General Announcement for PLC (v13)

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COMPANY INFORMATION SECTION

Announcement Type	◉ New Announcement ○ Amended Announcement
Company Name	DKSH HOLDINGS (MALAYSIA) BERHAD
Stock Name	DKSH
Stock Code	5908
Board	Main Market
Submitting Investment Bank/Adviser	AMINVESTMENT BANK BERHAD

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MAIN | AUDIT LOGS

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) RELATED PARTY TRANSACTIONS
Description	DKSH HOLDINGS (MALAYSIA) BERHAD ("DKSH" OR "COMPANY") PROPOSED ACQUISITION BY DKSH OF THE ENTIRE EQUITY INTEREST IN AURIC PACIFIC (M) SDN. BHD. FROM AURIC PACIFIC GROUP LIMITED FOR A PURCHASE CONSIDERATION OF SGD157,674,000 (EQUIVALENT TO RM480,905,700) ("PROPOSED ACQUISITION")
Shareholder Approval	Yes

Announcement Details/Table Section

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

Further details of the Proposed Acquisition are set out in the attachment.

This announcement is dated December 21, 2018.

Attachment

No	File Name	Size
1	Announcement - Proposed Acquisition 21.12.2018.pdf	374.5KB

DKSH HOLDINGS (MALAYSIA) BERHAD ("DKSH" OR "COMPANY")

PROPOSED ACQUISITION BY DKSH OF THE ENTIRE EQUITY INTEREST IN AURIC PACIFIC (M) SDN. BHD. FROM AURIC PACIFIC GROUP LIMITED FOR A PURCHASE CONSIDERATION OF SGD157,674,000 (EQUIVALENT TO RM480,905,700)

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1. INTRODUCTION

On behalf of the Board of Directors of DKSH ("**Board**"), AmInvestment Bank Berhad ("**AmInvestment Bank**") wishes to announce that DKSH had, on December 21, 2018, entered into a conditional share purchase agreement ("**SPA**") with Auric Pacific Group Limited ("**Auric Group**" or "**Vendor**") for the acquisition of the entire equity interest in Auric Pacific (M) Sdn. Bhd. ("**Auric**") for a cash consideration of SGD157,674,000 (equivalent to RM480,905,700) ("**Initial Purchase Price"** or **"Purchase Consideration**") based on Bank Negara Malaysia's published middle rate of SGD1:RM3.0500 as at 9.00 a.m. on December 21, 2018 ("**Proposed Acquisition**").

On December 21, 2018, DKSH Holding (S) Pte Ltd ("**DKSH SG**"), a related company of DKSH, entered into a conditional share purchase agreement with the Vendor for the acquisition of the entire equity interest of Auric Pacific Marketing Pte Ltd and Centurion Marketing Pte Ltd ("**Proposed Acquisition of Auric Singapore**") from the Vendor.

In view of interest of major shareholder of DKSH as set out in Section 10 below and inter-conditionality of the Proposed Acquisition and Proposed Acquisition of Auric Singapore (imposed by the Vendor as a term of the Proposed Acquisition), the Proposed Acquisition is deemed a related party transaction under Chapter 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

Details of the Proposed Acquisition are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITION

Subject to the terms and conditions of the SPA, the Vendor shall sell and the Company shall purchase all the ordinary shares in Auric ("**Auric Shares**").

2.1 Salient terms of the SPA

The salient terms of the SPA for the Proposed Acquisition are as follows:

2.1.1 Sale and purchase of the Auric Shares

Subject to the terms and conditions of the SPA, DKSH has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Auric Shares, being the entire issued shares in Auric, free from all encumbrances and together with all rights attaching thereto as at the completion of the Proposed Acquisition in accordance with the terms under the SPA.

2.1.2 Purchase Consideration

The final purchase price ("**Final Purchase Price**") shall be the sum of the Initial Purchase Price less the Completion Net Debt[(1)] plus the amount by which the Completion NWC[(2)] exceeds the Reference NWC[(3)] and less other downward adjustment in the SPA.

Notes:

(1) *Completion Net Debt means, in relation to the Group, the sum of (a) "Total Debt and Debt-like Items" less (b) "Total Cash and Cash Equivalents", in each case as specified in the Net Debt Statement drawn up as of the completion date.*

(2) *Completion NWC means, in relation to the Group, the sum of (a) "Total Current Assets" less (b) "Total Current Liabilities", in each case as specified in the NWC Statement drawn up as of the completion date and excluding any item to the extent such item has been included as net debt.*

(3) *Reference NWC means SGD26,061,543.*

2.1.3 Conditions Precedent

The completion of the Proposed Acquisition is conditional upon, amongst others, the satisfaction or waiver (in accordance with the terms of the SPA), of each of the following conditions ("**Conditions**"):

(a) The approval of the shareholders of Lippo China Resources Limited ("**LCR**") ("**LCR Shareholders' Approval**") having been obtained and such approval remaining in full force and effect as at completion;

(b) The approval of the shareholders of Lippo Limited ("**Lippo**") ("**Lippo Shareholders' Approval**") having been obtained and such approval remaining in full force and effect as at completion;

(c) The approval of the shareholders of DKSH having been obtained and such approval remaining in full force and effect as at completion;

(d) The issue of a manufacturing licence to Auric Pacific Food Processing Sdn Bhd ("**APFPSB**") (a wholly-owned subsidiary of Auric) and on such terms and conditions being reasonably acceptable to DKSH acting in good faith; and

(e) receipt of written waivers of change of control provisions or written confirmation as required from the parties with whom Auric has entered into certain key distributions agreement.

2.1.4 Long-Stop Date

The Conditions are to be satisfied on or prior to the "**Long-Stop Date**" being 5.00 p.m. on the date falling three (3) months after the date of the SPA provided that if at the expiry of such three (3)-month period, the following Conditions are outstanding, namely:

(a) The LCR Shareholders' Approval and Lippo Shareholders' Approval and the Vendor is in compliance with its obligations in all material respects with regard to the satisfaction of this Condition;

(b) The approval of the shareholders of DKSH and DKSH is in compliance with its obligations in all material respects with regard to the satisfaction of the Condition; and

(c) The issue of a manufacturing licence to APFPSB and the Vendor is in compliance with its obligations in all material respects with regard to the satisfaction of the Condition.

then the Long-Stop Date shall be automatically extended to the date falling four (4) months after the date of the SPA (or such other time and date as DKSH and the Vendor may agree in writing).

2.1.5 Completion

(a) Completion shall take place at the registered office of the Vendor at 5:00 p.m. on the date falling five (5) business days after the Conditions have been satisfied or waived or at such other place and time as DKSH and the Vendor may agree in writing; and

(b) Completion shall not take place unless the sale and purchase of and payment for all (and not some only):

(i) the shares in Auric; and

(ii) the shares in Auric Pacific Marketing Pte. Ltd. and Centurion Marketing Pte. Ltd. pursuant to the share purchase agreement entered into between DKSH SG and the Vendor in relation to the Proposed Acquisition of Auric Singapore,

are completed at the same time.

2.1.6 Limitation on the Vendor's liability under the SPA

(a) The maximum aggregate liability of the Vendor in respect of:

(i) a claim for a breach of a fundamental warranty or certain indemnity claims shall not exceed the Final Purchase Price; and

(ii) a claim other than a claim for a breach of a fundamental warranty or the specific indemnity claims shall not exceed 20% of the Final Purchase Price,

provided that the maximum aggregate liability of the Vendor in respect of such claims under paragraph (i) and (ii) above shall not exceed the Final Purchase Price.

(b) Under the SPA, DKSH is required to take out an insurance policy from an insurer to cover its damages, losses, liabilities, costs, charges and expenses etc under the SPA ("**W&I Insurance Policy**") arising in respect of insured claim. DKSH's remedy in respect of any claim that is insured under the W&I Insurance Policy shall solely be under the W&I Insurance Policy and the Vendor has no liability towards DKSH for such claims. Under the terms of the SPA, the insured claims exclude a breach of certain warranties and indemnities given by the Vendor as set out in the SPA for which DKSH retains the right of recourse against the Vendor.

2.1.7 Termination

If the Vendor or DKSH fails to comply with any of the obligations with regard to Completion, the Vendor (in the case of non-compliance by DKSH) or DKSH (in the case of non-compliance by the Vendor) shall be entitled to fix a new date for completion; or to proceed with completion so far as practicable having regard to the defaults which have occurred; or to terminate the SPA.

2.1.8 Non-Compete

The Vendor shall not, and shall cause its affiliates (which will be Lippo and Vendor's affiliates which are controlled by Lippo), not to own, invest, control, acquire, operate, manage, participate, be concerned in, undertake or engage in, directly or indirectly:

(a) the manufacturing or production of butter or melange for distribution (i) in the case of butter or mélange under the trademarks disclosed in the SPA ("**IP Rights**") in the ASEAN Countries and to the extent not covered therein, any other territory in which the IP Rights has been registered or in respect of which there is a valid application for registration ("**Foreign Territories**"); and (ii) in any other case, in the ASEAN Countries; and

(b) subject to certain permitted exceptions, the distribution of certain fast-moving consumer good ("**FMCG**") products (i) under the IP Rights in the ASEAN Countries and to the extent not covered therein the Foreign Territories; and (ii) in any other case, in Singapore and Malaysia,

for a period of three (3) years from the completion date of the SPA.

2.1.9 Governing Law

The SPA shall be governed by, and construed in accordance with, the Laws of Singapore.

2.2 Basis and justification of determining the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration, the range of indicative values for the entire equity interest in Auric of between SGD148 million (equivalent to RM451 million) and SGD171 million (equivalent to RM522 million). The range of indicative values were arrived at using the discounted cash flow ("**DCF**") method after taking into consideration various factors, amongst others, Auric's future earnings generating capabilities, projected future cash flow, sustainability as well as various business considerations affecting the business and operations of Auric. DCF method of valuation is an investment appraisal technique which takes into consideration both the time value of money and the projected cash flow over a fixed period of time, as the future cash flow are estimated and discounted at a discount rate that reflects the uncertainty of the future cash flow to arrive at the net present value.

In justifying the Purchase Consideration, DKSH has taken into consideration the following:

(i) the Proposed Acquisition will enable DKSH to increase its market share in the Market Expansion Services industry in Malaysia and provide a good opportunity for DKSH to strengthen its position in the FMCG business; and

(ii) the Proposed Acquisition will create enhanced scale and synergies for DKSH, which is expected to generate positive earnings to DKSH through, amongst others, revenue synergies as DKSH is able to grow its FMCG business.

2.3 Liabilities to be assumed by DKSH

There are no liabilities including contingent liabilities or guarantees to be assumed by DKSH pursuant to the Proposed Acquisition.

2.4 Additional financial commitments

DKSH does not expect to incur any financial commitment to put the businesses of Auric on-stream as Auric has on-going operations.

2.5 Original cost and date of investment

The original cost and date of investment by the Vendor in Auric are set out below:

Vendor	Date	Cost of investment (RM)
Auric	3 February 1989	3
	28 June 1991	999,997
Total		**1,000,000**

Note:

(1) The disclosure represents the invested share capital of the Vendor and does not include the subsequent additional investment made by the Vendor, if any.

2.6 Source of funding

The Company intends to fund the Proposed Acquisition through internally generated fund and bank borrowings. The breakdown of the source of funding will only be determined at a later date and will depend on, amongst others, the Company's internal cash requirement.

3. RATIONALE FOR THE PROPOSED ACQUISITION

Auric is one of the established player in the distribution of chilled and frozen products and in the food services channel in Malaysia. The strengths of Auric are complementary to DKSH existing FMCG Market Expansion Services. The Proposed Acquisition is in line with DKSH's horizontal integration strategy to make further strategic investments in DKSH's Market Expansion Services. This represents a gateway for DKSH to further increase its product portfolio which creates a synergy effect and is expected to generate positive earnings to the Company.

As both DKSH and Auric are involved in similar business of FMCG, the Proposed Acquisition will create enhanced scale and synergies for DKSH through, amongst others, revenue synergies as DKSH is able to grow its FMCG business. In addition, DKSH will be able to acquire Auric's business of manufacturing melange, which will create additional income stream for DKSH group of companies ("**DKSH Group**").

Premised on the above, the Board believes that the Proposed Acquisition will bode well with DKSH in its effort to continuously develop the Company's Market Expansion Services as well as to provide a good opportunity for DKSH to strengthen its position in the FMCG business. As a result, the Proposed Acquisition would contribute positively to DKSH Group's future earnings and financial position of the Company. The additional revenue contribution will also provide DKSH with an additional stream of earnings which is expected to enhance DKSH Group's profitability and returns on shareholders' funds.

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4. INFORMATION ON AURIC AND AURIC GROUP

4.1 Information on Auric

Auric, a wholly-owned subsidiary of Auric Group is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as follows:

Subsidiary		Principal Activities	Effective Equity Interest
Auric Marketing Sdn. Bhd.	:	Supply of bakery and confectionery materials and other general products	100%
Auric Pacific Food Processing Sdn. Bhd.	:	Manufacturer of and dealer in butter, margarine and related confectionary products	100%
Auric Pacific Bakeries Sdn. Bhd.*	:	Dormant	100%
Classic Aspire Sdn. Bhd.*	:	Dormant	60%

Note:
** in the midst of members' voluntary winding up.*

As at December 7, 2018, being the latest practicable date prior to the date of this announcement ("**LPD**"), the issued share capital of Auric is RM1,000,000 comprising 1,000,000 Auric shares.

The directors of Auric as at the LPD are Choy Siew Ping, Chew Wen Chin and Christopher Tan Yang Khoon.

The financial information of Auric for the past three (3) financial years up to the financial year ended ("**FYE**") December 31, 2017 is set out in Appendix I of this announcement.

4.2 Information of the Vendor

Auric Group is a Singapore incorporated investment holding company, whilst its subsidiaries are involved in a diverse range of businesses, which includes the distribution of FMCG, food manufacturing and retailing, restaurants as well as food court management.

As at the LPD, the issued share capital of Auric Group is SGD60,251,954 comprising 123,116,883 Auric Group shares.

The directors of Auric Group as at the LPD are Dr.Stephen Riady, Dr.Andy Adhiwana and Monish Manohar Mansukhani.

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The substantial shareholders of Auric Group and their respective shareholdings in Auric Group as at the LPD are as follows:

	Direct		Indirect	
Shareholder	**No. of Auric Group shares**	**%**	**No. of Auric Group shares**	**%**
Goldstream Capital Ltd	42,498,332	34.52	-	-
Pantogon Holdings Pte Ltd	36,165,052	29.37	-	-
Nine Heritage Pte Ltd	20,004,000	16.25	-	-
Silver Creek Capital Pte Ltd	18,691,216	15.18	-	-

5. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

5.1 Overview and outlook of the Malaysian Economy

The Malaysian economy recorded a sustained growth of 4.4% in the third quarter of 2018 (2Q 2018: 4.5%), supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% (2Q 2018: 7.5%), while public sector expenditure turned around to register a positive growth of 1.1% (2Q 2018: -1.4%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6% (2Q 2018: 0.3%).

Domestic demand expanded at a faster pace during the quarter (6.9%; 2Q 2018: 5.6%), driven by private sector activity. Private consumption growth accelerated to 9.0% (2Q 2018: 8.0%). Household spending was boosted in July and August 2018, following the zerorisation of the Goods and Services Tax ("**GST**") rate, particularly on durable goods such as motor vehicles and furnishings, as well as food and beverages. Continued expansion in income and employment provided key support to household spending.

Private investment growth edged higher to 6.9% (2Q 2018: 6.1%), underpinned mainly by capital spending in the manufacturing and services sectors. During the quarter, firms further expanded their capacity through increased machinery and equipment spending to cater to positive demand.

Public consumption grew at a faster pace (5.2%; 2Q 2018: 3.1%). This was attributable to a higher spending on supplies and services, which more than offset the moderation in emoluments growth. Public investment registered a smaller decline during the quarter (-5.5%; 2Q 2018: -9.8%), due to improvements in General Government capital spending. However, capital spending by public corporations was lower as some projects were near completion.

Growth in the services sector rose further during the quarter, driven mainly by the wholesale and retail trade sub-sector on account of higher consumer spending during the tax holiday period. The finance and insurance sub-sector also benefitted from the zerorisation of GST as seen in higher consumer loans disbursements and insurance premium payments, particularly in the motor vehicle segment. Growth in the transport and storage sub-sector improved, supported by higher air passenger traffic. The information and communications sub-sector continued to expand, amid continued demand for data communication services.

Despite the heightened global trade tensions and tighter financial conditions, Malaysia's economy continued to register a sustained growth in the third quarter. For the remainder of the year, growth is expected to improve and benefit from the gradual recovery in commodity production.

On the external front, higher commodity production would provide support to improvements in commodity exports. However, domestic demand is projected to expand at a more moderate pace, attributed to slower private sector spending. Going into 2019, growth prospects for the Malaysian economy are expected to remain driven by private sector activity amid the continued rationalisation of public sector expenditure, particularly public investment by public corporations. Exports are likely to moderate but would be supported by demand from major trade partners and the gradual recovery in commodities exports.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2018, Quarterly Bulletin, Bank Negara Malaysia)

5.2 Overview and outlook of the FMCG Sector

Service sector grew 6.5% (year-on-year) during the first half of 2018 led by the wholesale and retail trade; finance and insurance; information and communication; as well as food & beverages and accommodation subsectors. Accounting for about 55% of GDP, the growth in the service sector is projected to grow 6.3% and 5.9% in 2018 and 2019, respectively, reflecting expansion across all subsectors as the sector has diversified over the years.

The wholesale and retail trade subsectors is expected to remain resilient at 7.0% and 6.3% in 2018 and 2019, respectively. This is in line with higher consumption activities, especially with the 3-months zero-rated GST and upward revision of minimum wage rate. In addition, growth of the subsector will be supported by higher sales via e-commerce platforms. As of September 2018, about 3,800 SMEs joined the Digital Free Trade Zone (DFTZ) platform.

The food & beverage and accommodation subsector is expected to record a strong growth of 8.1% in 2018 mainly supported by domestic tourism activities and increased patronage of restaurants. The subsector is projected to expand 6.9% in 2019 in tandem with aggressive promotional activities for Visit Malaysia 2020 and attractive tour packages offered via online travel fairs. In addition, the operationalization of several new shopping centres and supporting retail components in Klang Valley, Pulau Pinang and Johor are anticipated to provide additional impetus to the growth of the subsector.

The other service subsector is projected to expand 5.3% in 2018 and 5.1% in 2019. This is due to strong demand for private education and healthcare services. Meanwhile, the government services subsector is anticipated to record growth of 4.4% in 2018 and 4.2% in 2019.

(Source: Chapter 3, Economic Outlook 2019, Ministry of Finance Malaysia)

5.3 Future prospects of Auric

Auric is involved in similar business of providing Market Expansion Services to FMCG. As such, upon the completion of the Proposed Acquisition, the enlarged DKSH Group is expected to increase its scale and operations with increased number of client portfolios, which would enable the enlarged DKSH Group to increase its market share in the Market Expansion Services industry in Malaysia.

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The Proposed Acquisition would provide the enlarged DKSH Group with a larger platform to grow its business by undertaking the following future plans and strategies:

(i) Increase distribution network

As the client portfolio base for both Auric and DKSH are different, the Proposed Acquisition will increase the client portfolio base, which will provide a larger distribution network for the enlarged DKSH Group, and in turn, provide a single platform with increased economies of scale, allowing the enlarged DKSH Group to attract more clients and increase their portfolio size as part of their expansion plan i.e. Auric will be able to tap into the client portfolio base of DKSH in East Malaysia. Further, it will improve cost efficiencies of the operations of the enlarged DKSH Group.

(ii) Expanding foodservice channels segment through cross selling of products

Due to the differentiation of products offered by DKSH and Auric, the Proposed Acquisition will increase the product portfolio offered by Auric in their foodservice segment and thus generate further contribution to the financial performance of the enlarged DKSH Group.

(iii) Expanding house brand product range

The Proposed Acquisition will enable Auric to increase the presence of Auric's house brand melange products by leveraging on DKSH's network, thus increasing the sales volume of Auric's melange product. At the same time, this provides a good opportunity for DKSH to enter the food manufacturing segment.

6. RISK FACTORS

The Proposed Acquisition will not materially change the risk profile of DKSH business as Auric's business is similar to DKSH's business. Hence, DKSH Group will be exposed to similar business, operational and financial risks inherent in the FMCG sector upon completion of the Proposed Acquisition.

However, the Proposed Acquisition would subject DKSH to certain specific risks associated with the Proposed Acquisition, which include, amongst others, the following risk factors:

6.1 Acquisition risk

Although the Board believes that DKSH may derive benefits from the Proposed Acquisition, there is no guarantee that the anticipated benefits from the Proposed Acquisition will be realised. Further, there is also no assurance that DKSH is able to maintain or improve the standards of quality and services of its business.

Nevertheless, the Company has mitigated such risk by adopting prudent investment strategies and conducting assessment including a due diligence review on Auric prior to making its investment decisions and completing the Proposed Acquisition.

6.2 Integration risk

The Proposed Acquisition is exposed to the business integration risk such as the risk of not being able to fully realise the expected business synergies. Upon completion of the Proposed Acquisition, DKSH will undertake the necessary efforts to mitigate the various risks by implementing a proper integration exercise and a management structure will be put in place to ensure successful integration.

6.3 Non-completion risk

The completion of the Proposed Acquisition is subject to certain conditions which are beyond the control of DKSH and Auric, such as the approvals of relevant regulatory authorities and shareholders. There is no assurance that the Proposed Acquisition will be completed as contemplated by DKSH.

In addition, the Proposed Acquisition and the Proposed Acquisition of Auric Singapore are inter-conditional upon each other. If any of the conditions precedent in the Proposed Acquisition of Auric Singapore is not fulfilled, the SPA will be terminated and as a result, the Company will not be able to complete the Proposed Acquisition.

However, the Company will take reasonable steps that are within its control to ensure that the conditions precedent pursuant to the Proposed Acquisition are fulfilled by the stipulated date.

6.4 Goodwill and impairment risk

DKSH expects to recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of Auric's identifiable assets (including intangible assets) and liabilities acquired as at the completion date.

Any subsequent fair value adjustments allocated to the identifiable assets acquired and liabilities assumed as well as the effects of the amortisation of intangible assets, if any, arising from the Proposed Acquisition may materially affect DKSH Group's financial performance. Additionally, any impairment on the carrying amount of the intangible assets (such as goodwill arising from the Proposed Acquisition) as a result of impairment tests may also materially affect DKSH Group's financial performance.

Nevertheless, DKSH will continuously monitor the performance of Auric and cash flow of DKSH to ensure that the goodwill is supported by the cash flow of the relevant cash generating units at all times.

6.5 Fluctuation in interest rates risk

DKSH will fund the Purchase Consideration via internally generated funds and bank borrowings. The bank borrowings to be taken to finance the Purchase Consideration may expose DKSH Group to fluctuation in interest rates which could affect the interest charges incurred on such borrowings and hence affect DKSH Group's future financial performance.

In order to mitigate such risks, DKSH Group has been and will continue to review its debt portfolio and will take into consideration DKSH Group's gearing level, interest cost as well as cash flow in achieving an optimal capital structure.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings as the Proposed Acquisition will be satisfied entirely in cash and does not involve any issuance of new ordinary shares in DKSH.

7.2 Net Asset ("NA") and gearing

Based on the Company's latest audited consolidated statement of financial position as at FYE December 31, 2017, the proforma effects of the Proposed Acquisition on DKSH's NA, NA per share and gearing are as follows:

	Audited as at December 31, 2017	After the Proposed Acquisition
	RM'000	**RM'000**
Share capital	182,172	182,172
Foreign currency translation reserve	139	139
Retained earnings	385,843	[(a)]383,143
Total equity	568,154	565,454
Number of DKSH shares in issue ('000)	157,658	157,658
NA per DKSH share (RM)	3.60	3.59
Total borrowings	30,392	[(b)]511,298
Gearing (times)	0.05	0.90

Notes:

(a) After deducting estimated expenses in relation to the Proposed Acquisition of RM2.7 million.

(b) Assuming the Purchase Consideration is fully funded by bank borrowings.

7.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition is not expected to have any material effect on the earnings and EPS of DKSH for the FYE December 31, 2018 as the completion of the Proposed Acquisition is expected to be by the end of the first (1st) quarter of the FYE December 31, 2019. Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of DKSH in the medium to long term.

7.4 Convertible securities

As at the LPD, the Company does not have any convertible securities.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:

(i) The non-interested shareholders of DKSH at an Extraordinary General Meeting ("**EGM**") to be convened; and

(ii) Any other relevant authorities, if required.

The Proposed Acquisition and the Proposed Acquisition of Auric Singapore are inter-conditional upon each other.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is 84.64% calculated based on the audited consolidated financial statement of DKSH for the FYE December 31, 2017.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the directors, major shareholder of the Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Acquisition:

(i) DKSH Holding Limited ("**DKSH Holding Ltd**") is an indirect major shareholder of DKSH by virtue of its shareholding in DKSH Resources (Malaysia) Sdn Bhd ("**DKSHRM**"), which is a major shareholder of DKSH, holding 74.31% of the equity interest in DKSH. DKSH Holding Ltd is also the sole shareholder of DKSH SG. DKSH SG is a person connected to DKSH Holding Ltd as DKSH Holding Ltd is entitled to 100% of the votes attached to the shares of DKSH SG. In view of the above relationships and conditionality of the Proposed Acquisition and Proposed Acquisition of Auric Singapore, the Proposed Acquisition involves the interest of related parties, namely DKSH Holding Ltd, the ultimate major shareholder of DKSH and DKSH SG, a person connected to DKSH Holding Ltd;

(ii) Stephen John Ferraby, Non-Independent Non-Executive Chairman of DKSH, is a member of the Executive Board of DKSH Holding Ltd; and

(iii) Jason Michael Nicholas McLaren and Lian Teng Hai are the Non-Independent Executive Director and Non-Independent Non-Executive Director of DKSH respectively, nominated by DKSHRM.

Accordingly, Stephen John Ferraby, Jason Michael Nicholas McLaren and Lian Teng Hai (collectively, the "**Interested Directors**") have abstained and will continue to abstain from deliberation and voting at all Board meetings of DKSH in relation to the Proposed Acquisition. DKSHRM ("**Interested Shareholder**"), Interested Directors and persons connected to them are required to abstain from voting in respect of their respective direct and/or indirect shareholdings in DKSH, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the EGM to be convened for the Proposed Acquisition.

11. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), having considered all aspects of the Proposed Acquisition, including the rationale, the basis and justification of the Purchase Consideration, the future prospects of Auric, risk factors and effects of the Proposed Acquisition as well as the preliminary evaluation of the Independent Adviser, is of the opinion that the Proposed Acquisition is in the best interests of DKSH and the terms and conditions of the SPA are fair, reasonable and on normal commercial terms, and is not detrimental to the interest of the non-interested shareholders of DKSH.

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12. AUDIT COMMITEE'S STATEMENT

The Audit Committee of DKSH, after having considered all relevant aspects of the Proposed Acquisition, including but not limited to the rationale, the basis and justification of the Purchase Consideration, the future prospects of the DKSH, risk factors, effects of the Proposed Acquisition and the independent opinion by the independent adviser, is of the view that the Proposed Acquisition is:

(i) in the best interests of DKSH;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interests of the non-interested shareholders of DKSH.

13. RELATED PARTY TRANSACTION

The total amount transacted between DKSH and DKSH Holding Ltd and/or person connected to DKSH Holding Ltd in the preceding 12 months was approximately RM37.95 million.

14. APPLICATION TO THE AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposed Acquisition is expected to be made within a period of one (1) month from the date of this announcement.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Acquisition is expected to be completed by the end of the first (1^{st}) quarter of the FYE December 31, 2019.

16. ADVISER

AmInvestment Bank has been appointed as the Principal Adviser for the Proposed Acquisition.

17. INDEPENDENT ADVISER

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, FHMH Corporate Advisory Sdn Bhd has been appointed as the Independent Adviser to provide an independent opinion to the non-interested directors and non-interested shareholders of DKSH as to whether the Proposed Acquisition is fair and reasonable in so far as the non-interested shareholders of DKSH are concerned and whether the Proposed Acquisition is detrimental to the non-interested shareholders of DKSH, as well as whether they should vote in favour of the resolution pertaining to the Proposed Acquisition at the EGM to be convened.

18. DOCUMENT AVAILABLE FOR INSPECTION

The SPA is available for inspection at the registered office of the Company at B-11-01, The Ascent, Paradigm, No.1, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated December 21, 2018.

FINANCIAL INFORMATION OF AURIC

A summary of the financial information of Auric for the past three (3) financial years up to the FYE December 31, 2017 and the latest unaudited financial results for the nine (9) months financial period ended ("**FPE**") September 30, 2018 is set out below:

	<---------------------Audited------------------->			<----Unaudited---->
	FYE December 31			**FPE September 30**
	2015	**2016**	**2017**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	268,179	273,135	291,951	253,095
Profit before tax ("**PBT**")	12,310	29,848	27,181	26,612
Profit after tax ("**PAT**")	8,942	20,747	20,551	19,562
Total Equity/NA	21,558	42,305	58,856	78,031
Total borrowings	5,000	7,154	13,093	-
Number of Auric Shares ('000)	1,000	1,000	1,000	1,000
NA per Auric Share (RM)	21.56	42.31	58.86	78.03
Gearing ratio (times)	0.23	0.17	0.22	-

Commentary on the past financial performance

FYE December 31, 2015

For the FYE December 31, 2015, revenue of Auric increased by approximately RM20.52 million or 8.29% as compared to the preceding financial year primarily by acquisition of new principals resulting in higher sales.

The PBT increased by approximately RM1.66 million or 15.59% as compared to the FYE December 31, 2014. This was mainly due to higher gross profit margin achieved for the FYE December 31, 2015.

FYE December 31, 2016

For the FYE December 31, 2016, revenue of Auric increased by approximately RM4.96 million or 1.85% as compared to the preceding financial year, mainly due to higher revenue contribution from the manufacturing segment, arising from updated and strengthened product range and brand identity with new packaging.

The PBT increased by approximately RM17.54 million or 142.47% as compared to the FYE December 31, 2015. This was resulted by higher gross profit margin coupled by higher interest income.

FYE December 31, 2017

For the FYE December 31, 2017, revenue of Auric increased by approximately RM18.82 million or 6.89% as compared to the preceding financial year, mainly due to the increase in demand of their products and higher contribution from house-brand products.

The PBT decreased by approximately RM2.67 million or 8.94% as compared to the FYE December 31, 2016. This was resulted by lower gross profit margin arising from a negotiation with a client to reduce its margin where the portfolio of products distributed increased and lower gross profit margin for butter related products.

FPE September 30, 2018

For the nine (9) months FPE September 30, 2018, Auric recorded revenue of RM253.10 million and PBT of RM26.61 million which was due to revenue increase from existing clients following better penetration into more food stores and steady growth in revenue contribution from butter-related house-brand products mainly driven by the increase in volume during the Ramadan month.

The main operating expenses are staff costs and selling and marketing cost.