Chairman
Member of the Nominating 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.

He graduated with a Bachelor's degree in Commerce (First Class) from the University of Birmingham, United Kingdom and is a member 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 Board of DKSH Holding Ltd., Switzerland, a major shareholder of DKSH Holdings (Malaysia) Berhad. He is also presently a member of the Board of Commissioners of PT. Wicaksana Overseas International Tbk., which is listed on the Jakarta Stock Exchange. He was formerly the CFO of DKSH Thailand Ltd. for five years from 2010 to 2015, 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Mr. Ferraby attended all five Board meetings held during the financial year ended December 31, 2018.

Directors' profiles (continued)

Lee Chong Kwee
Aged 62, Male, Singaporean

Senior Independent Non-Executive Director
Chairman of Audit Committee
Chairman of Nominating 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 the Chairman of 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 the DKSH Holdings (Malaysia) Berhad.

Mr. Lee graduated with a Bachelor of Science (Honors) degree in Mathematics and Statistics from 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 of Mappletree Logistics Trust Management Ltd. He is a Fellow of the Singapore Institute of Directors and sits on its Governing Council.

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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Mr. Lee attended all five Board meetings held during the financial year ended December 31, 2018.

Directors' profiles (continued)

Datuk Haji Abdul Aziz bin Ismail
Aged 66, Male, Malaysian

Independent Non-Executive Director
Member of the Audit Committee
Member of the Nominating 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.

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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Datuk Haji Abdul Aziz attended four out of five Board meetings held during the financial year ended December 31, 2018.

Directors' profiles (continued)

Chan Thian Kiat
Aged 63, 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 the 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Mr. Chan attended all five Board meetings held during the financial year ended December 31, 2018.

Directors' profiles (continued)

Jason Michael Nicholas McLaren
Aged 43, 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 Practising Accountant, CPA Australia. Mr. McLaren has more than 17 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Mr. McLaren attended all five Board meetings held during the financial year ended December 31, 2018.

Directors' profiles (continued)

Lian Teng Hai
Aged 65, 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 the position of Senior General Manager, Sales & Client Management, DKSH Thailand on March 31, 2019. Previously, Mr. Lian was the Vice President of FMCG, responsible for the sales, distribution and supply chain of FMCG, telecommunication products and the operation of food retail chain stores. Mr. Lian has 42 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 of 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Mr. Lian attended all five Board meetings held during the financial year ended December 31, 2018.

Key Senior Management's profiles

Key Senior Management's profiles

Jason Michael Nicholas McLaren
Aged 43, 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 18 of this Annual Report.

Chua Chong Hoon
Aged 43, Male, Malaysian

Vice President, FMCG

Mr. Chua Chong Hoon was appointed as Vice-President for FMCG of DKSH Malaysia Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on September 20, 2016.

Mr. Chua holds a Bachelor of Arts with Honors degree in International Business Management from Oxford Brookes University, United Kingdom. Mr. Chua brings with him over 15 years of experience in sales and marketing in both local and regional capacity.

Prior to joining DKSH, he served at Henkel Malaysia as Country Manager for Malaysia and Singapore. He started his career with Carlsberg Malaysia and moved on to Kraft Foods and Lee Kum Kee International Holdings Ltd., revolving around marketing, trade marketing, sales and country management functions around Asia region.

Currently, he is responsible for the Management and leadership of the FMCG business in Malaysia.

Mr. Chua 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Key Senior Management's profiles (continued)

Dr. Varun Sethi
Aged 45, Male, Indian

Vice President, Healthcare,
South East Asia & Vietnam

Dr. Varun Sethi was appointed as Vice President of Business Unit Healthcare of DKSH Malaysia Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on June 1, 2015. On January 1, 2016, his role was expanded to also cover the operations in Singapore.

He has a PhD. in Pharmaceutical Sciences from the University of Illinois at Chicago, United States, and is a registered pharmacist in the State of Illinois. Dr. Sethi also holds an Executive Scholar Certificate in Sales and Marketing from the Kellogg School of Management, Northwestern University, United States. He has more than 15 years in the diversified healthcare arena specializing in areas of product launches, key business unit management, setting up and managing new businesses entities in key emerging markets in Asia.

Prior to joining DKSH Malaysia, Dr. Sethi was the General Manager of DKSH Myanmar from 2012 to 2015 overseeing various functions in sales, marketing channel/key account management, medical detailing and sales force optimization and effectiveness. From 2011 to 2012 he was the CEO of Renkare, Fortis Healthcare India's dialysis centers. From 2003 to 2011 he held research and commercial roles with Baxter Healthcare International in the United States.

In addition to his previous role, Dr. Sethi is now responsible for developing the strategy, leading the operations and strengthening our position as the leading Market Expansion Services provider for Business Unit Healthcare both in Indonesia and Vietnam.

Dr. Sethi 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Key Senior Management's profiles (continued)

Victor Liew Wai Tuck
Aged 44, 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), Jakarta 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 at the 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 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 its businesses 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) responsible to drive sales on Kodak Polychrome Graphics materials to Malaysia 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 Sales and Marketing for Malaysia. He managed the Key Distributor Channels and worked 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 industry coverage includes 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Key Senior Management's profiles (continued)

Loke Kah Keong
Aged 49, Male, Malaysian

Vice President, of 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 Admin), 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, DKSH Vietnam. In 2009, he moved to DKSH Malaysia as General Manager, Supply Chain Management, Consumer Goods and subsequently 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.

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 will be 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Lam Ah Fah, Doreen
Aged 57, 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 Honors, 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.

Currently, Ms. Lam leads Country IT, Malaysia in addition to her regional role, effective December 1, 2017. In her expanded role, she oversees the execution of all IT functions for Malaysia. Most recently, with the acquisition of PT. Wicaksana in Indonesia, 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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Key Senior Management's profiles (continued)

Lee Yu Chuan
Aged 46, Male, Malaysian

Director, Country People & Organization

Mr. Lee Yu Chuan was appointed as Director of Country People & Organization of DKSH Malaysia Sdn. Bhd., a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on April 1, 2017.

He graduated with a Bachelor Degree in Business from Swinburne University of Technology in Melbourne, Australia. Mr Lee has more than 19 years of working experience playing significant roles in multinational organizations managing Human Resources through strategic partnering by developing and executing business aligned objectives and initiatives.

Prior to joining DKSH Malaysia, he was the Assistant Vice President, Stakeholder Management with Measat Broadcast Network Systems from 2012 to 2014 in a HR business partnering capacity. He started his career with Citibank Bhd. and previously worked with Ambank and Digi Telecommunications.

Currently, Mr. Lee is responsible for overall People & Organization functions of DKSH for Business Units FMCG, Healthcare, and Performance Materials.

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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Andre' Chai P'o-Lieng
Aged 58, 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 17, 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 in the legal field. He is an Associate Member of the Malaysian Institute Chartered Secretaries and Administrators (MAICSA).

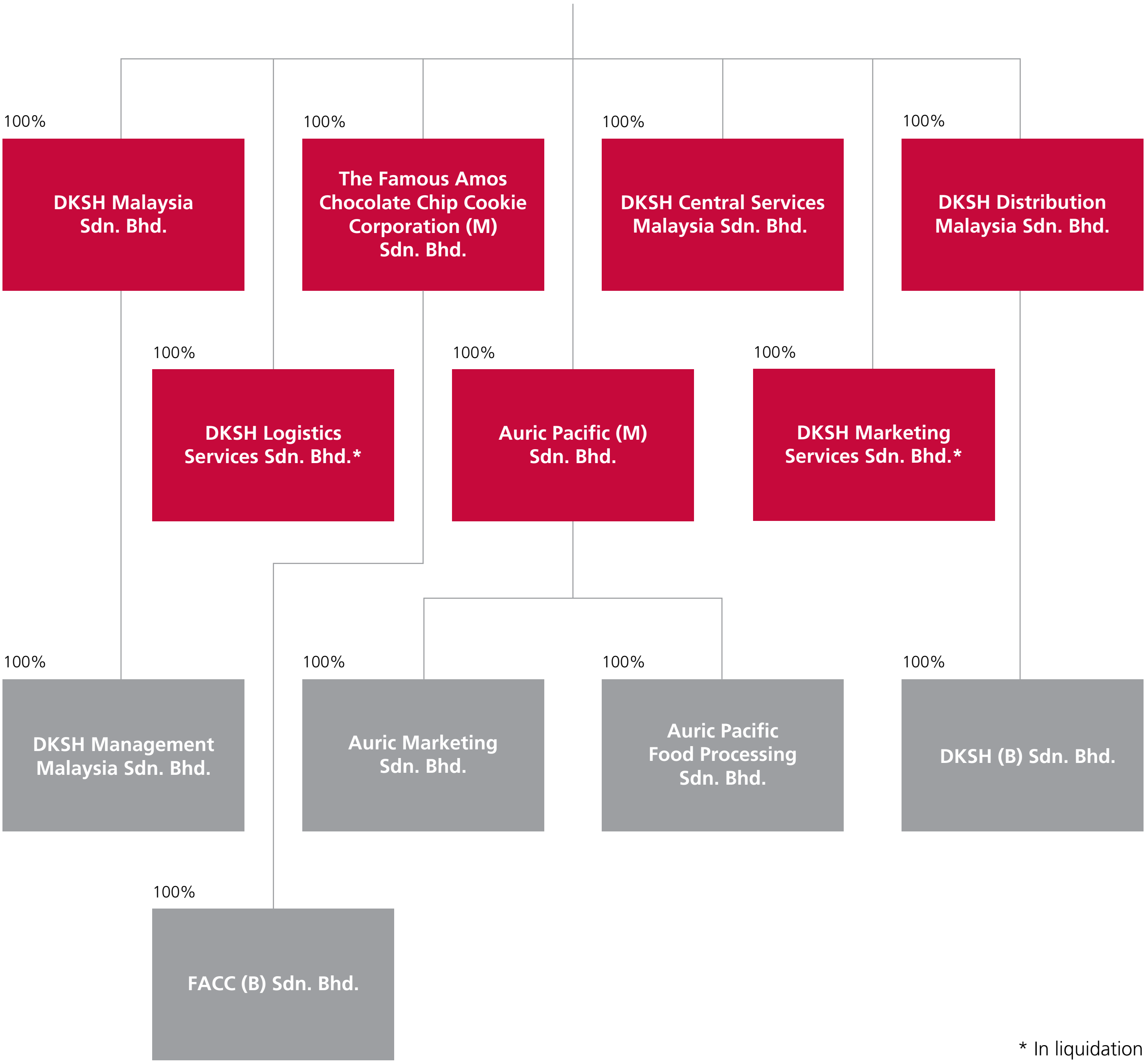
Prior to joining DKSH Malaysia Sdn. Bhd., he was in private practice with a legal firm from January to December 1993. Before that, he was an Executive with merchant bank from 1991 to 1992 and an Executive with a commercial bank from 1989 to 1991. He was also in practice in a legal firm from 1986 to 1989.

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 not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Corporate structure

DKSH Holdings (Malaysia) Berhad



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") believe 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 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, 2018 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 ("CG") Report 2018 ("CG Report") of the Company. The application of each Practice set out in the MCCG during the financial year ended December 31, 2018 is disclosed under DKSH's 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 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 ("CoC") 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 CoC includes an internal reporting process for events of non-compliance and is available on the Company's website at www.dksh.com.my.

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.

Corporate governance overview statement (continued)

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 responsibilities for the Group's operational and business units organization effectiveness and implementation of 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 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 2018, five 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 2018

Directors	Designation	No. of meetings attended
Stephen John Ferraby	Non-Independent Non-Executive Chairman	5/5
Lee Chong Kwee	Senior Independent Non-Executive Director	5/5
Datuk Haji Abdul Aziz bin Ismail	Independent Non-Executive Director	4/5
Chan Thian Kiat	Independent Non-Executive Director	5/5
Jason Michael Nicholas McLaren	Non-Independent Executive Director/ Group Finance Director	5/5
Lian Teng Hai	Non-Independent Non-Executive Director	5/5

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.

Corporate governance overview statement (continued)

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 and 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 ensures 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 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, ACIS

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) of the Act. For the financial year under review ("FY 2018"), the Company Secretaries have attended the relevant continuous professional development programmes as required by MAICSA for practising company secretaries. Both the Company Secretaries possessed a valid Practising Certificate issued by MAICSA for FY 2018.

(2) Board composition

Board composition and size

For FY 2018, consequent to the re-designation of Mr. Lian as Non-Independent Non-Executive Director which took effect from November 8, 2018, the Board consists of six members: one Non-Independent Non-Executive Chairman, three Independent Non-Executive Directors, one Non-Independent Executive Director, and one 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 14 to 19 of this Annual Report.

Corporate governance overview statement (continued)

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

The Nominating Committee of the Company was established by the Board in February 2013. The Nominating Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows:

The Nominating Committee: Composition and attendance at the Nominating Committee meeting held in 2018

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

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.

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 FY 2018 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 previous Annual General Meeting held in 2018. 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; 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.

Corporate governance overview statement (continued)

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. 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 recognizes 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 to analyze 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 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, Datuk Haji Abdul Aziz bin Ismail and Lee Chong Kwee are due for retirement at the forthcoming 27th AGM. Being eligible, both have expressed their intention to seek re-election at the forthcoming 27th AGM.

The Board is satisfied that the retiring Directors who are Independent Directors, will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions. In February 2019, the Board approved the recommendation of the Nominating Committee that both retiring Directors are eligible for re-election at the forthcoming 27th AGM.

The profiles of the retiring Directors standing for re-election at the forthcoming AGM of the Company, is set out on pages 15 to 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 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 weakness/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-

Corporate governance overview statement (continued)

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.

The Board noted that the Independent Directors have executed a declaration letter confirming their independence pursuant to relevant 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.

For FY 2018 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, 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' 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 interest 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 2018:

Name of Directors	Description of training programs, seminars, briefings, and etc.
Stephen John Ferraby	• Malaysia Institute of Accountants (MIA): In-house training on Transitional Issues – GST to SST
Lee Chong Kwee	• Malaysia Institute of Accountants (MIA): In-house training on Transitional Issues – GST to SST • Human Capital Leadership Institute (Temasek): Directors-in-Dialogue Forum: Wise Power in Governance • Temasek: Temasek Roundtable on Governance and Ethics • Singapore Institute of Directors: CTP 9 – Ethics and Corruption • Singapore Institute of Directors: ACRA – SGX – SID Audit Committee Seminar 2018 • Singapore Institute of Directors: Best Practices for Board Effectiveness • Singapore Institute of Directors: Launch of 2018 Singapore Directorship Report & CG Guides • Singapore Institute of Directors: AC Pit-Stop – Valuation and the Impairment Imperative • Singapore Institute of Directors: MCD4-Leading from the Chair – What it takes to be Effective • Singapore Institute of Directors: So, you want to be a Director • Singapore Institute of Directors: S&C – SID Directors Conference • Singapore Institute of Directors: CTP 1 – Harnessing Data and AI in the Digital Economy • Singapore Institute of Directors: Launch of Women on Board Book and the ASEAN CG Scorecard
Datuk Haji Abdul Aziz bin Ismail	• Malaysia Institute of Accountants (MIA): In-house training on Transitional Issues – GST to SST • Institute of Corporate Directors Malaysia (ICDM): Companies of the Future – The Role for Boards
Chan Thian Kiat	• Malaysia Institute of Accountants (MIA): In-house training on Transitional Issues – GST to SST • Bursa Malaysia Berhad: Corporate Governance Briefing Sessions – MSSG Reporting & CG Guide
Jason Michael Nicholas McLaren	• CPA Australia: GST to SST – How it will impact your business • CPA Australia: Transformational technology in finance • Malaysia Institute of Accountants (MIA): In-house training on Transitional Issues – GST to SST
Lian Teng Hai	• Malaysia Institute of Accountants (MIA): In-house training on Transitional Issues – GST to SST

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.

As the Company is majority-owned by DKSH Switzerland, the remuneration of the Executive Directors is based on DKSH Switzerland's own worldwide remuneration policy and procedures which are set in line with international standards. Hence, the Board is of the opinion that a remuneration committee is not required. 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, 2018 on pages 106 to 107 of this Annual Report.

For FY 2018 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	–	175	175
Salaries	1,237	–	1,237
Bonuses	852	–	852
Benefits-in-kind	–	–	–
Others	1,322	–	1,322

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

	Number of Directors	
Directors' remuneration	**Executive Director**	**Non-Executive Director**
RM50,000 and below	–	2
RM50,001 – RM100,000	–	1
RM100,001 – RM150,000	–	–
RM1,600,001 - RM1,650,000	1	–
RM1,800,001 – RM1,850,000	1	–

Corporate governance overview statement (continued)

Company

	Executive Director (RM'000)	Non-Executive Director (RM'000)	Total (RM'000)
Fees	–	175	175
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	–	2
RM50,001 – RM100,000	–	1
RM100,001 – RM150,000	–	–
RM1,150,001 - RM1,200,000	–	–
RM1,300,001 – RM1,350,000	–	–

Principle B: effective audit and risk management

(1) Audit Committee ("AC")

Audit Committe 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 Mr. Chan Thian Kiat are the members of the Audit Committee.

The Audit Committee has met the requirements of Listing Requirements of Bursa Securities on the requisite qualification prescribed by Bursa Securities 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 2018, the Audit Committee met four 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 56 to 58 of this Annual Report. The terms of reference of the Audit Committee are

Corporate governance overview statement (continued)

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 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 December 31, 2018 is set out on page 62 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 recognizes 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.

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 53 to 55 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' 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

Corporate governance overview statement (continued)

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 engagements and communication with shareholders and investors. The Company conducts regular investor relations meetings post announcement of results 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 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an AGM.

The Board had on April 24, 2018 issued its Notice of Twenty-Sixth AGM of the Company ("26th AGM") at least 28 days before the date of the meeting i.e. May 23, 2018 in compliance with Practice 12.1 of the MCCG.

Attendance of Directors at General Meetings

All Board members attended the AGM of the Company held on May 23, 2018 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 2017 performance and key initiatives for 2018 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 26th AGM held on May 23, 2018. The Company has appointed an independent scrutineer to validate the votes cast at the 26th 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 most circumstances, complied with the principles and recommendations of the Code.

This statement is made in accordance with Board's approval on April 22, 2019.

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 Consumer Goods; Healthcare; Performance Materials; People & Organization; Health, Safety & Environment; Branding & Communications; Facilities Management; Non-Trade Procurement; Governance, Risk & Compliance; and Information Technology 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 progressively 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 2018.

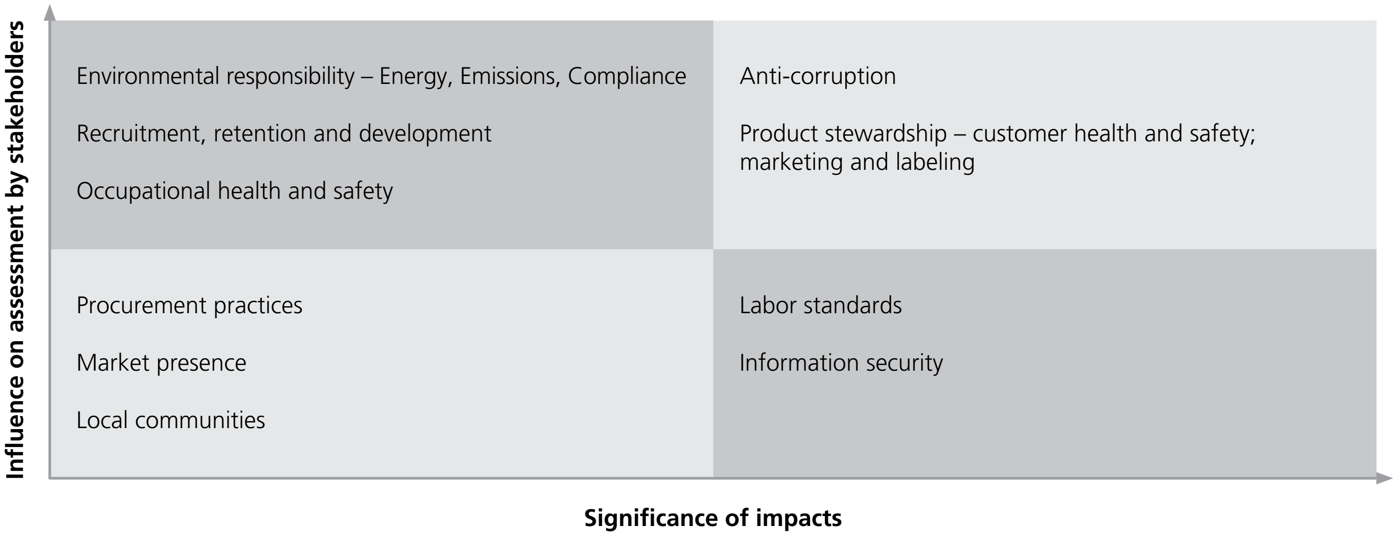
Stakeholder engagement

Identification of relevant stakeholder groups resulted from an assessment carried out by 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

Trust and integrity are of paramount importance in our business. We advocate compliant and ethical behavior in all our business activities and we do not tolerate corruption. 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.

As a Market Expansion Services provider, we operate as an intermediary between our clients and customers for parts of our service delivery. We also rely on third parties, such as agents, consultants and sub-distributors, who assist us in the execution of our business. DKSH does not maintain relationships with third parties that do not share our values and meet our standards of doing business.

The management approach and its components

We model our anti-corruption program on the requirements of the U.S. Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act (2010) 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 CoC, 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 CoC, for use by internal and external stakeholders in confidence). Information boxes are also placed at designated places in distribution centers for employees and external parties to provide information and report on unethical conduct anonymously. The internal reporting and investigation process was enhanced in 2017 through the adoption of a new Compliance Incident Reporting and Investigations policy.

Adherence to the SCoC is one of the criteria applied by DKSH in supplier evaluation, selection and retention. DKSH shall have the right to evaluate suppliers' compliance with the SCoC in determining whether suppliers meet DKSH's expectations. Suppliers that do not conform to these standards may be disqualified from doing business with DKSH and may have their business relationship with DKSH terminated. Suppliers must also immediately report to DKSH (via email) address provided in the published SCoC) of any known or suspected improper behavior, including such behavior by supplier associates or by employees of DKSH and its subsidiaries.

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. Accountable to the General Counsel, the Group's GRC Function is responsible for operating an effective compliance program based on our compliance policy framework.

The governance board that oversees the compliance program is the Country Management Team ("CMT"), which is led by the Group Finance Director as appointed by DKSH Switzerland's Chief Executive Officer. The Group Finance Director is supported by dedicated local compliance managers who operate under the guidance and control of GRC. For compliance initiatives relating to specific Business Units or Functions, GRC engages directly with the global Business Unit or Function Heads.

In 2018, DKSH has put in place in a newly revised Conflict of Interest ("Col") form requiring mandatory disclosure for new employees and on voluntary basis for existing employees. Employees must declare any potential or actual conflict of interest that may exist when commitments and obligations are likely to be compromised by any material or financial interests or relationships, especially economic.

Sustainability statement (continued)

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.

Part of our strategy to reinforce high ethical culture this year includes organizing an annual ABAC refresher course, compliance face-to-face training and assessment and, rolling out a vendor and supplier compliance commitment program.

Evaluation of the management approach

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

In November 2018, the ABAC refresher compliance training was launched at targeted employees (risk-based selection) country-wide and 98% completed the training and assessment after year-end.

Environmental sustainability

Environmental responsibility

As an international Market Expansion Services provider with a strong focus on sales, marketing and distribution of products, DKSH is committed to conducting our business in an environmentally sustainable manner.

Regarding warehousing logistics, the main environmental impacts are energy consumption for the operation of our distribution centers, such as for lighting, cooling and powering material handling units (e.g. forklift), and the use of refrigerants in cooling equipment. Furthermore, packaging material is used when preparing goods for delivery to customers (mostly pallet cardboard cartons and plastic for pallet wrapping) and some packaging waste is generated from incoming shipments.

We also engage in a small amount of manufacturing, which entails a different set of environmental impacts, albeit very minor in scale compared to the rest of our business. This include licensing activities for own brands, mostly in Business Unit Healthcare, with products being sourced from OEM markets (negligible for in-house manufacturing).

The management approach and its components

Effective January 1, 2017, we adopted a Health, Safety and Environment ("HSE") policy at Group level, to move away from a market-based to a more standardized global management approach. Compliance to national environment laws and regulations is still managed mainly at the local level. Our HSE manager works closely with risk owners to ensure that all our operations are in compliance to local requirements. For this purpose, we maintain a legal register of applicable laws and regulations.

In **warehousing logistics**, all our material handling units (e.g. forklift, reach truck, pallet jack) are battery-operated. Temperature-controlled facilities are adequately insulated to preserve energy required for cooling. Energy-

Sustainability statement (continued)

efficient lighting is used to reduce energy consumption; this also includes the installation of smart LED systems. Our distribution centers and warehouses are typically leased, with a few of them built-to-suit.

In **personnel travel**, internal approval systems are in place to prevent unnecessary travel. In recent years, we have upgraded IT communication capabilities and promoted conference calls to reduce carbon footprint from business travel by land or air.

Regarding **office and IT infrastructure**, we largely operate from leased facilities where usage of air-conditioning is often centrally controlled by the building management. The installation of energy efficient lighting and equipment is an area we need to focus on going forward. We introduced recycling bins to encourage employees to segregate their office waste into recyclable and non-recyclable wastes. In 2018, we have stopped spending on single-use plastic bottles.

Environmental management approaches relating to our manufacturing, franchising and OEM activities include **OEM brands**. We do not manufacture our own brand products but procure these from OEM sources for distribution in the markets we serve. Environmental impacts are identical to those incurred in the services we provide to client brands (mostly logistics and business travel).

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

Social sustainability

Product stewardship – customer health and safety

Product safety is critical for our business model and DKSH's brand reputation. We have two major categories of business partners: **clients**, to whom we provide Market Expansion Services, and **customers**, who buy the 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. As a service provider with very limited manufacturing activities, 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 ancillary to our products. Traceability is also a key factor, so that, if any issue arises, we can pinpoint it in the supply chain and address it.

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

The variety of items, the number of markets and cross-border transfers, and the changing regulatory landscapes together 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.

The management approach and its components

All employees and contractors working in our distribution centers receive training on the proper handling of goods and operation of related equipment (if applicable) before they are allowed to start working. Ensuring 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 requirements. Beyond these controls, our management approach varies significantly by Business Unit due to the distinctively different products and legal requirements.

<u>Business Unit Consumer Goods</u>

Our focus is on the proper handling and storing of goods in line with good

Sustainability statement (continued)

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 administrations here. 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) and 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 and 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 (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 and 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, 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.

Business Unit 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 9000, CLP (for chemicals), internal Standard Operation 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 is subjected to safety audits. Full product and batch traceability are 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.

Sustainability statement (continued)

Evaluation of the management approach
The Quality Assurance, Regulatory Affairs and Supply Chain Management teams in each Business Unit regularly perform quality audits and review, 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 2018, DKSH recorded no incidents of non-compliance concerning the health and safety impacts of products and services.

Product stewardship – marketing and labelling

DKSH's main activities 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 in the markets we serve.

The management approach and its components
Product adaptation and customization to meet regulatory requirements, including product labeling, is an important DKSH service offering. Our regulatory affairs teams embedded in various Business Units are responsible for establishing relevant Standard Operating Procedures and monitoring compliance, assisted by our quality assurance teams. In our Business Unit Healthcare, where regulations are particularly stringent, we perform customization work in accordance with Good Manufacturing Practice ("GMP"). In Business Unit Performance Materials, we implement and audit against GHS, 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 put in place, supported by training activities to ensure that the marketing of our products meets our standards and expectations.

<u>Industry-specific risks in the healthcare business</u>
Advertising and promotion of healthcare products in many jurisdictions is highly regulated, often limited or even disallowed. Many products are prescribed or dispensed by healthcare professionals, such as doctors or pharmacists, or require professional expertise for their application. Various segments in the healthcare industry, specifically for prescription drugs and medical devices, 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.

Evaluation of the management approach
DKSH carefully monitors and validates relevant product data from clients on an ongoing basis and takes corrective actions, if appropriate. Any complaints about marketing and labeling are addressed by the relevant Business Unit.

In 2018, DKSH recorded no incidents of non-compliance concerning marketing communications, including advertising, promotion and sponsorship.

Recruitment, retention and development

The subsequent management approach addresses the topics of recruitment and retention as well as training and education in a combined manner.

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

Our company is widely diversified and complex, yet highly specialized in the industries we serve. Many of our client and customer-facing specialists need to possess a science degree and demonstrate professional know-how and experience, commercial acumen and interpersonal skills. Employees in business support functions must manage the complexities and challenges that come with such a large and diverse company.

Sustainability statement (continued)

The management approach and its components

In addition to offering competitive remuneration and a wide variety of 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.

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

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. 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.

In learning and development, we subscribe the 70-20-10 learning approach. This approach recognizes that the greatest learning 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 (10 percent). The DKSH Fantree Academy, our in-house learning and development center, offers around 40 programs to develop capabilities across all levels of the organization.

The diversity of our business provides our employees with opportunities 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 applications are received from within the organization. Our Mobility Guidelines, part of our 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 those employees who have most embodied our corporate values through the DKSH Fantree Awards.

Evaluation of the management approach

As part of our continuous efforts to engage our specialists and create a dynamic and high-performance work environment, we regularly conduct employee surveys. These surveys focus on the work environment, leadership, organizational transformation, company culture and other matters affecting workplace effectiveness. Resulting action plans are drawn up, implemented and monitored. Targeted focus groups are used to address any key areas within the respective countries. Exit interviews are another important source for identifying and addressing any critical retention issues.

As per our General Employment Policy, all employees are subject to an annual performance review with periodic coaching and feedback sessions. In 2018, 100 percent of employees completed the review.

Sustainability statement (continued)

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

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

Leadership development program	2018	2017
Number of employees trained in:		
• Living the Leadership Principles	785	317
• Leading People and Teams	19	8
• Leadership Foundation Program	39	40

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

Internal reports on attendance and ratings on Fantree Academy learning programs are collated on a quarterly basis. Results are presented to the Senior Executive Team and to the global Business Unit Heads with management approached adapted accordingly.

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, where we target to have 50% of this population to complete the first two modules of the leadership program by end 2018.

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

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.

Sustainability statement (continued)

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

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

* Data available from 2016.

In 2013, DKSH introduced the Recognition of Employee Distinction (RED) Award, renamed Fantree Awards Malaysia in 2018, a recognition program that acknowledges individuals and teams locally for being true role models in practicing our corporate values and leadership principles. DKSH also recognizes employees who have committed 25 years of service to the company.

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. DKSH was also named Malaysia's top 50 most popular employers and won the Business Process Outsourcing and Shared Services Sector Award at Malaysia's 100 Leading Graduate Employers Awards 2018.

Occupation health and safety

DKSH operates a diversified portfolio of activities, distributing a wide range of products to many different industries. Activities include sales, marketing, distribution, warehousing, installation and after-sales services as well as food retail involving the operation of material handling units, such as forklifts.

The management approach and its components

Our CoC, 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 HSE officer.

Our induction training for all new recruits includes a comprehensive HSE module on HSE awareness and hazard at worksites as well as emergency response plan. In addition, they also receive job-specific training by competent in-house trainers; only competent employees who have undergone Material Handling Equipment ("MHE") training are authorized to operate MHE.

In 2018, we launched an HSE awareness campaign and a nation-wide Safety Day, which comprised a series of events and bi-monthly newsletters covering topics of health and safety.

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. Senior management at Group and local level provides strong and visible commitment, leadership and personal involvement on occupational health and safety.

HSE policy and management system

Since 2017, we have been defining a new HSE policy and management system which applies to all entities and employees of the DKSH Group and to all joint ventures with ownership by DKSH of at least 50 percent and/or controlled by DKSH. The new system provides centralized support and global standards to our HSE managers who implement this approach at the market level in line with local legislation.

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 Group and market level are responsible for steering the health and safety agenda with policies and strategies to drive performance. HSE Managers drive implementation of the program at the market level. 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.

In Malaysia, 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 country-level HSE plan and well as implementation of HSE policy, procedures and best practice across sites.

Sustainability statement (continued)

Evaluation of the management approach

We evaluate our health and safety management approach through monitoring our performance, which we do at site level, market level and Group level. A health and safety scorecard is generated and reported to the Group SC (three members of the Senior Executive Team) on a quarterly basis. Management approaches are adapted accordingly. At Function level, a global leadership team under Group GRC conducts regular monitoring and review activities under an internal assessment program that includes safety.

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

Labor standards

The subsequent management approach reporting addresses the topics of non-discrimination, freedom of association and collective bargaining, child labor, forced or compulsory labor and human rights assessment in a combined manner.

We procure a huge range of services and products across Malaysia, such as outsourced drivers for our distribution network, warehouse workers, product promoters, consultants, stationery suppliers, office equipment suppliers, components for our own-brand manufacturing and cleaners. Some of these industries are considered at high risk of human rights violations and we focus our attention on the contractors who directly help us deliver our client offering, including delivery drivers and warehouse workers.

The management approach and its components

We are committed to fair employment practices, free of harassment and discrimination, as laid out in our Code of Conduct. We respect our workers' rights for freedom of association and collective bargaining.

We comply to the Employment Act 1955 which governs the working hours and overtime work for employees under the employment laws of Malaysia. We do not employ people below the legally permitted age and do not engage in, or tolerate, forced or compulsory labor. Our commitment also extends to service providers we appoint for the fulfilment of our service delivery.

The People & Organization and Supply Chain Management teams have responsibility for all hiring and ensuring employees and contractors have the correct legal documentation. We comply to the applicable local laws and labor regulations to prevent the hiring of under-age persons or illegal workers to ensure decent and safe workplaces, fair and timely pay and adequate rest periods. We expect all our business partners to follow the same basic principles of human rights. 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 CoC. As part of the CoC 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 People & Organization department. Organizationally, we practice a business partnering approach, whereby representatives of the People & Organization department are stationed within operations for ease of access.

Evaluation of the management approach

Our management approach on non-discrimination 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.

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. Information security has become a key topic for any business.

The management approach and its components

In line with our CoC, 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. We have a Group IT Security Policy in place and a dedicated Group IT Security team.

Sustainability statement (continued)

Group IT security is responsible for overall IT security awareness and implementing online trainings on the latest IT security topics.

Furthermore, quarterly Group-wide IT newsletters as well as ad-hoc IT newsflashes ensure that awareness of sensitive topics is raised within the organization. In 2018, we have successfully implemented the ISO 27001:2013 standard on information security management. 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). We identified and implemented the necessary changes in the organization. To align our operations with the GDPR, we implemented in May 2018 a new Group Data Privacy Policy and a Data Privacy Governance Structure. Under this new structure, our Global Privacy Lead oversees the work of the Privacy Coordinators in Malaysia.

Evaluation of the management approach

Group Internal Audit conducts independent audits on access management. Furthermore, the Group IT Security team performs security assessment on all IT installations in the country on a regular basis.

In 2018, 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.

Community investments

DKSH strives to create a positive impact in the local communities in which it operates. DKSH encourages and empowers its local business locations to start their own initiatives as well as cooperate with world-wide initiatives that center on projects such as infrastructure development, disaster recovery, environmental programs, education or philanthropic projects. DKSH also supports local charity programs through donations and volunteering efforts of its employees.

DKSH volunteers spent a day refurbishing a preschool and supporting its activities in Kampong Sungai Poh in Gopeng, Perak in support of SUKA Society Malaysia's Empowered2Teach program.

Famous Amos Chocolate Chip Cookie raised RM 10,000 from the sales of its Christmas cookie pack, with proceeds going to SUKA Society Malaysia.

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

Sustainability statement (continued)

Together with WWF-Malaysia, DKSH supported marine turtle conservation in Melaka.

For the seventh year running, Famous Amos Chocolate Chip Cookie – a business entity wholly owned by DKSH – organized a Christmas charity sale, raising RM 10,000 for SUKA Society Malaysia, a registered non-governmental organization set up to protect and preserve the best interests of marginalized and refugee children.

Project ORCHID (Opportunities in Rejuvenating Careers for the Hearing Impaired), another initiative of Famous Amos, was launched in collaboration with the Malaysian Federation of the Deaf (MFD) in 2016. Project ORCHID aims to empower the hearing-impaired community by providing career opportunities to them. Last year, ten hearing-impaired individuals were employed at selected Famous Amos outlets.

In 2018, more than 300 DKSH employees participated in 18 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 April 22, 2019.

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, 2018, 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 MCCG 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 a documented Internal Control system, which is subject to reviews and tests. Management also regularly evaluates and identifies the key risks and establishes action plans to further improve controls and reduce risks.

Risk management framework

The Group has in place a risk management framework to promote effective risk management and enhance the corporate governance assurance process.

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 2018 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;

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

(ii) Policies and procedures: the Group has in place various formally documented policies and procedures, some of which were reviewed and updated during 2018. The updated policies included the Gifts, Hospitality and Entertainment Policy, Health Safety and Environment Policy, Incident and Crisis Communications Policy, Risk Management Policy, Interactions with Healthcare Professionals Policy, Risk and Insurance Policy, Anti-Fraud Policy and Business Continuity and Crisis Management Policy. The Group has also taken measures to introduce new global and local policies by introducing in 2018, the Supplier Code of Conduct Policy, Competitive Price Quotation and Justification for Vendor Award Policy, Non-Trade Procurement Policy, and Confidential Disclosure Agreement Policy;

(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;

Statement on risk management and internal control (continued)

(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 April 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: the Limits of Authority ("LoA") which provides clarity on authorities assigned at Corporate, Business Unit, as well as country level was updated in 2018 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 2018, 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) 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;

(x) 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;

(xi) Credit Control: formalized credit control procedures are in place and reviewed regularly;

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

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

(xiv) 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 57 to 58 of this Annual Report; and

(xv) Governance, Risk and Compliance ("GRC"): the Governance, Risk and Compliance Department was established in October 2017 with the purpose to operate DKSH's compliance and ethic's program and risk management framework. The GRC function reports periodically to the Compliance Committee which oversee DKSH's implementation of compliance programs, policies and procedures that are designed to respond to the various compliance and regulatory risks facing the company. The Compliance Committee was established in November 2018 and is a subcommittee of the Country Management Team.

(xvi) 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 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.

Statement on risk management and internal control (continued)

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 2018 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 2018 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 reasonable 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, 2018 and in accordance with the Board's approval on April 22, 2019.

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, 2018 ("FY 2018") in compliance with Paragraph 15.15 of the Listing Requirements of Bursa Securities.

The Audit Committee comprises three 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 Listing Requirements of Bursa Securities. 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 2018. As a standing practice, the Group Finance Director was invited to attend all Audit Committee Meetings (except private sessions) to facilitate the presentation as well as to provide 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 2018 are set out below:

Audit Committee: Composition and attendance at the Audit Committee meetings held in 2018

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 2018, 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 Listing Requirements of Bursa Securities.

Summary of the work of Audit Committee in 2018

In 2018, 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 2018:

(i) Reviewed the quarterly financial results and annual audited financial statements before recommending to the Board for approval, focusing particularly on:

Audit Committee report (continued)

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;

(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 2018 and thereafter recommend to the Board;

(vii) Assessment of the adequacy and effectiveness of the system of internal controls, reporting and risk management;

(viii) Reviewed and approved the annual internal audit plan, scope of work and adequacy of its resources and monitoring of the audit plan;

(ix) 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;

(x) Received the quarterly updates on investigations into fraud and ethics case reported;

(xi) Received the quarterly updates of new/amended accounting standards relevant to the Company;

(xii) Reviewed the results of ad-hoc investigation audits performed by Internal Audit and the corrective actions taken;

(xiii) Reviewed the renewal of the 2018 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;

(xiv) 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 2017/2018 Shareholders' Mandate obtained for recurrent related party transactions; and

(xv) 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 2017 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. The Head of Internal Audit Department is currently supported by one Assistant Manager and two Executives. 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 quarterly 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.

Audit Committee report (continued)

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 DKSH 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 worldwide 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) Analytical reviews of the quarterly financial statements of the Group;
(iii) Collaboration with auditors from the Global Internal Audit team on selected key audit areas;
(iv) Follow-up on implementation of recommendations and/or corrective actions by Management in addressing issues based on the audit findings; and
(v) Performing of ad-hoc consultation and operational reviews as requested by the Audit Committee and/or Management.

The Audit Committee has conducted an assessment to assess the adequacy and performance of the Internal Auditors for FY 2018 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, 2018 was approximately RM 619,359 (2017: RM 595,245) 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 21, 2019.

Additional compliance information

Utilization 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 23, 2018, 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 24, 2018.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, the details of RRPTs conducted during the financial year 2018 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 2018 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)]	18,201
(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)]	1,823
(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)]	5,733
(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)]	12,731

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 March 29, 2019 and a wholly-owned subsidiary of DKSH Holdings (Asia) Sdn. Bhd. ("DKSH Asia").
2) 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 Chairman 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 2018 are as follows:

	Group (RM)	Company (RM)
Audit services rendered	474,000	95,000
Non-Audit services rendered		
• Report on Directors' Statement on Risk Management and Internal Control	5,000	5,000
• Bonded warehouse count	7,500	–
Total	486,500	100,000

Material contract involving Directors' and Major Shareholders' Interests

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and Major Shareholders' interest still subsisting at the end of the financial year save for the following:

On December 21, 2018, the Group entered into a conditional share purchase agreement with Auric Pacific Group Limited for the acquisition of the entire equity interest in Auric Pacific (M) Sdn. Bhd. for a cash consideration of SGD157,674,000 (equivalent to RM480,905,700) based on Bank Negara Malaysia's published middle rate of SGD1:RM3.0500 as at 9.00 a.m. on December 21, 2018 ("Proposed Acquisition").

Although the purchase is being made on an arms-length basis from a third party following a competitive bidding process, in view of the inter-conditionality of the completion of the Proposed Acquisition and Proposed Acquisition of Auric Singapore[1] (which was imposed by the Vendor as a term of the Proposed Acquisition), DKSH Holding Ltd[2], a major shareholder of the Group is deemed to be an interested party.

Additional compliance information (continued)

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

Material contracts relating to loan

None of the material contract disclosed above is relating to loan.

Directors' Training and Education

The Directors attended numerous trainings during the financial year ended December 31, 2018 and the details of trainings are disclosed in the Statement on Corporate Governance on page 34 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, 2018.

List of Properties

The Group did not own any properties as at December 31, 2018.

[1] Proposed acquisition of Auric Singapore by DKSH Holding (S) Pte Ltd ("DKSH SG"), a related company of the Company for the acquisition of the entire equity interest in Auric Pacific Marketing Pte Ltd and Centurion Marketing Pte Ltd from the Auric Pacific Group Limited.

[2] DKSH Holding Ltd is an indirect major shareholder of DKSH by virtue of its shareholding in DKSH Resources (Malaysia) Sdn. Bhd. ("DKSHRM"), which is a major shareholder of DKSH, holding 74.31% of the equity interest in DKSH. DKSH Holding Ltd is also the sole shareholder of DKSH SG. DKSH SG is a person connected to DKSH Holding Ltd as DKSH Holding Ltd is entitled to 100% of the votes attached to the shares of DKSH SG. In view of the above relationships and conditionality of the completion of the Proposed Acquisition and Proposed Acquisition of Auric Singapore, the Proposed Acquisition involves the interest of related parties, namely DKSH Holding Ltd, the ultimate major shareholder of the Company and DKSH SG, a person connected to DKSH Holding Ltd. Stephen John Ferraby, Non-Independent Non-Executive Chairman of the Company, is a member of the Executive Board of DKSH Holding Ltd and Jason Michael Nicholas McLaren and Lian Teng Hai are the Non-Independent Executive Director and Non-Independent Non-Executive Director of the Company respectively, nominated by DKSHRM.

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 April 22, 2019.

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, 2018.

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.

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	44,584	41,544
Profit attributable to owners of the parent	44,584	41,544

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.

Dividends

The amount of dividend paid by the Company since December 31, 2017 was as follows:

	RM’000
In respect of the financial year ended December 31, 2017, a final single tier dividend of 10.0 sen per share, on 157,658,076 ordinary shares was paid on July 12, 2018	15,766

The Directors have recommended for shareholders' approval, at the forthcoming Annual General Meeting, a final single tier dividend of 10.0 sen per share amounting to RM 15,765,808 on 157,658,076 ordinary shares. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 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:

Varun Sethi	
Liew Mei Ling	
Ooi Eng Keong	(Appointed on February 27, 2018)
Ng Hong Sim	(Appointed on June 14, 2018)
Hoo Fan Lee	(Appointed on October 30, 2018)
Sin Peng Guan	(Resigned on June 18, 2018)
Liew Yin Heng	(Resigned on October 19, 2018)
Gan Wen Nie	(Resigned on October 31, 2018)
Wong Chee Loke	(Resigned on October 31, 2018)

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 1.1.2018	Acquired	Sold	At 31.12.2018
Ultimate holding company **DKSH Holding Ltd.**				
Stephen John Ferraby	–	1,343	–	1,343
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

* Acquired at the date of incorporation of FACC (B) Sdn. Bhd.

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 RM 22,000,000 in aggregate. The total amount of insurance premium paid for the financial year ended December 31, 2018 was RM 11,000.

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 and subsequent events

Details of significant and subsequent events are disclosed in Note 32 to the financial statements.

Directors' report (continued)

Auditors and auditors' remuneration
The auditors, Ernst & Young, 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, 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 during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated March 29, 2019.

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 74 to 141 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, 2018 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 March 29, 2019.

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 74 to 141 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 March 29, 2019

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, 2018 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 74 to 141.

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, 2018, and of their financial performance and their cash flows for the 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("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 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 these matters. 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

<u>Risk</u>

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

Total revenue for the Group for the year ended December 31, 2018 amount to RM 6.0 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.

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 Directors' 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, and the information included in the annual 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 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.

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)

- 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.

- 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 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.

Independent auditors' report

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

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
AF: 0039
Chartered Accountants

Phang Oy Lin
No. 02985/03/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2019

Statements of comprehensive income

For the financial year ended December 31, 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	4	6,010,281	5,509,538	50,676	48,043
Changes in inventories of finished goods		122,496	5,761	–	–
Raw materials and packaging materials used and finished goods purchased		(5,579,463)	(4,994,784)	–	–
Other income		6,362	9,024	–	–
Staff costs	5	(227,616)	(206,547)	–	–
Warehousing and logistics expenses		(76,416)	(74,343)	–	–
Loss allowance on trade receivables		(6,785)	(1,096)	–	–
Rental expenses		(38,700)	(37,563)	–	–
Depreciation of property, plant and equipment		(8,920)	(9,111)	–	–
Amortization of trademarks		(27)	(435)	–	–
Traveling and entertainment expenses		(14,337)	(14,638)	–	–
Information technology and communication expenses		(23,738)	(21,580)	–	–
Utilities, upkeep, repairs and maintenance costs		(15,185)	(13,061)	–	–
Office expenses		(4,274)	(3,839)	–	–
Other selling, advertising and promotional expenses		(55,326)	(52,215)	–	–
Other expenses		(19,605)	(17,535)	(1,597)	(895)
Finance costs	7	(8,195)	(6,855)	(3,991)	(3,425)
Profit before tax	8	60,552	70,721	45,088	43,723
Income tax expense	9	(15,968)	(18,640)	(3,544)	(3,127)
Profit net of tax		44,584	52,081	41,544	40,596
Other comprehensive income					
Currency translation differences to be reclassified to profit or loss in subsequent periods		1	(36)	–	–
Other comprehensive income for the financial year, net of tax		1	(36)	–	–
Total comprehensive income for the financial year		44,585	52,045	41,544	40,596
Profit attributable to owners of the parent		44,584	52,081	41,544	40,596
Total comprehensive income attributable to owners of the parent		44,585	52,045	41,544	40,596
Earnings per share attributable to owners of the parent • basic (sen)	10	28.28	33.03	–	–

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

Statements of financial position

As at December 31, 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	26,595	27,316	–	–
Intangible assets	12	159	186	–	–
Investments in subsidiaries	13	–	–	84,615	84,615
Deferred tax assets	14	6,346	4,241	–	–
Advances to a subsidiary	15	–	–	449,971	420,293
		33,100	31,743	534,586	504,908
Current assets					
Inventories	16	734,523	612,110	–	–
Right of return assets	17	5,591	–	–	–
Trade and other receivables	18	1,294,944	1,167,264	2,637	2,002
Tax recoverable		5	352	–	–
Cash and bank balances	19	101,970	63,036	374	700
		2,137,033	1,842,762	3,011	2,702
Total assets		2,170,133	1,874,505	537,597	507,610
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		140	139	–	–
Retained earnings	21	414,661	385,843	258,450	232,672
Total equity		596,973	568,154	440,622	414,844

Statements of financial position

As at December 31, 2018 (continued)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current liabilities					
Trade and other payables	22	1,506,313	1,268,827	1,181	547
Derivative financial instruments	23	104	884	–	–
Borrowings	24	29,000	–	–	–
Income tax payable		2,959	3,527	1,099	912
		1,538,376	1,273,238	2,280	1,459
Non-current liabilities					
Borrowings	24	32,192	30,392	94,695	91,307
Provision for other liabilities	25	2,592	2,718	–	–
Deferred tax liability	14	–	3	–	–
		34,784	33,113	94,695	91,307
Total liabilities		1,573,160	1,306,351	96,975	92,766
Total equity and liabilities		2,170,133	1,874,505	537,597	507,610

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, 2018

		Attributable to owners of the parent			
		Non-distributable		Distributable	
		Share capital	Foreign currency translation reserve	Retained earnings	Total equity
	Note	RM'000	RM'000	RM'000	RM'000
Group					
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	26	–	–	(15,766)	(15,766)
Total transaction with owners		–	–	(15,766)	(15,766)
At December 31, 2018		182,172	140	414,661	596,973

		Attributable to owners of the parent				
		Non-distributable			Distributable	
		Share capital	Share premium on ordinary shares	Foreign currency translation reserve	Retained earnings	Total equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
At January 1, 2017		157,658	24,514	175	348,740	531,087
Total comprehensive income		–	–	(36)	52,081	52,045
Transition to no-par value regime*		24,514	(24,514)	–	–	–
Transaction with owners						
Dividend for financial year ended December 31, 2016	26	–	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	–	(14,978)	(14,978)
At December 31, 2017		182,172	–	139	385,843	568,154

* Pursuant to Section 618(2) of the Companies Act 2016, any outstanding share premium account shall become part of share capital.

Statements of changes in equity

For the financial year ended December 31, 2018 (continued)

		← Non-distributable	→	Distributable	
		Share capital	**Share premium on ordinary shares**	**Retained earnings**	**Total**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Company					
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	26	–	–	(15,766)	(15,766)
Total transaction with owners		–	–	(15,766)	(15,766)
At December 31, 2018		182,172	–	258,450	440,622
At January 1, 2017		157,658	24,514	207,054	389,226
Total comprehensive income		–	–	40,596	40,596
Transition to no-par value regime*		24,514	(24,514)	–	–
Transaction with owners					
Dividend for financial year ended December 31, 2016	26	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	(14,978)	(14,978)
At December 31, 2017		182,172	–	232,672	414,844

* Pursuant to Section 618(2) of the Companies Act 2016, any outstanding share premium account shall become part of share capital.

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, 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from operating activities				
Profit before tax	60,552	70,721	45,088	43,723
Adjustments for non-cash items:				
Property, plant and equipment:				
• depreciation	8,920	9,111	–	–
• written off	171	20	–	–
• net gain on disposals	(2)	(66)	–	–
Write-back of provision for property restoration cost	(126)	–	–	–
Inventories:				
• written off	13,698	10,712	–	–
• net write-down of slow moving inventories	3,292	2,130	–	–
Loss allowance on trade receivables	6,785	1,096	–	–
Interest income (Note c)	(134)	(148)	(18,876)	(16,543)
Interest expense (Note b)	8,195	6,855	3,991	3,425
Dividend income	–	–	(31,800)	(31,500)
Net unrealized foreign exchange losses/(gains)	675	(2,143)	–	–
Net unrealized derivative (gains)/losses	(688)	1,075	–	–
Amortization of trademarks	27	435	–	–
Operating cash flows before changes in working capital	101,365	99,798	(1,597)	(895)
Changes in working capital:				
Inventories	(139,403)	(21,790)	–	–
Right of return assets	(5,591)	–	–	–
Receivables	(134,465)	(71,582)	(60)	(662)
Payables	236,449	27,234	559	95
Cash flows from/(used in) operations	58,355	33,660	(1,098)	(1,462)
Dividend received	–	–	31,800	31,500
Interest received (Note c)	134	148	18,301	15,909
Interest paid (Note b)	(8,120)	(6,906)	(3,916)	(3,639)
Tax paid	(18,297)	(17,123)	(3,357)	(2,896)
Net cash flows generated from operating activities	32,072	9,779	41,730	39,412

Statements of cash flows

For the financial year ended December 31, 2018 (continued)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	23	75	–	–
Purchase of property, plant and equipment (Note a)	(8,196)	(5,135)	–	–
Net cash flows used in investing activities	(8,173)	(5,060)	–	–
Cash flows from financing activities				
Dividends paid on ordinary shares	(15,766)	(14,978)	(15,766)	(14,978)
Net drawdown/(repayment) of external borrowings	29,000	(30,000)	–	–
Net advances from/(to):				
• intermediate holding company	300	400	300	400
• immediate holding company	1,500	(22,940)	1,500	(22,940)
Net advances to subsidiaries	–	–	(28,090)	(61,470)
Net cash flows generated from/(used in) financing activities	15,034	(67,518)	(42,056)	(98,988)
Changes in cash and cash equivalents	38,933	(62,799)	(326)	(59,576)
Currency translation differences	1	(36)	–	–
Cash and cash equivalents at beginning of financial year	63,036	125,871	700	60,276
Cash and cash equivalents at end of financial year (Note 19)	101,970	63,036	374	700

Note:

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash	8,196	5,135	–	–
Deferred payment	403	208	–	–
Less: Payment made for previous year acquisitions	(208)	(551)	–	–
Additions (Note 11)	8,391	4,792	–	–

Statements of cash flows

For the financial year ended December 31, 2018 (continued)

Note: (continued)

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest paid	8,120	6,906	3,916	3,639
Interest payable	182	107	338	263
Less: Payment made for previous year interest expense	(107)	(158)	(263)	(477)
Interest expense (Note 7)	8,195	6,855	3,991	3,425

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest received	134	148	18,301	15,909
Interest receivable	–	–	2,567	1,992
Less: Receipt for previous year interest income	–	–	(1,992)	(1,358)
Interest income	134	148	18,876	16,543

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

Notes to the financial statements

December 31, 2018

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.

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 March 29, 2019.

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. These financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 as follows:

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

On January 1, 2018, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after January 1, 2018.

Description	Effective for annual periods beginning on or after
• MFRS 9 Financial Instruments	January 1, 2018
• MFRS 15 Revenue from Contracts with Customers	January 1, 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018

MFRS 9 Financial Instruments

The Group and the Company implemented MFRS 9 Financial Instruments, which replaces MFRS 139 Financial Instruments: Recognition and Measurement, as of January 1, 2018. As permitted by the transitional provisions, the Group and the Company have not restated comparative information. MFRS 9 introduces new rules for classification and measurement, in particular for financial assets, for impairment of financial assets and for hedge accounting.

(i) Classification and measurement

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company.

The Group's and the Company's financial assets principally consist of trade and other receivables, cash and some other financial assets that classified as loans and receivables as at December 31, 2017. These financial assets are held to collect contractual cash flows solely relating to principal and interest, and are classified and measured as debt instruments at amortized cost beginning January 1, 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required reclassifications as at January 1, 2018.

	Group	Company
	RM'000	RM'000
MFRS 139 - Loan and receivables	1,217,331	422,995
MFRS 9 - Amortized cost	1,217,331	422,995

The changes in classification above have had no impact on the Group's and the Company's financial position and performance.

There are no changes in classification and measurement of the Group's and the Company's financial liabilities.

(ii) Impairment of financial assets

The new standard requires impairments on debts instruments not held at fair value through profit and loss to be based on a forward-looking expected credit loss ("ECL") model. ECLs are the difference between the contractual cash flows due in accordance with the terms of the contract and the cash flows the Group and the Company expect to receive.

The Group applies the simplified approach, which allows expected lifetime losses to be recognized for trade receivables using a provision matrix. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. The application of the ECL model has had no material impact on the loss allowance and therefore no adjustment to retained earnings at January 1, 2018, was required.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 15 Revenue from Contracts with Customers

The Group implemented MFRS 15 as of January 1, 2018, with the modified retrospective application. MFRS 15 supersedes all current revenue recognition requirements under MFRS and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognized when control over goods or services is passed to the customer either at a point in time or over time at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption of MFRS 15 resulted only in changes in the classification and did not significantly change the timing or amount of revenue recognized by the Group.

Set out below, are the amounts by which each financial statement line item is affected as at and for the financial year ended December 31, 2018 as a result of the adoption of MFRS 15. The adoption of MFRS 15 did not have a material impact on other comprehensive income ("OCI") or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under MFRS 15 and the second column shows what the amounts would have been had MFRS 15 not been adopted:

		Amounts prepared under		
	Reference	**MFRS 15**	**Previous MFRS**	**(Decrease)/ increase**
		RM'000	**RM'000**	**RM'000**
Statement of comprehensive income for the year ended December 31, 2018				
Group				
Revenue	(a)	6,010,281	6,011,840	(1,559)
Other selling, advertising and promotional expenses	(a)	(55,326)	(56,885)	(1,559)
Statement of financial position as at December 31, 2018				
Group				
Current assets				
Inventories	(b)	734,523	739,199	(4,676)
Right of return assets	(b)	5,591	–	5,591
Trade and other receivables	(b)	1,294,944	1,288,790	6,154
Current liabilities				
Trade and other payables	(b)	1,506,313	1,499,244	7,069

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 15 Revenue from Contracts with Customers (continued)

Reasons for the changes in the statement of comprehensive income for the financial year ended December 31, 2018 and statement of financial position as at December 31, 2018 are described below:

(a) MFRS 15 requires certain payments to customers, such as ullage allowance, to be recognized as net of revenue. Previously, these payments were recognized as other selling, advertising and promotional expenses.

(b) Under MFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the most likely amount method to estimate the goods that will not be returned. For goods expected to be returned, MFRS 15 requires refund liabilities and right of return assets to be recognized. As at December 31, 2018, the Group recognized refund liabilities of RM 6,154,000 and right of return assets of RM 5,591,000.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. The application of this Interpretation does not have any impact on the Group’s and the Company’s financial statements.

2.3 Standards issued but not yet effective

The standards, interpretation and amendments that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, interpretation and amendments, when they become effective.

Description	Effective for annual periods beginning on or after
• MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	January 1, 2019
• MFRS 16 Leases	January 1, 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	January 1, 2019
• Annual Improvements to MFRS Standards 2015 - 2017 Cycle	January 1, 2019
• Definition of Material (Amendments to MFRS 101 and MFRS 108)	January 1, 2020
• Revised Conceptual Framework for Financial Reporting	January 1, 2020

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

The Directors of the Group and the Company expect that the adoption of the standards, interpretation and amendments above will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16 Leases

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

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

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

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

MFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying MFRS 16 on the financial statements in the period of initial application will depend on the Group's lease portfolio at that date. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of warehouses, outlets and office premises in the range of RM 140 million to RM 170 million. In addition, the nature of expenses related to those leases will now change as MFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group applies MFRS 16 initially on January 1, 2019 using the modified retrospective approach with no restatement of comparative information. The lease liabilities will be measured based on the present value of the remaining leases payment, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset will be measured based on the present value of the remaining leases payment.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group is currently assessing the impact of this new interpretation and does not expect any impact from the application.

Annual Improvements to MFRS Standards 2015 - 2017 Cycle

The Annual Improvements to MFRS Standards 2015 - 2017 Cycle include a number of amendments to various MFRSs, which are summarized below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(a) MFRS 112 Income Taxes: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

(b) MFRS 123 Borrowing Costs: Borrowing costs eligible for capitalization

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

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
- 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
- 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 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.

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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.4 Economic entities in the Group (continued)

(b) Business combinations and goodwill (continued)

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, 2018 (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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.6 Fair value measurement (continued)

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

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 30(e)
- Financial instruments (including those carried at amortized cost) — Notes 18, 22

2.7 Intangible assets

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.

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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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

Work-in-progress comprises renovations which are not completed at reporting date. 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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

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. 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.

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

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.14 Taxes (continued)

(b) Deferred tax (continued)

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.

(c) Goods and Services Tax ("GST")

Revenue, expenses, assets and liabilities are recognized net of the amount of goods and services tax except:

- Where the goods and services tax incurred in a purchase of asset or services is not recoverable from the taxation authority, in which case the goods and services tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

(d) 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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.15 Employee benefits (continued)

(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.

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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

(a) Sale of goods and rendering of services (continued)

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, 2018 (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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

2.21 Foreign currencies (continued)

(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.

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 measurements

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 refer to how they manages theirs 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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

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

(a) Financial assets (continued)

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

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.

Notes to the financial statements

December 31, 2018 (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 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.

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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

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

(a) Financial assets (continued)

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.

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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

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

(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.

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.

Notes to the financial statements

December 31, 2018 (continued)

2. Summary of significant accounting policies (continued)

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

(b) Financial liabilities (continued)

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.

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, or 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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the financial statements

December 31, 2018 (continued)

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

There were no significant key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Sale of goods	5,947,298	5,452,632	–	–
Rendering of services	62,983	56,906	–	–
Interest income:				
• subsidiaries	–	–	18,742	16,395
• others	–	–	134	148
Dividend income:				
• subsidiaries	–	–	31,800	31,500
	6,010,281	5,509,538	50,676	48,043

Notes to the financial statements

December 31, 2018 (continued)

5. Staff costs

	Group	
	2018 RM'000	**2017 RM'000**
Salaries and bonuses	163,501	149,018
Defined contribution plan	23,761	22,557
Other employee benefits	40,354	34,972
	227,616	206,547

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-executive Directors:				
• fees	175	224	175	224
Executive Directors:				
• salaries	1,237	1,485	–	–
• bonuses	852	640	–	–
• defined contribution plan	205	146	–	–
• other employee benefits	1,117	821	–	–
	3,411	3,092	–	–
Other Directors of the Group:				
• salaries	486	261	–	–
• bonuses	260	86	–	–
• defined contribution plan	131	57	–	–
• other employee benefits	165	36	–	–
	1,042	440	–	–
Total remuneration	4,628	3,756	175	224

Notes to the financial statements

December 31, 2018 (continued)

6. Directors' remuneration (continued)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 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	20	50	20
Michael Lim Hee Kiang	–	37	–	37
James Armand Menezes	–	42	–	42
Total remuneration				
• Non-executive Directors	175	224	175	224
Executive Directors:				
Jason Michael Nicholas McLaren				
• salaries	688	662	–	–
• bonuses	371	315	–	–
• other employee benefits	551	539	–	–
	1,610	1,516	–	–
Lian Teng Hai				
• salaries	549	823	–	–
• bonuses	481	325	–	–
• defined contribution plan	205	146	–	–
• other employee benefits	566	282	–	–
	1,801	1,576	–	–
Total remuneration				
• Executive Directors	3,411	3,092	–	–

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, 2018 (continued)

7. Finance costs

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest expense:				
• bankers' acceptances	1,934	1,712	–	–
• promissory notes	1,734	1,377	–	–
• revolving credit	2,934	2,220	502	160
• advances from holding companies	1,502	1,461	1,502	1,461
• subsidiaries	–	–	1,987	1,804
• others	91	85	–	–
	8,195	6,855	3,991	3,425

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Auditors' remuneration:				
• statutory audits	474	460	95	92
• other services	13	12	5	5
Amortization of trademarks	27	435	–	–
Property, plant and equipment:				
• depreciation	8,920	9,111	–	–
• written off	171	20	–	–
• net gain on disposals	(2)	(66)	–	–
Write-back of provision for property restoration cost	(126)	–	–	–
Interest income:				
• subsidiaries	–	–	(18,742)	(16,395)
• external parties	(134)	(148)	(134)	(148)
Net derivatives losses/(gains):				
• realized	274	559	–	–
• unrealized	(688)	1,075	–	–

Notes to the financial statements

December 31, 2018 (continued)

8. Profit before tax (continued)

The following items have been included in arriving at profit before tax: (continued)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net foreign exchange losses/(gains):				
• realized	538	2,034	–	–
• unrealized	675	(2,143)	–	–
Inventories:				
• written off	13,698	10,712	–	–
• net write-down of slow moving inventories	3,292	2,130	–	–
Loss allowance on trade receivables	6,785	1,096	–	–
Rental expenses	38,700	37,563	–	–
Rental income:				
• related companies	(715)	(633)	–	–
• external party	(636)	(627)	–	–

9. Income tax expense

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Malaysian income tax:				
• Current year	18,231	19,002	3,544	3,117
• (Over)/under provision in prior years	(155)	136	–	10
	18,076	19,138	3,544	3,127
Deferred tax (Note 14):				
• Relating to origination and reversal of temporary differences	(2,010)	(279)	–	–
• Overprovision in prior years	(98)	(219)	–	–
	(2,108)	(498)	–	–
Total income tax expense	15,968	18,640	3,544	3,127

Notes to the financial statements

December 31, 2018 (continued)

9. Income tax expense (continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the 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% (2017: 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.

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit before tax	60,552	70,721	45,088	43,723
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	14,532	16,973	10,821	10,494
Different tax rate in other country	3	1	–	–
Effect of reduced tax rate on increase in statutory income	–	(157)	–	–
Expenses not deductible for tax purposes	1,689	1,877	355	183
Income not subject to tax	–	–	(7,632)	(7,560)
Effect of origination and reversal of temporary differences	65	51	–	–
Unutilized losses disregarded	(65)	(51)	–	–
Utilization of previously unrecognized deferred tax assets	(3)	–	–	–
Deferred tax assets not recognized on other temporary deductible differences	–	29	–	–
(Over)/under provision of income tax in prior years	(155)	136	–	10
Overprovision of deferred tax in prior years	(98)	(219)	–	–
Income tax expense	15,968	18,640	3,544	3,127

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	
	2018 RM'000	**2017 RM'000**
Profit net of tax attributable to owners of the parent	44,584	52,081
Weighted average number of ordinary shares in issue ('000)	157,658	157,658

Notes to the financial statements

December 31, 2018 (continued)

10. Earnings per share - Basic (continued)

	Group	
	2018 sen	**2017 sen**
Earnings per share - Basic	28.28	33.03

Diluted earnings per share is not presented as there were no potential dilutive ordinary shares during the financial year.

11. Property, plant and equipment

	Renovations	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Work-in-progress	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group						
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

Notes to the financial statements

December 31, 2018 (continued)

11. Property, plant and equipment (continued)

	Renovations	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group (continued)						
At December 31, 2017						
Cost						
At January 1, 2017	29,967	16,282	76,609	1,484	37	124,379
Additions	827	475	2,504	–	986	4,792
Disposals	–	(258)	(54)	(5)	–	(317)
Reclassification	573	–	79	–	(652)	–
Written off	(2,299)	(713)	(617)	(6)	–	(3,635)
At December 31, 2017	29,068	15,786	78,521	1,473	371	125,219
Accumulated depreciation						
At January 1, 2017	17,296	11,932	62,218	1,269	–	92,715
Charge for the financial year	2,793	1,130	5,140	48	–	9,111
Disposals	–	(258)	(46)	(4)	–	(308)
Written off	(2,295)	(709)	(605)	(6)	–	(3,615)
At December 31, 2017	17,794	12,095	66,707	1,307	–	97,903
Net carrying amount	11,274	3,691	11,814	166	371	27,316

In current year, property, plant and equipment were transferred to related companies at a cost of RM 9,000 and these amounts were fully received from the related companies. Included in property, plant and equipment is a provision for restoration cost of RM 2,592,000 (2017: RM 2,718,000).

Notes to the financial statements

December 31, 2018 (continued)

12. Intangible assets

	Group
	Trademarks RM'000
Cost:	
At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018	8,493
Accumulated amortization:	
At January 1, 2017	7,872
Amortization during the financial year	435
At December 31, 2017 and January 1, 2018	8,307
Amortization during the financial year	27
At December 31, 2018	8,334
Net carrying amount:	
At December 31, 2018	159
At December 31, 2017	186

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 5.7 years (2017: 6.7 years).

13. Investments in subsidiaries

	Company	
	2018 RM'000	**2017 RM'000**
Non-current assets		
Unquoted shares at cost	91,909	91,909
Less: Accumulated impairment losses	(7,294)	(7,294)
	84,615	84,615

Notes to the financial statements

December 31, 2018 (continued)

13. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Proportion of ownership interest 2018 %	2017 %	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 during the current 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.
Held through DKSH Malaysia Sdn. Bhd.:				
• DKSH Management Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
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	–	Sale of chocolate chip cookies and operation of retail outlets.

* Audited by a member firm of Ernst & Young Global.

Subsidiary incorporated during the financial year.

^ These subsidiaries had been placed under members' voluntary liquidation after the reporting period.

Notes to the financial statements

December 31, 2018 (continued)

14. Deferred tax

	Group	
	2018 RM'000	2017 RM'000
At January 1	4,238	3,740
Recognized in statement of comprehensive income (Note 9)	2,108	498
At December 31	6,346	4,238

The components and movements of deferred tax liability and assets during the financial year prior to offsetting are as follows:

Group

	As at January 1, 2017	Recognized in statement of comprehensive income	As at December 31, 2017	Recognized in statement of comprehensive income	As at December 31, 2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax liability:					
Property, plant and equipment	(718)	306	(412)	111	(301)
	(718)	306	(412)	111	(301)
Offsetting	718		409		301
	–		(3)		–
Deferred tax assets:					
Receivables	1,500	77	1,577	1,092	2,669
Inventories	837	511	1,348	767	2,115
Others	2,121	(396)	1,725	138	1,863
	4,458	192	4,650	1,997	6,647
Offsetting	(718)		(409)		(301)
	3,740		4,241		6,346

	Group	
	2018 RM'000	2017 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	6,346	4,241
Deferred tax liability	–	(3)
	6,346	4,238

Notes to the financial statements

December 31, 2018 (continued)

14. Deferred tax (continued)

Deferred tax assets have not been recognized in respect of the following items:

	Group	
	2018 RM'000	**2017 RM'000**
Other deductible temporary differences	281	292
Unutilized capital allowances	106	106
Unabsorbed business losses	9,716	10,065
	10,103	10,463

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. Unabsorbed business losses of the subsidiary, DKSH (B) Sdn. Bhd. in Brunei can only be carried forward for six years for utilization against future taxable profits.

15. Advances to a subsidiary

	Company	
	2018 RM'000	**2017 RM'000**
Advances to a subsidiary	449,971	420,293

Advances to a subsidiary are unsecured and carry interest rates which range between 4.22% to 4.54% (2017: 4.10% to 4.45%) 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	
	2018 RM'000	**2017 RM'000**
Raw materials (at cost)	5,619	5,545
Packaging materials (at cost)	1,619	1,776
Finished goods (at lower of cost and net realizable value)	727,285	604,789
	734,523	612,110

During the financial year, the amount of inventories recognized as an expense in the statement of comprehensive income of the Group was RM 5,456,967,000 (2017: RM 4,989,023,000) and the amount written off was RM 13,698,000 (2017: RM 10,712,000).

Notes to the financial statements

December 31, 2018 (continued)

17. Right of return assets

	Group	
	2018 RM'000	**2017 RM'000**
Right of return assets	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.

18. Trade and other receivables

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current				
Trade receivables				
Third parties	1,275,384	1,161,745	–	–
Less: Loss allowance on trade receivables	(20,081)	(24,224)	–	–
	1,255,303	1,137,521	–	–
Other receivables				
Deposits	8,734	7,926	2	2
Prepayments	1,042	845	–	–
Net GST refundable	23,780	12,124	–	–
Sundry receivables	5,196	8,355	–	8
Amounts due from:				
• fellow subsidiaries	–	–	2,567	1,992
• related companies	889	493	68	–
	39,641	29,743	2,637	2,002
Total trade and other receivables	1,294,944	1,167,264	2,637	2,002
Total advances to a subsidiary (Note 15)	–	–	449,971	420,293
Less: Prepayments	(1,042)	(845)	–	–
Less: Net GST refundable	(23,780)	(12,124)	–	–
Add: Cash and bank balances (Note 19)	101,970	63,036	374	700
Total financial assets at amortized cost	1,372,092	1,217,331	452,982	422,995

Notes to the financial statements

December 31, 2018 (continued)

18. Trade and other receivables (continued)

(a) Trade receivables

Credit terms of trade receivables range from payment in advance to 90 days (2017: 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	
	2018 RM'000	**2017 RM'000**
Neither past due nor impaired	1,172,798	1,052,749
Less than three months past due but not impaired	57,338	78,055
Between three to six months past due but not impaired	25,167	6,717
	82,505	84,772
Impaired	20,081	24,224
	1,275,384	1,161,745

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

As at December 31, 2018, the Group's trade receivables of RM 82,505,000 (2017: RM 84,772,000) were past due their contractual payment date but not impaired. These relate to a number of external parties where there are no expectations of default.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the expected credit losses are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Trade receivables - nominal amounts	20,081	24,224
Less: loss allowance on trade receivables	(20,081)	(24,224)
	–	–

Notes to the financial statements

December 31, 2018 (continued)

18. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are impaired (continued)

	Group	
	2018 RM'000	**2017 RM'000**
Movement in allowance accounts:		
At January 1	24,224	27,091
Allowance for impairment	6,785	1,971
Amounts written off	(10,928)	(3,963)
Write –back of allowance for impairment	–	(875)
At December 31	20,081	24,224

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 30(d) to the financial statements.

The currency exposure profile of net trade receivables is as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Trade receivables		
Ringgit Malaysia	1,235,248	1,124,936
Brunei Dollar	17,232	11,890
US Dollar	2,346	567
Singapore Dollar	170	10
Australian Dollar	–	7
Japanese Yen	13	8
Sterling Pound	–	103
Euro	294	–
	1,255,303	1,137,521

Notes to the financial statements

December 31, 2018 (continued)

18. Trade and other receivables (continued)

(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 (2017: 30 to 90 days).

The currency exposure profile of related party balances is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Ringgit Malaysia	343	188	2,635	1,992
US Dollar	377	–	–	–
Swiss Franc	–	138	–	–
Singapore Dollar	169	167	–	–
	889	493	2,635	1,992

19. Cash and bank balances

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash on hand and at banks, representing cash and bank balances	101,970	63,036	374	700

Notes to the financial statements

December 31, 2018 (continued)

19. Cash and bank balances (continued)

The currency exposure profile of deposits, cash and bank balances is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Ringgit Malaysia	97,921	59,794	374	700
US Dollar	933	179	–	–
Singapore Dollar	965	491	–	–
Euro	167	1,074	–	–
Swiss Franc	153	528	–	–
Australian Dollar	198	149	–	–
Brunei Dollar	1,633	821	–	–
	101,970	63,036	374	700

20. Share capital

	Group and Company			
	Number of shares		Amount	
	2018 '000	**2017 '000**	**2018 RM'000**	**2017 RM'000**
Issued and fully paid:				
Ordinary shares				
At January 1	157,658	157,658	182,172	157,658
Transition to no-par value regime on				
• January 31, 2017	–	–	–	24,514
At 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.

In accordance with Section 74 of the Companies Act 2016, the Company's shares no longer have a par or nominal value with effect from January 31, 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

In accordance with the transitional provisions set out in Section 618 of the Companies Act 2016, any amount standing to the credit of the Company's share premium account becomes part of the Company's share capital. Companies have twenty-four months upon the commencement of Companies Act 2016 to utilize the credit. The Company has utilized none of the credit of the share premium account which have now become part of the share capital.

Notes to the financial statements

December 31, 2018 (continued)

21. Retained earnings

The Company may distribute dividends out of its retained earnings as at December 31, 2018 under the single tier system.

22. Trade and other payables

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current				
Trade payables				
Third parties	1,377,859	1,157,158	–	–
Other payables				
Accruals	72,805	63,106	843	284
Sundry payables	45,238	44,112	–	–
Net GST payables	–	167	–	–
Refund liabilities	6,154	–	–	–
Amounts due to:				
• intermediate holding company	77	34	77	34
• immediate holding company	85	73	85	73
• subsidiaries	–	–	176	155
• related companies	4,095	4,177	–	1
	128,454	111,669	1,181	547
Total trade and other payables	1,506,313	1,268,827	1,181	547
Less: Net GST payables	–	(167)	–	–
Less: Refund liabilities	(6,154)	–	–	–
Add: Borrowings (Note 24)	61,192	30,392	94,695	91,307
Total financial liabilities at amortized cost	1,561,351	1,299,052	95,876	91,854

Notes to the financial statements

December 31, 2018 (continued)

22. Trade and other payables (continued)

The currency exposure profile of payables is as follows:

	Group	
	2018 RM'000	2017 RM'000
Trade payables		
Ringgit Malaysia	1,329,699	1,104,336
US Dollar	35,196	42,241
Euro	1,133	750
Swiss Franc	135	63
Brunei Dollar	12	682
Singapore Dollar	4,914	4,867
Australian Dollar	664	428
Japanese Yen	237	7
Thai Baht	5,135	3,407
New Zealand Dollar	369	195
Sterling Pound	365	182
	1,377,859	1,157,158
Sundry payables		
Ringgit Malaysia	44,963	44,094
Brunei Dollar	275	18
	45,238	44,112

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amounts due to related parties				
Ringgit Malaysia	2,420	3,807	338	263
US Dollar	1,721	248	–	–
Singapore Dollar	–	4	–	–
Japanese Yen	116	225	–	–
	4,257	4,284	338	263

Notes to the financial statements

December 31, 2018 (continued)

22. Trade and other payables (continued)

The average credit terms of payables are as follows:

	Group/Company	
	Average credit terms	
	2018	**2017**
Trade payables	0 to 180 days	0 to 180 days
Sundry payables	30 days	30 days
Amounts due to related parties	Payable within 30	Payable within 30
	to 120 days	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		
	Contract value	**Fair value**	**Liabilities**
	RM'000	**RM'000**	**RM'000**
2018			
Current liabilities:			
Forward foreign exchange contracts			
• at fair value through profit or loss	29,035	28,931	(104)
2017			
Current liabilities:			
Forward foreign exchange contracts			
• at fair value through profit or loss	32,781	31,897	(884)

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, 2018, the settlement dates on open forward contracts ranged betwee 3 days and 4 months (2017: 2 days and 4 months).

Notes to the financial statements

December 31, 2018 (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, 2018				
Trade payables:				
EUR 245,000	EUR	MYR	1,175	1 EUR=RM 4.7982
USD 5,021,652	USD	MYR	20,977	1 USD=RM 4.1773
THB 53,661,596	THB	MYR	6,883	1 THB=RM 0.1283
			29,035	
At December 31, 2017				
Trade payables:				
EUR 258,000	EUR	MYR	1,283	1 EUR=RM 4.9736
USD 4,606,461	USD	MYR	19,213	1 USD=RM 4.1709
CHF 185,000	CHF	MYR	797	1 CHF=RM 4.3062
THB 51,557,722	THB	MYR	6,594	1 THB=RM 0.1279
SGD 1,580,000	SGD	MYR	4,894	1 SGD=RM 3.0978
			32,781	

The fair value of outstanding forward contracts of the Group at the reporting date are at unfavorable net position of RM 104,000 (2017: unfavorable net position of RM 884,000).

Notes to the financial statements

December 31, 2018 (continued)

24. Borrowings

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Bankers' acceptances	16,000	–	–	–
Revolving credit	13,000	–	–	–
External borrowings	29,000	–	–	–
Non-current				
Advances from:				
• intermediate holding company	10,122	9,822	10,122	9,822
• immediate holding company	22,070	20,570	22,070	20,570
• subsidiaries	–	–	62,503	60,915
	32,192	30,392	94,695	91,307
Total loans and borrowings	61,192	30,392	94,695	91,307

Reconciliation of liabilities/(assets) arising from financing activities

	External borrowings	Advances from intermediate holding company	Advances from immediate holding company	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At January 1, 2018	–	9,822	20,570	30,392
Net drawdown of external 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
At January 1, 2017	30,000	9,422	43,510	82,932
Net repayment of external borrowings	(30,000)	–	–	(30,000)
Net advances from/(to)	–	400	(22,940)	(22,540)
At December 31, 2017	–	9,822	20,570	30,392

Notes to the financial statements

December 31, 2018 (continued)

24. Borrowings (continued)

Reconciliation of liabilities/(assets) arising from financing activities (continued)

	Advances from intermediate holding company	Advances from immediate holding company	Net advances to subsidiaries	Total
	RM'000	RM'000	RM'000	RM'000
Company				
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)
At January 1, 2017	9,422	43,510	(297,908)	(244,976)
Net advances from/(to)	400	(22,940)	(61,470)	(84,010)
At December 31, 2017	9,822	20,570	(359,378)	(328,986)

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 4.22% to 4.54% (2017: 4.10% to 4.45%) 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% (2017: 3.10%) per annum. These advances are unsecured and are not repayable within the next 12 months.

Weighted average year end effective interest rates

	Group	
	2018 %	2017 %
Bankers' acceptances	3.67	–
Revolving credit	3.92	–

The remaining maturities of loans and borrowings as at December 31, 2018 and December 31, 2017:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	29,000	–	–	–
More than one year	32,192	30,392	94,695	91,307
Total	61,192	30,392	94,695	91,307

Notes to the financial statements

December 31, 2018 (continued)

25. Provision for other liabilities

	Group	
	2018 RM'000	**2017 RM'000**
Property restoration cost:		
At January 1	2,718	2,718
Write-back of provision	(126)	–
At December 31	2,592	2,718

The amount represents a provision for property restoration cost upon expiry of lease term ranging from 5 to 15 years.

26. Dividends

Dividends paid in respect of ordinary shares for the financial year are as follows:

	Group and Company			
	2018		**2017**	
	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, 2017				
paid on July 12, 2018:				
• single tier	10.0	15,766	–	–
For financial year ended December 31, 2016				
paid on July 13, 2017:				
• single tier	–	–	9.5	14,978
Dividends in respect of the year	10.0	15,766	9.5	14,978

The Directors have recommended for shareholders' approval, at the forthcoming Annual General Meeting, a final single tier dividend of 10.0 sen per share amounting to RM 15,765,808 on 157,658,076 ordinary shares. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earning in the financial year ending December 31, 2019.

Notes to the financial statements

December 31, 2018 (continued)

27. Commitments

(a) Capital commitments

Capital expenditures not provided for in the financial statements are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Property, plant and equipment:		
Approved and contracted for	3,030	2,217

(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 are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Payable within one year	34,862	30,821
Payable after one year but not later than five years	60,561	47,874
Payable after five years	2,035	8,113
	97,458	86,808

Notes to the financial statements

December 31, 2018 (continued)

28. Significant related party transactions

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(a) Sales of goods and services:				
Sales of goods and services:				
• related companies (goods)	1,823	1,909	–	–
• related companies (rental)	715	633	–	–
• related companies (cost sharing)	272	469	–	–
• related companies (information technology charges)	62	69	–	–
• related companies (human resources charges)	657	667	–	–
	3,529	3,747	–	–
Others (interest):				
• subsidiaries	–	–	18,742	16,395
Others (dividend):				
• subsidiaries	–	–	31,800	31,500
	–	–	50,542	47,895
	3,529	3,747	50,542	47,895
(b) Purchases of goods and services:				
Purchases of goods and services:				
• related companies (goods)	5,733	4,604	–	–
• a related company (services)	12,731	11,908	–	–
• a related company (management fee)	5,181	5,070	–	–
• a related company (information technology charges)	18,201	15,996	–	–
	41,846	37,578	–	–
Others (interest):				
• immediate holding company	1,065	1,059	1,065	1,059
• intermediate holding company	437	402	437	402
• subsidiaries	–	–	1,987	1,804
	1,502	1,461	3,489	3,265
	43,348	39,039	3,489	3,265

Notes to the financial statements

December 31, 2018 (continued)

28. Significant related party transactions (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(c) Net advances from/(to):				
Intermediate holding company	300	400	300	400
Immediate holding company	1,500	(22,940)	1,500	(22,940)
Subsidiaries	–	–	(28,090)	(61,470)
	1,800	(22,540)	(26,290)	(84,010)

(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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-executive Directors:				
• fees	175	224	175	224
Key management personnel:				
• salaries and bonuses	8,326	8,344	–	–
• defined contribution plan	823	806	–	–
• other employee benefits	2,148	1,999	–	–
	11,297	11,149	–	–
	11,472	11,373	175	224

Notes to the financial statements

December 31, 2018 (continued)

28. Significant related party transactions (continued)

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
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 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 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

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, 2018 (continued)

29. 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	Logistics services	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
At December 31, 2018					
Revenue					
Type of goods or service:					
Sales 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 trademarks	27	–	–	–	27
Loss allowance on trade receivables	8,181	(1,345)	(51)	–	6,785
Inventories written off	12,564	46	1,088	–	13,698

Notes to the financial statements

December 31, 2018 (continued)

29. Segmental information (continued)

(a) Primary reporting format - business segments (continued)

	Marketing and distribution services	Logistics services	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
At December 31, 2017					
Revenue					
Type of goods or service:					
Sales of goods	2,605,144	2,791,322	56,166	–	5,452,632
Rendering of services	22,832	34,074	–	–	56,906
Segment revenue	2,627,976	2,825,396	56,166	–	5,509,538
Intersegment revenue	829	–	–	(829)	–
Revenue	2,628,805	2,825,396	56,166	(829)	5,509,538
Results					
Segment results	45,668	32,790	(882)	–	77,576
Finance costs					(6,855)
Income tax expense					(18,640)
Profit for the financial year					52,081
Net assets					
Segment assets	968,133	784,354	24,460	–	1,776,947
Unallocated assets					97,558
Total assets					1,874,505
Segment liabilities	(460,866)	(693,387)	(2,905)	–	(1,157,158)
Unallocated liabilities					(149,193)
Total liabilities					(1,306,351)
Other information					
Capital expenditure	1,661	1,620	1,511	–	4,792
Depreciation of property, plant and equipment	1,808	2,483	4,820	–	9,111
Amortization of trademarks	435	–	–	–	435
Loss allowance on trade receivables	712	370	14	–	1,096
Inventories written off	8,498	1,161	1,053	–	10,712

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, 2018 (continued)

29. Segmental information (continued)

(a) Primary reporting format - business segments (continued)

	Group	
	2018 RM'000	**2017 RM'000**
Unallocated assets mainly consists of:		
Trademarks	159	186
Cash and bank balances	101,970	63,036
Other receivables	39,641	29,743
Deferred tax assets	6,346	4,241
Others	5	352
	148,121	97,558
Unallocated liabilities mainly consists of:		
Accruals and other payables	(118,043)	(107,385)
Revolving credit	(13,000)	–
Bankers' acceptances	(16,000)	–
Advances from holding companies	(32,192)	(30,392)
Amounts due to:		
• intermediate holding company	(77)	(34)
• immediate holding company	(85)	(73)
• related companies	(4,095)	(4,177)
Deferred tax liability	–	(3)
Others	(11,809)	(7,129)
	(195,301)	(149,193)

(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.

30. Financial risk management objectives and policies

The activities of the Group and of the Company expose the Group to a variety of financial risks, in the areas of interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group'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.

Notes to the financial statements

December 31, 2018 (continued)

30. Financial risk management objectives and policies (continued)

(a) Interest rate risk

Interest rate exposures arise from the Group's and the Company's loans and borrowings and advances to a subsidiary. They are managed through the use of a mixture of fixed and floating rate debts.

At the reporting date, the interest rate profile of the interest-bearing financial instruments is as below:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net financial (liabilities)/assets:				
• Floating rate instruments	(61,192)	(30,392)	355,276	328,986

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.

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Floating rate instruments (denominated in RM):				
5% increase	(20)	(16)	208	170
5% decrease	20	16	(208)	(170)

Notes to the financial statements

December 31, 2018 (continued)

30. Financial risk management objectives and policies (continued)

(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 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, 2018 (continued)

30. 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	
		2018 Profit net of tax RM'000	**2017 Profit net of tax RM'000**
USD/RM	• strengthened 5%	(1,264)	(1,506)
	• weakened 5%	1,264	1,506
BND/RM	• strengthened 5%	716	457
	• weakened 5%	(716)	(457)
EUR/RM	• strengthened 5%	(26)	12
	• weakened 5%	26	(12)
CHF/RM	• strengthened 5%	1	23
	• weakened 5%	(1)	(23)
AUD/RM	• strengthened 5%	(18)	(10)
	• weakened 5%	18	10
THB/RM	• strengthened 5%	(195)	(129)
	• weakened 5%	195	129
GBP/RM	• strengthened 5%	(14)	(3)
	• weakened 5%	14	3
SGD/RM	• strengthened 5%	(137)	(160)
	• weakened 5%	137	160
JPY/RM	• strengthened 5%	(13)	(8)
	• weakened 5%	13	8
NZD/RM	• strengthened 5%	(14)	(7)
	• weakened 5%	14	7

Notes to the financial statements

December 31, 2018 (continued)

30. 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			
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
2017			
Trade and other payables	1,268,827	–	1,268,827
Borrowings	–	30,392	30,392
Derivatives - settled net	32,781	–	32,781
	1,301,608	30,392	1,332,000
Company			
2018			
Trade and other payables	1,181	–	1,181
Borrowings	–	94,695	94,695
	1,181	94,695	95,876
2017			
Trade and other payables	547	–	547
Borrowings	–	91,307	91,307
	547	91,307	91,854

Notes to the financial statements

December 31, 2018 (continued)

30. Financial risk management objectives and policies (continued)

(d) Credit risk

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. Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's and of the Company's other financial assets, which comprise advances to subsidiaries and cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

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.

(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: deposits, cash and bank balances, receivables and payables (including amounts due to/from group 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 RM'000
Group	
2018	
Derivative financial instruments	28,931
2017	
Derivative financial instruments	31,897

The Group does not have any financial instruments classified as Level 1 and Level 3 as at December 31, 2018 and 2017.

Notes to the financial statements

December 31, 2018 (continued)

31. 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 years ended December 31, 2018 and December 31, 2017.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Loans and borrowings	61,192	30,392	94,695	91,307
Less: Cash and bank balances	(101,970)	(63,036)	(374)	(700)
(Surplus cash)/net debt	(40,778)	(32,644)	94,321	90,607
Equity attributable to the owners of the parent	596,973	568,154	440,622	414,844
Total capital	596,973	568,154	440,622	414,844
Total capital and net debt	556,195	535,510	534,943	505,451
% of net debt to total capital and net debt	–	–	18%	18%

The gearing ratio is not governed by the MFRS and its definition and calculation may vary from one group/company to another.

32. Significant and subsequent events

(a) Acquisition of Auric Pacific (M) Sdn. Bhd.

On December 21, 2018, the Group entered into a conditional share purchase agreement with Auric Pacific Group Limited for the acquisition of the entire equity interest in Auric Pacific (M) Sdn. Bhd. for a cash consideration of SGD 157,674,000 (equivalent to RM 480,905,700) based on Bank Negara Malaysia's published middle rate of SGD 1:RM 3.0500 as at 9.00 a.m. on December 21, 2018 ("Proposed Acquisition").

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

(b) Members' voluntary liquidation of subsidiaries

On March 5, 2019, the Group announced the decision of the Board to place its wholly owned-subsidiaries of the Company, DKSH Marketing Services Sdn. Bhd. and DKSH Logistics Services Sdn. Bhd. under members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016.

Analysis of shareholdings

As at March 29, 2019

Total number of issued shares	:	157,658,076
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Number of shareholders	:	3,514

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	199	5.66	1,438	Negligible
100 to 1,000	1,443	41.06	1,162,402	0.74
1,001 to 10,000	1,472	41.89	6,028,460	3.82
10,001 to 100,000	359	10.22	10,068,600	6.39
100,001 to less than 5% of issued shares	40	1.14	23,242,100	14.74
5% and above of issued shares	1	0.03	117,155,076	74.31
Total	**3,514**	**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	
	No. of shares held	% of issued shares	No. of shares held	% of issued shares
DKSH (B) Sdn Bhd – Subsidiary				
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 March 29, 2019 (continued)

Shareholdings of Substantial Shareholders in the Company (as per the Register of Substantial Shareholders)

	Direct interest		Deemed interest	
Name	**No. of shares held**	**% of issued shares**	**No. of shares held**	**% 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.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Lombard Odier & Co Ltd (Clients)	2,417,699	1.53
4.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Maybank Value Trust Fund (4249)	1,574,600	0.99
5.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	1,335,000	0.84
6.	DB (Malaysia) Nominee Asing Sdn Bhd State Street Luxembourg Fund WLGK for Goodhart Partners Horizon Fund-HMG Global Emerging Markets Equity Fund	1,279,300	0.81
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	874,101	0.55
9.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Al-Faid (4389)	510,700	0.32
10.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Tay Hock Soon (MY1055)	470,300	0.29
11.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS Switzerland AG (Clients Assets)	433,500	0.27
12.	UOB Kay Hian Nominees (Asing) Sdn Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	366,000	0.23
13.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NYBY for City of New York Group Trust	358,687	0.22
14.	Dynaquest Sdn Bhd	320,000	0.20

Analysis of shareholdings

As at March 29, 2019 (continued)

Top 30 largest shareholders (as per the Record of Depositors) (continued)

	Name	No. of shares held	% of issued shares
15.	Wong Lok Jee & Ong Lok Jee	320,000	0.20
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NYBV for City of New York Group Trust	304,713	0.19
17.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment Value Fund (950290)	270,000	0.17
18.	Ten Woon Hwa	255,000	0.16
19.	SJ SEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dahlan Bin Mohd Rasaid (SMT)	248,600	0.15
20.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Maybank Smallcap Trust Fund	214,400	0.13
21.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Kho Cheok Lian (MY1290)	207,000	0.13
22.	Amerjeet Singh A/L Naib Singh	202,000	0.12
23.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	180,000	0.11
24.	Affin Hwang Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Asia Humanistic Capital Inc	174,000	0.11
25.	Lee Ken Moe	163,000	0.10
26.	Datuk Tay Hock Tiam	160,000	0.10
27.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Peng Seng (CCTS)	155,000	0.09
28.	Chocolate Sales & Services Sdn Bhd	140,000	0.08
29.	Tan Wee Siong	134,000	0.08
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Regular Savingsfund (4710)	129,000	0.08
	Total	**139,150,976**	**88.26**

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Seventh Annual General Meeting ("27th AGM") of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") will be held on Wednesday, May 29, 2019 at 10:00 a.m. at the Ballroom 3, Level 2, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan 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, 2018 and the Reports of the Directors and Auditors thereon.
   (Refer Note 9)

2. To approve the payment of a final single tier dividend of 10.0 sen per share for the financial year ended December 31, 2018.
   Ordinary Resolution 1

3. To approve the payment of Directors' fees up to an amount of RM 280,000, from May 30, 2019 until the next Annual General Meeting of the Company to be held in 2020.
   Ordinary Resolution 2

4. To re-elect Datuk Haji Abdul Aziz bin Ismail who retires pursuant to Article 105 of the Constitution of the Company.
   Ordinary Resolution 3

5. To re-elect Lee Chong Kwee who retires pursuant to Article 105 of the Constitution of the Company.
   Ordinary Resolution 4

6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending December 31, 2019 and to authorize the Directors to fix their remuneration.
   Ordinary Resolution 5

As Special Business:

To consider and if thought fit, to pass with or without modifications, the following as Ordinary Resolution:

7. **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 April 29, 2019 ("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 6

8. To transact any other business of an Annual General Meeting for which due notice shall have been given.

Notice of Annual General Meeting (continued)

Notice of Dividend Entitlement and Payment Dates

Notice is also hereby given that subject to the approval of members at the 27th AGM of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") to be held on Wednesday, May 29, 2019, a final single tier dividend of 10.0 sen per share in respect of the financial year ended December 31, 2018 will be paid on July 16, 2019 to shareholders whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Securities Berhad on July 2, 2019.

A Depositor shall qualify for entitlement to the dividend in respect of:

(i) shares transferred into the Depositor's securities account before 4:00 p.m on July 2, 2019 for transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By order of the Board

Lwee Wen Ling (MAICSA 7058065)
Andrè Chai P'o-Lieng (MAICSA 7062103)
Company Secretaries

Petaling Jaya
April 29, 2019

Notes:

Proxy

1. A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint proxy(ies) to attend, vote and speak on such member's behalf. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

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, not less than 48 hours before the time appointed for holding the meeting or adjournment thereof; otherwise the instrument of proxy shall not be treated as valid and person so named shall not be entitled to vote in respect thereof. Only original copies of the duly executed form of proxy are acceptable.

6. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

Entitlement to attend AGM

7. For the purpose of determining members who shall be entitled to attend the 27th 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 May 17, 2019 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.

Voting by poll

8. 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.

Notice of Annual General Meeting (continued)

Audited Financial Statements and the Reports of the Directors and Auditors thereon

9. 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.

Final Single Tier Dividend

10. With reference to Section 131 of the CA 2016, a Company may only make a distribution to the shareholders out of profits of the Company available if the Company is solvent. On April 12, 2019, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on July 16, 2019 in accordance with the requirements under Section 132(2) and (3) of CA 2016.

Directors' fees

11. 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 27th AGM on the Directors' fees payable with effect from May 30, 2019 until the next AGM in 2020.

    The Directors' fees of an amount up to RM 280,000 are payable to NEDs 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 NEDs. There is no change in the structure of the proposed Directors' fees for the period from May 30, 2019 until the next AGM in 2020. 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

12. Datuk Haji Abdul Aziz bin Ismail and Lee Chong Kwee 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 Independent Non-Executive Directors and is satisfied that both will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions.

Re-appointment of Auditors

13. 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, 2019. 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

1. The proposed Ordinary Resolution 6, if passed, will renew the authority obtained at the last AGM in 2018 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 April 29, 2019.

Statement Accompanying Notice of Twenty-Seventh Annual General Meeting (pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Datuk Haji Abdul Aziz bin Ismail and Lee Chong Kwee are standing for re-election as Directors of the Company. Their profiles are set out in the section entitled "Directors' profiles" on pages 15 to 16 of this Annual Report. The details of their interest in the shares of the Company are set out on page 142 of this Annual Report.

Notice of Annual General Meeting (continued)

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.

Proxy Form

for the Twenty-Seventh Annual General Meeting

DKSH Holdings (Malaysia) Berhad

(Company No. 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 ______________________________

______________________________ NRIC No. (new and old): ____________________
(full name as per NRIC and in capital letters)

of ____
(full address)

and/or ______________________________ NRIC No. (new and old): ____________________
(full name as per NRIC and in capital letters)

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-Seventh Annual General Meeting of the Company to be held at Ballroom 3, Level 2, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan on Wednesday, May 29, 2019 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 payment of a final single tier dividend of 10.0 sen per share for the financial year ended December 31, 2018.		
2.	To approve the payment of Directors' fees payable, from May 30, 2019 until the next Annual General Meeting of the Company to be held in 2020.		
3.	To re-elect Datuk Haji Abdul Aziz bin Ismail as a Director of the Company.		
4.	To re-elect Lee Chong Kwee as a Director of the Company.		
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company.		
6.	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.

____
Signature of Member/Common Seal *(if Member is a Corporation)*

Dated this ____________ day of ______________ , 2019.

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: ____________________%

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Then fold here

Affix
Stamp

The Share Registrar of
DKSH Holdings (Malaysia) Berhad (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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Notes:

1. A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint proxy(ies) to attend, vote and speak on such member's behalf. A proxy may but need not be a member of the Company there shall be no restriction as to the qualification of the proxy.
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 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, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof ; otherwise the instrument of proxy shall not be treated as valid and person so named shall not be entitled to vote in respect thereof. Only original copies of the duly executed form of proxy are acceptable.
6. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.
7. Only the Company's members whose names appear in the Record of Depositors on May 17, 2019 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.
8. By submitting the duly executed form of proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of this Annual General Meeting and any adjournment thereof.

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 our 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 (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