

DKSH HOLDINGS (MALAYSIA) BERHAD

(Company No. 199101021067 (231378-A))

(Incorporated in Malaysia)

Summary of Key Matters discussed at the Twenty-Eighth Annual General Meeting (“28th AGM”) of DKSH Holdings (Malaysia) Berhad (“the Company”) conducted entirely through live streaming from the broadcast venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Wednesday, June 24, 2020 at 10:00 a.m.

Pursuant to Paragraph 9.21(2)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a listed issuer must publish a summary of key matters discussed at the Annual General Meeting of the Company on the Company’s website.

The summary of key matters discussed at the 28th AGM of the Company held on June 24, 2020 are listed as below:

1. Presentation of the overview of the business and financial highlights of the Group

Prior to receiving the Audited Financial Statements of the Company for the financial year ended December 31, 2019, the Chairman of AGM/Group Finance Director presented an overview of the business and financial highlights of the Group for the financial year 2019 and key initiatives for 2020.

The Chairman of AGM declared that the Audited Financial Statements of the Company for the financial year ended December 31, 2019 together with the Reports of the Directors and Auditors thereon, be received.

2. Questions-and-answer session with shareholders and/or proxies

Pre-submission questions from shareholder before AGM

1. The financial cost is relatively high, please advise ways to reduce it?
(submitted by Ng Yan Khai – shareholder)

Answer:

The increase of finance cost was mainly due to financing cost incurred related to acquisition of Auric Malaysia and interest expense on lease liabilities arising from adoption of new accounting standards.

2. Famous Amos business is on par with expectations, please advise strategies to improve it?
(submitted by Ng Yan Khai – shareholder)

Answer:

- DKSH constantly innovates our product offerings and finds new ways to keep the Famous Amos brand relevant to enable growth in market share.
 - The outlook for this segment remains positive in the long-term and further strategic expansion of market presence is planned.
3. The on-going cost rationalization project has yet to bring any significant benefits to the Group. Will DKSH have another round of cost optimization project?
(submitted by Ng Yan Khai – shareholder)

Answer:

- DKSH has no intention to run another project with external consultants as DKSH has internalized the methods and ways of working and constantly looking at ways to improve operationally matters.
 - Most benefits realized are ongoing and DKSH will continue to use the same methodology and actions to drive future profit optimization.
 - While the costs have been fully recognized by the end of 2019 and the involvement of the external consultants has concluded, the initiatives are ongoing and incremental benefits will continue to be realized throughout 2020.
4. Why has DKSH stopped paying dividend?
(submitted by Ng Yan Khai – shareholder)

Answer:

- As the longer-term market effects of the COVID-19 pandemic are unclear, DKSH takes a cautious approach to cashflow management and has prioritized retaining cash in the business in order to be well prepared for any unexpected impacts from the crisis.
 - The board will continue to review the prevailing market and cash position throughout the year and will consider an interim dividend when it is prudent to do so.
5. What is the management strategy of managing the cost of the Company?
(submitted by Ten Woon Hwa – shareholder)

Answer:

- DKSH has made a major commitment to the improvement of cost efficiencies, in part evidenced by the major profitability uplift project undertaken in 2018 and 2019 which focused primarily on costs, inventories, account receivables and other improvement exercises.
- Additionally, DKSH undertook the acquisition of Auric Pacific to open new channels, realize synergies and provide further profit uplift.

6. What is the Company's plan to increase share price performance?
(submitted by Ten Woon Hwa – shareholder)

Answer:

- Share price is a product of market forces and market factors are not always rational.
- Fundamental analysis does not fully explain the movements in share price and there are many other factors, including economic, political, etc. that influence the share price.
- We do not manage our share price and will continue to focus on delivering good results that will eventually increase our share price.

7. What is the plan of DKSH to improve its profitability?
(submitted by Ten Woon Hwa – shareholder)

Answer:

- DKSH Malaysia's basic strategy for growth is to continue to grow our top line through acquisition of new businesses whilst at the same time focuses on cost efficiencies to increase the bottom-line profit faster than the top-line sales growth.
- There is no plan to radically change our basic business model but we will continue to adapt to the market and drive uplift and efficiency across the organization.

8. Why has the profit and share price went down over the years? Does DKSH have the right people for the right job?
(submitted by Ten Woon Hwa – shareholder)

Answer:

- Share price peaked in 2014 due to sale of a significant piece of real estate. This was an exceptional event that could not be repeated as DKSH is not in the business of buying and selling real estate.
- Over the last five to ten years, there has been a major shift in the consumer goods market in particular with customer channel change and shift towards e-commerce.
- DKSH may not have had the right leadership in place in our Consumer Goods business to drive the changes needed. However, two years ago, the leadership in both Consumer Goods and Supply Chain have changed and DKSH is confident that we have the right leaders to bring our business to the next level.

Questions submitted via RPV chat box during the AGM

1. What are the reasons for the higher inventories written off amounting to RM 20.119 million in FY 2019?
(submitted by Lew Tuck Wai – shareholder)

Answer:

- The higher inventories written off were due to significant impact caused by high return from some clients due to product issues such as market hygiene and some contaminated products.
- We are able to recover most of the returns cost from our clients.

2. What is the interest rate for the RM 500 million loan for acquisition of Auric Pacific? Is the Company looking at refinancing the loan in lower interest rates?
(submitted by Lew Tuck Wai – shareholder)

Answer:

- We have two loans and the average interest rate is 4.49%.
- The Company is evaluating the financing arrangement to explore current rate of lower interest.

3. How does DKSH cushion itself from the impact of food shortages in view of COVID-19 crisis?
(submitted by Tan Lay Swee – shareholder)

Answer:

DKSH does not foresee food shortages in the near future. There were no major disruptions to the supply chain or production during the crisis.

4. What is the forecast or guidance on FY 2020 profitability amid the COVID-19 challenges?
(submitted by Kho Cheok Lian – proxy)

Answer:

The Group does not release any profit guidance. Overall, the Group remains well positioned for sustainable profit growth in 2020 and beyond.

5. What are the synergies that DKSH realize with the acquisition of Auric Pacific?
(submitted by Lew Tuck Wai – shareholder)

Answer:

- At the sales level, DKSH has entered into the chilled and frozen food market as part of the growth strategies of the Group. We are now able to market our clients' products to chilled and frozen food market.
- We also gained added expertise by taking in the talents from Auric Pacific upon acquisition.

6. What are the steps the board is taking to ensure market capitalization grows in tandem with the growth of the Company?
(submitted by Kho Cheok Lian – proxy)

Answer:

DKSH to give consistent steady return on investment to shareholders in tandem with the growth of the Company.

7. Will DKSH pare down its shareholdings to increase the liquidity of its shares?
(submitted by Kho Cheok Lian - proxy)

Answer:

DKSH has no intention to reduce its shareholdings as DKSH is a long-term shareholder.

8. Is there a trend of increased delinquency or default of account payables amid the COVID-19 crisis?
(submitted by *Kho Cheok Lian – proxy*)

Answer:

We are not seeing major challenges in our Account Receivables so far. Most major customers pay DKSH on time with very little exception.

9. What is DKSH doing in improving its investor relations?
(submitted by *Kho Cheok Lian – proxy*)

Answer:

DKSH organizes analyst briefings every quarter to brief investors, analysts and fund managers on our results, performance and business outlook. Analysts are welcomed to send queries to the Company anytime.

10. Does DKSH benefited from the sales of personal protective equipment (PPE), drugs and test kits amid the COVID-19 crisis? If yes, how much has the revenue increased from these sectors?
(submitted by *Lai Kim Loong – shareholder*)

Answer:

DKSH supplies various pharmaceutical products and we supply hand sanitizers, test kits and PPE. However, it is not our main market. As such, there was no major uplift to our revenue during this period.

11. What are the risks and opportunities associated with e-Commerce on the Company's existing business model?
(submitted by *Kho Cheok Lian – proxy*)

Answer:

With the COVID-19 pandemic, we are seeing a gradual increase in the online shopping platform. DKSH is well positioned in managing e-Commerce business as we have an internal e-Commerce team in DKSH. We partner with Lazada, Shopee and many different e-platforms and we generally get higher margins from online sales.

3. Approval of Resolutions

After providing answers and clarifications to the questions from the shareholders and proxies, the Meeting resolved and approved the following resolutions at the Meeting by way of poll:

(i) Payment of Directors' Fees for the financial year ended December 31, 2019

| <u>Ordinary Resolution 1</u> | <u>Number of Shares</u> | <u>%</u> | <u>Number of poll slips</u> |
|------------------------------|-------------------------|----------|-----------------------------|
| Voted FOR | 128,564,086 | 99.986 | 76 |
| Voted AGAINST | 17,511 | 0.014 | 19 |

IT WAS RESOLVED THAT the payment of Directors' Fees of up to an amount of RM 280,000.00 from June 25, 2020 until the next Annual General Meeting of the Company to be held in 2021 be approved.

(ii) Re-election of Stephen John Ferraby as Director of the Company

| <u>Ordinary Resolution 2</u> | <u>Number of Shares</u> | <u>%</u> | <u>Number of poll slips</u> |
|------------------------------|-------------------------|----------|-----------------------------|
| Voted FOR | 128,570,186 | 99.991 | 79 |
| Voted AGAINST | 11,411 | 0.009 | 16 |

IT WAS RESOLVED THAT Stephen John Ferraby who retired in accordance with Article 105 of the Company's Constitution, be re-elected as Director of the Company.

(iii) Re-election of Jason Michael Nicholas McLaren as Director of the Company

| <u>Ordinary Resolution 3</u> | <u>Number of Shares</u> | <u>%</u> | <u>Number of poll slips</u> |
|------------------------------|-------------------------|----------|-----------------------------|
| Voted FOR | 128,570,186 | 99.991 | 79 |
| Voted AGAINST | 11,411 | 0.009 | 16 |

IT WAS RESOLVED THAT Jason Michael Nicholas McLaren who retired in accordance with Article 105 of the Company's Constitution, be re-elected as Director of the Company.

(iv) Re-appointment of Auditors

| <u>Ordinary Resolution 4</u> | <u>Number of Shares</u> | <u>%</u> | <u>Number of poll slips</u> |
|------------------------------|-------------------------|----------|-----------------------------|
| Voted FOR | 128,571,186 | 99.992 | 80 |
| Voted AGAINST | 10,411 | 0.008 | 15 |

IT WAS RESOLVED THAT the re-appointment of Messrs. Ernst & Young as Auditors of the Company for the financial year ending December 31, 2020 and authorization to the Board of Directors to fix their remuneration be approved.

(v) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

| <u>Ordinary Resolution 5</u> | <u>Number of Shares</u> | <u>%</u> | <u>Number of poll slips</u> |
|------------------------------|-------------------------|----------|-----------------------------|
| Voted FOR | 11,418,110 | 99.926 | 79 |
| Voted AGAINST | 8,411 | 0.074 | 15 |

IT WAS RESOLVED THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries (“DKSH Group”) to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group (“Related Parties”) as specified in Section 2.5(a) of the Circular to Shareholders dated May 27, 2020 (“Proposed Mandate”) provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations; and
- (iii) carried out in the ordinary course of business on normal commercial terms which are consistent with DKSH Group’s normal business practices and policies, on terms not more favorable to Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Mandate I will continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (“Act”) (but must not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) until the authority is revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered to complete and to do all such acts and things, including executing all such documents as may be required, as they may consider expedient or necessary to give effect to this resolution.

4. Conclusion

The meeting concluded at 12:20 p.m. with a vote of thanks to the Chair.