

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

	INDIVIDUAL 3 <sup>RD</sup> QUARTER		CUMULATIVE 3 <sup>RD</sup> QUARTER	
	30/09/2018 Unaudited RM'000	30/09/2017 Unaudited RM'000	30/09/2018 Unaudited RM'000	30/09/2017 Unaudited RM'000
1 Revenue	1,515,990	1,369,985	4,414,127	4,133,350
2 Operating expenses	(1,501,633)	(1,356,961)	(4,366,999)	(4,083,780)
3 Other operating income	832	2,582	5,168	5,103
4 Profit from operations	15,189	15,606	52,296	54,673
5 Finance cost	(2,412)	(1,815)	(5,951)	(4,903)
6 Profit before tax	12,777	13,791	46,345	49,770
7 Taxation	(3,586)	(3,803)	(12,293)	(13,379)
8 Profit for the period, net of tax	9,191	9,988	34,052	36,391
9 Net profit for the period	9,191	9,988	34,052	36,391
10 Other comprehensive income :				
- Currency translation differences arising from consolidation	13	(3)	(2)	(3)
11 Total comprehensive income	9,204	9,985	34,050	36,388
12 Net profit attributable to owners of the parent	9,191	9,988	34,052	36,391
13 Total comprehensive income attributable to owners of the parent	9,204	9,985	34,050	36,388
14 Earnings per share (EPS) based on item 12 above (See Note 1 below)				
(i) EPS attributable to owners of parent	5.83	6.34	21.60	23.08

## 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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**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2018

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2018**

	30/09/2018 Unaudited RM'000	31/12/2017 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	25,927	27,316
Intangible assets	166	186
Deferred tax assets	5,654	4,241
	<u>31,747</u>	<u>31,743</u>
2 Current Assets		
Inventories	697,601	612,110
Trade and other receivables	1,331,667	1,167,616
Derivative financial instrument	292	-
Deposits, bank and cash balances	22,984	63,036
	<u>2,052,544</u>	<u>1,842,762</u>
3 Total Assets	<u><b>2,084,291</b></u>	<u><b>1,874,505</b></u>
4 Equity		
Ordinary share capital	182,172	182,172
Foreign currency translation reserve	137	139
Retained earnings	404,129	385,843
Equity attributable to owners of parent	<u><b>586,438</b></u>	<u><b>568,154</b></u>
5 Current Liabilities		
Trade and other payables	1,300,524	1,268,827
Derivative financial instrument	-	884
Borrowings	157,800	-
Taxation	3,966	3,527
	<u>1,462,290</u>	<u>1,273,238</u>
6 Non Current Liabilities		
Borrowings	32,842	30,392
Long term liabilities	2,718	2,718
Deferred tax liabilities	3	3
	<u>35,563</u>	<u>33,113</u>
7 Total Liabilities	<u><b>1,497,853</b></u>	<u><b>1,306,351</b></u>
8 Total Equity and Liabilities	<u><b>2,084,291</b></u>	<u><b>1,874,505</b></u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.7197</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 NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Issued and fully paid ordinary shares		Attributable to owners of the parent		Distributable	Total Equity
	Number of shares 000	Amount RM'000	Non-distributable Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000		
<u>NINE MONTHS ENDED SEPTEMBER 30, 2018</u>						
At January 1, 2018	157,658	182,172	-	139	385,843	568,154
Total comprehensive income for the period	-	-	-	(2)	34,052	34,050
Dividends	-	-	-	-	(15,766)	(15,766)
At SEPTEMBER 30, 2018	157,658	182,172	-	137	404,129	586,438
<u>NINE MONTHS ENDED SEPTEMBER 30, 2017</u>						
At January 1, 2017	157,658	157,658	24,514	175	348,740	531,087
Total comprehensive income for the period	-	-	-	(3)	36,391	36,388
Transition to no-par value regime (Note a)	-	24,514	(24,514)	-	-	-
Dividends	-	-	-	-	(14,978)	(14,978)
At SEPTEMBER 30, 2017	157,658	182,172	-	172	370,153	552,497

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 NINE MONTHS ENDED SEPTEMBER 30, 2018**

	30/09/2018 Unaudited RM'000	30/09/2017 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	46,345	49,770
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	6,629	6,845
Amortization of trademark	20	428
Net unrealized derivative (gains)/losses	(1,029)	600
Gain on disposal of property, plant and equipment	(10)	(49)
Written off property, plant and equipment	15	-
Interest income	(80)	(116)
Interest expenses	5,951	4,903
Net allowance/(write back of allowance) for impairment of trade receivables	3,588	(1,077)
Inventories written off	8,450	6,603
Net allowance of inventory obsolescence	2,814	1,496
Net unrealized foreign exchange losses/(gains)	1,672	(1,338)
Operating cash flows before changes in working capital	<u>74,365</u>	<u>68,065</u>
Changes in working capital:		
Inventories	(96,755)	(10,862)
Trade and other receivables	(167,651)	(183,130)
Trade and other payables	30,074	(20,150)
	<u>(234,332)</u>	<u>(214,142)</u>
Interest paid	(5,936)	(4,958)
Interest received	80	116
Tax paid	(13,255)	(13,540)
<b>Net cash flows used in operating activities</b>	<u><b>(179,078)</b></u>	<u><b>(164,459)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(5,470)	(4,157)
Proceed from disposal of property, plant and equipment	14	64
<b>Net cash flows used in investing activities</b>	<u><b>(5,456)</b></u>	<u><b>(4,093)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings	160,250	67,391
Dividend paid	(15,766)	(14,978)
<b>Net cash flows generated from financing activities</b>	<u><b>144,484</b></u>	<u><b>52,413</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>(40,050)</b>	<b>(116,139)</b>
CURRENCY TRANSLATION DIFFERENCES	(2)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,036	125,871
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><b>22,984</b></u>	<u><b>9,732</b></u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	<u>22,984</u>	<u>9,732</u>
	<u><u>22,984</u></u>	<u><u>9,732</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, 2017 and the accompanying explanatory notes attached to the interim financial statements.

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## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2018

The figures have not been audited

## SEGMENTAL INFORMATION

<u>For the Nine Months Ended September 30, 2018</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	2,099,282	2,239,962	42,909	4,382,153
Rendering of services	11,570	20,404	-	31,974
<b>Total revenue from contracts with customers</b>	<b>2,110,852</b>	<b>2,260,366</b>	<b>42,909</b>	<b>4,414,127</b>
<b>Results</b>				
Segment result	19,628	34,662	(1,994)	52,296
Finance cost				(5,951)
Taxation				(12,293)
Profit for the financial period				<u>34,052</u>
<b>As at September 30, 2018</b>				
<b>Net assets</b>				
Segment assets	1,142,133	838,134	22,786	2,003,053
Unallocated assets				81,238
Total assets				<u>2,084,291</u>
Segment liabilities	(497,862)	(694,537)	(2,552)	(1,194,951)
Unallocated liabilities				(302,902)
Total liabilities				<u>(1,497,853)</u>
<b>Other information</b>				
Capital expenditure	2,072	1,331	1,859	5,262
Depreciation of property, plant and equipment	1,339	1,855	3,435	6,629
Amortization of trademarks	20	-	-	20
Net allowance/(write back of allowance) for doubtful debts	5,592	(1,953)	(51)	3,588
Inventories written off	7,820	(26)	656	8,450

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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## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2017

The figures have not been audited

## SEGMENTAL INFORMATION

<u>For the Nine Months Ended September 30, 2017</u>	<u>Marketing &amp;</u>			
	<u>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
<b>Revenue</b>				
<b>Type of goods or services:</b>				
Sales of goods	1,979,234	2,086,513	38,680	4,104,427
Rendering of services	12,427	16,496	-	28,923
<b>Total revenue from contracts with customers</b>	<b>1,991,661</b>	<b>2,103,009</b>	<b>38,680</b>	<b>4,133,350</b>
<b>Results</b>				
Segment result	31,442	24,425	(1,194)	54,673
Finance cost				(4,903)
Taxation				(13,379)
Profit for the financial period				<u>36,391</u>
<b>As at September 30, 2017</b>				
<b>Net assets</b>				
Segment assets	979,767	858,164	24,628	1,862,559
Unallocated assets				66,809
Total assets				<u>1,929,368</u>
Segment liabilities	(473,416)	(646,884)	(2,728)	(1,123,028)
Unallocated liabilities				(253,843)
Total liabilities				<u>(1,376,871)</u>
<b>Other information</b>				
Capital expenditure	1,250	1,223	1,132	3,605
Depreciation of property, plant and equipment	1,358	1,849	3,638	6,845
Amortization of trademarks	428	-	-	428
Net allowance/(write back of allowance) for doubtful debts	224	(1,314)	13	(1,077)
Inventories written off	5,667	936	-	6,603

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 November 8, 2018.

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

The unaudited condensed consolidated interim financial statements for the current quarter and nine months ended September 30, 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**

The following dividend payment was made during the period ended September 30, 2018:

	RM'000
In respect of the financial year ended December 31, 2017:	
- Final single tier dividend of 10.0 sen per share paid on July 12, 2018	<u>15,766</u>

**9. Segment Information**

The Group's segmental information for the financial nine months ended September 30, 2018 and September 30, 2017 is presented separately in this interim financial report.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Profit before Tax**

The following items are included in profit before tax:

	Current quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,182	2,335	6,629	6,845
Amortization of trademark	7	8	20	428
Net unrealized derivative (gains)/losses	(95)	130	(1,029)	600
Rental income	(317)	(323)	(951)	(942)
Interest income	(13)	(32)	(80)	(116)
Interest expenses	2,412	1,815	5,951	4,903
Gain on disposal of property, plant and equipment	(10)	(47)	(10)	(49)
Net allowance/(write back of allowance) for impairment of trade receivables	2,727	(102)	3,588	(1,077)
Inventories written off	2,988	2,539	8,450	6,603
Net allowance of inventory obsolescence	649	1,089	2,814	1,496
Net unrealized foreign exchange losses/(gains)	749	(1,154)	1,672	(1,338)
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 nine months ended September 30, 2018.

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**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 nine months ended September 30, 2018 and September 30, 2017, as well as the balances with the related parties as at September 30, 2018 and September 30, 2017:

	Current nine months ended September 30, 2018 RM'000	Preceding nine months ended September 30, 2017 RM'000	Intercompany balances - due from/(to) as at	
			September 30, 2018 RM'000	September 30, 2017 RM'000
<b>Sale of goods and services:</b>				
- related companies (goods)	1,339	1,466	93	157
- related companies (rental)	474	478	161	117
- related companies (cost sharing)	241	340	58	80
- related companies (human resource and information technology charges)	543	554	102	72
	<u>2,597</u>	<u>2,838</u>	<u>414</u>	<u>426</u>
<b>Purchase of goods and services:</b>				
- related companies (goods)	(14,004)	(13,640)	(4,562)	(1,833)
- related company (management fee)	(3,865)	(3,700)	(7)	(1,368)
- related company (information technology charges)	(12,801)	(11,686)	(515)	(76)
<b>Others (interest):</b>				
- immediate holding company	(809)	(847)	(85)	(77)
- intermediate holding company	(322)	(299)	(37)	(26)
	<u>(31,801)</u>	<u>(30,172)</u>	<u>(5,206)</u>	<u>(3,380)</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, 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 September 30, 2018 and up to November 8, 2018.

**16. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at September 30, 2018 are as follows:

	RM'000
Contracted	<u>2,058</u>
Analyzed as follows:	
- Property, plant and equipment	<u>2,058</u>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – NINE MONTHS ENDED SEPTEMBER 30, 2018**
**(II) Compliance with Appendix 9B of the Listing Requirements**
**1. Review of Performance**

	Individual 3 <sup>rd</sup> Quarter				Immediate Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2018	30/09/2017	Changes		30/06/2018	Changes		30/09/2018	30/09/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,515,990	1,369,985	146,005	10.7%	1,442,464	73,526	5.1%	4,414,127	4,133,350	280,777	6.8%
Profit from operations	15,189	15,606	(417)	(2.7%)	20,928	(5,739)	(27.4%)	52,296	54,673	(2,377)	(4.3%)
Profit before interest and tax	15,189	15,606	(417)	(2.7%)	20,928	(5,739)	(27.4%)	52,296	54,673	(2,377)	(4.3%)
Profit before tax	12,777	13,791	(1,014)	(7.4%)	19,088	(6,311)	(33.1%)	46,345	49,770	(3,425)	(6.9%)
Profit after tax	9,191	9,988	(797)	(8.0%)	14,053	(4,862)	(34.6%)	34,052	36,391	(2,339)	(6.4%)
Profit attributable to owners of the parent	9,191	9,988	(797)	(8.0%)	14,053	(4,862)	(34.6%)	34,052	36,391	(2,339)	(6.4%)

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Quarterly**

Revenues for the quarter grew by 10.7% from RM 1.37 billion to RM 1.52 billion as compared to the corresponding third quarter of 2017, while improving by 5.1% from RM 1.44 billion in the second quarter of 2018. The increase in comparison to the corresponding third quarter of 2017 is due to organic growth in existing clients while the increase over preceding second quarter of 2018 is due to a shift in consumer demand in the preceding second quarter of 2018 following the transition of the Goods and Services Tax (GST) rate from 6% to 0% which was effective from June 1, 2018.

Operating expenses for the quarter increased by 10.7% from RM 1.36 billion to RM 1.50 billion as compared to corresponding third quarter of 2017. The increase was in line with the revenue growth listed above. Operating expenses increased by 5.6% from RM 1.42 billion to RM 1.50 billion as compared to the preceding second quarter of 2018. The cost increased more than the improvement in revenue due to a one-off doubtful debts provision in the current quarter resulting in profit from operations decreased by 34.6% compared to the preceding second quarter of 2018.

Profit before tax for the quarter declined by 7.4% compared to the same quarter of 2017 and declined by 33.1% compared to the preceding second quarter of 2018. The result against prior year is primarily due to one-off other income recorded in the corresponding quarter of 2017, while the result compared to the preceding quarter is driven by the one-off doubtful debts provision.

**Year-to-date**

Revenues grew by 6.8% from RM 4.13 billion to RM 4.41 billion as compared to 2017. This revenue growth resulted from underlying organic growth in existing clients, primarily in the Logistics segment.

Operating expenses increased by 6.9% from RM 4.08 billion to RM 4.37 billion as compared to 2017. This cost increase was largely in line with the revenue growth listed above. However, the cost increase for the period was slightly higher than the growth in revenue due to a change in product mix which led to a corresponding small increase in cost of goods sold and slight increase in cost base to support future growth.

Profit before tax declined by 6.9% as compared to 2017. The lower profit before tax performance is a result of the change in product mix and slight increase in cost base as mentioned above.

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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 3 <sup>rd</sup> Quarter				Immediate Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2018	30/09/2017	Changes		30/06/2018	Changes		30/09/2018	30/09/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	726,384	638,854	87,530	13.7%	693,897	32,487	4.7%	2,110,852	1,991,661	119,191	6.0%
Segment results	4,935	6,877	(1,942)	(28.2%)	9,471	(4,536)	(47.9%)	19,628	31,442	(11,814)	(37.6%)

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**Marketing and Distribution segment (continued)**

**Quarterly**

Revenues for the quarter grew by 13.7% compared to the corresponding third quarter of 2017, increasing from RM 638.9 million to RM 726.4 million, while improving by 4.7% against the preceding second quarter of 2018 which was RM 693.9 million. This segment's improved revenue reflects stability of sales and ongoing organic growth of existing clients.

The operating result for the quarter was RM 4.9 million, which was 28.2% below the same third quarter of 2017 and below the preceding second quarter of 2018 by 47.9%. The reduction in operating result against the third quarter of 2017 reflects a product mix shift, effect from a one-off doubtful debts provision and increased cost base relative to the prior year quarter and preceding second quarter of 2018.

**Year-to-date**

Revenues for 2018 were RM 2.11 billion, which were 6.0% above revenues of RM 2.00 billion in 2017. This segment's revenues grew due to organic growth of existing clients and 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 operating result for 2018 was RM 19.6 million, which was 37.6% below 2017. The reduction in operating result reflects a product mix shift in the second quarter, one-off doubtful debts provision and increased cost base relative to the prior period 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 3 <sup>rd</sup> Quarter				Immediate Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2018	30/09/2017	Changes		30/06/2018	Changes		30/09/2018	30/09/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	775,767	720,444	55,323	7.7%	733,212	42,555	5.8%	2,260,366	2,103,009	157,357	7.5%
Segment results	11,133	9,641	1,492	15.5%	11,161	(28)	(0.3%)	34,662	24,425	10,237	41.9%



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**Logistics segment (continued)**

**Quarterly**

Revenues for the quarter were RM 775.8 million, which were 7.7% higher than the RM 720.4 million revenues in the corresponding third quarter of 2017, and 5.8% higher than the revenues of RM 733.2 million of the preceding second quarter of 2018. The growth in revenue compared to the corresponding third quarter of 2017 and preceding second quarter of 2018 reflect the organic growth in this segment and does not have a festive period effect as the products are not seasonal.

The operating result for the quarter was RM 11.1 million, which is an 15.5% increase on RM 9.6 million reported for the corresponding third quarter of 2017, reflects improved margin mix and continued gains from operational efficiencies. As compared to the preceding second quarter of 2018, the operating results is relatively stable showing a marginal decrease by 0.3%.

**Year-to-date**

Revenues for 2018 grew by 7.5% compared to 2017, increasing from RM 2.10 billion to RM 2.26 billion. The growth in revenue was organically driven.

The operating result for 2018 was RM 34.7 million, which is an 41.9% increase on 2017. This reflects strong revenues supported by improving margin mix, one-off debts recovery in first quarter of 2018 and operational efficiencies which reduce operating expenses.

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**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 3 <sup>rd</sup> Quarter				Immediate Preceding 2 <sup>nd</sup> Quarter			Cumulative 3 <sup>rd</sup> Quarter			
	30/09/2018	30/09/2017	Changes		30/06/2018	Changes		30/09/2018	30/09/2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,839	10,687	3,152	29.5%	15,355	(1,516)	(9.9%)	42,909	38,680	4,229	10.9%
Segment results	(879)	(912)	33	(3.6%)	297	(1,176)	< (100%)	(1,994)	(1,194)	(800)	67.0%

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Others segment (continued)**

**Quarterly**

Revenues for the quarter grew by 29.5% from RM 10.7 million to RM 13.8 million as compared to the corresponding third quarter of 2017 but decreased by 9.9% on the preceding second quarter of 2018. The improvement in revenue against prior year reflects the addition in total outlets and improving consumer demand, while the reduction from the preceding quarter relates to a lack of festive period during the third quarter, which is the opposite of the second quarter which included the Hari Raya festive period. At the end of the third quarter of 2018, Famous Amos operated 86 outlets nationwide.

The operating result for the third quarter of 2018 improved marginally by 3.6% on the corresponding quarter of 2017 and reduced by RM 1.2 million on the preceding second quarter of 2018. The improvement on the corresponding quarter of 2017 is due to improved revenue while the reduction against the preceding second quarter of 2018 relates to seasonal revenue fluctuations.

**Year-to-date**

Revenues were RM 42.9 million in 2018 which increased by 10.9% against 2017. The improvement in revenue against prior year reflects the addition in total outlets and improving consumer demand.

The operating result for the third quarter of 2018 was RM 0.8 million lower than prior year. The reductions reflect rising expenses despite improved revenue.

**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 third quarter of 2018 compared to the second quarter of 2018.

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**3. Prospects**

The Group continues to take an overall neutral outlook on 2018. Prospects remain positive for the Logistics Segment. However, prospects for the Marketing and Distribution Segment remain less positive due to short-term volatility relating to the introduction of Sales and Services Tax (SST) on September 01, 2018. A one-off negative impact from a specific client contract impacted the third quarter result but is not expected to affect the fourth quarter. The long-term outlook remains positive.

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 that will help 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 September 30, 2018 RM'000	Quarter ended September 30, 2017 RM'000	Nine months ended September 30, 2018 RM'000	Nine months ended September 30, 2017 RM'000
Current year	3,884	3,958	13,706	13,292
Deferred tax	(298)	(155)	(1,413)	87
	<u>3,586</u>	<u>3,803</u>	<u>12,293</u>	<u>13,379</u>

The effective tax rate for the quarter and nine months ended September 30, 2018 was comparable to similar quarter and prior period as all subsidiaries contributed positively to the bottom line, 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 November 8, 2018.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Group Borrowings and Debt Securities**

	As at September 30, 2018 RM'000	As at September 30, 2017 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Short Term Borrowings</u>		
- Bank borrowing	157,800	122,431
<u>Long Term Borrowings</u>		
- Advances from holding companies	32,842	27,892
Total borrowings	<u>190,642</u>	<u>150,323</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value September 30, 2018 RM'000	Fair Value September 30, 2018 RM'000
Foreign exchange contracts		
- less than 1 year	36,893	37,185
<b>Total</b>	<b><u>36,893</u></b>	<b><u>37,185</u></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. There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate this risk since the financial year ended December 31, 2017.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at September 30, 2018 resulting in an unrealized derivative gain of RM 0.2 million.

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The unrealized derivative gain was due to the slight weakening of the MYR after forex contracts were entered. In total, a net unrealized gain on derivative contracts amounting to RM 1.0 million had been charged to the statement of comprehensive income for the nine months ended September 30, 2018.

**9. Fair Value Changes of Financial Liabilities**

Other than derivatives which are classified as liabilities only when they are at fair value gain position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

**10. Changes in Material Litigation**

There is no material litigation as at November 8, 2018.

**11. Dividend Proposed or Declared**

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

**12. 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 nine months ended September 30, 2018 are RM 9,191,000 and RM 34,052,000 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 nine months ended September 30, 2018 is 157,658,076.

**13. 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  
November 8, 2018