Annual Report 2017

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.

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Corporate information

Board of Directors

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

Bank of Tokyo-Mitsubishi UFJ (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 2017 and provides an outlook into DKSH's further growth.

Management discussion and analysis

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

Summary

The Group continued on its path of sustainable profitable growth in 2017, despite challenging market conditions. Profit after tax grew by 3.2% from RM 50.5 million to RM 52.0 million. Growth continues to be driven by organic growth with existing clients, strategic new business development and ongoing realization of cost efficiencies.

Net sales grew by 4.5% from RM 5.3 billion to RM 5.5 billion with strong improvement seen in the Logistics and Others segments, with the Healthcare, Telecommunications, and Famous Amos businesses all contributed strongly in 2017. The Marketing and Distribution segment performed less well primarily due to weak and volatile consumer demand in the Fast Moving Consumer Goods ("FMCG") category.

There were no significant adjustments or fundamental shifts in business focus during 2017 and the results generally reflected the underlying performance of the business. After three years of infrastructure growth with the opening of two (2) new distribution centers in Shah Alam, Selangor and Kota Kinabalu, Sabah, and a new head office in Petaling Jaya, Selangor over the period 2013-2015, the Group's infrastructure remained stable with some additional warehousing space and associated costs required in the Marketing and Distribution segment.

The Group continues to focus strongly on the development of innovative service offerings, particularly in the area of omni-channel market presence where we represent clients in all channels, which increasingly includes online. During 2017, we integrated systems with leading online retailers, continued to build our internal e-commerce capabilities, including setup of an e-fulfillment center which allows for quick and efficient delivery to end consumers. The Group is well positioned to benefit from the rapid growth of the e-commerce channel in Malaysia in the near future.

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 FMCG business and on a smaller scale, the Performance Materials business.

The Marketing and Distribution segment recorded a slight contraction in revenue of 1.1% decreasing from RM 2.7 billion to RM 2.6 billion. This segment is most susceptible to the weak consumer demand and seasonality dynamics in the FMCG market. Consumer demand remained low and somewhat volatile in 2017, while the timing of Chinese New Year in 2017 and 2018, which were both early and late, respectively, led to a partial shift of seasonal sales on both ends of the year into 2016 and 2018, respectively. During the year, the Group entered the stationery segment and continued to grow in the household segment, with the continued addition of well-known household and cookware brands.

This segment also contains the Group's Performance Materials business which after gaining strongly in 2016, faced stiff competition in the food and beverage segment in 2017.

The outlook for this segment is cautiously optimistic, with market conditions continuing to be challenging and volatile. There is a good chance of consumer sentiment improving during the year 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 focus moving forward is on growing market share for existing clients and strategically taking on new clients to both enhance existing segments and to move into new segments. At the same

Management discussion and analysis (continued)

time, there will be a continued drive to realize cost synergies and efficiencies both within and across segments.

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 10.4% from RM 2.6 billion to RM 2.8 billion due to strong growth in both the Healthcare and Telecommunications businesses. Healthcare business continues to benefit from rising healthcare spending in Malaysia and the product portfolio remains optimized for the latest market developments. Robust growth was experienced in existing clients while there was also a healthy contribution from new business development. This segment showed a strong operating result increase due to stable costs and the one-off effect of a provision in 2016, which set a artificially low base in that year.

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

The outlook for this segment is optimistic and positive results are expected to continue in 2018 as the healthcare market continues to grow and our telecommunications client further expands their network infrastructure and user base. Costs remain well controlled and the focus remains 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 had a successful year in 2017 as the strategic focus on outlet profitability, geographic coverage and product portfolio delivered sales growth of 5.6%, while total outlets declined from 85 to 81. The decline in outlets reflects a drive towards increasing performance of individual outlets and has led to a significant increase in profitability per outlet. The strong sales growth, coupled with rigorous cost control led to a dramatically improved, strongly positive profit result.

The outlook for this segment is optimistic despite the market remaining challenging. The Group is confident that the current strategy which has delivered strong results in 2017 will continue to be effective in 2018, but results will as always be sensitive to any downshift in consumer sentiment. The Group intends to continue to strategically expand its market coverage and anticipates a net increase in outlets during 2018.

Strategy for sustainable profitable growth

The Group’s strong continued sustainable profitable growth in 2017 again highlighted the resilience of our business model and the ongoing success of our strategy, which is to focus on existing markets and competencies while innovating in service offerings and delivering operating efficiencies. The key growth drivers: the rising middle class; the increasing inner-Asian trade; and an ongoing trend towards outsourcing remain prominent in Asia and specifically in Malaysia and will continue to guide our strategy.

The Group maintains a strong focus on increasing revenue by organically growing existing clients and strategically adding new clients to further strengthen and diversify our client portfolio. At the same time, there is an equally important focus on realizing market expansion excellence through enhancing our service offerings, driving efficiencies through automation, digitization, process optimization and promoting operational synergies. The Group continues to invest in people development with a particular focus on leadership at an individual, team and market level.

As the foremost Market Expansion Services company in Malaysia, the Group continues to proactively lead the market in development of innovative and effective sales and marketing, and logistics and distribution services. The Group recognizes the need for constant growth and development to continue to maintain its place as the market leader in Malaysia.

Outlook

The outlook for 2018 is cautiously optimistic. Consumer demand is expected to remain somewhat weak and unstable in the short term while the healthcare market is anticipated to continue growing. In 2018, the key focus is on sales growth, cost efficiencies, reduction of distribution costs and developing service offerings. The online channel continues to grow in Malaysia and the Group is well positioned with a highly developed strategy and advanced deployment of our omni-channel market presence. In the longer term, the key growth drivers discussed above remain intact and ongoing growth is expected.

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 5.5 billion

More than 3,000 specialists

29 business locations

4 ISO-certified distribution centers and 8 regional distribution centers

Network of more than 180 clients and 14,500 customers

Financial highlights

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

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Net sales	5,085,623[1]	5,339,481	5,572,186	5,271,047	5,509,538
Earnings before interest, tax, depreciation and amortization	203,222	91,936	65,256	85,768	87,122
Profit before tax	190,445	80,415	51,009	68,897	70,721
Net profit attributable to owners of the parent	174,828	59,911	36,836	50,467	52,081
Exceptional items	109,147	-	-	-	-
Net profit excluding exceptional items	65,681	59,911	36,836	50,467	52,081
Total assets employed	1,384,023	1,495,561	1,818,710	1,863,344	1,874,505
Shareholders' equity	449,187	473,633	495,579	531,087	568,154

Note:

[1] The comparatives for the financial year 2013 have been restated to conform to current year's presentation.

Unique value

We offer our clients the services they need most, tailor-made to their specific requirements.

Corporate profile

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 28 other business locations nationwide, DKSH provides unparalleled market coverage, serving more than 180 clients and 14,500 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 ("the Company") 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").

The Company is majority-owned by DKSH Holding Ltd. of Switzerland ("DKSH Switzerland").

Headquartered in Switzerland, DKSH bridges cultures by combining Swiss reliability with the Asian can-do attitude.

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 with 825 business locations in 37 countries – 800 of them in Asia – and 31,970 specialists. DKSH Switzerland is one of the top 25 Swiss companies, generating net sales of CHF 11.0 billion in 2017.

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

Our business segments

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

Corporate profile (continued)

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.

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 30 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.

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.

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 1,000 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.

Corporate profile (continued)

Industry-standard distribution in Sungai Jati, Klang has supply chain infrastructure catering for ambient and temperature-controlled consumer goods products.

DKSH's 190,000-square foot distribution center in Shah Alam continues to serve more than 13,000 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.

To reach more customers in a timely manner nationwide, DKSH has a total of four (4) ISO-certified distribution centers in the Klang Valley, Sabah and Sarawak which are further supported by eight (8) branches in East Malaysia.

Segment "Others"

The primary business activity in this segment is the Famous Amos chocolate chip cookie business. Famous Amos is a retailer of chocolate chip cookies as well as a selected assortment of complementary products such as hampers, gifts, chocolates and confectionery items. In 2017, there were a total of 81 Famous Amos outlets located in West and East Malaysia. This segment also includes central overheads including rental.

Corporate profile (continued)

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.

Distribution center in Shah Alam, Selangor is equipped with cold chain facilities for vaccines and bio-tech products.

Famous Amos has been serving the Malaysian palate for more than three decades with homemade-tasting cookies.

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.

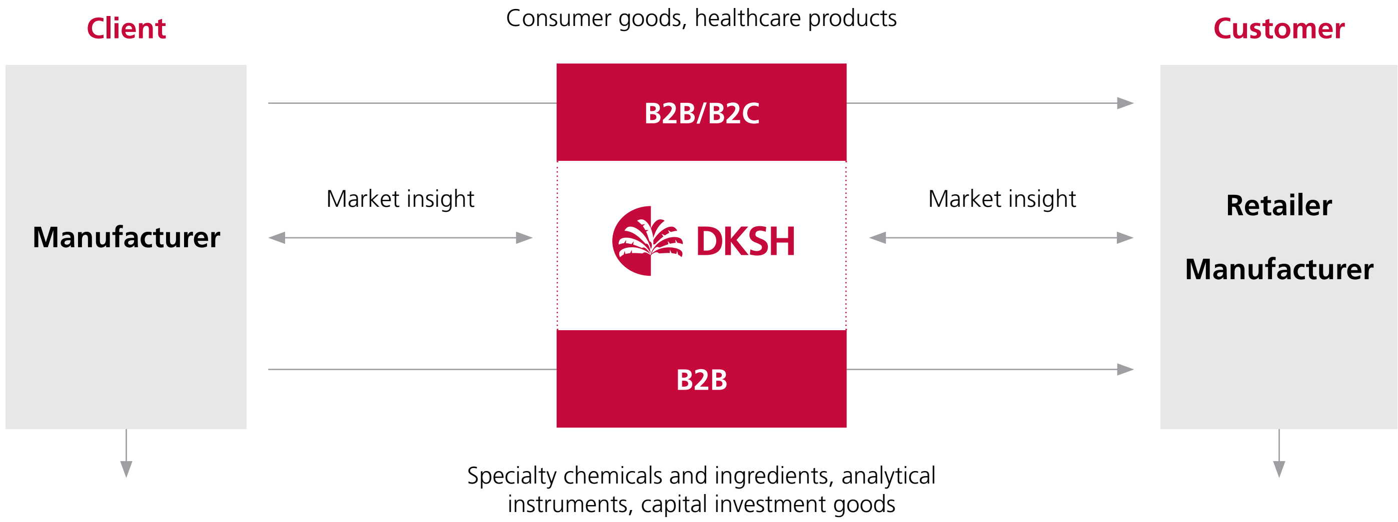
How we work with our partners

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 allows 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 new and existing markets.

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 53, 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 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 (2) 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 (5) years as CFO Asia Pacific, based in Singapore from 2001. From 1985 to 1995, he served in the fields of audit, advisory and corporate finance at Ernst & Young in Australia and the United Kingdom.

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

He has no convictions for offences within the past five (5) years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Ferraby attended all the Board meetings subsequent to his appointment during the financial year ended December 31, 2017.

Directors' profiles (continued)

Lee Chong Kwee
Aged 61, 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 Mapletree Logistics Trust Management Ltd. He is also 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 no convictions for offences within the past five (5) years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Lee attended all four (4) Board meetings held during the financial year ended December 31, 2017.

Directors' profiles (continued)

Datuk Haji Abdul Aziz bin Ismail
Aged 65, 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 Securities. 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 and participated in the INSEAD Advanced Management Program at Fontainebleau, France, in July 2005.

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

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

He has no convictions for offences within the past five (5) years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Datuk Haji Abdul Aziz attended all four (4) Board meetings held during the financial year ended December 31, 2017.

Directors' profiles (continued)

Chan Thian Kiat
Aged 62, Male, Malaysian
(appointed w.e.f. August 9, 2017)

Independent Non-Executive Director
Member of the Audit Committee

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

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

Mr. Chan held several positions at Bank of America Malaysia Berhad from 1984 to 2001, including five (5) 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 sits on the Board of Kelington Group Berhad.

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

He has no convictions for offences within the past five (5) years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Chan attended all the Board meetings held subsequent to his appointment during the financial year ended December 31, 2017.

Directors' profiles (continued)

Jason Michael Nicholas McLaren
Aged 42, 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 a Master of Business Administration from Deakin University, Australia and with a Bachelor of Financial Administration and a Bachelor of Arts (Political Science) from University of New England, Australia. He is a Certified Practising Accountant, CPA Australia. Mr. McLaren has more than 16 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 Country Management – DKSH Singapore and Indonesia, Country Finance Director – DKSH Singapore and President Director – DKSH Indonesia, overseeing DKSH's operations in Singapore and Indonesia. Before that, he worked for Fosroc International Limited from 2009 to 2011 as Regional Financial Controller, during which he took on a regional role and had responsibility for all finance related functions in eight countries across Asia.

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

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

He has no convictions for offences within the past five (5) years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. McLaren attended all four (4) Board meetings held during the financial year ended December 31, 2017.

Directors' profiles (continued)

Lian Teng Hai
Aged 64, Male, Malaysian

Non-Independent 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.

Mr. Lian holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom. He is presently the Vice President of FMCG, Vietnam, and Regional Client Management, South East Asia ("SEA"), responsible for the sales, distribution and marketing of FMCG in Vietnam and also responsible for key clients' management in SEA. Mr. Lian has 42 years of experience in several industries covering industrial products distribution, FMCG, telecommunication products, operation of food retail chain stores, 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. He also sits on the board of Jasa Kita Berhad.

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

He has no convictions for offences within the past five (5) years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr. Lian attended all four (4) Board meetings held during the financial year ended December 31, 2017.

Key Senior Management's profiles

Key Senior Management's profiles

Jason Michael Nicholas McLaren
Aged 42, 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 42, Male, Malaysian

Vice President, FMCG

Mr. Chua Chong Hoon was appointed as Vice President, FMCG of DKSH Malaysia Sdn. Bhd. ("DKSH Malaysia"), 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 Malaysia, 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 no convictions for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Dr. Varun Sethi
Aged 44, Male, Indian

Vice President, Healthcare,
South East Asia & Vietnam

Dr. Varun Sethi was appointed as Vice President, Business Unit Healthcare of DKSH Malaysia, 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 no convictions for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Tan Tiong Chen
Aged 51, Female, Malaysian

General Manager, Performance Materials

Ms. Tan Tiong Chen was appointed as General Manager, Business Unit Performance Materials of DKSH Malaysia, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on March 26, 2012.

She graduated with a Bachelor of Technology Industry with Honors, majoring in Polymer Science from University Science Malaysia, Penang in 1991. Ms. Tan has more than 25 years of working experience in the chemical and performance materials industries.

Prior to joining DKSH Malaysia, she was the Business Manager in charge of coating division of Connell Bros Company (M) Sdn. Bhd. from 2006 to 2012. From 2003 to 2006, she was engaged with CIBA Specialty Chemicals Pte. Ltd. as a Sales Manager responsible for the sales in the paint and ink industry. From 1991 to 2002, she was the Sales Manager of DKSH Malaysia responsible to drive the sales of paint, ink, plastic and latex in Malaysia market.

Currently, Ms. Tan leads the Business Unit Performance Materials for Malaysia and Singapore market. The industry coverage is food and beverage, personal care, pharmaceutical and specialty chemical.

Ms. Tan does not hold any directorship in any public companies and listed issuers. She does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Rajesh Sehgal
Aged 48, Male, Australian

Vice President, Supply Chain Management, Singapore and Malaysia

Mr. Rajesh Sehgal was appointed as Vice President, Supply Chain Management of DKSH Malaysia, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on October 1, 2016. On July 1, 2017, he was promoted to Vice President of Supply Chain Management for Malaysia and Singapore.

In his new role, Mr. Sehgal is responsible for Supply Chain Management operations and strategy implementation as well as the execution of DKSH's Group-wide strategic Supply Chain Management initiatives in Malaysia and Singapore.

He graduated with a Master of Business Administration majoring in Supply Chain Management and Business Process Re-engineering and E-business from Monash University, Melbourne, Australia. Rajesh was awarded the Certified Practising Logistician by Chartered Institute of Logistics and Transport Australia and Australasian Production and Inventory Control Society in 2011. He has more than 20 years of working experience in the Supply Chain Management.

Prior to joining DKSH Malaysia, he was the Supply Chain Director of DKSH Vietnam Co. Ltd. from 2012 to 2016 overseeing Supply Chain Management of DKSH Vietnam Co. Ltd. Before that, he was the National Logistics Manager of DKSH Australia Pty. Ltd. responsible for overall supply chain functions of DKSH Australia. From 2005 to 2007, he was the Supply Chain Analyst with NHP Electrical Engineering Products Pty. Ltd.

Mr. Sehgal does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Lam Ah Fah, Doreen
Aged 56, Female, Malaysian

Senior Director, Regional IT, South Asia, Australia and 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., a wholly owned subsidiary of DKSH Switzerland 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 Shared Services, 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 center in 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.

Ms. Lam does not hold any directorship in any public companies and listed issuers. She does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Lee Yu Chuan
Aged 45, Male, Malaysian

Director, Country People & Organization

Mr. Lee Yu Chuan was appointed as Director of Country People & Organization of DKSH Malaysia, 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 human resources business partnering capacity. He started his career with Citibank Berhad and previously worked with Ambank and Digi Telecommunications.

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

Mr. Lee does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Andre' Chai P'o-Lieng
Aged 57, Male, Malaysian

Senior Legal Counsel

Mr. Andre' Chai P'o-Lieng was appointed as Head of the Legal Department of DKSH Malaysia, 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.

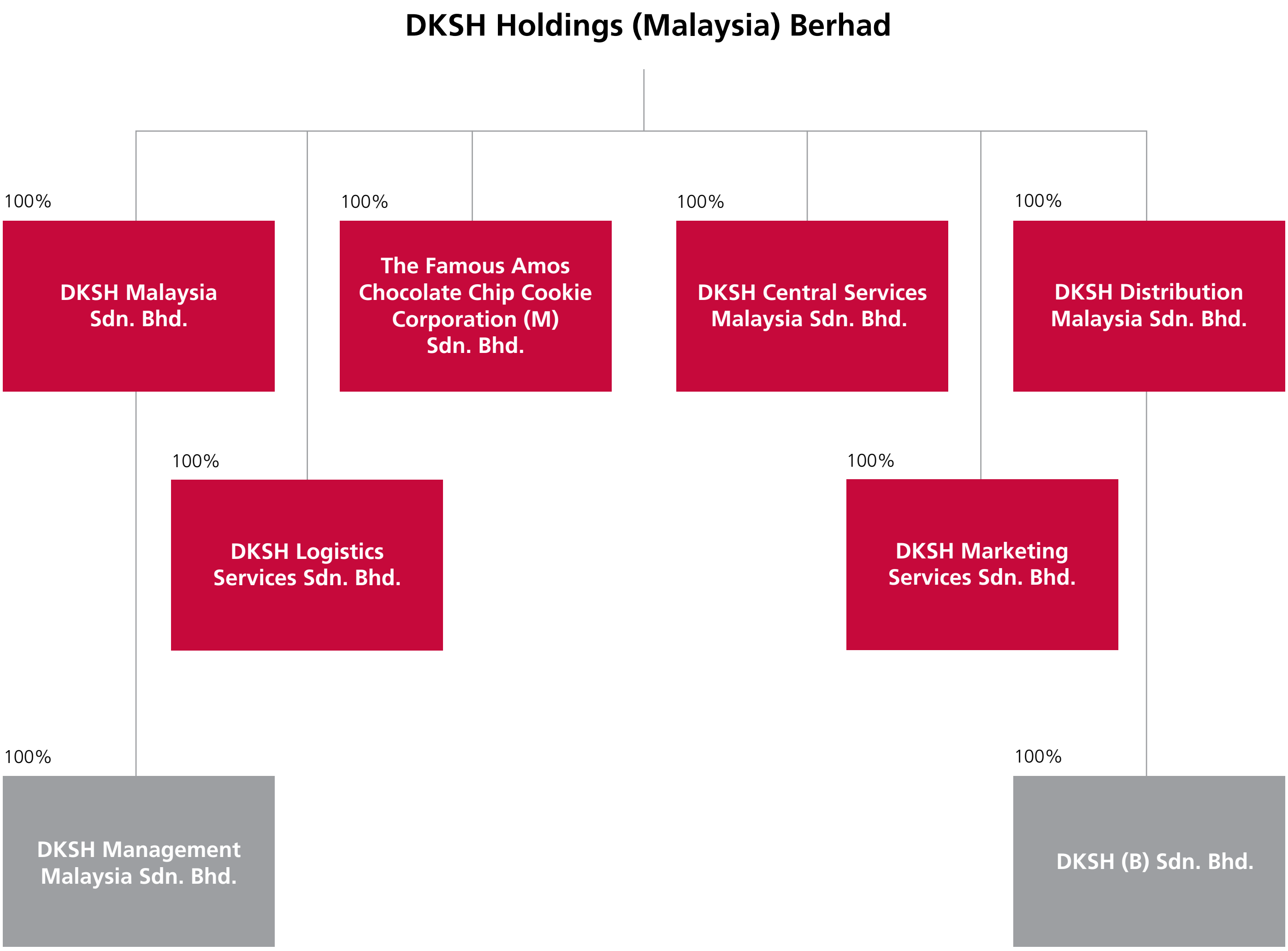
He graduated with a Bachelor of Laws degree and a Bachelor of Economics degree from the Australian National University, Australia in 1982 and 1984 respectively. He has more than 25 years of working experience in the legal field. He is an Associate Member of the Malaysian Institute Chartered Secretaries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

Prior to joining DKSH, 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 no convictions for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Corporate structure



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, 2017 in accordance with the MCCG and the Main Market Listing Requirements ("Main LR") of Bursa Securities.

This statement is to be read together with the Corporate Governance ("CG") Report 2017 ("CG Report") of the Company. The application of each Practice set out in the MCCG during the financial year ended December 31, 2017 is disclosed under the Company's CG Report published on the Company's website:

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

Board matters

Board composition and size

The Board consists of six (6) members: one (1) Non-Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors, including a Senior Independent Non-Executive Director and two (2) Non-Independent Executive Directors of which one (1) is also the Group Finance Director.

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. During the year, the Board size had reduced from seven (7) members on January 1, 2017 to six (6) members on December 31, 2017. The profiles of the members of the Board are set out on pages 14 to 19 of this Annual Report.

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 August 2017, the Board reviewed and approved the amendments to the Board Charter, to be in line with the practices in the MCCG.

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 caliber 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.

Corporate governance overview statement (continued)

Board balance and effectiveness

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

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

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

There is a distinct division of roles and responsibilities of the Chairman of the Board and the Group Finance Director. The Chairman of the Board is a 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.

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.

Appointment to the Board

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

The Board sets out expectations on the character, knowledge, experience, integrity, competence and time commitment for its members and protocols when assessing new appointments. As recommended by the Nominating Committee, a Board Diversity Policy was adopted by the Board in 2015, taking into account the provisions under the Code. 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 Main LR of Bursa Securities, all Directors of the Company shall retire from office at least once every three (3) years whilst pursuant to the Company's Constitution, one third of the Directors will retire by rotation at the Annual General Meeting ("AGM") of the Company. A retiring Director shall be eligible to offer himself for re-election subject to shareholders' approval.

Pursuant to Article 105 of the Constitution of the Company, Jason Michael Nicholas McLaren and Lian Teng Hai are due for retirement at the forthcoming 26th AGM. Being eligible, both have expressed their intention to seek re-election at the forthcoming 26th AGM.

The Board is satisfied that the retiring Directors who are Non-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 2018, the Board approved the recommendation of the Nominating Committee that both retiring Directors are eligible for re-election at the forthcoming 26th AGM.

Corporate governance overview statement (continued)

Chan Thian Kiat, who was appointed by the Board in August 2017, is subject to re-election at the forthcoming 26th AGM pursuant to Article 101 of the Company's Constitution. The Nominating Committee reviewed the eligibility of Chan Thian Kiat for election at the forthcoming 26th AGM to ensure that he will continue to contribute. The Board has also approved the Nominating Committee's recommendation to support his re-election as a Director of the Company.

The profiles of the retiring Directors standing for re-election at the forthcoming AGM of the Company, are set out on pages 17 to 19 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 their 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 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 are 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 were formally and properly documented. The results of the assessment indicated that the performance of the Board, the Board Committees and the individual Directors during the review period had been good and therefore, they had been effective in their overall discharge of functions and duties. It was also indicated from the results that there was no apparent weaknesses/shortcoming identified that warrants specific action plan to address the same.

Independence of Directors

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

The Board takes the view that the ability of an Independent Director to serve effectively is a function of his conduct, judgment, caliber and integrity in discharging his responsibilities in the best interest of the Company and various stakeholders, notwithstanding their tenure on the Board.

The Board also acknowledges that significant advantages are gained from the long-serving Directors who possess valuable insights and sound knowledge of the Group's business affairs and operations. In addition, the Board does not set any term limit for Directors as the Board is of the opinion that the independence of a Director should not be determined merely on the basis of his tenure of service which does not in any way impair his independent judgement nor his ability to act in the best interests of the Group. The Board believes that their attributes in terms of skills, experience, professionalism and integrity are more crucial in ascertaining the function and effectiveness of their independence than the number of years served on the Board.

In view of the above, the Board has adopted alternative practices as detailed below. The Board, taking into account the assessment conducted by the Nominating Committee, reviews the independence of all Independent Directors annually. The Nominating Committee adopts

Corporate governance overview statement (continued)

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 interests of the Group as prescribed in the Main LR of Bursa Securities.

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 Main LR of Bursa Securities. 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.

Board meetings and supply of Board information

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

The Directors have demonstrated their time commitment towards fulfilling their roles and responsibilities as Directors of the Company and all Directors have complied with the minimum requirement on attendance at Board meetings as provided in the Main LR of Bursa Securities. During 2017, four (4) 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 2017

Directors	Designation	No. of meetings attended
Stephen John Ferraby (appointed w.e.f. February 21, 2017)	Non-Independent Non-Executive Chairman	3 out of 3 meetings *
Lee Chong Kwee	Senior Independent Non-Executive Director	4 out of 4 meetings
Datuk Haji Abdul Aziz bin Ismail	Independent Non-Executive Director	4 out of 4 meetings
Chan Thian Kiat (appointed w.e.f. August 9, 2017)	Independent Non-Executive Director	1 out of 1 meeting *
Jason Michael Nicholas McLaren	Non-Independent Executive Director/ Group Finance Director	4 out of 4 meetings
Lian Teng Hai	Non-Independent Executive Director	4 out of 4 meetings
James Armand Menezes (resigned w.e.f. October 31, 2017)	Independent Non-Executive Director	4 out of 4 meetings
Michael Lim Hee Kiang (retired w.e.f. May 24, 2017)	Independent Non-Executive Chairman	1 out of 2 meetings **
Alexander Stuart Davy (retired w.e.f. May 24, 2017)	Independent Non-Executive Director	1 out of 2 meetings **

* Total number of meeting held subsequent to appointment.

** Total number of meetings held before retirement.

Corporate governance overview statement (continued)

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. The Board is given sufficient time to evaluate reports and proposals and if necessary, request additional information to enable the Board to make informed and effective decisions. Where necessary, members of the management team are invited to attend Board or Board Committee meetings to report and update on specific items on the agenda to enable the Board and Board Committee members to arrive at an informed decision.

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 experienced, competent and qualified Chartered 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.

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 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, the 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 2017:

Name of Directors	Description of training programs, seminars, briefings and etc.
Stephen John Ferraby	• Ernst & Young – Sustainability Training • Mandatory Accreditation Program
Lee Chong Kwee	• ACRA-SGX-SID Audit Committee Seminar 2017 • Roundtable on Key Audit Matters • Singapore Institute of Directors (Annual Corporate Governance Roundup) • Ernst & Young – Sustainability Training • Directors-in-Dialogue Forum: Driving for Performance from the Board • Singapore Institute of Directors – CTP 5 – Global Board Culture • Singapore Institute of Directors – CTP 6 – Private equity vs Public Markets • Singapore Institute of Directors – S&C – Singapore Governance and Transparency Index (SGTI)
Datuk Haji Abdul Aziz bin Ismail	• Combatting Procurement Fraud in the Public & Private Sectors Forum 2017 • Audit Committee Leadership Track • Ernst & Young – Sustainability Training
Chan Thian Kiat	• CG Breakfast Series – "Integrating an Innovation Mindset with Effective Governance" • Corporate Governance Case Study Workshop for Independent Directors • The CG Breakfast Series for Directors – Leading Change @ The Brain • Ernst & Young – Sustainability Training • Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
Jason Michael Nicholas McLaren	• Sustainability Engagement Series for Chief Financial Officers/Chief Sustainability Officers 2017 • Ernst & Young – Sustainability Training • MIDS Workshop Series
Lian Teng Hai	• Capital Market Conference
James Armand Menezes (resigned w.e.f. October 31, 2017)	• Sustainability Forum for Directors/CEOs – The Velocity of Global Change & Sustainability – The New Business Model • Unlocking the Secrets of Crowdfunding and e-Wallet • Ernst & Young – Sustainability Training
Michael Lim Hee Kiang (retired w.e.f. May 24, 2017)	Nil
Alexander Stuart Davy (retired w.e.f. May 24, 2017)	Nil

Corporate governance overview statement (continued)

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 AGM of the Company. The remuneration shall 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 world-wide 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.

Full 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, 2017 on pages 94 to 95 of this Annual Report.

The summary of the remuneration for the Directors for the financial year ended December 31, 2017 are as follows:

Group

	Executive Director (RM'000)	Non-Executive Director (RM'000)	Total (RM'000)
Fees	-	224	224
Salaries	1,485	-	1,485
Bonuses	640	-	640
Benefits-in-kind	-	-	-
Others	967	-	967

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

	Number of Directors	
Directors' remuneration	**Executive Director**	**Non-Executive Director**
RM 50,000 and below	-	4
RM 50,001 – RM 100,000	-	1
RM 100,001 – RM 150,000	-	-
RM 1,500,001 – RM 1,550,000	1	-
RM 1,550,001 – RM 1,600,000	1	-

Corporate governance overview statement (continued)

Company

	Executive Director (RM'000)	Non-Executive Director (RM'000)	Total (RM'000)
Fees	-	224	224
Salaries	-	-	-
Bonuses	-	-	-
Benefits-in-kind	-	-	-
Others	-	-	-

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

	Number of Directors	
Directors' remuneration	**Executive Director**	**Non-Executive Director**
RM 50,000 and below	-	4
RM 50,001 – RM 100,000	-	1
RM 100,001 – RM 150,000	-	-
RM 1,150,001 – RM 1,200,000	-	-
RM 1,300,001 – RM 1,350,000	-	-

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 (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. During the financial year under review, Michael Lim Hee Kiang and Alexander Stuart Davy retired from the Board and they ceased to be members of the Nominating Committee. The Board re-designated Lee Chong Kwee as the Chairman of the Nominating Committee and appointed Stephen John Ferraby and Datuk Haji Abdul Aziz bin Ismail as members of the Nominating Committee. Consequent to Lee Chong Kwee's redesignation as Chairman of the Nominating Committee, he was re-designated as the Senior Independent Director.

Corporate governance overview statement (continued)

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

The Nominating Committee met three (3) times 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 2017 are set out as below:

(i) Reviewed and recommended for the Board's approval of the proposed appointment of Stephen John Ferraby as Non-Independent Non-Executive Directors;

(ii) Reviewed and recommended for the Board's approval of the proposed re-designation of Stephen John Ferraby as Non-Independent Non-Executive Chairman consequent to the retirement of the past Chairman, Michael Lim Hee Kiang;

(iii) Reviewed and recommended for the Board's approval of the proposed appointments of Stephen John Ferraby and Datuk Haji Abdul Aziz bin Ismail as members of the Nominating Committee and the re-designation of Lee Chong Kwee as the Chairman of the Nominating Committee consequent to the retirement of Michael Lim Hee Kiang and Alexander Stuart Davy;

(iv) Reviewed and recommended for the Board's approval of the proposed appointment of Chan Thian Kiat as Independent Non-Executive Director;

(v) Assessment of the training needs of Board Members through the assessment of individual Directors;

(vi) Evaluated the eligibility of the retiring Directors by rotation to stand for re-election at the previous Annual General Meeting held in 2017. Criteria used in this assessment are guided by the Bursa Securities' Corporate Governance Guide;

(vii) Conducted annual assessments of the Board, Board Committees, individual Directors and the independence of Independent Directors. Criteria used in these assessments are guided by the Bursa Securities' Corporate Governance Guide after taking into consideration the current and future needs of the Company.

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.

Audit Committee

The Audit Committee of the Company was established by the Board in September 1994 and comprises solely of Independent Non-Executive Directors. During the financial year under review, Michael Lim Hee Kiang and James Armand Menezes ceased to be members of the Audit Committee. Chan Thian Kiat was appointed as a member of the Audit Committee.

The Audit Committee has met the requirements of Main Market LR 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.

During 2017, the Audit Committee met four (4) times. Details of the activities undertaken by the Audit Committee during the financial year under review and the summary of duties and responsibilities as outlined in the Audit Committee's approved by the Board are set out in the Audit Committee Report on pages 50 to 52 of this Annual Report. The terms of reference of the Audit Committee are available on the Company's website at www.dksh.com.my

Accountability and audit

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 2017 is set out on page 55 of this Annual Report.

Corporate governance overview statement (continued)

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.

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 47 to 49 of this Annual Report.

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

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

At the last AGM, the Non-Independent Executive Director/Group Finance Director, Jason Michael Nicholas McLaren, provided an overview of the business and outlook including explanation of the operational and financial performance of the Group to enable shareholders to make an informed decision. All resolutions put forth for shareholders' approval at the said AGM were voted by poll. The outcome of the AGM was announced to Bursa Securities on the same day of the meeting.

Corporate governance overview statement (continued)

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

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 March 30, 2018.

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 sustainable 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 a governance structure as presented on the following page:

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; and Governance, Risk & Compliance 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. This is the first year that we utilize Bursa Securities' sustainability standards as a guiding principle in our sustainability reporting framework. 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 2017.

Stakeholder engagement

It is of key interest to stakeholders that DKSH is a trustworthy and reliable partner that continues to generate steady returns and offer financial stability. We engage with our stakeholders in many ways as we endeavor to understand their expectations while striving to meet their needs and establish sustainable relationships. We initiate these engagement methods to inform stakeholders of business updates as well as to communicate in an open and transparent manner.

Key stakeholder group	Engagement type
Customers	Periodic meetings and surveys
Employees (permanent and contract staff)	Employee surveys, engagement sessions, recreational events
Government agencies, local councils and regulatory authorities	On-site inspections, correspondences, social activities
Local communities	CSR programs, community engagement activities
Shareholders and investors	AGM, quarterly reporting, analyst briefings
Clients	Periodic meetings

Sustainability statement (continued)

Materiality assessment

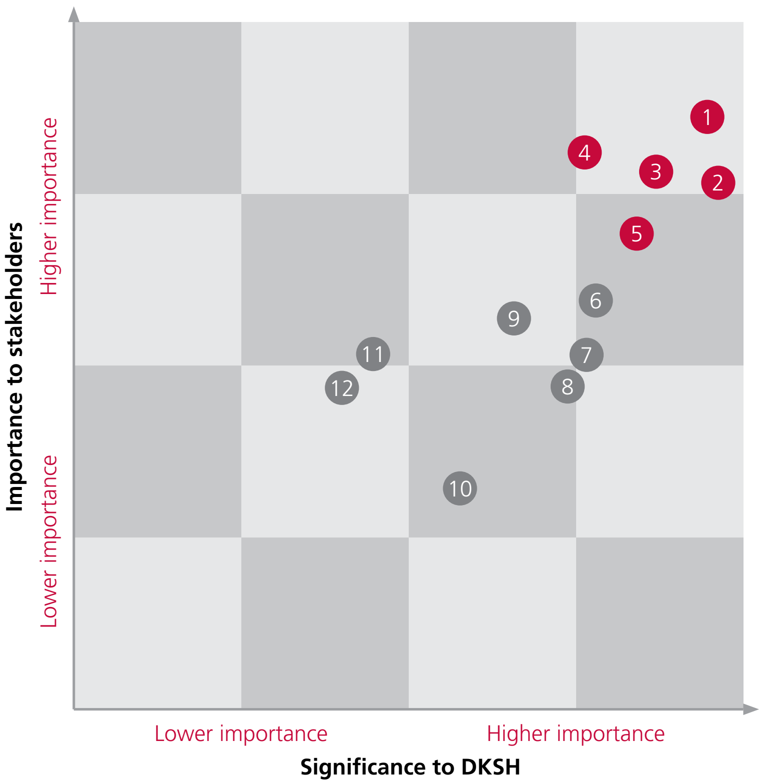
From constant engagement with our stakeholders, we have identified a list of opportunities and risks that have the potential to positively or negatively influence DKSH's business.

The following materiality matrix maps out DKSH's sustainability priorities in relation to significance from stakeholders' perspectives and importance to the continued success of DKSH's business. 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.

A total of twelve material topics have been identified during the materiality assessment exercise. For the current year under review, DKSH focused on the key material topics from the economic, environmental and social perspectives:

(i) Compliant and ethical business practices;
(ii) Product quality and safety counterfeiting;
(iii) Environmental management and compliance;
(iv) Employee development and recognition;
(v) Occupational health and safety.

The remainder of the topics identified in the materiality assessment will be covered gradually in subsequent sustainability reporting.



1 - Compliant and ethical business practices	Economic
2 - Product quality and safety, counterfeiting	Social
3 - Environmental management and compliance	Environmental
4 - Employee development and recognition	Social
5 - Occupational health and safety	Social
6 - Recruitment and retention	Social
7 - Responsible supply chain	Social
8 - Information security	Social
9 - Market presence	Economic
10 - Local communities	Social
11 - Energy	Environmental
12 - Emissions	Environmental

Sustainability statement (continued)

Economic sustainability

As an international Market Expansion Services provider, DKSH's clear strategy for sustainable growth is backed by fair and equitable business practices. Trust and integrity are of paramount importance in our business. We advocate compliant and ethical behavior in all our activities.

DKSH expects lawful and ethical behavior from all employees and business partners as laid down in our CoC which also prohibits any form of bribery and corruption.

Building on our CoC, we maintain the following anti-corruption policies as part of our compliance program. All policies apply to all entities and all directors, officers and employees of DKSH. This includes joint ventures and other entities controlled or managed by DKSH.

- **Anti-Bribery and Anti-Corruption ("ABAC")**
  The ABAC policy was developed on the premise of meeting 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). This policy sets a prohibition for any form of bribery and corruption, and addresses specific principles and rules to be followed.
- **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 (conflict of interest, fraud and bribery prevention) on the other. The policy determines standards and procedures for vendor selection and appointment, equally addressing requirements for concluding service agreements.

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. DKSH established the Governance, Risk and Compliance ("GRC") department in 2017 with three permanent dedicated employees who support the CMT in compliance matters and investigation.

Employees and third-party vendors are encouraged to speak up and report incidents of non-compliance to their supervisors or other persons of trust, including GRC. Substantiated cases are investigated, ensuring confidentiality and protection of reporters.

The company also has proper monitoring processes for ethics and compliance:

- Platforms for reporting fraud and non-compliance cases: myethics@dksh.com and my.compliance@dksh.com
- Information boxes at designated places in distribution centers for employees and external parties to provide information and report on unethical conduct anonymously
- Compliance Incidents Reporting and Investigation policy outlines clear and structured reporting and investigation process on non-compliant activities
- Anti-Fraud policy outlines clear and structured reporting and investigation process on fraudulent practices

Part of our strategy to reinforce high ethical culture this year included organizing an annual refresher course, assessment and face-to-face training, rolling out a vendor and supplier compliance commitment program and policy as well as conducting a corporate compliance and ethics week. Effectiveness of these initiatives was measured through a survey on compliance and ethics awareness.

Annual refresher course
In 2017, 100% of targeted DKSH employees were given annual refresher training on DKSH's CoC.

Environmental sustainability

DKSH is mindful of the ecological footprint of its business operations and strives to minimize negative impacts through optimized effectiveness of our activities.

We conduct our operations in compliance with applicable environmental, health and safety laws and regulations as well as company standards to maintain a safe, healthy and clean environment.

Some environmental initiatives in our distribution centers include:

- Waste management programs whereby waste is segregated, wastage reduced and disposal is managed. Packaging materials such as carton boxes are reutilized or sent for recycling

Sustainability statement (continued)

DKSH's Swiss legacy of diversity is reflected in the diverse workforce of more than 3,000 employees today.

- Energy-saving initiatives such as installing electrical timers and energy-saving lighting
- Rationalizing our customer delivery frequency and schedule based on monthly average carton usage to reduce our carbon footprint

Waste management will continue to be a main focus this year, with the objective to segregate and to recycle waste responsibly.

Waste management initiatives	2017
Waste recycled	463 tons
Municipal waste disposed	829 tons

Social sustainability

A strong commitment to the local communities we operate in has always been a key part of our business. DKSH creates positive impacts on society, in particular in less developed regions, by providing stable jobs at fair employment terms, with opportunities for personal development and by raising standards in how business is conducted. Furthermore, through our distribution system, we enable market access for healthcare products and other needed products across Malaysia, contributing to the quality of life in the communities we serve.

Workplace

From the very beginning, DKSH's Swiss founders embraced cultures new and foreign to them, and this legacy is reflected today in the highly diverse composition of our workforce.

In 2017, our 3,040 people worked together in 29 locations across Malaysia. Females made up more than 52% of middle and top management levels, with a female to male employee ratio showing a distribution of 58:42.

Sustainability statement (continued)

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.

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

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

In 2017, DKSH received the Best Employer Award from the Employee Provident Fund, which proves DKSH's commitment to creating an excellent working environment and nurturing career growth.

Training and education

Attracting the best-fitting talent is a priority for any business. In our line of business, as a Market Expansion Services provider, it is of prime importance. DKSH is dedicated to empowering its employees to grow professionally and aims to retain and attract the top talent in the businesses and markets it serves.

Starting from 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 the end of 2018.

DKSH's two-year leadership development program grooms next-generation leaders and develops core leadership and functional competencies across all levels.

Sustainability statement (continued)

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

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

Employee recognition program	2017	2016	2015
DKSH RED Award recipients	15	9	*
Long Service Award recipients	22	30	24

* DKSH Red Award program was started in 2016

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.

In 2013, DKSH introduced the Recognition of Employee Distinction (RED) Award, a recognition program that recognizes and celebrates its people who have demonstrated excellence in bringing the DKSH corporate values to life. DKSH also recognizes employees who have committed 25 years of service to the company.

Occupational health and safety

DKSH is committed to operating its business in a responsible manner, targeting the highest Health, Safety and Environmental ("HSE") standards.

Guidance on HSE-related principles and objectives is communicated via DKSH's worldwide HSE policy, while country-level management provides a strong visible commitment, leadership and personal involvement in HSE matters, developing HSE objectives and making available the resources necessary to achieve DKSH's HSE goals towards zero incidents.

Lower incident rates bring lower staff turnover, lower absenteeism and higher productivity. At DKSH, we proactively manage HSE risks through various initiatives:

- HSE training program
- HSE awareness campaign. The Health Awareness Program Promote Youthfulness ("HAPPY") continued its second-year stint last year with the objective to promote a healthy lifestyle and raise awareness on health and wellness issues
- Streamlined safe-work system

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

DKSH's HAPPY campaign introduced a series of stretching exercises at the distribution centers.

Sustainability statement (continued)

Community investments
DKSH strives to make 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.

For the sixth year running, Famous Amos – a business entity wholly owned by DKSH – organized a Christmas charity sale, raising RM 10,000 for Rumah Hope, a home for underprivileged children in Petaling Jaya.

Famous Amos held a Christmas charity sale for the sixth year to raise funds for Rumah Hope.

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.

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

Alladdin's fifth fund-raising event raised RM 10,000 for Pertubuhan Kebajikan Anak-Anak Yatim dan OKU Mesra, Petaling Jaya, Selangor.

The Alladdin Color Run 2017 was Alladdin's fifth fundraising event. Organized by DKSH's Fantree Club, the charity run raised RM 10,000 with proceeds going to Pertubuhan Kebajikan Anak-Anak Yatim dan OKU Mesra in Petaling Jaya, Selangor.

At a separate charity event, 35 DKSH employees from Johor joined more than 400 runners in the Magic Sense Run which was organized by the Malaysian Deaf Sports Association in Johor.

Sustainability statement (continued)

DKSH employees in Johor ran for a good cause in support of the Malaysian Deaf Sports Association.


DKSH safeguards the quality and safety of products in our care and custody with strict adherence to quality and safety requirements.

Product responsibility – quality and safety
DKSH's main activity is to market and distribute products sourced from manufacturers. A large part of DKSH's products are imported and require local customization before being fit for sale. Moreover, a core activity in its service delivery to clients and customers is the promotion of its products in the markets it serves.

As a Market Expansion Services provider with very limited manufacturing activities, our main role and objective is to safeguard the quality and safety of the products in our care and custody as well as to ensure safety of any ancillary services that we provide to our products. Adequate policies, procedures and controls are put in place, supported by training activities to ensure that our products meet quality and safety standards.

In Business Unit Consumer Goods, our Regulatory Affairs team, with assistance from the Quality Assurance team, ensures compliance with the Malaysian Good Distribution Practice for Medical Device (GDPMP) regulatory requirements and ISO 9001:2015 international standards.

Additionally, Business Unit Healthcare adheres to the Good Distribution Practice (GDP) and Good Manufacturing Practice (GMP) regulatory guidelines as well as ISO 13485:2016 and ISO 9001:2015 requirements for a quality management system.

In Business Unit Performance Materials, the Globally Harmonized System (GHS) and its strict requirement for classification, labeling and packaging are implemented and audited.

Within this reporting period, DKSH has fully complied with regulations concerning the health and safety impacts of products and services.

Quality and safety standards
There were zero incidents of non-compliance with regulations resulting in a penalty in this reporting period.

This Sustainability Statement is made in accordance with Board's approval on March 30, 2018.

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 financial year ended December 31, 2017, which has been prepared pursuant to Paragraph 15.26 (b) of the Main LR of Bursa Securities 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 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 2017 and on the regular risk reviews conducted by management;

(ii) Treasury: The Treasury department strictly follows 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 all 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 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 2017. The updated policies included the Gifts, Hospitality and Entertainment Policy and Risk Management Policy. The Group has also taken measures to introduce new policies in staying abreast of the business landscape by introducing in 2017, the Business Continuity & Crisis Management Policy, the Hosting Services Policy and the HSE 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;

(iv) CoC: The CoC was updated in 2015. This policy complements our corporate values and sets overall standards for ethical

Statement on risk management and internal control (continued)

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 and all employees are required to confirm compliance with the CoC annually;
(v) Anti-Bribery and Anti-Corruption Policy ("ABAC"): This policy which was reviewed and updated in June 2016, 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;
(vi) Limits of Authority: The Group Limits of Authority which provide clarity on authorities assigned at Corporate, Business Unit, as well as country level was updated in 2016;
(vii) Anti-Fraud Policy: In line with the Group's fraud policy which was updated in 2015, the Audit Committee and the management team review 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;
(ix) Insider Trading Policy: The Group has established measures to eliminate trading of shares during closed 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 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 Securities 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 are further explained on pages 50 to 52 of this Annual Report;
(xv) 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;
(ii) Enterprise Resource Planning System: All operating units of the Group run on a standardized and integrated SAP platform with system integrated controls.

Review of this statement by External Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2017 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

Statement on risk management and internal control (continued)

adequate to safeguard the shareholders' investment, stakeholders' interest and the Group's assets. The Board is satisfied that various initiatives and reviews undertaken in 2017 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, 2017 and in accordance with the Board's approval on March 30, 2018.

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, 2017 in compliance with Paragraph 15.15 of the Main LR of Bursa Securities.

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is Lee Chong Kwee, appointed by the Board and assumed the role of Chairman since November 22, 2016. This complies with Paragraph 15.09(1)(a) and (b) of the Main LR 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 (4) Audit Committee meetings were held in 2017. 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 2017 are set out below:

Audit Committee: Composition and attendance at the Audit Committee meetings held in 2017

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	4 out of 4 meetings
Chan Thian Kiat (appointed as Member of Audit Committee on August 9, 2017)	Member, Independent Non-Executive Director	1 out of 1 meeting *
James Armand Menezes (resigned as member of Audit Committee on October 31, 2017)	Member, Independent Non-Executive Director	4 out of 4 meetings
Michael Lim Hee Kiang (ceased as member of Audit Committee on May 24, 2017)	Member, Independent Non-Executive Chairman	1 out of 2 meetings **

* Total number of meeting held subsequent to appointment.
** Total number of meetings held before cessation as member.

Audit Committee report (continued)

For financial year 2017, the External Auditors attended two (2) Audit Committee meetings during the financial year. At the meetings, the Audit Committee had separate private sessions with the External Auditors without the presence of any Executive Director and Management of the Company to discuss relevant audit issues and obtain feedback.

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

Online Assessment of Term of Office and Performance

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

Summary of the work of Audit Committee in 2017

In 2017, 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 financial year 2017:

(i) Reviewed the quarterly financial results and annual audited financial statements before recommending to the Board for approval, focusing particularly on:
(a) The overall performance of the Group;
(b) The prospects for the Group;
(c) The changes and implementation of major accounting policies and practices; and
(d) Compliance with accounting standards and other legal requirements.
(ii) Reviewed the significant assumptions made in preparing the financial statements, including accounting estimates that have been identified as having high estimation uncertainty;
(iii) Reviewed the results of the interim and final audit by the External Auditors and the resolution of issues or areas of concern highlighted in their report;
(iv) Reviewed the independence, objectivity and effectiveness of the External Auditors and the services provided;
(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 2017 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 Auditors 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 Auditors and the corrective actions taken;
(xiii) Reviewed the renewal of the 2017 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 2016/2017 Shareholders' Mandate obtained for recurrent related party transactions;
(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 2016 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.

Audit Committee report (continued)

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 were supported by two (2) Assistant Managers and an Executive. The Internal Audit function reports directly and regularly to the Chairman of the Audit Committee and a private meeting without the management is held every 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.

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 world-wide operations into the Malaysian operations.

The internal audit activities carried out during the year encompassed the following:
(i) Operational, financial and compliance audits, as well as fraud investigations;
(ii) 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;
(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 financial year 2017 based on the following main criteria:
(i) Qualification;
(ii) Understanding;
(iii) Charter and Structure;
(iv) Skills and experiences;
(v) Communication;
(vi) Internal Audit Function;
(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, 2017 was approximately RM 595,245 (2016: RM 445,560) comprising mainly salaries, travelling, training and operational expenses.

This Audit Committee Report is made in accordance with Board's approval on February 13, 2018.

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 ("RRPTs") of a revenue or trading nature

At the last AGM of the Company held on May 24, 2017, 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 26, 2017.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, the details of RRPTs conducted during the financial year 2017 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 2017 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" or "the 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)]	15,996
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)]	1,909
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)]	4,604
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)]	11,908

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 30, 2018 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 Field Marketing (Malaysia) Sdn. Bhd. ("DKSH Smollan"). CSSC is a wholly-owned subsidiary of DKSH Holding Ltd. whilst DKSH Smollan is a 51% owned subsidiary of DKSH Holding Ltd.
6) Lian Teng Hai ("LTH") is a Non-Independent 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 2017 are as follows:

	Group (RM)	Company (RM)
Audit services rendered	460,000	92,000
Non-Audit services rendered		
• Report on Directors' Statement on Risk Management and Internal Control	5,000	5,000
• Bonded warehouse count	7,000	-
Total	472,000	97,000

Material contracts and contracts relating to loan

None of the Directors and/or major shareholders has any material contract with the Company and/or its subsidiaries either still subsisting at the end of the financial year ended December 31, 2017 or entered into since the end of the previous financial year.

Directors' training and education

The Directors attended numerous trainings during the financial year ended December 31, 2017 and the details of trainings are disclosed in the Corporate Governance Overview Statement on page 32 of this Annual Report.

Share issuance scheme for employees

The Group did not offer any share scheme for employees during the financial year ended December 31, 2017.

List of properties

The Group did not own any properties as at December 31, 2017.

Statement of Directors' responsibility

in respect of the audited financial statements

The Directors are required by the Companies Act 2016 ("Act") 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 Act 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:

(i) Adopted appropriate accounting policies and applied them consistently;

(ii) Made judgments and estimates that are reasonable and prudent;

(iii) 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 Act.

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 Board's approval on March 30, 2018.

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, 2017.

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	52,081	40,596
Profit attributable to owners of the parent	52,081	40,596

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, 2016 was as follows:

	RM'000
In respect of the financial year ended December 31, 2016, a final single tier dividend of 9.5 sen per share, on 157,658,076 ordinary shares was paid on July 13, 2017	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. These financial statements do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the financial year ending December 31, 2018.

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 (Appointed on February 21, 2017)
Chan Thian Kiat (Appointed on August 9, 2017)
Michael Lim Hee Kiang (Retired on May 24, 2017)
Alexander Stuart Davy (Retired on May 24, 2017)
James Armand Menezes (Resigned on October 31, 2017)

* 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
Sin Peng Guan
Liew Yin Heng
Liew Mei Ling
Yong Chean Loong (Appointed on May 23, 2017 and resigned on June 8, 2017)
Gan Wen Nie (Appointed on June 7, 2017)
Wong Chee Loke (Appointed on June 7, 2017)
Ooi Eng Keong (Appointed on February 27, 2018)
Michael Lim Hee Kiang (Resigned on May 24, 2017)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of 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 interest of Director in office at the end of the financial year in shares in its subsidiary during the financial year was as follows:

	Number of ordinary shares			
	At 1.1.2017	Acquired	Sold	At 31.12.2017
Subsidiary **DKSH (B) Sdn. Bhd.**				
Jason Michael Nicholas McLaren	1	–	–	1

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

Holding companies

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

Indemnity and insurance

During the financial year, the total amount of indemnity given to the directors and officers of the Group and of the Company is limited to a maximum liability of RM22,000,000 in aggregate. The total amount of insurance premium paid for the financial year ended December 31, 2017 was RM11,000.

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.

Directors' report (continued)

Other statutory information (continued)

(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.

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 (for an unspecified amount). 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 30, 2018.

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 66 to 128 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, 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated March 30, 2018.

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 66 to 128 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 30, 2018

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 31 December 2017 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 66 to 128.

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 31 December 2017, 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 are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were 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

Risk

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 31 December 2017 amount to RM 5.5 billion, which represents the most significant amount in the financial statements of the Group.

Independent auditors' report

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Revenue recognition (continued)

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

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

- 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.

- 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, inventory risk and credit 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.

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

(a) We 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 and the Group's adherence to its revenue recognition criteria which is in compliance with Accounting Standard MFRS118, Revenue.

(b) We have performed analytical reviews on revenues recognized to identify any material new revenue streams.

(c) We have assessed the internal controls including the underlying Information Technology controls and application procedures 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
30 March 2018

Statements of comprehensive income

For the year ended December 31, 2017

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	4	5,509,538	5,271,047	48,043	47,058
Changes in inventories of finished goods		5,761	43,077	–	–
Raw materials and packaging materials used and finished goods purchased		(4,994,784)	(4,821,673)	–	–
Other income		9,024	8,580	–	–
Staff costs	5	(206,547)	(187,829)	–	–
Warehousing and logistics expenses		(74,343)	(68,157)	–	–
Net allowance for doubtful debts		(1,096)	(14,956)	–	–
Rental expenses		(37,563)	(37,836)	–	–
Depreciation of property, plant and equipment		(9,111)	(9,531)	–	–
Traveling and entertainment expenses		(14,638)	(12,172)	–	–
Information technology and communication expenses		(21,580)	(19,911)	–	–
Utilities, upkeep, repairs and maintenance costs		(13,061)	(13,146)	–	–
Office expenses		(3,839)	(4,558)	–	–
Other selling, advertising and promotional expenses		(52,215)	(42,474)	–	–
Other expenses		(17,535)	(14,224)	(895)	(662)
Amortization of trademarks		(435)	(1,004)	–	–
Finance costs	7	(6,855)	(6,336)	(3,425)	(2,933)
Profit before tax	8	70,721	68,897	43,723	43,463
Income tax expense	9	(18,640)	(18,430)	(3,127)	(2,894)
Profit net of tax		52,081	50,467	40,596	40,569
Other comprehensive income					
Currency translation differences to be reclassified to profit or loss in subsequent periods		(36)	19	–	–
Other comprehensive income for the year, net of tax		(36)	19	–	–
Total comprehensive income for the year		52,045	50,486	40,596	40,569
Profit attributable to owners of the parent		52,081	50,467	40,596	40,569
Total comprehensive income attributable to owners of the parent		52,045	50,486	40,596	40,569
Earnings per share attributable to owners of the parent					
• basic (sen)	10	33.03	32.01	–	–

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

Statements of financial position

As at December 31, 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	27,316	31,664	–	–
Intangible assets	12	186	621	–	–
Investments in subsidiaries	13	–	–	84,615	84,615
Deferred tax assets	14	4,241	3,740	–	–
Other receivable	16	–	974	–	–
Advances to a subsidiary	16	–	–	420,293	354,093
		31,743	36,999	504,908	438,708
Current assets					
Inventories	15	612,110	603,162	–	–
Trade and other receivables	16	1,167,264	1,095,804	2,002	706
Tax recoverable		352	1,195	–	–
Derivative financial instruments	21	–	313	–	–
Cash and bank balances	17	63,036	125,871	700	60,276
		1,842,762	1,826,345	2,702	60,982
Total assets		1,874,505	1,863,344	507,610	499,690
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	18	182,172	157,658	182,172	157,658
Share premium		–	24,514	–	24,514
Foreign currency translation reserve		139	175	–	–
Retained earnings	19	385,843	348,740	232,672	207,054
Total equity		568,154	531,087	414,844	389,226

Statements of financial position

As at December 31, 2017 (continued)

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Current liabilities					
Trade and other payables	20	1,268,827	1,244,252	547	666
Derivative financial instruments	21	884	–	–	–
Borrowings	22	–	82,932	–	52,932
Income tax payable		3,527	2,355	912	681
		1,273,238	1,329,539	1,459	54,279
Non-current liabilities					
Borrowings	22	30,392	–	91,307	56,185
Provision for other liabilities	23	2,718	2,718	–	–
Deferred tax liability	14	3	–	–	–
		33,113	2,718	91,307	56,185
Total liabilities		1,306,351	1,332,257	92,766	110,464
Total equity and liabilities		1,874,505	1,863,344	507,610	499,690

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

Statements of changes in equity

For the year ended December 31, 2017

		Attributable to owners of the parent				
		Non-distributable			Distributable	
	Note	Share capital RM'000	Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group						
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	24	–	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	–	(14,978)	(14,978)
At December 31, 2017		182,172	–	139	385,843	568,154
At January 1, 2016		157,658	24,514	156	313,251	495,579
Total comprehensive income		–	–	19	50,467	50,486
Transaction with owners						
Dividend for financial year ended December 31, 2015	24	–	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	–	(14,978)	(14,978)
At December 31, 2016		157,658	24,514	175	348,740	531,087

* 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 year ended December 31, 2017 (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, 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	24	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	(14,978)	(14,978)
At December 31, 2017		182,172	–	232,672	414,844
At January 1, 2016		157,658	24,514	181,463	363,635
Total comprehensive income		–	–	40,569	40,569
Transaction with owners					
Dividend for financial year ended December 31, 2015	24	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	(14,978)	(14,978)
At December 31, 2016		157,658	24,514	207,054	389,226

* 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 year ended December 31, 2017

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash flows from operating activities				
Profit before tax	70,721	68,897	43,723	43,463
Adjustments for non-cash items:				
Property, plant and equipment:				
• depreciation	9,111	9,531	–	–
• written off	20	2	–	–
• net gain on disposals	(66)	(165)	–	–
Write-back of provision for property restoration cost	–	(19)	–	–
Inventories:				
• written off	10,712	9,607	–	–
• net provision/(write-back) of slow moving inventories	2,130	(582)	–	–
Net allowance for doubtful debts	1,096	14,956	–	–
Interest income (Note c)	(148)	(449)	(16,543)	(14,958)
Interest expense (Note b)	6,855	6,336	3,425	2,933
Dividend income (gross)	–	–	(31,500)	(32,100)
Net unrealized foreign exchange (gains)/losses	(2,143)	925	–	–
Net unrealized derivative losses/(gains)	1,075	(387)	–	–
Amortization of trademarks	435	1,004	–	–
Operating cash flows before changes in working capital	99,798	109,656	(895)	(662)
Changes in working capital:				
Inventories	(21,790)	(48,403)	–	–
Receivables	(71,582)	(4,359)	(662)	429
Payables	27,234	12,669	95	(95)
Cash flows from/(used in) operations	33,660	69,563	(1,462)	(328)
Dividend received (net)	–	–	31,500	32,100
Interest received (Note c)	148	449	15,909	14,854
Interest paid (Note b)	(6,906)	(6,234)	(3,639)	(2,635)
Tax paid	(17,123)	(17,300)	(2,896)	(2,867)
Net cash flows generated from operating activities	9,779	46,478	39,412	41,124

Statements of cash flows

For the year ended December 31, 2017 (continued)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	75	245	–	–
Purchase of property, plant and equipment (Note a)	(5,135)	(7,530)	–	–
Net cash flows used in investing activities	(5,060)	(7,285)	–	–
Cash flows from financing activities				
Dividends paid on ordinary shares	(14,978)	(14,978)	(14,978)	(14,978)
Net repayment of external borrowings	(30,000)	(38,000)	–	(28,000)
Net advances from/(to):				
• intermediate holding company	400	100	400	100
• immediate holding company	(22,940)	32,632	(22,940)	32,632
Net advance to subsidiaries	–	–	(61,470)	(702)
Net cash flows used in financing activities	(67,518)	(20,246)	(98,988)	(10,948)
Changes in cash and cash equivalents	(62,799)	18,947	(59,576)	30,176
Currency translation differences	(36)	19	–	–
Cash and cash equivalents at beginning of year	125,871	106,905	60,276	30,100
Cash and cash equivalents at end of year (Note 17)	63,036	125,871	700	60,276

Note:

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash	5,135	7,530	–	–
Deferred payment	208	551	–	–
Less: Payment made for previous year acquisition	(551)	(980)	–	–
Additions (Note 11)	4,792	7,101	–	–

Statements of cash flows

For the year ended December 31, 2017 (continued)

Note: (continued)

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest paid	6,906	6,234	3,639	2,635
Interest payable	107	158	263	477
Less: Payment made for previous year interest expense	(158)	(56)	(477)	(179)
Interest expense (Note 7)	6,855	6,336	3,425	2,933

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest received	148	449	15,909	14,854
Interest receivable	–	–	1,992	1,358
Less: Receipt for previous year interest income	–	–	(1,358)	(1,254)
Interest income	148	449	16,543	14,958

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

Notes to the financial statements

December 31, 2017

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 30, 2018.

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, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

On January 1, 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after January 1, 2017.

Description	Effective for annual periods beginning on or after
• MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	January 1, 2017
• MFRS 112 Recognition of Deferred Tax for Unrealized Losses (Amendments to MFRS 112)	January 1, 2017
• Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	January 1, 2017

MFRS 107 Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 22, the application of these amendments has had no impact on the Group and on the Company.

MFRS 112 Recognition of Deferred Tax for Unrealized Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to MFRS Standards 2014–2016 Cycle

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

The amendments clarify that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group’s interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.3 Standards issued but not yet effective

The standards 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, if applicable, when they become effective.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

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 16 Leases	January 1, 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	January 1, 2019

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group has performed an impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's financial assets and liabilities as at December 31, 2017 on the basis of facts and circumstances that exist at that date, the Directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

(i) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognized in profit or loss during prior periods for these investments.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that based on their analysis of historical default rates on its key customers, the loss allowance, if any, will not be significant.

(iii) Hedge accounting

The Group does not apply hedge accounting and has no intention of doing so at the moment.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 15 Revenue from Contracts with Customers (continued)
The core principle of MFRS 15 is that an entity should recognize revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group plans to adopt the new standard on the required effective date using the modified retrospective method. Based on the analysis of the Group’s revenue streams on the basis of facts and circumstances that currently exist, the Directors of the Company have assessed that the impact of MFRS 15 to the Group’s financial statements will not be significant.

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 transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and on the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

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.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 16 Leases (continued)
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 is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

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 and the Company are currently assessing the impact of this new interpretation and will apply the interpretation from its effective date.

2.4 Economic entities in the Group

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if 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.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.4 Economic entities in the Group (continued)

Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognized in the statement of comprehensive income. The subsidiary's cumulative gain or loss which has been recognized in other comprehensive income and accumulated in equity is reclassified to the statement of comprehensive income or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any 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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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 the pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.4 Economic entities in the Group (continued)

Basis of consolidation (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the statement of comprehensive income.

2.5 Current versus non-current classification

The Group presents assets and liabilities in statement 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 classifies 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 such as investment properties, at fair value at each reporting date. 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 28(e)
• Financial instruments (including those carried at amortized cost)	Notes 16, 20

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.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.6 Fair value measurement (continued)

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements 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.

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, 2017 (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.

Investments in subsidiaries are 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, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.11 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the 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 charged to statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated 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 and the lease term.

Operating lease payments are recognized as an expense in statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. 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.

2.13 Share capital

(a) Classification

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

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

(b) Dividends distribution

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

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.14 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognized for all temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

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

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

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

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

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

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.14 Taxes (continued)

(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 statement of financial position.

2.15 Employee benefits

(a) Short term employee benefits

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

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

(b) Post-employment benefits

National defined contribution plan

Companies incorporated in Malaysia contribute to the Employees Provident Fund, the national 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 in hand, bank balances, demand deposits, short term, highly liquid investments with original maturities of three months or less (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.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.17 Provisions (continued)

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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amounts can be reliably measured, regardless of when the payment is being made. For arrangements where features such as the primary responsibility for providing the goods or services or for fulfilling the order, pricing latitude, inventory risk and credit risk indicate that the Group is the principal, revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment (e.g. trade discounts, cash discounts and volume rebates) and excluding taxes or duty. In cases where the Group is not the principal, only the margin on sale, fee or commission earned is recorded in revenue.

(i) Sale of goods

Revenue from the sale of goods is recognized upon transfer to the customer of significant risks and rewards. In most cases, this occurs upon delivery of products and customer acceptance.

(ii) Rendering of services

Revenue from rendering of services are recognized when the services are performed.

(iii) 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.

2.19 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.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.19 Foreign currencies (continued)

(b) Foreign currency transactions (continued)

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

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

(c) Foreign operations

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

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

2.20 Financial assets

Financial assets are recognized in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.20 Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognized in the statements of comprehensive income. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognized separately in the statements of comprehensive income as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets held primarily for trading purposes are presented as current whereas financial assets not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, and through the amortization process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of comprehensive income when the held-to-maturity investments are derecognized or impaired, and through the amortization process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.20 Financial assets (continued)

(d) Available-for-sale financial assets (continued)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognized in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognized in the statements of comprehensive income. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the statements of comprehensive income as a reclassification adjustment when the financial asset is derecognized. Interest income calculated using the effective interest method is recognized in the statements of comprehensive income. Dividends on an available-for-sale equity instrument are recognized in the statements of comprehensive income when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realized within 12 months after the reporting date.

A financial asset is derecognized when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the statements of comprehensive income.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.21 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortized cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognized in the statements of comprehensive income.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.21 Impairment of financial assets (continued)

(a) Trade and other receivables and other financial assets carried at amortized cost (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. The amount of reversal is recognized in the statements of comprehensive income.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statements of comprehensive income, is transferred from equity to the statements of comprehensive income.

Impairment losses on available-for-sale equity investments are not reversed in the statements of comprehensive income in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognized in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in the statements of comprehensive income if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the statements of comprehensive income.

2.22 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 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.

2.23 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

2.23 Financial liabilities (continued)

Financial liabilities, within the scope of MFRS 139, are recognized in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) 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 held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognized in the statements of comprehensive income. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

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

Trade and other payables are recognized initially at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognized in statements of comprehensive income when the liabilities are derecognized, and through the amortization process.

A financial liability is derecognized when the obligation under the liability is extinguished. 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 exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

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.

Notes to the financial statements

December 31, 2017 (continued)

2. Summary of significant accounting policies (continued)

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

3. Significant accounting judgments and estimates

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

3.1 Key sources of estimation uncertainty

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

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, control over inventory risk and credit 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.

Notes to the financial statements

December 31, 2017 (continued)

4. Revenue

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Sale of goods	5,469,437	5,244,140	–	–
Rendering of services	40,101	26,907	–	–
Interest income:				
• subsidiaries	–	–	16,395	14,509
• others	–	–	148	449
Dividend income:				
• subsidiaries	–	–	31,500	32,100
	5,509,538	5,271,047	48,043	47,058

5. Staff costs

	Group	
	2017 RM'000	**2016 RM'000**
Salaries and bonuses	149,018	137,207
Post-employment benefits obligation:		
• national defined contribution plan and social security contribution	23,819	21,460
Other employee benefits	33,710	29,162
	206,547	187,829

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

Notes to the financial statements

December 31, 2017 (continued)

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Non-executive Directors:				
• fees	224	312	224	312
Executive Directors:				
• salaries	1,485	1,463	–	–
• bonuses	640	483	–	–
• post-employment benefits obligation:				
- national defined contribution plan and social security contribution	146	142	–	–
• other employee benefits	821	391	–	–
	3,092	2,479	–	–
Other Director of the Group:				
• salaries	261	261	–	–
• bonuses	86	74	–	–
• post-employment benefits obligation:				
- national defined contribution plan and social security contribution	57	55	–	–
• other employee benefits	36	36	–	–
	440	426	–	–
Total remuneration	3,756	3,217	224	312
Non-executive Directors:				
• fees				
Datuk Haji Abdul Aziz bin Ismail	50	50	50	50
Lee Chong Kwee	75	45	75	45
Chan Thian Kiat	20	–	20	–
Michael Lim Hee Kiang	37	95	37	95
James Armand Menezes	42	72	42	72
Alexander Stuart Davy	–	50	–	50
Total remuneration • Non-executive Directors	224	312	224	312

Notes to the financial statements

December 31, 2017 (continued)

6. Directors' remuneration (continued)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Executive Directors:				
Jason Michael Nicholas McLaren				
• salaries	662	640	–	–
• bonuses	315	198	–	–
• other employee benefits	539	318	–	–
	1,516	1,156	–	–
Lian Teng Hai				
• salaries	823	823	–	–
• bonuses	325	286	–	–
• post-employment benefits obligation:				
- national defined contribution plan and social security contribution	146	142	–	–
• other employee benefits	282	72	–	–
	1,576	1,323	–	–
Total remuneration • Executive Directors	3,092	2,479	–	–

7. Finance costs

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest expense:				
• bankers' acceptances	1,712	1,485	–	–
• promissory notes	1,377	1,801	–	–
• revolving credit	2,220	1,993	160	383
• advances from holding companies	1,461	962	1,461	962
• subsidiaries	–	–	1,804	1,588
• others	85	95	–	–
	6,855	6,336	3,425	2,933

Notes to the financial statements

December 31, 2017 (continued)

8. Profit before tax

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Auditors' remuneration:				
• statutory audits	460	450	92	90
• other services	12	9	5	5
Amortization of trademarks	435	1,004	–	–
Property, plant and equipment:				
• depreciation	9,111	9,531	–	–
• written off	20	2	–	–
• net gain on disposals	(66)	(165)	–	–
Write-back of provision for property restoration cost	–	(19)	–	–
Services provided to related companies:				
• information technology charges	(69)	(61)	–	–
• cost sharing	(469)	(398)	–	–
• human resources charges	(667)	(525)	–	–
Interest income:				
• subsidiaries	–	–	(16,395)	(14,509)
• external parties	(148)	(449)	(148)	(449)
Net derivatives losses/(gains)				
• realized	559	352	–	–
• unrealized	1,075	(387)	–	–
Net foreign exchange losses/(gains):				
• realized	2,034	302	–	–
• unrealized	(2,143)	925	–	–
Inventories:				
• written off	10,712	9,607	–	–
• net provision/(write-back) of slow moving inventories	2,130	(582)	–	–
Net allowance for doubtful debts	1,096	14,956	–	–
Rental expenses:				
• other related party	–	9,180	–	–
• external parties	37,563	29,664	–	–
Rental income:				
• related companies	(633)	(1,008)	–	–
• external party	(627)	–	–	-
Information technology services charged by a related company	15,996	14,876	–	–
Management fees charged by a related company	5,070	4,383	–	–

Notes to the financial statements

December 31, 2017 (continued)

9. Income tax expense

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Malaysian income tax:				
• Current year	19,002	18,641	3,117	2,850
• Underprovision in prior years	136	411	10	44
	19,138	19,052	3,127	2,894
Deferred tax (Note 14):				
• Relating to origination and reversal of temporary differences	(279)	(427)	–	–
• Overprovision in prior years	(219)	(195)	–	–
	(498)	(622)	–	–
Total income tax expense	18,640	18,430	3,127	2,894

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 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 subsidiary, DKSH (B) Sdn. Bhd. in Brunei is 18.5% (2016: 18.5%).

Notes to the financial statements

December 31, 2017 (continued)

9. Income tax expense (continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit before tax	70,721	68,897	43,723	43,463
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	16,973	16,535	10,494	10,431
Different tax rate in other country	1	1	–	–
Effect of reduced tax rate on increase in statutory income	(157)	–	–	–
Expenses not deductible for tax purposes	1,877	1,675	183	123
Income not subject to tax	–	–	(7,560)	(7,704)
Effect of origination and reversal of temporary differences	51	35	–	–
Unutilized losses disregarded	(51)	(35)	–	–
Utilization of previously unrecognized deferred tax assets	–	3	–	–
Deferred tax assets not recognized on other temporary deductible differences	29	–	–	–
Underprovision of income tax in prior years	136	411	10	44
Overprovision of deferred tax in prior years	(219)	(195)	–	–
Income tax expense	18,640	18,430	3,127	2,894

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	
	2017 RM'000	**2016 RM'000**
Profit net of tax attributable to owners of the parent	52,081	50,467
Weighted average number of ordinary shares in issue ('000)	157,658	157,658

	Group	
	2017 sen	**2016 sen**
Earnings per share - Basic	33.03	32.01

There are no shares in issuance which have a dilutive effect to the earnings per share of the Group.

Notes to the financial statements

December 31, 2017 (continued)

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, 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 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

Notes to the financial statements

December 31, 2017 (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, 2016						
Cost						
At January 1, 2016	28,153	15,972	73,171	1,757	362	119,415
Additions	414	778	4,309	242	1,358	7,101
Disposals	–	(490)	(64)	(520)	–	(1,074)
Transfer to a related company	–	–	(8)	–	–	(8)
Reclassification	1,406	22	192	5	(1,625)	–
Written off	(6)	–	(991)	–	–	(997)
Adjustment	–	–	–	–	(58)	(58)
At December 31, 2016	29,967	16,282	76,609	1,484	37	124,379
Accumulated depreciation						
At January 1, 2016	15,567	11,597	56,335	1,676	–	85,175
Charge for the year	1,735	825	6,937	34	–	9,531
Transfer to a related company	–	–	(2)	–	–	(2)
Disposals	–	(490)	(63)	(441)	–	(994)
Written off	(6)	–	(989)	–	–	(995)
At December 31, 2016	17,296	11,932	62,218	1,269	–	92,715
Net carrying amount	12,671	4,350	14,391	215	37	31,664

In prior year, property, plant and equipment were transferred to a related company at a net carrying amount of RM6,000 and these amounts were fully received from the related company. Included in property, plant and equipment is a provision for restoration cost of RM 2,718,000 (2016: RM 2,718,000).

Notes to the financial statements

December 31, 2017 (continued)

12. Intangible assets

	Group
	Trademarks RM'000
Cost:	
At January 1, 2016, December 31, 2016, January 1, 2017 and December 31, 2017	8,493
Accumulated amortization:	
At January 1, 2016	6,868
Amortization during the year	1,004
At December 31, 2016 and January 1, 2017	7,872
Amortization during the year	435
At December 31, 2017	8,307
Net carrying amount:	
At December 31, 2017	186
At December 31, 2016	621

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 has been fully amortized during the year (2016: remaining amortization period of 0.5 year) while Eva's trademark has a remaining amortization period of 6.7 years (2016: 7.7 years).

Notes to the financial statements

December 31, 2017 (continued)

13. Investments in subsidiaries

	Company	
	2017 RM'000	2016 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

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Proportion of ownership interest 2017 %	2016 %	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 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.

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

Notes to the financial statements

December 31, 2017 (continued)

14. Deferred tax

	Group	
	2017 RM'000	**2016 RM'000**
At January 1	3,740	3,118
Recognized in statements of comprehensive income (Note 9)	498	622
At December 31	4,238	3,740

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, 2016 RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2016 RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2017 RM'000**
Deferred tax liability:					
Property, plant and equipment	(633)	(85)	(718)	306	(412)
	(633)	(85)	(718)	306	(412)
Offsetting	633		718		409
	–		–		(3)
Deferred tax assets:					
Receivables	523	977	1,500	77	1,577
Inventories	1,046	(209)	837	511	1,348
Others	2,182	(61)	2,121	(396)	1,725
	3,751	707	4,458	192	4,650
Offsetting	(633)		(718)		(409)
	3,118		3,740		4,241

Notes to the financial statements

December 31, 2017 (continued)

14. Deferred tax (continued)

	Group	
	2017 RM'000	**2016 RM'000**
Presented after appropriate offsetting as follows:		
Deferred tax assets	4,241	3,740
Deferred tax liability	(3)	–
	4,238	3,740

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

	Group	
	2017 RM'000	**2016 RM'000**
Other deductible temporary differences	411	290
Unutilized capital allowances	106	106
Unabsorbed business losses	10,064	10,339
	10,581	10,735

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. Inventories

	Group	
	2017 RM'000	**2016 RM'000**
At cost:		
Raw materials	5,545	1,965
Packaging materials	1,776	2,169
Finished goods	604,789	599,028
	612,110	603,162

During the year, the amount of inventories recognized as an expense in the statement of comprehensive income of the Group was RM 4,989,023,000 (2016: RM 4,778,596,000) and the amount written off was RM 10,712,000 (2016: RM 9,607,000).

Notes to the financial statements

December 31, 2017 (continued)

16. Trade and other receivables

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Current				
Trade receivables				
Third parties	1,161,745	1,093,660	–	–
Less: Allowance for impairment of trade receivables	(24,224)	(27,091)	–	–
	1,137,521	1,066,569	–	–
Other receivables				
Deposits	7,926	9,369	2	2
Prepayments	845	1,232	–	–
Net GST refundables	12,124	11,353	–	–
Sundry receivables	8,355	6,540	8	–
Amounts due from:				
• fellow subsidiaries	–	–	1,992	704
• related companies	493	741	–	–
	29,743	29,235	2,002	706
Total trade and other receivables	1,167,264	1,095,804	2,002	706
Non-current				
Other receivable	–	974	–	–
Advances to a subsidiary	–	–	420,293	354,093
	–	974	420,293	354,093
Total trade and other receivables (current and non-current)	1,167,264	1,096,778	2,002	706
Total advances to a subsidiary	–	–	420,293	354,093
Less: Prepayments	(845)	(1,232)	–	–
Less: Net GST refundables	(12,124)	(11,353)	–	–
Add: Cash and bank balances (Note 17)	63,036	125,871	700	60,276
Total loans and receivables	1,217,331	1,210,064	422,995	415,075

(a) Trade receivables

Credit terms of trade receivables range from payment in advance to 90 days (2016: payment in advance to 90 days). They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Notes to the financial statements

December 31, 2017 (continued)

16. Trade and other receivables (continued)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Neither past due nor impaired	1,052,749	1,003,579
Less than three months past due but not impaired	78,055	62,633
Between three to six months past due but not impaired	6,717	334
More than six months past due but not impaired	–	23
	84,772	62,990
Impaired	24,224	27,091
	1,161,745	1,093,660

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, 2017, the Group's trade receivables of RM 84,772,000 (2016: RM 62,990,000) 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 impairment are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Trade receivables - nominal amounts	24,224	27,091
Less: Allowance for impairment	(24,224)	(27,091)
	–	–
Movement in allowance accounts:		
At January 1	27,091	12,135
Allowance for impairment	1,971	15,562
Amounts written off	(3,963)	–
Write-back of allowance for impairment	(875)	(606)
At December 31	24,224	27,091

Notes to the financial statements

December 31, 2017 (continued)

16. Trade and other receivables (continued)

(a) Trade receivables (continued)

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 28(d) to the financial statements.

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

	Group	
	2017 RM'000	2016 RM'000
Trade receivables		
Ringgit Malaysia	1,124,936	1,049,094
Brunei Dollar	11,890	15,024
US Dollar	567	2,246
Singapore Dollar	10	123
Australian Dollar	7	4
Japanese Yen	8	52
Sterling Pound	103	26
	1,137,521	1,066,569

(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 (2016: 30 to 90 days).

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	188	156	1,992	704
US Dollar	–	336	–	–
Swiss Franc	138	18	–	–
Euro	–	125	–	–
Singapore Dollar	167	106	–	–
	493	741	1,992	704

Advances to a subsidiary of RM 420,293,000 (2016: RM 354,093,000) are unsecured and carry interest rates which range between 4.10% to 4.45% (2016: 4.10% to 4.20%) per annum. These advances are not intended to be recalled, in full or in part, within the next 12 months from the reporting date.

Notes to the financial statements

December 31, 2017 (continued)

17. Cash and bank balances

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deposits with licensed banks	–	60,000	–	60,000
Cash on hand and at banks	63,036	65,871	700	276
Cash and bank balances	63,036	125,871	700	60,276
The currency exposure profile of deposits, cash and bank balances is as follows:				
Ringgit Malaysia	59,794	123,387	700	60,276
US Dollar	179	824	–	–
Singapore Dollar	491	586	–	–
Euro	1,074	201	–	–
Swiss Franc	528	2	–	–
Australian Dollar	149	13	–	–
Brunei Dollar	821	858	–	–
	63,036	125,871	700	60,276

Deposits with licensed banks have an average day to maturity period of Nil day (2016: 2 days) and weighted average effective interest rate per annum at reporting date is Nil (2016: 2.73%).

18. Share capital

	Group and Company			
	Number of shares		Amount	
	2017	**2016**	**2017**	**2016**
	'000	**'000**	**RM'000**	**RM'000**
Authorized share capital:				
Ordinary shares				
• at January 1/December 31	–	499,180	–	499,180
Redeemable cumulative preference shares				
• at January 1/December 31	–	82,000	–	820
			–	500,000
Issued and fully paid:				
Ordinary shares				
At January 1	157,658	157,658	157,658	157,658
Transition to no-par value regime on				
• January 31, 2017	–	–	24,514	–
At December 31	157,658	157,658	182,172	157,658

Notes to the financial statements

December 31, 2017 (continued)

18. Share capital (continued)

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.

Pursuant to the Companies Act 2016 in Malaysia which came into effect on January 31, 2017, the concept of authorized share capital no longer exists.

In accordance with Section 74 of the Companies Act 2016, the Company's ordinary 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. During the financial year, the Company has utilized none of the credit of the share premium account which have now become part of the share capital.

19. Retained earnings

The Company may distribute dividends out of its retained earnings as at December 31, 2017 under the single tier system.

20. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables				
Third parties	1,157,158	1,141,627	–	–
Other payables				
Accruals	63,106	58,274	284	369
Sundry payables	44,112	41,510	–	–
Net GST payables	167	145	–	–
Amounts due to:				
• intermediate holding company	34	33	34	33
• immediate holding company	73	125	73	125
• subsidiaries	–	–	155	139
• related companies	4,177	2,538	1	–
	111,669	102,625	547	666
Total trade and other payables	1,268,827	1,244,252	547	666
Less: Net GST payables	(167)	(145)	–	–
Add: Borrowings (Note 22)	30,392	82,932	91,307	109,117
Total financial liabilities carried at amortized cost	1,299,052	1,327,039	91,854	109,783

Notes to the financial statements

December 31, 2017 (continued)

20. Trade and other payables (continued)

The currency exposure profile of payables is as follows:

	Group	
	2017 RM'000	2016 RM'000
Trade payables		
Ringgit Malaysia	1,104,336	1,092,796
US Dollar	42,241	35,854
Euro	750	2,552
Swiss Franc	63	88
Brunei Dollar	682	–
Singapore Dollar	4,867	3,573
Australian Dollar	428	1,109
Japanese Yen	7	316
Thai Baht	3,407	4,191
New Zealand Dollar	195	841
Sterling Pound	182	307
	1,157,158	1,141,627

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amounts due to related parties				
Ringgit Malaysia	3,807	1,957	263	297
Swiss Franc	–	242	–	–
US Dollar	248	416	–	–
Singapore Dollar	4	78	–	–
Japanese Yen	225	3	–	–
	4,284	2,696	263	297

Notes to the financial statements

December 31, 2017 (continued)

20. Trade and other payables (continued)

	Group	
	2017 RM'000	2016 RM'000
Sundry payables		
Ringgit Malaysia	44,094	41,501
Brunei Dollar	18	9
	44,112	41,510

The average credit terms of payables are as follows:

	Group/Company Average credit terms	
	2017	2016
Trade payables	0 to 180 days	0 to 180 days
Sundry payables	30 days	30 days
Amounts due to related parties	Payable within 30 to 120 days	Payable within 30 to 120 days

The amounts payable to intermediate holding company, immediate holding company, subsidiaries and related companies are unsecured and non-interest bearing.

21. Derivative financial instruments

	Group		
	Contract value RM'000	Fair value RM'000	(Liabilities)/ Assets RM'000
2017			
Current liabilities:			
Forward foreign exchange contracts			
• at fair value through profit or loss	32,781	31,897	(884)
2016			
Current assets:			
Forward foreign exchange contracts			
• at fair value through profit or loss	23,566	23,879	313

Notes to the financial statements

December 31, 2017 (continued)

21. Derivative financial instruments (continued)

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, 2017, the settlement dates on open forward contracts ranged between 2 days and 4 months (2016: 1 and 4 months).

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, 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	
At December 31, 2016				
Trade payables:				
EUR 585,000	EUR	MYR	2,755	1 EUR=RM 4.7089
USD 2,808,352	USD	MYR	12,393	1 USD=RM 4.4129
CHF 175,000	CHF	MYR	757	1 CHF=RM 4.3285
THB 44,470,560	THB	MYR	5,514	1 THB=RM 0.1240
SGD 690,000	SGD	MYR	2,147	1 SGD=RM 3.1120
			23,566	

The fair value of outstanding forward contracts of the Group at the reporting date are at unfavorable net position of RM 884,000 (2016: favorable net position of RM 313,000).

Notes to the financial statements

December 31, 2017 (continued)

22. Borrowings

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current				
Bankers' acceptances	–	30,000	–	–
Advances from:				
• intermediate holding company	–	9,422	–	9,422
• immediate holding company	–	43,510	–	43,510
	–	82,932	–	52,932
Non-current				
Advances from:				
• intermediate holding company	9,822	–	9,822	–
• immediate holding company	20,570	–	20,570	–
• subsidiaries	–	–	60,915	56,185
	30,392	–	91,307	56,185
Total loans and borrowings	30,392	82,932	91,307	109,117

Reconciliation of liabilities arising from financing activities

	Bankers' acceptances	Advances from intermediate holding company	Advances from immediate holding company	Total
	RM'000	RM'000	RM'000	RM'000
Group				
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, 2017 (continued)

22. Borrowings (continued)

Reconciliation of liabilities 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, 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)

Advances from intermediate holding company and immediate holding company bear interest which ranges between 4.10% to 4.45% (2016: 4.10% to 4.20%) 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 at 3.10% (2016: 3.15% to 3.30%) per annum. These advances are unsecured and are not repayable within the next 12 months.

Weighted average year end effective interest rates

	Group	
	2017 %	2016 %
Bankers' acceptances	–	3.39

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	–	82,932	–	52,932
More than one year	30,392	–	91,307	56,185
Total	30,392	82,932	91,307	109,117

Notes to the financial statements

December 31, 2017 (continued)

23. Provision for other liabilities

	Group	
	2017 RM'000	2016 RM'000
Property restoration cost:		
At January 1	2,718	2,737
Write-back of provision	–	(19)
At December 31	2,718	2,718

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

24. Dividends

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

	Group and Company			
	2017		2016	
	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, 2016 paid on July 13, 2017:				
• single tier	9.5	14,978	–	–
For financial year ended December 31, 2015 paid on July 14, 2016:				
• single tier	–	–	9.5	14,978
Dividends in respect of the year	9.5	14,978	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. These financial statements do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the financial year ending December 31, 2018.

Notes to the financial statements

December 31, 2017 (continued)

25. Commitments

(a) Capital commitments

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

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment:		
Authorized by the Directors and contracted for	2,217	869

(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 year 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	
	2017 RM'000	2016 RM'000
Payable within one year	30,821	30,169
Payable after one year but not later than five years	47,874	61,615
Payable after five years	8,113	15,476
	86,808	107,260

Notes to the financial statements

December 31, 2017 (continued)

26. 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
(a) Sales of goods and services:				
Sales of goods and services:				
• related companies (goods)	1,909	2,498	–	–
• related companies (rental)	633	1,008	–	–
• related companies (cost sharing)	469	398	–	–
• related companies (information technology charges)	69	61	–	–
• related companies (human resources charges)	667	525	–	–
	3,747	4,490	–	–
Others (interest):				
• subsidiaries	–	–	16,395	14,509
Others (dividend):				
• subsidiaries	–	–	31,500	32,100
	–	–	47,895	46,609
	3,747	4,490	47,895	46,609
(b) Purchases of goods and services:				
Purchases of goods and services:				
• related companies (goods)	16,512	57,509	–	–
• a related company (management fee)	5,070	4,383	–	–
• a related company (information technology charges)	15,996	14,876	–	–
• other related party (rental)	–	9,180	–	–
	37,578	85,948	–	–
Others (interest):				
• immediate holding company	1,059	570	1,059	570
• intermediate holding company	402	392	402	392
• subsidiaries	–	–	1,804	1,588
	1,461	962	3,265	2,550
	39,039	86,910	3,265	2,550
(c) Net advances from/(to):				
Intermediate holding company	400	100	400	100
Immediate holding company	(22,940)	32,632	(22,940)	32,632
Subsidiaries	–	–	(61,470)	(702)
	(22,540)	32,732	(84,010)	32,030

Notes to the financial statements

December 31, 2017 (continued)

26. Significant related party transactions (continued)

(d) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Non-executive Directors:				
• fees	224	312	224	312
Salaries and bonuses	8,344	6,792	–	–
Post-employment benefits obligation:				
• national defined contribution plan and social security contribution	812	639	–	–
Other employee benefits	1,993	1,695	–	–
	11,149	9,126	–	–
	11,373	9,438	224	312

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
DKSH Corporate Shared Services Center Sdn. Bhd.	Related company
Bio-Life Marketing Sdn. Bhd. *	Related company
DKSH Management Pte. Ltd.	Related company
DKSH Taiwan Ltd.	Related company

Notes to the financial statements

December 31, 2017 (continued)

26. Significant related party transactions (continued)

The related parties of the Group and the Company are as follows: (continued)

Related parties	Relationships
DKSH Chile S.A.	Related company
The United Drug (1996) Co. Ltd.	Related company
DKSH Luxury & Lifestyle (Malaysia) Sdn. Bhd.	Related company
DKSH Switzerland Ltd.	Related company
DKSH Vietnam Co. Ltd.	Related company
DKSH South East Asia Pte. Ltd. (SG Division)	Related company
DKSH Singapore Pte. Ltd.	Related company
DKSH International AG	Related company
DKSH Management Ltd.	Related company
DKSH Technology Sdn. Bhd.	Related company
DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd.	Related company
PT DKSH (Indonesia), Jakarta	Related company
DKSH (Thailand) Ltd.	Related company
DKSH International Ltd.	Related company
DKSH Japan K.K., Tokyo	Related company
DKSH (China) Co. Ltd., Shanghai	Related company
DKSH Shanghai Ltd., Shanghai	Related company
Medinova AG	Related company
DKSH Technology Pte. Ltd.	Related company
DKSH Marketing (S) Pte. Ltd.	Related company
FAVOREX Pte. Ltd.	Related company
Lembaga Tabung Angkatan Tentera #	Other related party

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.

Other related party refers to a shareholder of DKSH Holdings (Malaysia) Berhad which is a body corporate established under the Tabung Angkatan Tentera Act 1973.

* Ceased to be a related company effective November 30, 2016.
\# Ceased to be other related party effective August 23, 2016.

Notes to the financial statements

December 31, 2017 (continued)

27. Segmental information

The Group is organized into three main business segments:
• Marketing and distribution services
• Logistics services
• Others - Famous Amos chocolate chip cookie business and central overheads

All the major operations of the Group are carried out in Malaysia. Accordingly, the segment reports as presented below had been reviewed by the chief operating decision maker.

(a) Primary reporting format - business segments

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2017					
Revenue					
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
Net allowance for doubtful debts	712	370	14	–	1,096
Inventories written off	8,498	1,161	1,053	–	10,712

Notes to the financial statements

December 31, 2017 (continued)

27. Segmental information (continued)

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

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2016					
Revenue					
Segment revenue	2,657,659	2,560,178	53,210	–	5,271,047
Intersegment revenue	866	–	–	(866)	–
Revenue	2,658,525	2,560,178	53,210	(866)	5,271,047
Results					
Segment results	55,207	22,810	(2,784)	–	75,233
Finance costs					(6,336)
Income tax expense					(18,430)
Profit for the financial year					50,467
Net assets					
Segment assets	869,018	807,011	25,366	–	1,701,395
Unallocated assets					161,949
Total assets					1,863,344
Segment liabilities	(420,650)	(719,379)	(1,598)	–	(1,141,627)
Unallocated liabilities					(190,630)
Total liabilities					(1,332,257)
Other information					
Capital expenditure	1,538	2,470	3,093	–	7,101
Depreciation of property, plant and equipment	1,736	2,484	5,311	–	9,531
Amortization of trademarks	1,004	–	–	–	1,004
Net allowance for doubtful debts	331	14,588	37	–	14,956
Inventories written off	9,070	537	–	–	9,607

Segment assets consist primarily of property, plant and equipment, inventories 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, 2017 (continued)

27. Segmental information (continued)

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

	Group	
	2017 RM'000	**2016 RM'000**
Unallocated assets mainly consists of:		
Trademarks	186	621
Cash on hand and at banks	63,036	65,871
Deposits with licensed bank	–	60,000
Other receivables	29,743	30,209
Deferred tax assets	4,241	3,740
Others	352	1,508
	97,558	161,949
Unallocated liabilities mainly consists of:		
Accruals and other payables	(107,385)	(99,929)
Bankers' acceptances	–	(30,000)
Advances from related companies	(30,392)	(52,932)
Amounts due to:		
• intermediate holding company	(34)	(33)
• immediate holding company	(73)	(125)
• related companies	(4,177)	(2,538)
Deferred tax liability	(3)	–
Others	(7,129)	(5,073)
	(149,193)	(190,630)

(b) Secondary reporting format - geographical segments

Although the Group has an operation in Brunei Darussalam, there is no disclosure of this operation as a separate geographical segment as the revenue contributed by this foreign incorporated company is not material to constitute an independent geographical segment as stipulated under MFRS 8: Operating Segments.

Notes to the financial statements

December 31, 2017 (continued)

28. 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.

(a) Interest rate risk

Interest rate exposures arise from the Group's and the Company's loans and borrowings and advances to subsidiaries. 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Net financial assets/(liabilities):				
• Fixed rate instruments	–	(30,000)	–	–
• Floating rate instruments	(30,392)	(52,932)	328,986	244,976
	(30,392)	(82,932)	328,986	244,976

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.

Apart from the advances to subsidiaries, the Group's and the Company's investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits. The information on maturity dates and effective interest rates of financial assets are disclosed in Note 17.

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statements of comprehensive income.

Notes to the financial statements

December 31, 2017 (continued)

28. Financial risk management objectives and policies (continued)

(a) Interest rate risk (continued)

Sensitivity analysis for floating rate instruments

A change of 5% in interest rates at the reporting date would result in the profit before tax to be higher/(lower) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Floating rate instruments (denominated in RM)				
5% increase	(16)	(27)	170	127
5% decrease	16	27	(170)	(127)

(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	16 (a)
Due from related companies	16 (b)
Cash and bank balances	17
Trade and other payables	20
Due to related companies	20

Notes to the financial statements

December 31, 2017 (continued)

28. 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	
		2017 Profit net of tax RM'000	**2016 Profit net of tax RM'000**
USD/RM	• strengthened 5%	(1,506)	(1,249)
	• weakened 5%	1,506	1,249
BND/RM	• strengthened 5%	457	571
	• weakened 5%	(457)	(571)
EUR/RM	• strengthened 5%	12	(85)
	• weakened 5%	(12)	85
CHF/RM	• strengthened 5%	23	(12)
	• weakened 5%	(23)	12
AUD/RM	• strengthened 5%	(10)	(42)
	• weakened 5%	10	42
THB/RM	• strengthened 5%	(129)	(159)
	• weakened 5%	129	159
GBP/RM	• strengthened 5%	(3)	(11)
	• weakened 5%	3	11
SGD/RM	• strengthened 5%	(160)	(108)
	• weakened 5%	160	108
JPY/RM	• strengthened 5%	(8)	(10)
	• weakened 5%	8	10
NZD/RM	• strengthened 5%	(7)	(32)
	• weakened 5%	7	32

Notes to the financial statements

December 31, 2017 (continued)

28. 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			
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
2016			
Trade and other payables	1,244,252	–	1,244,252
Borrowings	82,932	–	82,932
Derivatives - settled net	23,566	–	23,566
	1,350,750	–	1,350,750
Company			
2017			
Trade and other payables	547	–	547
Borrowings	–	91,307	91,307
	547	91,307	91,854
2016			
Trade and other payables	666	–	666
Borrowings	52,932	56,185	109,117
	53,598	56,185	109,783

Notes to the financial statements

December 31, 2017 (continued)

28. 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 cash equivalents, 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.

Group	Level 2 RM'000
2017	
Derivative financial instruments	32,781
2016	
Derivative financial instruments	23,566

The Group does not have any financial instruments classified as Level 1 and Level 3 as at December 31, 2017 and 2016.

Notes to the financial statements

December 31, 2017 (continued)

29. 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, 2017 and December 31, 2016.

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans and borrowings	30,392	82,932	91,307	109,117
Less: Cash and bank balances	(63,036)	(125,871)	(700)	(60,276)
(Surplus cash)/net debt	(32,644)	(42,939)	90,607	48,841
Equity attributable to the owners of the parent	568,154	531,087	414,844	389,226
Total capital	568,154	531,087	414,844	389,226
Total capital and net debt	535,510	488,148	505,451	438,067
% of net debt to total capital and net debt	–	–	18%	11%

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

Analysis of shareholdings

as at March 30, 2018

Total number of issued shares	:	157,658,076
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	2,688

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	201	7.48	1,372	Negligible
100 to 1,000	1,343	49.96	1,082,828	0.69
1,001 to 10,000	923	34.34	3,377,900	2.14
10,001 to 100,000	176	6.55	4,878,600	3.09
100,001 to less than 5% of issued shares	44	1.63	31,162,300	19.77
5% and above of issued shares	1	0.04	117,155,076	74.31
Total	**2,688**	**100.00**	**157,658,076**	**100.00**

Directors' Interests in Shares in the Company (as per the Register of Directors' Shareholdings)

	Direct interest		Deemed interest	
	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Stephen John Ferraby	10,000	0.006	–	–
Lee Chong Kwee	30,000	0.019	–	–
Datuk Haji Abdul Aziz bin Ismail	–	–	–	–
Chan Thian Kiat	5,000	0.003	–	–
Jason Michael Nicholas McLaren	–	–	–	–
Lian Teng Hai	–	–	–	–

Directors' Interests in Shares in a Related Corporation (as per the Register of Directors' Shareholdings)

	Direct interest		Deemed interest	
DKSH (B) Sdn. Bhd. - Subsidiary	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Jason Michael Nicholas McLaren	1	Negligible	–	–

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 30, 2018 (continued)

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

Name	Direct interest		Deemed interest	
	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.	2,697,700	1.71
4.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AberIslamic)	2,664,200	1.69
5.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for AMB Value Trust Fund (4249)	2,170,400	1.38
6.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for DCG Asia Value Master Fund	1,473,400	0.94
7.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. State Street Luxembourg Fund WLGK for Goodhart Partners Horizon Fund – HMG Global Emerging Markets Equity Fund	1,440,400	0.91
8.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Citibank New York (Norges Bank 9)	1,212,600	0.77
9.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn. Bhd. (TSTAC/CLNT)	964,000	0.61
10.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Citibank New York (Norges Bank 15)	888,000	0.57
11.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad – AMB Smallcap Trust Fund	680,000	0.43
12.	Amsec Nominees (Tempatan) Sdn. Bhd. Aberdeen Asset Management Sdn. Bhd. for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	663,000	0.42
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	661,400	0.42

Analysis of shareholdings

as at March 30, 2018 (continued)

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

	Name	No. of shares held	% of issued shares
14.	Wong Lok Jee @ Ong Lok Jee	600,000	0.38
15.	HSBC Nominees (Asing) Sdn. Bhd. Caceis Bank for HMG Globetrotter	594,100	0.38
16.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Manulife Investment Al-Faid (4389)	512,200	0.33
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Manulife Investment – HW Flexi Fund (270519)	453,100	0.29
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Affin Hwang Asset Management Berhad for MSIG Insurance (Malaysia) Bhd (210236)	445,300	0.28
19.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)	398,200	0.25
20.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt AN for UOB Kay Hian Pte. Ltd. (A/C Clients)	343,300	0.22
21.	HSBC Nominees (Asing) Sdn. Bhd. BPSS Sin for Aberdeen Malaysian Equity Fund	327,300	0.21
22.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for UBS Switzerland AG (Clients Assets)	290,000	0.18
23.	Amsec Nominees (Tempatan) Sdn. Bhd. MTrustee Berhad for Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	277,500	0.18
24.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Manulife Investment Value Fund (950290)	274,300	0.17
25.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. SSBT Fund NYBY for City of New York Group Trust	267,587	0.17
26.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. SSBT Fund NYBV for City of New York Group Trust	232,213	0.15
27.	Ten Woon Hwa	212,400	0.14
28.	Amerjeet Singh A/L Naib Singh	202,000	0.13
29.	Amanahraya Trustees Berhad AMB Dana Yakin	200,000	0.13
30.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Affin Hwang Asset Management Berhad for Sun Life Malaysia Assurance Berhad	195,600	0.12
	Total	**146,126,476**	**92.69**

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Sixth Annual General Meeting ("26th AGM") of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") will be held on Wednesday, May 23, 2018 at 10:00 a.m. at the Ballroom III, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 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, 2017 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, 2017.
   Ordinary Resolution 1

3. To approve the payment of Directors' fees of RM 224,000 for the financial year ended December 31, 2017.
   Ordinary Resolution 2

4. To approve the payment of Directors' fees up to an amount of RM 295,000, from January 1, 2018 until the next Annual General Meeting of the Company to be held in 2019.
   Ordinary Resolution 3

5. To re-elect Chan Thian Kiat who retires pursuant to Article 101 of the Constitution of the Company.
   Ordinary Resolution 4

6. To re-elect Jason Michael Nicholas McLaren who retires pursuant to Article 105 of the Constitution of the Company.
   Ordinary Resolution 5

7. To re-elect Lian Teng Hai who retires pursuant to Article 105 of the Constitution of the Company.
   Ordinary Resolution 6

8. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending December 31, 2018 and to authorize the Directors to fix their remuneration.
   Ordinary Resolution 7

As Special Business:

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

9. **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 24, 2018 ("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.

Notice of Annual General Meeting (continued)

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 8

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

10. **Proposed Alteration or Amendment of the Constitution of the Company**
"THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."
Special Resolution 1

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

Notice of Dividend Entitlement and Payment Dates

Notice is also hereby given that subject to the approval of members at the 26th AGM of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") to be held on Wednesday, May 23, 2018, a final single tier dividend of 10.0 sen per share in respect of the financial year ended December 31, 2017 will be paid on July 12, 2018 to shareholders whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Securities Berhad on June 29, 2018.

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 June 29, 2018 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 24, 2018

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.

Notice of Annual General Meeting (continued)

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 26th 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 16, 2018 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.

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 Act, a Company may only make a distribution to the shareholders out of profits of the Company available if the Company is solvent. On April 9, 2018, 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 12, 2018 in accordance with the requirements under Section 132(2) and (3) of the Act.

Directors' fees

11. Pursuant to Section 230(1) of the Act, 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. The Directors' fees of RM 224,000 for the financial year ended December 31, 2017 are payable to Non-Executive Directors ("NEDs") who are not employed by the DKSH group of companies. There are no benefits payable to NEDs of the Company.

    The Directors' fees of an amount up to RM 295,000 is proposed for the period from January 1, 2018 until the next Annual General Meeting ("AGM") of the Company to be held in 2019 and are payable to NEDs who are not employed by the DKSH group of companies. There is no change in the structure of the proposed Directors' fees for the period from January 1, 2018 until the next AGM in 2019. The Directors' fees are calculated for the existing NEDs on the assumption that they remain in office until the next AGM and for an additional NED. The resolution is to facilitate payment of the Directors' fees from January 1, 2018 until the next AGM in 2019. The Board will seek shareholders' approval at the next AGM in the event the Directors' fees proposed is insufficient. There are no benefits payable to NEDs of the Company.

Re-election of Director who retire by rotation pursuant to Article 101

12. Chan Thian Kiat who was appointed as Director of the Company by the Board on August 9, 2017 and being eligible, has offered himself for re-election pursuant to Article 101 of the Constitution of the Company. His appointment was based on the Nominating Committee's recommendation after considering relevant criteria such as his experience, qualifications and potential contributions including the needs of the Board namely, the Board composition, size, structure, balance, mix of skills and competencies. The Board has considered and supports his re-election as a Director of the Company.

Notice of Annual General Meeting (continued)

Re-election of Directors who retire pursuant to Article 105

13. Jason Michael Nicholas McLaren and Lian Teng Hai are due for retirement at this Annual General Meeting ("AGM") and being eligible, have offered themselves for re-election as Directors of the Company. The Board has considered the Nominating Committee's evaluation of the eligibility of the two retiring Directors who are Non-Independent 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

14. 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, 2018. 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 8, if passed, will renew the authority obtained at the last AGM in 2017 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 24, 2018 which is despatched together with the Company's Annual Report 2017 Abridged Version.

Proposed Alteration or Amendment of the Constitution of the Company (pursuant to Section 36(1) of the CA 2016).

2. The proposed Special Resolution 1, if passed will bring the Company's Constitution to be in line with the enforcement of the Act effective January 31, 2017 and in compliance with the amended Main Market Listing Requirements of Bursa Malaysia Securities Berhad which was issued on November 29, 2017.

   In view of the substantial amount of the proposed amendments to the Constitution, the existing Constitution will be altered or amended by the Company in its entirety by replacement thereof with a new Constitution as set out in Appendix A which is despatched together with the Company's Annual Report 2017 Abridged Version.

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

   Chan Thian Kiat, Jason Michael Nicholas McLaren and Lian Teng Hai are standing for re-election as Directors of the Company. Their profiles are set out in the section entitled "Directors' profiles" on pages 17 to 19 of this Annual Report. The details of their interest in the shares of the Company are set out on page 129 of this Annual Report.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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Proxy Form

for the Twenty-Sixth Annual General Meeting

DKSH

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-Sixth Annual General Meeting of the Company to be held at Ballroom III, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, May 23, 2018 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, 2017.		
2.	To approve the payment of Directors' fees.		
3.	To approve the payment of Directors' fees payable, from January 1, 2018 until the next Annual General Meeting of the Company to be held in 2019.		
4.	To re-elect Chan Thian Kiat as a Director of the Company.		
5.	To re-elect Jason Michael Nicholas McLaren as a Director of the Company.		
6.	To re-elect Lian Teng Hai as a Director of the Company.		
7.	To re-appoint Messrs. Ernst & Young as Auditors of the Company.		
8.	To approve the renewal of the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
No.	**Special Resolutions**	**For**	**Against**
1.	To approve the alteration or amendment of the existing Constitution by replacement with a new Constitution of the Company as per Appendix A.		

Subject to the above stated voting instruction, my/our proxy/proxies may vote or abstain from voting on any resolutions as he/she may think fit.

The proportions of my/our shareholdings to be represented by my/our proxies are as follows:

First Proxy

No. of shares: ____________________

Percentage: ____________________%

Second Proxy

No. of shares: ____________________

Percentage: ____________________%

____

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

Dated this ____________ day of ______________ , 2018.

Fold this flap for sealing

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 16, 2018 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.

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
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Phone +60 3 7882 8888, Fax +60 3 7882 8899

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