

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and three months ended March 31, 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER
AND THREE MONTHS ENDED MARCH 31, 2018**

	INDIVIDUAL 1 ST QUARTER		CUMULATIVE 1 ST QUARTER	
	31/03/2018 Unaudited RM'000	31/03/2017 Unaudited RM'000	31/03/2018 Unaudited RM'000	31/03/2017 Unaudited RM'000
1 Revenue	1,455,673	1,369,668	1,455,673	1,369,668
2 Operating expenses	(1,443,655)	(1,355,970)	(1,443,655)	(1,355,970)
3 Other operating income	4,161	1,579	4,161	1,579
4 Profit from operations	16,179	15,277	16,179	15,277
5 Finance cost	(1,699)	(1,768)	(1,699)	(1,768)
6 Profit before taxation	14,480	13,509	14,480	13,509
7 Taxation	(3,672)	(3,463)	(3,672)	(3,463)
8 Profit for the period from operations, net of tax	10,808	10,046	10,808	10,046
9 Net profit for the period	10,808	10,046	10,808	10,046
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	(19)	9	(19)	9
11 Total comprehensive income	10,789	10,055	10,789	10,055
12 Net profit attributable to owners of the parent	10,808	10,046	10,808	10,046
13 Total comprehensive income attributable to owners of the parent	10,789	10,055	10,789	10,055
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent	6.86	6.37	6.86	6.37

Note:

1 The weighted average number of shares used in item 14 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, 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018**

	31/03/2018 Unaudited RM'000	31/12/2017 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	26,760	27,316
Intangible assets	180	186
Deferred tax assets	4,763	4,241
	<u>31,703</u>	<u>31,743</u>
2 Current Assets		
Inventories	618,173	612,110
Trade and other receivables	1,337,028	1,167,616
Deposits, bank and cash balances	46,596	63,036
	<u>2,001,797</u>	<u>1,842,762</u>
3 Total Assets	<u>2,033,500</u>	<u>1,874,505</u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	120	139
Retained earnings	396,651	385,843
Equity attributable to owners of parent	<u>578,943</u>	<u>568,154</u>
Non controlling interest	-	-
	<u>578,943</u>	<u>568,154</u>
5 Current Liabilities		
Trade and other payables	1,326,773	1,268,827
Derivative financial instrument	513	884
Borrowings	85,000	-
Taxation	4,061	3,527
	<u>1,416,347</u>	<u>1,273,238</u>
6 Non Current Liabilities		
Borrowings	35,492	30,392
Long term liabilities	2,718	2,718
Deferred tax liabilities	-	3
	<u>38,210</u>	<u>33,113</u>
7 Total Liabilities	<u>1,454,557</u>	<u>1,306,351</u>
8 Total Equity and Liabilities	<u>2,033,500</u>	<u>1,874,505</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.6721</u>	<u>3.6037</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, 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE MONTHS ENDED MARCH 31, 2018

	Issued and fully paid ordinary shares		Attributable to owners of the parent			Total Equity
			Non-distributable		Distributable	
	Number of shares 000	Nominal value RM'000	Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	RM'000
<u>THREE MONTHS ENDED MARCH 31, 2018</u>						
At January 1, 2018	157,658	182,172	-	139	385,843	568,154
Total comprehensive income for the period	-	-	-	(19)	10,808	10,789
At March 31, 2018	157,658	182,172	-	120	396,651	578,943
<u>THREE MONTHS ENDED MARCH 31, 2017</u>						
At January 1, 2017	157,658	157,658	24,514	175	348,740	531,087
Total comprehensive income for the period	-	-	-	9	10,046	10,055
Transition to no-par value regime (Note a)	-	24,514	(24,514)	-	-	-
At March 31, 2017	157,658	182,172	-	184	358,786	541,142

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 utilize the credit. During the financial period, 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, 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31, 2018**

	31/03/2018 Unaudited RM'000	31/03/2017 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,480	13,509
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	2,228	2,262
Amortization of trademark	6	251
Net unrealized derivative (gains)/losses	(372)	347
Interest income	(48)	(68)
Interest expenses	1,699	1,768
Net allowance/(write back of allowance) for impairment of trade receivables	999	(392)
Inventories written off	3,200	1,979
Net allowance of inventory obsolescence	1,049	4
Net unrealized foreign exchange gains	(927)	(1,173)
Operating cash flows before changes in working capital	<u>22,314</u>	<u>18,487</u>
Changes in working capital:		
Inventories	(10,312)	70,372
Trade and other receivables	(170,414)	(98,677)
Trade and other payables	58,946	(91,234)
	<u>(121,780)</u>	<u>(119,539)</u>
Interest paid	(1,561)	(1,666)
Interest received	48	68
Tax paid	(3,660)	(5,360)
Net cash flows used in operating activities	<u>(104,639)</u>	<u>(108,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,904)	(1,354)
Proceed from disposal of property, plant and equipment	22	4
Net cash flows used in investing activities	<u>(1,882)</u>	<u>(1,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	85,000	24,150
Drawdown	5,100	-
Net cash flows generated from in financing activities	<u>90,100</u>	<u>24,150</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>(16,421)</u>	<u>(85,210)</u>
CURRENCY TRANSLATION DIFFERENCES	(19)	9
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,036	125,871
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u>46,596</u>	<u>40,670</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	46,596	40,670
	<u>46,596</u>	<u>40,670</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, 2017 and the accompanying explanatory notes attached to the interim financial statements.

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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Three Months Ended March 31, 2018</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	686,408	745,124	13,715	1,445,247
Rendering of services	4,163	6,263	-	10,426
Total revenue from contracts with customers	690,571	751,387	13,715	1,455,673
Results				
Segment result	5,223	12,368	(1,412)	16,179
Finance cost				(1,699)
Taxation				(3,672)
Profit for the financial period				10,808
As at March 31, 2018				
Other Information				
Segment assets	1,102,810	802,446	22,218	1,927,474
Unallocated assets				106,026
Total assets				2,033,500
Segment liabilities	(501,935)	(721,988)	(2,103)	(1,226,026)
Unallocated liabilities				(228,531)
Total liabilities				(1,454,557)
Capital expenditure	535	541	620	1,696
Depreciation of property, plant and equipment	437	622	1,169	2,228
Amortization of trademarks	6	-	-	6
Net allowance/(write back of allowance) for doubtful debts	1,090	(90)	(1)	999
Inventories written off	2,840	119	241	3,200
Capital expenditure	257	297	249	803
Depreciation	435	604	1,223	2,262
Amortization of trademarks	251	-	-	251
Net allowance/(write back of allowance) for doubtful debts	10	(402)	-	(392)
Inventories written off	1,625	354	-	1,979

The Group recognized revenue from sales of goods at a point in time, upon delivery of goods and revenue from rendering of services over time.

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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Three Months Ended March 31, 2017</u>	<u>Marketing & Distribution</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>
	<u>Services</u>	<u>Services</u>		
	RM'000	RM'000	RM'000	RM'000
Revenue				
Type of goods or services:				
Sales of goods	660,658	687,977	13,639	1,362,274
Rendering of services	4,413	2,981	-	7,394
Total revenue from contracts with customers	665,071	690,958	13,639	1,369,668
Results				
Segment result	8,675	6,860	(258)	15,277
Finance cost				(1,768)
Taxation				(3,463)
Profit for the financial period				10,046
As at March 31, 2017				
Other Information				
Segment assets	915,857	780,371	24,278	1,720,506
Unallocated assets				82,872
Total assets				1,803,378
Segment liabilities	(456,408)	(605,822)	(2,201)	(1,064,431)
Unallocated liabilities				(197,805)
Total liabilities				(1,262,236)
Capital expenditure	257	297	249	803
Depreciation of property, plant and equipment	435	604	1,223	2,262
Amortization of trademarks	251	-	-	251
Net allowance/(write back of allowance) for doubtful debts	10	(402)	-	(392)
Inventories written off	1,625	354	-	1,979

The Group recognized revenue from sales of goods at a point in time, upon delivery of goods and revenue from rendering of services over time.

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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 May 22, 2018.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and three months ended March 31, 2018 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, 2017.

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, 2017. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2018, 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, 2017 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.

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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 March 31, 2018.

9. Segment Information

The Group's segmental information for the financial three months ended March 31, 2018 and March 31, 2017 is presented separately in this interim financial report.

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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	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,288	2,262	2,288	2,262
Amortization of trademark	6	251	6	251
Net unrealized derivative (gains)/losses	(372)	347	(372)	347
Rental income	(317)	(299)	(158)	(299)
Interest income	(48)	(68)	(48)	(68)
Interest expenses	1,699	1,768	1,699	1,768
Net allowance/(write back of allowance) for impairment of trade receivables	999	(392)	999	(392)
Inventories written off	3,200	1,979	3,200	1,979
Net allowance of inventory obsolescence	1,049	4	1,049	4
Net unrealized foreign exchange gains	(927)	(1,173)	(927)	(1,173)

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 three months ended March 31, 2018.

13. Changes in the Composition of the Group

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Related Party Disclosures

The following table provides information on significant transactions which have been entered into with related parties during financial three months ended March 31, 2018 and March 31, 2017, as well as the balances with the related parties as at March 31, 2018 and March 31, 2017:

	Current period ended March 31, 2018 RM'000	Preceding period ended March 31, 2017 RM'000	Intercompany balances - due from/(to) as at	
			March 31, 2018 RM'000	March 31, 2017 RM'000
Sale of goods and services:				
- related company (goods)	824	561	605	549
- related company (rental)	158	154	87	108
- related company (cost sharing)	147	112	127	78
- related company (human resource and information technology charges)	188	184	116	72
	<u>1,317</u>	<u>1,011</u>	<u>935</u>	<u>807</u>
Purchase of goods and services:				
- related company (goods)	4,856	4,606	(3,197)	(1,004)
- related company (management fee)	1,299	1,160	(290)	(1,179)
- related company (information technology charges)	4,329	3,649	(200)	(709)
Others (interest):				
- immediate holding company	252	383	(174)	(84)
- intermediate holding company	108	103	(71)	(32)
	<u>10,844</u>	<u>9,901</u>	<u>(3,932)</u>	<u>(3,008)</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 March 31, 2018.

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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 March 31, 2018 and up to May 22, 2018.

16. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at March 31, 2018 are as follows:

	RM'000
Contracted	<u>800</u>
Analyzed as follows:	
- Property, plant and equipment	<u>800</u>

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – THREE MONTHS ENDED MARCH 31, 2018
(II) Compliance with Appendix 9B of the Listing Requirements
1. Review of Performance

	Individual 1 st Quarter				Immediate Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2018	31/03/2017	Changes		31/12/2017	Changes		31/03/2018	31/03/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,455,673	1,369,668	86,005	6.3%	1,377,004	78,669	5.7%	1,455,673	1,369,668	86,005	6.3%
Operating profit	16,179	15,277	902	5.9%	22,902	(6,723)	(29.4%)	16,179	15,277	902	5.9%
Profit before interest and tax	16,179	15,277	902	5.9%	22,902	(6,723)	(29.4%)	16,179	15,277	902	5.9%
Profit before tax	14,480	13,509	971	7.2%	20,951	(6,471)	(30.9%)	14,480	13,509	971	7.2%
Profit after tax	10,808	10,046	762	7.6%	15,603	(4,795)	(30.7%)	10,808	10,046	762	7.6%
Profit attributable to owners of the parent	10,808	10,046	762	7.6%	15,603	(4,795)	(30.7%)	10,808	10,046	762	7.6%

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**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD – THREE MONTHS ENDED MARCH 31, 2018**

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

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

Quarterly

Revenues grew by 6.3% from RM 1.37 billion in the first quarter of 2017 to RM 1.46 billion in the first quarter of 2018, while increasing by 5.7% from RM 1.38 billion in the fourth quarter of 2017. This revenue growth results from underlying organic growth in existing clients.

Operating costs increased by 6.5% from RM 1.36 billion in the first quarter of 2017 to RM 1.44 billion in the first quarter of 2018, while they similarly grew by 6.3% from RM 1.36 billion in the preceding fourth quarter of 2017. These cost increases were largely in line with the revenue growth listed above.

Profit before tax for the quarter improved by 7.2% compared to the similar quarter of 2017 due to organic growth in existing clients and one-off debts recovery in first quarter of 2018. However, as compared to preceding fourth quarter of 2017, there was a reduction of 30.9% primarily due to the cost increase for the quarter were higher than the growth in revenue due to a change in product mix.

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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 1 st Quarter				Immediate Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2018	31/03/2017	Changes		31/12/2017	Changes		31/03/2018	31/03/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	690,571	665,071	25,000	3.8%	637,131	53,440	8.4%	690,571	665,071	25,000	3.8%
Segment results	5,223	8,675	(3,453)	(39.8%)	14,226	(9,003)	(63.3%)	5,223	8,675	(3,453)	(39.8%)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketing and Distribution segment (continued)

Quarterly

Revenues for the first quarter of 2018 were RM 690.6 million, which were 3.8% above revenues of RM 665.1 million in the corresponding first quarter of 2017, and 8.4% higher than the RM 637.1 million revenues of the preceding fourth quarter of 2017. This segment's improved revenues particularly reflect the organic growth in existing clients and due to timing of Chinese New Year, with 2018 later than 2017, which resulted in more seasonal sales being captured in the first quarter of 2018.

The first quarter 2018 operating result was RM 5.2 million, which was 39.8% below the same first quarter of 2017 and 63.3% below the preceding fourth quarter of 2017. The reduction in operating result reflects a product mix shift, effect from a one-off doubtful debt provision and slightly increased cost base relative to the prior year and preceding fourth quarter of 2017 to support future growth.

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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 1 st Quarter				Immediate Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2018	31/03/2017	Changes		31/12/2017	Changes		31/03/2018	31/03/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	751,387	690,958	60,429	8.7%	722,387	29,000	4.0%	751,387	690,958	60,429	8.7%
Segment results	12,368	6,860	5,508	80.3%	8,365	4,003	47.9%	12,368	6,860	5,508	80.3%

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Logistics segment (continued)

Quarterly

Revenues for the first quarter of 2018 grew by 8.7% compared to the first quarter of 2017, increasing from RM 691.0 million to RM 751.4 million, while improving by 4.0% against those of the preceding fourth quarter of 2017 which was RM 722.4 million. The growth in revenue was organic in both the Healthcare and Telecommunications areas of the segment.

The operating result for this segment in the first quarter of 2018 was RM 12.4 million, which is an 80.3% increase on the same first quarter of 2017 and a 47.9% increase on the preceding fourth quarter of 2017. The large improvements against prior year reflects improved margin mix and one-off debts recovery, while the improvement against the preceding quarter is primarily due to the one-off doubtful debt provision in the preceding quarter, one-off debts recovery in this quarter, with some additional effect from improved revenues.

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Others segment

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

	Individual 1 st Quarter				Immediate Preceding 4 th Quarter			Cumulative 1 st Quarter			
	31/03/2018	31/03/2017	Changes		31/12/2017	Changes		31/03/2018	31/03/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,715	13,639	76	0.6%	17,486	(3,711)	(21.6%)	13,715	13,639	76	0.6%
Segment results	(1,412)	(258)	(1,154)	>100%	311	(1,723)	<100%	(1,412)	(258)	(1,154)	>100%

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Others segment (continued)

Quarterly

Revenues were RM 13.7 million in the first quarter of 2018 which increased slightly by 0.6% on the same quarter of 2017 and reduced by 21.6% on the preceding fourth quarter of 2017. The improvement in revenue against prior year reflects improving consumer demand, while the reduction from the preceding quarter is due to normal seasonal flows which create much larger festive sales in the fourth quarter. At the end of the first quarter of 2018, Famous Amos operated 80 outlets nationwide.

The operating result for the first quarter of 2018 was RM 1.2 million lower than prior year and RM 1.7 million lower than the preceding fourth quarter of 2017. The reduction in comparison to the prior year highlights relatively low sales growth with rising expenses and minor accounting adjustments in central costs in 2017, while the decrease from preceding fourth quarter of 2017 reflects the declining revenue discussed above.

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 first quarter of 2018 compared to the fourth quarter of 2017.

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3. Prospects

The Group takes a cautiously optimistic outlook on 2018, although we expect some short-term volatility during the transition to zero GST. The long-term outlook is positive following these changes. 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 March 31, 2018 RM'000	Quarter ended March 31, 2017 RM'000	Period ended March 31, 2018 RM'000	Period ended March 31, 2017 RM'000
Current year	4,197	3,384	4,197	3,384
Deferred tax	(525)	79	(525)	79
	<u>3,672</u>	<u>3,463</u>	<u>3,672</u>	<u>3,463</u>

The effective tax rate for the quarter ended March 31, 2018 was slightly better compared to similar quarter last year as all subsidiaries contributed positively to the bottom line except for one subsidiary which experienced low profit, whilst non-deductible expenses in the form depreciation remained unchanged in the short term.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at May 22, 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Group Borrowings and Debt Securities

	As at Mar 31, 2018 RM'000	As at Mar 31, 2017 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowing	85,000	78,000
<u>Long Term Borrowings</u>		
- Advances from holding companies	35,492	29,082
Total borrowings	<u>120,492</u>	<u>107,082</u>

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value Mar 31, 2018 RM'000	Fair Value Mar 31, 2017 RM'000
Foreign exchange contracts		
- less than 1 year	25,133	24,620
Total	<u>25,133</u>	<u>24,620</u>

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 March 31, 2018 resulting in an unrealized derivative loss of RM 0.5 million.

The unrealized derivative loss was due to the slight strengthening of the MYR after forex contracts were entered. In total, a net unrealized gain on derivative contracts amounting to RM 0.3 million had been charged to the statement of comprehensive income for the three months ended March 31, 2018 from the reversal of the unrealized loss on derivative of RM 0.8 million on the outstanding contracts at balance sheet date last year and RM 0.5 million for the current period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Changes in Material Litigation

There is no material litigation as at May 22, 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 three months ended March 31, 2018 are RM 10,808,000 and RM 10,808,000 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 three months ended March 31, 2018 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, 2017.

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)
Company Secretary

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

Petaling Jaya
May 22, 2018