

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2017**

	INDIVIDUAL 4TH QUARTER		CUMULATIVE 4TH QUARTER	
	31/12/2017 Unaudited RM'000	31/12/2016 Unaudited RM'000	31/12/2017 Unaudited RM'000	31/12/2016 Audited RM'000
1 Revenue	1,377,004	1,326,422	5,510,354	5,271,047
2 Operating expenses	(1,357,992)	(1,308,262)	(5,441,772)	(5,204,394)
3 Other operating income	3,890	1,716	8,993	8,580
4 Profit from operations	22,902	19,876	77,575	75,233
5 Finance cost	(1,951)	(1,716)	(6,854)	(6,336)
6 Profit before taxation	20,951	18,160	70,721	68,897
7 Taxation	(5,348)	(4,794)	(18,727)	(18,430)
8 Profit for the period from operations, net of tax	15,603	13,366	51,994	50,467
10 Net profit for the period	15,603	13,366	51,994	50,467
11 Other comprehensive income :				
- Currency translation differences arising from consolidation	(33)	21	(36)	19
12 Total comprehensive income	15,570	13,387	51,958	50,486
13 Net profit attributable to owners of the parent	15,603	13,366	51,994	50,467
14 Total comprehensive income attributable to owners of the parent	15,570	13,387	51,958	50,486
15 Earnings per share (EPS) based on item 13 above (See Note 1 below)				
(i) EPS attributable to owners of parent	9.90	8.48	32.98	32.01

**Note:**

1 The weighted average number of shares used in item 15 above is computed : 157,658,076 shares.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2017**

	31/12/2017 Unaudited RM'000	31/12/2016 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	27,316	31,664
Intangible assets	186	621
Deferred tax assets	4,241	3,740
Other receivable	731	974
	<u>32,474</u>	<u>36,999</u>
2 Current Assets		
Inventories	612,110	603,162
Trade and other receivables	1,166,757	1,096,999
Derivative financial instrument	-	313
Deposits, bank and cash balances	63,036	125,871
	<u>1,841,903</u>	<u>1,826,345</u>
3 Total Assets	<u><b>1,874,377</b></u>	<u><b>1,863,344</b></u>
4 Equity		
Ordinary share capital	182,172	157,658
Share premium	-	24,514
Foreign currency translation reserve	139	175
Retained earnings	385,756	348,740
Equity attributable to owners of parent	<u>568,067</u>	<u>531,087</u>
Non controlling interest	-	-
	<u><b>568,067</b></u>	<u><b>531,087</b></u>
5 Current Liabilities		
Trade and other payables	1,268,789	1,244,252
Derivative financial instrument	884	-
Borrowings	30,392	82,932
Taxation	3,527	2,355
	<u>1,303,592</u>	<u>1,329,539</u>
6 Non Current Liabilities		
Long term liabilities	2,718	2,718
	<u>2,718</u>	<u>2,718</u>
7 Total Liabilities	<u><b>1,306,310</b></u>	<u><b>1,332,257</b></u>
8 Total Equity and Liabilities	<u><b>1,874,377</b></u>	<u><b>1,863,344</b></u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.6032</u>	<u>3.3686</u>

The unaudited Condensed Consolidated Statement of Finance Position should be read in conjunction with the audited annual financial statements for the year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

(Incorporated in Malaysia)

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2017**

	Issued and fully paid ordinary shares of RM1.00 each		Attributable to owners of the parent		Total Equity	
			Non-distributable		Distributable	
	No of shares 000	Nominal value RM'000	Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000	Accumulated profits RM'000	RM'000
<b><u>YEAR ENDED DECEMBER 31, 2017</u></b>						
At January 1, 2017	157,658	157,658	24,514	175	348,740	531,087
Total comprehensive income for the period	-	-	-	(36)	51,994	51,958
Transition to no-par value regime (Note a)	-	24,514	(24,514)	-	-	-
Dividends	-	-	-	-	(14,978)	(14,978)
At December 31, 2017	157,658	182,172	-	139	385,756	568,067
<b><u>YEAR ENDED DECEMBER 31, 2016</u></b>						
At January 1, 2016	157,658	157,658	24,514	156	313,251	495,579
Total comprehensive income for the period	-	-	-	19	50,467	50,486
Dividends	-	-	-	-	(14,978)	(14,978)
At December 31, 2016	157,658	157,658	24,514	175	348,740	531,087

Note a : In accordance with Section 74 of the Companies Act 2016, the Company's shares no longer have a par or nominal value with effect from January 31, 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. In the accordance with the transitional provisions under Section 618 of the Companies Act, 2016, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have twenty four months upon the commencement of the Companies Act, 2016 to utilise 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.

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

(Incorporated in Malaysia)

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR YEAR ENDED DECEMBER 31, 2017**

	31/12/17 Unaudited RM'000	31/12/16 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	70,721	68,897
Adjustments for non-cash items:		
Depreciation	9,111	9,531
Amortization of trademark	435	1,004
Unrealised derivative losses/(gain)	1,075	(387)
Gain on disposal of property, plant and equipment	(47)	(163)
Interest income	(147)	(449)
Interest expenses	6,854	6,336
Net allowance for impairment of trade receivables	1,096	14,956
Inventories written off	10,712	9,607
Net allowance of inventory obsolescence	2,130	(582)
Net unrealised foreign exchange (gain)/loss	(2,143)	925
Other non-cash items	-	(19)
Operating cash flows before changes in working capital	<u>99,797</u>	<u>109,656</u>
Changes in working capital:		
Inventories	(21,790)	(48,403)
Trade and other receivables	(71,454)	(4,359)
Trade and other payables	27,162	12,669
	<u>(66,082)</u>	<u>(40,093)</u>
Interest paid	(6,905)	(6,234)
Interest received	147	449
Tax paid	(17,213)	(17,300)
<b>Net cash flows used in operating activities</b>	<u><b>9,744</b></u>	<u><b>46,478</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(5,100)	(7,530)
Proceed from disposal of property, plant and equipment	75	245
<b>Net cash flows used in investing activities</b>	<u><b>(5,025)</b></u>	<u><b>(7,285)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown/(repayment)	(52,540)	(5,268)
Dividend paid	(14,978)	(14,978)
<b>Net cash flows generated from/(used) in financing activities</b>	<u><b>(67,518)</b></u>	<u><b>(20,246)</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<u><b>(62,799)</b></u>	<u><b>18,947</b></u>
CURRENCY TRANSLATION DIFFERENCES	(36)	19
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,871	106,905
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><u><b>63,036</b></u></u>	<u><u><b>125,871</b></u></u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	<u>63,036</u>	<u>125,871</u>
	<u><u>63,036</u></u>	<u><u>125,871</u></u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2017

The figures have not been audited

**SEGMENTAL INFORMATION**

	<u>Marketing &amp; Distribution</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>
<u>For the Year Ended December 31, 2017</u>	<u>Services</u> RM'000	<u>Services</u> RM'000	RM'000	RM'000
<b>Revenue</b>				
Total revenue	2,628,792	2,825,396	56,166	5,510,354
<b>Results</b>				
Segment result	45,668	32,790	(883)	77,575
Finance cost				(6,854)
Taxation				(18,727)
Profit for the financial year				<u>51,994</u>
<b><u>As at December 31, 2017</u></b>				
<b>Other Information</b>				
Segment assets	968,134	784,354	24,459	1,776,947
Unallocated assets				97,430
Total assets				<u>1,874,377</u>
Segment liabilities	(460,866)	(693,387)	(2,905)	(1,157,158)
Unallocated liabilities				(149,152)
Total liabilities				<u>(1,306,310)</u>
Capital expenditure	1,661	1,620	1,476	4,757
Depreciation	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

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

(Incorporated in Malaysia)

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and year ended December 31, 2016

**SEGMENTAL INFORMATION**

<b><u>For the Year Ended December 31, 2016</u></b>	<b><u>Marketing &amp;</u></b>	<b><u>Logistics</u></b>	<b><u>Others</u></b>	<b><u>Consolidated</u></b>	
	<b><u>Distribution</u></b>	<b><u>Services</u></b>			<b><u>Services</u></b>
	<b><u>Services</u></b>	<b><u>Services</u></b>			<b><u>Services</u></b>
	RM'000	RM'000	RM'000	RM'000	
<b>Revenue</b>					
Total revenue	2,657,659	2,560,178	53,210	5,271,047	
<b>Results</b>					
Segment result	55,207	22,810	(2,784)	75,233	
Finance cost				(6,336)	
Taxation				(18,430)	
Profit for the financial year				<u>50,467</u>	

<b><u>As at December 31, 2016</u></b>	<b><u>Marketing &amp;</u></b>	<b><u>Logistics</u></b>	<b><u>Others</u></b>	<b><u>Consolidated</u></b>	
	<b><u>Distribution</u></b>	<b><u>Services</u></b>			<b><u>Services</u></b>
	<b><u>Services</u></b>	<b><u>Services</u></b>			<b><u>Services</u></b>
	RM'000	RM'000	RM'000	RM'000	
<b>Other Information</b>					
Segment assets	869,018	807,011	25,366	1,701,395	
Unallocated assets				161,949	
Total assets				<u>1,863,344</u>	
Segment liabilities	(420,650)	(719,379)	(1,598)	(1,141,627)	
Unallocated liabilities				(190,630)	
Total liabilities				<u>(1,332,257)</u>	
Capital expenditure	1,538	2,470	3,093	7,101	
Depreciation	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	

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. Corporate Information**

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

These condensed consolidated interim financial statements were approved by the Board of Directors on February 26, 2018.

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

The unaudited condensed consolidated interim financial statements for the current quarter and year ended December 31, 2017 have been prepared in accordance with MFRS 134 (Interim Financial Reporting) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2016.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements of the Group for the year ended December 31, 2016. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2017, did not have any material impact on the financial results of the Group.

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

The auditors' report on the financial statements of the Group for the year ended December 31, 2016 was not qualified.

**4. Seasonal or Cyclical Factors**

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

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

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

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. Material Changes in Estimates**

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

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

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

**8. Dividend Paid**

No dividends were paid during the quarter ended December 31, 2017.

**9. Segment Information**

The Group's segmental information for the financial year ended December 31, 2017 and December 31, 2016 is presented separately in this interim financial report.

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**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Profit before Tax from Operations**

The following items are included in profit before tax from operations:

	Current quarter ended		Cumulative Year-to-Date ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,266	2,341	9,111	9,531
Amortization of trademark	7	252	435	1,004
Loss/(gain) on derivatives	475	(66)	1,075	(387)
Rental income	(318)	(240)	(1,260)	(1,008)
Interest income	(31)	(36)	(147)	(449)
Interest expenses	1,951	1,716	6,854	6,336
Gain on disposal of property, plant and equipment	2	(19)	(47)	(163)
Net (write back)/Allowance for impairment of trade receivables	2,173	133	1,096	14,956
Inventories written off	4,109	3,940	10,712	9,607
Net allowance/(reversal) of inventory obsolescence	634	(598)	2,130	(582)
Net unrealized foreign exchange (gain)/loss	(805)	925	(2,143)	925
Gain on disposal of quoted/unquoted investment	-	-	-	-
Impairment of assets	-	-	-	-
Exceptional items	-	-	-	-

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

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

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

There were no material events subsequent to the end of the period reported that have not been reflected in the interim financial statements for year ended December 31, 2017.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**14. Related Party Disclosures**

The following table provides information on significant transactions which have been entered into with related parties during financial year ended December 31, 2017 and December 31, 2016, as well as the balances with the related parties as at December 31, 2017 and December 31, 2016:

	Current year ended December 31, 2017 RM'000	Preceding year ended December 31, 2016 RM'000	Intercompany balances - due from/(to) as at	
			December 31, 2017 RM'000	December 31, 2016 RM'000
<b>Sale of goods and services:</b>				
- related company (goods)	1,880	2,498	287	630
- related company (rental)	633	1,008	108	69
- related company (cost sharing)	468	398	77	39
- related company (human resource and information technology charges)	733	586	66	72
	<u>3,714</u>	<u>4,490</u>	<u>538</u>	<u>810</u>
<b>Purchase of goods and services:</b>				
- related company (goods)	16,836	57,509	(2,698)	(8,038)
- related company (management fee)	5,070	4,383	(1,355)	(797)
- related company (information technology charges)	15,996	14,876	(303)	(1,177)
- other related party (rental)	-	9,180	-	-
<b>Others (interest):</b>				
- immediate holding company	1,059	570	(73)	(125)
- intermediate holding company	401	392	(34)	(33)
- related company	-	-	-	-
	<u>39,362</u>	<u>86,910</u>	<u>(4,463)</u>	<u>(10,170)</u>

The amounts receivable from or payable to related parties are unsecured, non-interest bearing and carry credit terms between 30 to 120 days. There were no overdue balances from related parties as at September 30, 2017.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the quarter ended December 31, 2017 and up to February 26, 2018.

**16. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at December 31, 2017 are as follows:

	RM'000
Contracted	<u>2,217</u>
Analyzed as follows:	
- Property, plant and equipment	<u>2,217</u>

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**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – FINANCIAL YEAR ENDED DECEMBER 31, 2017**

(II) **Compliance with Appendix 9B of the Listing Requirements**

1. **Review of Performance**

	Individual 4th Quarter				Immediate Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2017	31/12/2016	Changes		30/09/2017	Changes		31/12/2017	31/12/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,377,004	1,326,422	50,582	3.8%	1,369,985	7,019	0.5%	5,510,354	5,271,047	239,307	4.5%
Operating profit	22,902	19,876	3,026	15.2%	15,606	7,296	46.8%	77,575	75,233	2,342	3.1%
Profit before interest and tax	22,902	19,876	3,026	15.2%	15,606	7,296	46.8%	77,575	75,233	2,342	3.1%
Profit before tax	20,951	18,160	2,791	15.4%	13,791	7,160	51.9%	70,721	68,897	1,824	2.6%
Profit after tax	15,603	13,366	2,237	16.7%	9,988	5,615	56.2%	51,994	50,467	1,527	3.0%
Profit attributable to owners of the parent	15,603	13,366	2,237	16.7%	9,988	5,615	56.2%	51,994	50,467	1,527	3.0%

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(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

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

#### **ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – YEAR ENDED DECEMBER 31, 2017**

##### **(II) Compliance with Appendix 9B of the Listing Requirements**

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

###### **Quarterly**

Revenues for the quarter increased by 3.8% from RM 1.33 billion to RM 1.38 billion as compared to the fourth quarter of 2016 while also increasing by 0.5% from RM 1.37 billion to RM 1.38 billion as compared to the third quarter of 2017. The increase in comparison to prior year is due to continued organic growth in existing clients, while the increase over prior period also reflects that growth and season sales increases due to Christmas and Chinese New Year.

Operating costs for the quarter showed no increase from the third quarter, remaining stable at RM 1.36 billion, while they grew by 3.8% from RM 1.31 billion from the corresponding fourth quarter of 2016. The costs moved in line with the revenue movement.

Profit before tax for the quarter improved by 15.4% compared to the same quarter of 2016 due to organic growth in revenue, and a stable operating cost base. Profit before tax also grew a strong 51.9% compared to the preceding third quarter, reflecting the continuing organic growth in revenue, supported by stable operating costs.

###### **Year-to-date**

Revenues grew by 4.5% from RM 5.27 billion to RM 5.51 billion as compared to 2016. This revenue growth results primarily from underlying organic growth in existing clients, assisted by strategic new business development.

Operating costs increased by 4.5% from RM 5.20 billion to RM 5.44 billion as compared to 2016. These cost increases were in line with the revenue growth listed above. There was a change in product mix in the first quarter which led to a corresponding small increase in cost of goods sold and a small additional increase from temporary warehousing that was required for seasonal stocking. The cost base remains stable at the year end.

Profit before tax increased by 2.6% as compared to 2016. The growth seen here is a result of organic revenue growth and a relatively stable cost base. The year saw some cost increases for additional warehousing but costs have been contained to match revenue growth, resulting in increased profitability.



**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Comments to the Performance of the Business Segments

**Marketing and Distribution segment**

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

	Individual 4th Quarter				Immediate Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2017	31/12/2016	Changes		30/09/2017	Changes		31/12/2017	31/12/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	RM'000
Revenue	637,131	648,407	(11,276)	(1.7%)	638,854	(1,723)	(0.3%)	2,628,792	2,657,659	(28,867)	(1.1%)
Segment results	14,226	11,653	2,573	22.1%	6,877	7,349	106.9%	45,668	55,207	(9,539)	(17.3%)

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

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

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

##### **Quarterly**

Revenues for the quarter were RM 637.1 million, which were 1.7% below revenues of RM 648.4 million in the corresponding fourth quarter of 2016, and 0.3% lower than the RM 638.9 million revenues of the preceding third quarter of 2017. This segment's revenues were affected by a comparative difference in the timing of Chinese New Year in 2017 and 2018, with Chinese New Year occurring later in 2018 and, therefore, more of these festive sales being made in the first quarter of 2018, rather than the fourth quarter of 2017.

The operating result for the quarter was RM 14.2 million, which was 22.1% higher than the same fourth quarter of 2016 and above the preceding third quarter of 2017 by 106.9%. The improved result in the fourth quarter was due to steady sales and well controlled and stable costs.

##### **Year-to-date**

Revenues for 2017 were RM 2.63 billion, which were 1.1% below revenues of RM 2.66 billion in 2016. This segment's revenues grew due to organic growth of existing clients but remain slightly down on prior year due weak consumer demand and the timing of Chinese New Year with both 2017 earlier than 2016, and 2018 later than 2017, meaning that sales from both 2017 and 2018 Chinese New Year festive seasons were relatively lower in 2017.

The operating result for 2017 was RM 45.7 million, which was 17.3% below 2016. The reduction in operating result reflects a product mix shift in the first quarter and temporary additional warehousing costs which were not present in 2016, coupled with the above noted seasonal effects.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Logistics segment**

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

	Individual 4th Quarter				Immediate Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2017	31/12/2016	Changes		30/09/2017	Changes		31/12/2017	31/12/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	722,387	661,690	60,697	9.2%	720,444	1,943	0.3%	2,825,396	2,560,178	265,218	10.4%
Segment results	8,365	7,013	1,352	19.3%	9,641	(1,276)	(13.2%)	32,790	22,810	9,980	43.8%



**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

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

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

##### **Quarterly**

Revenues for the quarter grew by 9.2% compared to the fourth quarter of 2016, increasing from RM 661.7 million to RM 722.4 million, while improving by 0.3% against those of the preceding third quarter of 2017 which was RM 720.4 million. The growth in revenue was organic in both the Healthcare and Telecommunications areas and were slightly restrained by decreased government spending in Healthcare towards the end of the quarter.

The operating result for the quarter was RM 8.4 million, which was a 19.3% increase on the RM 7.0 million reported for 2016 due to strong revenue growth in 2017 and a stable cost base. As compared to the preceding third quarter of 2017, there was a 13.2% decrease due to a one-off provision for a client receivable which is likely to be recovered in 2018.

##### **Year-to-date**

Revenues for 2017 grew by 10.4% compared to 2016, increasing from RM 2.56 billion to RM 2.83 billion. The growth in revenue was organically driven.

The operating result for 2017 was RM 32.8 million, which is a 43.8% increase on 2016. The result against prior year reflects the revenue growth, improved cost efficiency, and a one-off accounting adjustment in 2016.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Others segment**

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

	Individual 4th Quarter				Immediate Preceding 3 <sup>rd</sup> Quarter			Cumulative 4 <sup>th</sup> Quarter			
	31/12/2017	31/12/2016	Changes		30/09/2017	Changes		31/12/2017	31/12/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,486	16,325	1,161	7.1%	10,687	6,799	63.6%	56,166	53,210	2,956	5.6%
Segment results	311	1,210	(899)	(74.3%)	(912)	1,223	134.1%	(883)	(2,784)	1,901	68.3%

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

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

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

##### **Quarterly**

Revenues for the quarter increased by 7.1% from RM 16.3 million to RM 17.5 million as compared to fourth quarter of 2016 and also increased by 63.6% on the preceding third quarter of 2017. The increase in revenue against prior year reflects the improved per store revenue growth as outlet openings and closings are strategically driven. The increase in revenues against the preceding quarter relates to a lack of festive period during the third quarter and Christmas sales occurring during the fourth quarter. At the end of the fourth quarter of 2017, Famous Amos operated 81 outlets nationwide.

The operating result for the fourth quarter of 2017 reduced by RM 0.9 million on the corresponding quarter of 2016 and improved by RM 1.2 million on the preceding third quarter of 2017. The decrease on the corresponding quarter of 2016 is due to minor accounting adjustments in central costs in the fourth quarter of 2016 while the improvement against the preceding third quarter of 2017 relates to positive seasonal revenue fluctuations.

##### **Year-to-date**

Revenues were RM 56.2 million in 2017 which increased by 5.6% against 2016. The improvement in revenue against prior year reflects improved outlet placement and consumer demand, despite a reduction in overall outlets.

The operating result for 2017 was RM -0.9 million, which represents a RM 1.9 million improvement on 2016. The improvement is due to improved revenue and continuing cost efficiencies.

#### **2. Material Changes in Profit before Taxation for the Current Quarter as compared to the Immediate Preceding Quarter**

There were no material items that have affected the performance of the fourth quarter of 2017 compared to the third quarter of 2017.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. Prospects**

The Group takes a cautiously optimistic outlook on 2018. Market conditions have remained variable and are expected to continue this way into early 2018. Costs remain stable and are not expected to significantly increase in 2018.

The client and customer portfolio remains well diversified and supported by a strong sales, marketing and distribution infrastructure with a capillary reach. With a scalable business model, the Group offers a comprehensive portfolio of services along the entire value chain, customized and tailor-made to clients' specific needs. Furthermore, operational risk management processes and controls, supported by an industry leading IT system, continue to support the existing businesses as well as new clients.

Two market trends additionally support a positive medium-to-long-term outlook for the Group. Firstly, the growing middle class in Malaysia supports the demand for consumer goods and healthcare products. Secondly, manufacturers increasingly focus on core competencies and seek specialized service providers in order to grow the market for and with them.

**4. Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast.

**5. Taxation**

	Quarter ended December 31, 2017 RM'000	Quarter ended December 31, 2016 RM'000	Year ended December 31, 2017 RM'000	Year ended December 31, 2016 RM'000
Current year	5,877	4,275	19,169	19,054
Deferred tax	(529)	519	(442)	(624)
	<u>5,348</u>	<u>4,794</u>	<u>18,727</u>	<u>18,430</u>

The effective tax rate for the quarter ended December 31, 2017 was lower compared to similar quarter last year as a subsidiary benefited from reduced tax rate as provided under the Malaysian Budget 2017. As a result, the year to date effective tax rate was marginally reduced compared to previous year. Compared to previous quarter, the effective tax rate was also lower due to the reason mentioned above.

**6. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at February 26, 2018.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Group Borrowings and Debt Securities**

	As at Dec 31, 2017 RM'000	As at Dec 31, 2016 RM'000
<u>Short Term Borrowings</u>		
Unsecured and fully denominated in Ringgit Malaysia:		
- Bank borrowing	-	30,000
- Advances from holding companies	30,392	52,932
<u>Long Term Borrowings</u>	-	-
Total borrowings	30,392	82,932

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value 31/12/2017 RM'000	Fair Value 31/12/2017 RM'000
Foreign exchange contracts		
- less than 1 year	32,781	31,897
<b>Total</b>	<b>32,781</b>	<b>31,897</b>

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

Future liabilities in foreign currencies are covered by forward-purchased currencies from reputable banks when their amounts and due dates are known. Forward hedges are exclusively used for bona-fide and documented trade transactions and not for speculative purposes in line with the DKSH Treasury policy.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at December 31, 2017 resulting in an unrealized derivative loss of RM 0.8 million.

The unrealized derivative loss was due to the slight strengthening of the MYR after forex contracts were entered. In total, an unrealized loss on derivative contracts amounting to RM 1.1 million had been charged to the statement of comprehensive income for the year ended December 31, 2017 from the reversal of the gain on unrealized derivative gain of RM 0.3 million on the outstanding contracts at balance sheet date last year and RM 0.8 million for the current year.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
(Incorporated in Malaysia)

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended December 31, 2017.

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

#### **9. Changes in Material Litigation**

There is no material litigation as at February 26, 2018.

#### **10. Dividend Proposed or Declared**

No dividend was declared or recommended for the quarter under review.

#### **11. Earnings Per Share**

- (a) The earnings used as the numerator in calculating basic and diluted earnings per share for the quarter under review and for year ended December 31, 2017 are RM 15,603,000 and RM 51,994,000 respectively.
- (b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share for the quarter under review and for year ended December 31, 2017 is 157,658,076.

#### **12. Auditors' report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended December 31, 2016.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)  
Company Secretary

Andre' Chai P'o-Lieng (MAICSA 7062103)  
Company Secretary

Petaling Jaya  
February 26, 2018