Annual Report 2016

DKSH Holdings (Malaysia) Berhad

Think Asia. Think DKSH.

Making business partners grow

**As the No. 1 Market Expansion Services provider in Malaysia,
we help companies to grow their business in new and existing markets.**

Contents

Corporate information

Board of Directors

Michael Lim Hee Kiang	Independent Non-Executive Chairman
Lee Chong Kwee	Independent Non-Executive Director
James Armand Menezes	Independent Non-Executive Director
Datuk Haji Abdul Aziz bin Ismail	Independent Non-Executive Director
Alexander Stuart Davy	Independent Non-Executive Director
Stephen John Ferraby (Appointed w.e.f. February 21, 2017)	Non-Independent Non-Executive Director
Jason Michael Nicholas McLaren	Non-Independent Executive Director/Group Finance Director
Lian Teng Hai	Non-Independent Executive Director

Audit Committee

Lee Chong Kwee	Chairman of the Audit Committee
James Armand Menezes	Member
Michael Lim Hee Kiang	Member
Datuk Haji Abdul Aziz bin Ismail	Member

Nominating Committee

Michael Lim Hee Kiang	Chairman of the Nominating Committee
Lee Chong Kwee	Member
Alexander Stuart Davy	Member

Registered office

Address: B-11-01, The Ascent, Paradigm, No. 1, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Phone +60 3 7882 8888 Fax +60 3 7882 8899

Auditors

Ernst & Young, Chartered Accountants Address: Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur	Phone +60 3 7495 8000 Fax +60 3 2095 9076 / 2095 9078

Share registrar

Tricor Investor & Issuing House Services Sdn Bhd Address: Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur	Phone +60 3 2783 9299 Fax +60 3 2783 9222

Stock Exchange listing

Listed on Bursa Malaysia Securities Berhad (Main Market) since December 13, 1994	Stock name: DKSH Stock code: 5908

Company Secretaries

Lwee Wen Ling, MAICSA 7058065

Andre' Chai P'o-Lieng, MAICSA 7062103

Principal bankers

Deutsche Bank (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Public Bank Berhad

Management discussion and analysis

The management review of the Group outlines an in-depth analysis of the financial year 2016 and provides an outlook into DKSH's further growth.

Management discussion and analysis

Jason Michael Nicholas McLaren
Non-Independent Executive Director/
Group Finance Director

Summary

2016 was a year of returning to sustainable profitable growth, with the Group growing profit after tax by 37%, increasing from RM 36.8 million to RM 50.5 million. This growth was a result of organic sales growth with existing clients, ongoing new business development and realizing cost efficiencies.

After a challenging year in 2015, which was marked by a difficult macroeconomic environment, the Group capitalized on greater stability in consumer markets and reduced costs by leveraging on our recent investments in infrastructure.

Net sales declined by 5.4% from RM 5.6 billion to RM 5.3 billion, due to a change of a telecommunications client. However, this change did not lead to a reduction in profitability, as can be noted with the strong profit growth above. Growth in existing clients' net sales was strong and outperformed the market, while the Group also successfully helped new clients to grow in the market.

The year was not without setbacks as the Group had to record a particular provision for doubtful debt. This was, however, more than compensated for by the strong growth and cost efficiencies, and was an isolated incident which is not ongoing.

Stability and Growth

Three years of investments in infrastructure involving capital expenditures for the new state-of-the-art distribution centers in Shah Alam and Kota Kinabalu, and a new head office in The Ascent, Paradigm, Kelana Jaya, ended in 2015. In 2016, the Group shifted its focus to utilizing and leveraging on this new infrastructure to deliver growth for our shareholders and clients.

The Group viewed 2016 as a year of stabilizing operations and adjusting to new market conditions. The year ended with the Group operating a new and modern head office housing over 1,200 specialists across all business segments and functions, allowing for high levels of cross collaboration and efficiency, four ISO-certified distribution centers, eight regional distribution centers and a total of 30 business locations spread across East and West Malaysia. This network allows the Group to provide an unsurpassed capillary distribution network which reaches over 16,000 customers located everywhere from the largest cities to the smallest town. This reach allows the Group to offer over 180 clients the leading Market Expansion Services solution in Malaysia to drive exponential growth in their market share.

Marketing and Distribution segment

For the Marketing and Distribution segment, the Group provides the full range of services along the value chain. 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. This segment comprises the Fast Moving Consumer Goods business and on a smaller scale, the Performance Materials business.

The marketing and distribution segment recorded strong revenue growth of 5.3% increasing from RM 2.5 billion to RM 2.7 billion. This segment outperformed the market primarily through organic growth on existing clients which indicates that we increased market share both for the Group and for our clients. The Marketing and Distribution segment benefited strongly from cost efficiencies and improved infrastructure and was, therefore, able to translate this revenue growth into a 33.2% increase in operating result, which rose from RM 41.4 million to RM 55.2 million.

While the largest part of this segment is the Consumer Goods business unit, this segment also includes the Performance Materials business unit. Performance Materials experienced solid, ahead of market growth and was successful in growing business for existing clients while successfully expanding into the specialty fruit juices market, which was a particularly successful source of new business.

The outlook for this segment is cautiously optimistic, with market conditions expected to remain challenging but largely in line with those experienced in 2016. Our existing clients are expected to continue to grow and there is a healthy pipeline of new business which will contribute to revenue growth. While costs are relatively stable, there are always areas for improvement and we expect to be able to realize further cost efficiencies in the coming year.

Logistics segment

For the Logistics segment, 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 our clients themselves. The businesses represented under this segment include the Healthcare business and supply chain focused parts of the Consumer Goods business.

Net sales for this segment declined by 14.4% from RM 3.0 billion to RM 2.6 billion due a change with a client. Without this effect the segment's net sales would have increased double digit, due to strong organic growth. Despite the reduction in revenue,

Management discussion and analysis (continued)

profitability in the segment was maintained and with further operating efficiencies, the operating result grew by 45.6% from RM 15.7 million to RM 22.8 million. This was also despite a large one-off provision for doubtful debt.

The outlook for this segment is cautiously optimistic and we expect to see revenue growth in 2017 as the comparison with 2016 will now be on equal terms. Organic growth in existing clients should continue and business development is robust and healthy.

Segment "Others"

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

The Famous Amos business again faced challenging retail conditions recording a 6.1% reduction in revenue which declined from RM 56.7 million to RM 53.2 million. The Group continued to focus on implementing our strategy for selectively opening new outlets in highly desirable locations, while re-assessing less profitable outlets and reducing costs through efficiency and synergy initiatives. The total number of outlets decreased from 92 to 85 while revenue per outlet increased throughout the year.

The outlook for this segment is cautiously optimistic as the market for Famous Amos remains challenging. However, the ongoing strategy of targeted outlets and product offerings is expected to support results. The consumer confidence in this segment is particularly sensitive and will have a significant effect on the 2017 results.

Strategy for sustainable profitable growth

The Group's strong return to sustainable profitable growth in 2016 again highlights the resilience of our business model and the ongoing success of our strategy, which is to focus on existing markets and competencies while innovating in service offerings and delivering operating efficiencies. The key growth drivers: the rising middle class; the increasing inner-Asian trade; and an ongoing trend towards outsourcing remain prominent in Asia and specifically in Malaysia. These growth drivers will continue to guide our strategy.

We continue to develop our team of highly skilled and passionate employees to grow market share for the Group and our clients. Furthermore, we continue to diversify our client base through spirited and targeted business development. This key focus on driving revenue growth and realizing operating efficiencies positions the Group well to be able to consistently deliver profitable growth for our shareholders.

While the DKSH Group continues to be the number one Market Expansion Services provider in Malaysia, we recognize that there are still markets and segments which allow for further exploration and expansion. We continue to focus on not only being the number one Market Expansion Services provider in Malaysia, but also upon being the thought leader in the market and taking a trailblazing role in defining the future Malaysian market.

Dividend

The Board of Directors is pleased to recommend a final single tier dividend of 9.5 sen per ordinary share for shareholders' approval at the Company's Twenty-Fifth Annual General Meeting in May 2017. This reflects a continued dividend payout rate and a total payout of approximately RM 15.0 million.

Outlook

The Group maintains a cautiously optimistic outlook for 2017. While market conditions are expected to remain challenging, we feel that with our unmatched capillary distribution network, state-of-the-art infrastructure, world class IT system, committed and authentic team members and over nine decades of market knowledge we are ideally positioned to navigate the expected difficult conditions and continue to grow both organically and through unrelenting business development.

The key focus for 2017 will be on again growing the market organically and delivering additional revenue growth through helping new clients to grow in Malaysia. We further strive to enhance our service offerings, particularly in the emerging e-commerce channel. At the same time, we will maintain our focus on process improvement and operational efficiency.

Acknowledgments

On behalf of the Board of Directors and the Management of the DKSH Group, I would like to express my sincere appreciation to our Board, my fellow management, and most importantly to the 2,800 employees of the Group whose dedication and passion make the success of DKSH possible.

I would like to take this opportunity to welcome to the Board Mr Stephen John Ferraby who has demonstrated throughout his career with the DKSH Group the skills and expertise to help guide the Group forward in the future. I would also like to thank our retiring Chairman, Mr Michael Lim Hee Kiang and retiring Director, Mr Alexander Stuart Davy for their many years of service which have been invaluable to leading the Group to its present position. Their hard work and commitment will be missed.

Lastly, I would like to thank our valued shareholders whose solid and unwavering support are absolutely essential to our success.

Jason Michael Nicholas McLaren
Non-Independent Executive Director/
Group Finance Director

DKSH at a glance

We help companies to grow their business in new and existing markets. We expand their access to knowledge, their sourcing base, their revenue opportunities and their market shares. Providing business partners with a comprehensive package of services to reach their individual goals is what we call Market Expansion Services.

Net sales: RM 5.3 billion

2,800 specialists

30 business locations

4 ISO-certified distribution centers and 8 regional distribution centers

Network of more than 180 clients and 16,000 customers

Financial highlights

Consolidated results of DKSH Holdings (Malaysia) Berhad Group (RM'000)

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Net sales	4,724,726 [1]	5,085,623 [2]	5,339,481	5,572,186	5,271,047
Earnings before interest, tax, depreciation and amortization	111,643	203,222	91,936	65,256	85,768
Profit before tax	94,014 [1]	190,445	80,415	51,009	68,897
Net profit attributable to owners of the parent	77,762	174,828	59,911	36,836	50,467
Exceptional items	21,063	109,147	–	–	–
Net profit excluding exceptional items	56,699	65,681	59,911	36,836	50,467
Total assets employed	1,283,469	1,384,023	1,495,561	1,818,710	1,863,344
Shareholders' equity	290,810	449,187	473,633	495,579	531,087

Notes:

[1] The comparatives for the financial year 2012 have been restated to exclude the disposed subsidiaries namely DKSH Transport Agencies (M) Sdn Bhd and Macro Consolidators (M) Sdn Bhd.

[2] The comparatives for the financial year 2013 have been restated to conform to current year's presentation.

Unique value

We offer our clients the services they need most, tailor-made to their specific requirements.

Corporate profile

With more than nine decades of success in Malaysia, DKSH leads the Market Expansion Services industry with integrated and tailored solutions across the entire value chain.

DKSH is one of the oldest and largest Market Expansion Services providers in Malaysia. Having established its first branch office in 1923 in Penang, the Company has since grown from strength to strength. Today, it employs a workforce of 2,800 specialists. Headquartered in Petaling Jaya, Selangor with 30 other business locations nationwide, DKSH provides unparalleled market coverage, serving more than 180 clients and 16,000 customers across Malaysia.

As the leader in the Market Expansion Services sector with a focus on Asia, DKSH helps other companies and brands to grow their business in new or existing markets. We do this by offering our business partners tailor-made solutions along the entire value chain to support them in successfully achieving their business objectives.

DKSH Holdings (Malaysia) Berhad was incorporated on December 24, 1991. On December 13, 1994, the Company was publicly listed on the Main Market of Bursa Malaysia Securities Berhad.

DKSH Holdings (Malaysia) Berhad is majority-owned by the DKSH Holding Ltd of Switzerland.

DKSH Holding Ltd of Switzerland

Founded in 1865, DKSH has a strong Swiss heritage with a long tradition of doing business in and with Asia and is deeply rooted in communities and businesses across Asia Pacific.

Publicly listed on the SIX Swiss Exchange since March 2012, DKSH is a global company headquartered in Zurich with 780 business locations in 36 countries - 750 of them in Asia – and 30,320 specialists. DKSH is one of the top 25 Swiss companies, generating net sales of CHF 10.5 billion in 2016.

Corporate profile (continued)

DKSH acts like an extended arm of our clients, understanding their products and businesses as if they were our own.

DKSH offers a tailor-made, integrated portfolio of sourcing, marketing, sales, distribution and after-sales services. It provides business partners with expertise as well as on-the-ground logistics based on a comprehensive network of unique size and depth. Business activities are organized into four specialized Business Units that mirror DKSH's fields of expertise: Consumer Goods, Healthcare, Performance Materials and Technology.

Our business segments

In Malaysia, our business segments focus on the fields of consumer goods, healthcare and performance materials, offering a comprehensive range of Market Expansion Services to business partners in their respective areas.

Marketing and Distribution segment

Under this business segment, the Group provides a comprehensive portfolio of services ranging from marketing to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods as well as other value-added services. The businesses represented under this segment are Consumer Goods and Performance Materials.

The keystone to the Group's full-service business model lies in its broad range of sales and marketing services, deep market-access insights and knowledge, long-established relationships in the country and unique distribution reach achieved through an extensive and experienced sales force network of 30 regional offices covering key market locations in West and East Malaysia as well as Brunei.

Core to the Group's Marketing and Distribution infrastructure is an ISO-certified 550,000-square foot distribution center at Jalan Sungai Jati in Klang which has a capacity of 55,000 pallets for ambient and

Corporate profile (continued)

DKSH provides comprehensive logistics infrastructure complemented by state-of-the-art distribution centers for efficient transportation, storage and distribution of products.

The Shah Alam distribution center has well-equipped facilities for clinical trials in supply chain activities.

temperature-controlled products catering for Consumer Goods.

The strength of our sales force is reinforced by an extensive supply chain infrastructure that is unique in size and depth, while local distribution teams ensure products represented by DKSH are widely accessible in hypermarkets and supermarkets, shops, kiosks, medical halls and pharmacies throughout Malaysia.

The majority of DKSH's sales team is equipped with hand-held devices using a powerful web-based IT application that is linked directly to the Group's SAP system to access live inventory information and remotely process orders at any time. Alternatively, orders are also placed by customers directly through the centralized call center.

Logistics segment

The Group's Logistics services focus on supply chain services ranging from import to forwarding, warehousing and distribution, order processing and collections. The businesses represented in this segment are primarily Healthcare and parts of Consumer Goods, which are entirely supply chain-centric. This also includes the distribution of prepaid telephone cards.

The Logistics segment continues its growth course in East Malaysia with the establishment of a 207,000-square foot distribution center in Kota Kinabalu in 2015.

This larger and more advanced distribution center represents a significant capacity upgrade in DKSH Malaysia's consumer goods and healthcare infrastructure.

It is strategically located in Kota Kinabalu Industrial Park (KKIP) with easy access to Sepanggar Bay Container Port and the city center. This location enjoys high connectivity via various transportation networks, allowing DKSH to directly serve 1,000 of its consumer goods and healthcare customers in the region, including modern and traditional retail outlets, hospitals, clinics and pharmacies. Today, the Kota Kinabalu distribution center also serves as a regional hub for the company's smaller facilities in Tawau and Sandakan.

The Group's 190,000-square foot distribution center in Shah Alam continues to serve more than 13,000 customers, including hospitals, clinics, dental centers, pharmacies and retail outlets throughout Malaysia. The Shah Alam distribution center is a leading service provider for

Corporate profile (continued)

clinical trials in supply chain activities, addressing the increasingly complex clinical supply packaging, labeling and distribution requirements. Its technologically advanced cold chain and redressing facilities have industry-standard storage for vaccines and bio-tech products.

In line with DKSH's commitment to quality and compliance, both the Shah Alam and Kota Kinabalu facilities comply with Good Distribution Practices (GDP) and Good Distribution Practices for Medical Device (GDPMD), and adhere to strict ISO 9001:2008 and ISO 13485:2003 international standards.

To reach more customers in a timely manner nationwide, the two main distribution centers of the Marketing and Distribution segment and the Logistics segment are further supported by 10 branches in East Malaysia which have their own Consumer Goods distribution centers, while the Healthcare distribution centers in Kuching and Kota Kinabalu ensure the highest standards of operational and supply chain efficiencies.

Segment "Others"

The primary business activity in this segment is the Famous Amos chocolate chip cookie business. Famous Amos is a retailer of chocolate chip cookies as well as a selected assortment of complementary products such as hampers, gifts, chocolates and confectionery items. In 2016, there were a total of 85 Famous Amos outlets located in West and East Malaysia.

This segment also includes central overheads including rental.

Our core business: Market Expansion Services

We help companies grow in existing markets and expand into new ones by providing a complete range of specialized services along the entire value chain. From sourcing,

DKSH's distribution center in Kota Kinabalu is a significant infrastructure upgrade to replace an older facility.

Corporate profile (continued)

market analysis and research, marketing and sales to distribution and logistics as well as after-sales services, our services are precisely tailored to the exact needs of our clients and customers.

We offer intelligently integrated and tailored services to deliver seamless end-to-end solutions, no matter how big or small the requirements. To do this, we draw on more than 150 years of experience, deep industry expertise, extensive on-the-ground logistics and our vast network of business and personal relationships throughout Asia.

Famous Amos entices customers with the familiar aroma of freshly baked cookies from its 85 outlets in Malaysia.

We provide access to a global sourcing network

Our unique sourcing network and a deep industry experience enable us to provide any material and product our customers need. We offer the perfect mix of cost effectiveness, quality and dependable supply. With DKSH, business partners can expand their sourcing base and focus on growing their business.

We enable business partners to innovate for growth

In our application, formulation and product development laboratories, we generate new product ideas and develop and customize them. We work on new ingredients and technology applications, provide hands-on training and run acceptance tests. We turn our market insight into strategic advice for our business partners.

We open up new revenue opportunities for business partners

We offer a complete array of marketing and sales services for consumer goods, healthcare products and performance materials. We have a long-standing track

Corporate profile (continued)

We take care of other elements of the value chain so that our business partners can focus on their core competencies to achieve more profitable growth.

record in brand-building and we service all relevant channels to market, customers and outlets. In Malaysia, we offer comprehensive market coverage to help our business partners expand their business.

We deliver what our business partners need, at the right time and place

With our unmatched logistics infrastructure and state-of-the-art distribution centers, we transport, store and distribute clients' products efficiently and professionally across the country. As part of our comprehensive package of Market Expansion Services, we provide many additional specialized services, including supply chain management, regulatory support, logistics, invoicing and cash collection.

We are at our business partners' service throughout the entire lifespan of their products

We provide a broad range of after-sales services and support that ensure top-quality standards, fast problem resolution and the ability to establish a high-value image. We offer real added value to clients and customers.

How we work with our partners

At DKSH, our business partners are either clients or customers, depending on their position in the value chain and the services we provide to them. Our business model is centered on DKSH's role as the key link between clients and customers. Because we take profound responsibility for the businesses of our business partners, our Market Expansion Services offer more than just outsourcing of particular activities.

With our position as the leading Market Expansion Services provider with a focus on Asia, we benefit from economies of scale, unique cross-regional and cross-industry synergies as well as significant bargaining power with the trade.

Leveraging on our strong market presence, clients can capitalize on the superior commercial terms and conditions made available by DKSH. On the other hand, our scope and scale allows us to provide our customers a comprehensive portfolio of products and services.

Corporate profile (continued)

DKSH bridges the markets of Europe, Asia and the Americas by combining our heritage with a leading-edge approach.

Our clients

Our clients are manufacturers of fast-moving consumer goods, pharmaceuticals, consumer health products, medical devices and specialty chemicals who wish to sell their products in markets with high-entry barriers.

Strategically, our clients want to grow their business by increasing sales in existing markets, enhancing efficiency and margins, or launching into new markets. We offer Market Expansion Services to clients from Europe and the Americas and increasingly also for clients originating in Asia.

We support our clients in marketing, selling and distributing their products as well as providing after-sales services and market insight.

Our customers

Our customers are manufacturers to whom we provide raw materials which are processed or used in their own production or retailers such as supermarkets, department stores, mom-and-pop stores, doctors, hospitals or pharmacists who resell the products we provide to end consumers.

Strategically, our customers want to increase their sourcing base, market shares and revenue opportunities.

We support our customers in obtaining the best raw materials, products and brands at the best price, while providing them with knowledge and market insight.

At DKSH, we have a service philosophy that takes profound responsibility for the goods and brands of our clients. It is about a proactive approach that provides strategic advice based on experience, know-how and networks of specialists working for DKSH. In striving to be the leading Market Expansion Services provider with a focus on Asia, we stick to what we do best by doing more of the same, more efficiently.

Directors' profiles

Michael Lim Hee Kiang
Aged 69, Male, Malaysian

Independent Non-Executive Chairman
Member of the Audit Committee
Chairman of the Nominating Committee

Mr Michael Lim Hee Kiang was appointed as Director of DKSH Holdings (Malaysia) Berhad on December 24, 1991 and as Chairman of the Board on January 1, 1999. He continued to serve as a member of the Audit Committee after he relinquished his position as Chairman of the Audit Committee on December 10, 2004. He was appointed as a member of the Nominating Committee on February 26, 2013 and subsequently re-designated as Chairman of the Nominating Committee on February 25, 2014.

Mr Lim, an advocate and solicitor, was a partner of Messrs Shearn Delamore & Co. for 30 years, and subsequently a consultant before he retired from the firm. Mr Lim is now a consultant to Messrs Jeff Leong, Poon and Wong, a leading law firm in Malaysia. He graduated with a Bachelor of Laws (Hons.) degree in 1972 and obtained a Master of Laws degree with distinction from the Victoria University of Wellington, New Zealand in 1973. On returning to Malaysia in 1974, Mr Lim was admitted to the High Court of Borneo and subsequently to the High Court of Malaya in 1978. He was a lecturer at the Law Faculty, University of Malaya from 1975 to 1977.

Mr Lim sits on the Boards of the various subsidiaries of DKSH Holdings (Malaysia) Berhad. He also sits on the Boards of Paragon Union Berhad, Selangor Properties Berhad, Sumatec Resources Berhad and Hektar Real Estate Investment Trust.

Mr Lim does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr Lim attended all five Board meetings held during the financial year ended December 31, 2016.

Lee Chong Kwee
Aged 60, Male, Singaporean

Independent Non-Executive Director
Chairman of Audit Committee
Member of Nominating Committee

Mr Lee Chong Kwee was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 23, 2016 as an Independent Non-Executive Director. On November 22, 2016, he was appointed as the Chairman of Audit Committee and a member of the Nominating Committee.

Mr Lee graduated with a Bachelor of Science (Honours) degree in Mathematics and Statistics from University of Malaya. He also holds a Certified Diploma in Accounting and Finance, ACCA. Mr Lee was formerly the Chief Executive Officer, Asia Pacific, of Exel Singapore Pte Ltd for six years. During his tenure, he and his team established Exel as the region's leading integrated logistics provider, with operations in 18 countries. He was named Supply Chain Manager of the Year – Asia Pacific, in the Asia Logistics Award 2003 organized by Lloyds FTB Asia. Prior to Exel, he spent 17 years with Singapore Airlines in senior positions in Hong Kong, the United States of America, Japan, the United Kingdom and Singapore.

Mr Lee is presently the Chairman of Mapletree Logistics Trust Management Ltd. He is a Fellow of the Singapore Institute of Directors and sits on its Governing Council.

Mr Lee does not hold any directorship in other public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr Lee attended all four Board meetings held subsequent to his appointment during the financial year ended December 31, 2016.

Directors' profiles (continued)

James Armand Menezes
Aged 71, Male, Malaysian

Independent Non-Executive Director
Member of the Audit Committee

Mr James Armand Menezes was appointed as an Independent Non-Executive Director and a member of the Audit Committee of DKSH Holdings (Malaysia) Berhad on July 19, 2004. He was subsequently appointed as the Chairman of the Audit Committee on December 10, 2004 and a member of the Nominating Committee on February 25, 2014. On November 22, 2016 he was re-designated as a member of the Audit Committee and resigned as a member of the Nominating Committee.

Mr Menezes, a qualified Certified Public Accountant (CPA) and Chartered Accountant, spent 25 years with Ernst & Young of which he was a partner for 13 years. He was the Managing Partner of the Kuala Lumpur office of Ernst & Whinney (now known as Ernst & Young) for five years before he retired from the firm on June 30, 1990. He was also a partner of Ernst & Young, Hong Kong, Singapore, Brunei and Indonesia. Mr Menezes represented those offices in Ernst & Young's international Technical Committee for five years and was also the Chairman of the Far East Technical and Training Committee. During his term in office, he undertook quality control assignments at Ernst & Young's offices in other parts of the world. On his retirement from Ernst & Young in 1990, he set up a company under the name of JA Menezes & Associates Sdn Bhd which was later dissolved in 2001 when he fully retired from practice.

During the ten years from 1990 to 2000, Mr Menezes held Board positions in private and public-listed companies in the United Kingdom, Australia, Singapore, Hong Kong and Malaysia. He is an active council member, on a voluntary basis, of Hospis Malaysia, a non-governmental organization limited by guarantee.

Mr Menezes does not hold any directorship in other public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr Menezes attended all five Board meetings held during the financial year ended December 31, 2016.

Datuk Haji Abdul Aziz bin Ismail
Aged 64, Male, Malaysian

Independent Non-Executive Director
Member of the Audit Committee

Datuk Haji Abdul Aziz bin Ismail was appointed as a Non-Independent Non-Executive Director and a member of the Audit Committee of DKSH Holdings (Malaysia) Berhad on July 19, 2007. Datuk Haji Abdul Aziz was re-designated as an Independent Non-Executive Director on August 23, 2016 having fulfilled the criteria of independent director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Datuk Haji Abdul Aziz graduated with a Master of Business Administration from Eastern Illinois University, United States of America and with a Bachelor of Arts in Business Administration from Augustana College, United States of America. He also holds an Advanced Diploma in Information Systems from the Canberra University Australia on a Colombo Plan Scholarship. In 1993, he attended the Advanced Management Program at Wharton University of Pennsylvania, United States of America, and participated in the INSEAD Advanced Management Program at Fontainebleau, France, in July 2005.

Datuk Haji Abdul Aziz is currently the General Manager of Perbadanan Perwira Harta Malaysia, a subsidiary corporation of Lembaga Tabung Angkatan Tentera ("LTAT"), a post he assumed since May 9, 2011. He was formerly the Deputy Chief Executive of LTAT from January 6, 2001 till May 8, 2011 and also served as the General Manager of the Ex-Serviceman Affairs Corporation (PERHEBAT), a subsidiary corporation of LTAT from January 1995 till December 2000. Prior to joining LTAT, he was a Senior Auditor attached to the Auditor-General's office of Malaysia from April 1977 to May 1985. He was formerly a director of Affin Fund Management Berhad and Boustead Al-Hadharah REIT.

Datuk Haji Abdul Aziz does not hold any directorship in other public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Datuk Haji Abdul Aziz attended all five Board meetings held during the financial year ended December 31, 2016.

Directors' profiles (continued)

Alexander Stuart Davy
Aged 59, Male, British

Independent Non-Executive Director
Member of the Nominating Committee

Mr Alexander Stuart Davy was appointed to the Board of DKSH Holdings (Malaysia) Berhad on January 28, 2008 as a Non-Independent Non-Executive Director and as a member of the Nominating Committee on February 26, 2013. Mr Davy was re-designated as an Independent Non-Executive Director on February 25, 2014 having fulfilled the criteria of independent director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Mr Davy graduated from the University of Bristol with a Bachelor of Science degree in Economics in 1978. He is a member of the Institute of Chartered Accountants (ACA) in the United Kingdom with 30 years of experience in the finance field. After qualifying in the UK, he worked for Price Waterhouse in the United States of America and Hong Kong. He subsequently joined First Pacific Group for eight years, initially at its corporate office in Hong Kong for the first three years before he transferred to Berli Jucker, a listed company on the Stock Exchange of Thailand and served as its Chief Financial Officer and as a director for the next five years. Mr Davy joined the DKSH Group in 1998 as the Chief Financial Officer of Diethelm Thailand, the Group's largest operation and was the Group Chief Financial Officer from 2005 to 2011 based initially in the corporate office in Zurich and later in the DKSH Group Finance Center in Singapore. Presently, Mr Davy is a director of Angkor Hospital for Children in Siem Reap, Cambodia.

Mr Davy does not hold any directorship in other public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr Davy attended four out of five Board meetings held during the financial year ended December 31, 2016.

Stephen John Ferraby
Aged 52, Male, Australian
(Appointed w.e.f. February 21, 2017)

Non-Independent Non-Executive Director

Mr Stephen John Ferraby was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 21, 2017 as a Non-Independent Non-Executive Director.

He graduated with a Bachelor's degree in Commerce (First Class) from the University of Birmingham, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales.

Mr Ferraby is currently the Head of Corporate Affairs and Strategic Investments and a member of the Executive Board of DKSH Holding Ltd, Switzerland, a major shareholder of DKSH Holdings (Malaysia) Berhad. He was formerly the Country Finance Manager of DKSH Thailand Limited for five years from 2010 to 2015, including two years as President of the organization. From 2006 to 2010, he was the Chief Financial Officer Asia Pacific at CEVA Logistics and before that was Chief Financial Officer and Chief Executive Officer at an Australian private equity sponsored company. From 1995 to 2006, he held various positions at Exel PLC, a UK FTSE 100 company, including Group Head of Internal Audit, European Finance Director and five years as Chief Financial Officer Asia Pacific, based in Singapore from 2001. From 1985 to 1995, he served in the fields of audit, advisory and corporate finance at Ernst & Young in Australia and the United Kingdom.

He does not hold any directorship in other public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Directors' profiles (continued)

Jason Michael Nicholas McLaren
Aged 41, Male, Australian

Non-Independent Executive Director/
Group Finance Director

Mr Jason Michael Nicholas McLaren was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 26, 2015 as a Non-Independent Non-Executive Director. Mr McLaren was subsequently re-designated as a Non-Independent Executive Director on April 15, 2015 following his appointment as the Group Finance Director of the Company.

Mr McLaren graduated with a Master of Commercial Law and Master of Business Administration from Deakin University, Australia and with Bachelor of Financial Administration and Bachelor of Arts (Political Science) from University of New England, Australia. He is a Certified Practising Accountant, CPA Australia. Mr McLaren has more than 14 years of collective international exposure and experience in financial management as country finance director, financial controller, management accountant and financial reporting analyst in diverse industries and several continents. He joined DKSH Singapore in 2011 where his last position was Head of Country Management – DKSH Singapore and Indonesia, Country Finance Director – DKSH Singapore and President Director – DKSH Indonesia, overseeing DKSH's operations in Singapore and Indonesia. Before that, he worked for Fosroc International Limited from 2009 to 2011 as Regional Financial Controller, during which he took on a regional role and had responsibility for all finance related functions in eight countries across Asia.

Mr McLaren sits on the Boards of the various subsidiaries of DKSH Holdings (Malaysia) Berhad.

He does not hold any directorship in other public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr McLaren attended all five Board meetings held during the financial year ended December 31, 2016.

Lian Teng Hai
Aged 63, Male, Malaysian

Non-Independent Executive Director

Mr Lian Teng Hai was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 26, 2015 as a Non-Independent Executive Director.

Mr Lian holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom. He is presently the Regional Vice President of Fast Moving Consumer Goods, Malaysia and Singapore, responsible for the sales, distribution and supply chain of fast moving consumer goods, telecommunication products and the operation of food retail chain stores. Mr Lian is also responsible for Business Development and Key Client Management in the position as the Regional Vice President of South East Asia, DKSH Consumer Goods. Mr Lian has 42 years of experience in several industries covering industrial products distribution, fast moving consumer goods, printing and photo imaging, timepieces and vehicle fleet management. He previously held various positions within Jasa Kita Engineering Sdn Bhd, a company involved in the manufacturing, assembling and distribution of electric motors, power tools and other industrial equipment from 1975 to 1988. He joined The East Asiatic Co (M) Berhad in 1988 where his last position was General Manager of Technical Marketing Division and Consumer Product Division in 1992. From 1992 to 1996, Mr Lian was an Executive Director of Marco Corporation (M) Sdn Bhd, a company specializing in distribution and chain store retailing of timepieces. In 1996, he was invited by Spanco Sdn Bhd to head a privatization project involving vehicle fleet management of saloon vehicles of the Federal Government of Malaysia. Mr Lian was formerly an Independent Director and Chairman of Audit Committee of Marco Holdings Berhad (2003 to 2011) and GPA Holdings Berhad (2011 to 2013). He is an honorary advisor to the Malaysian Watch Trade Association since 1994.

Mr Lian sits on the Boards of the various subsidiaries of DKSH Holdings (Malaysia) Berhad. He also sits on the Board of Jasa Kita Berhad.

Mr Lian does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any conflict of interest with the Company.

He has no convictions for offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Mr Lian attended four out of five Board meetings held during the financial year ended December 31, 2016.

Key Senior Management's profiles

Jason Michael Nicholas McLaren
Aged 41, Male, Australian

Non-Independent Executive Director/
Group Finance Director

Mr Jason Michael Nicholas McLaren was appointed as the Group Finance Director of the Company on April 15, 2015.

For details of Mr McLaren, please refer to page 18 of this Annual Report.

Lian Teng Hai
Aged 63, Male, Malaysian

Non-Independent Executive Director

Mr Lian Teng Hai was appointed as the Regional Vice President of Fast Moving Consumer Goods, Malaysia and Singapore responsible for the sales, distribution and supply chain of fast moving consumer goods, telecommunication products and the operation of food retail chain stores on April 1, 2017.

For details of Mr Lian, please refer to page 18 of this Annual Report.

Key Senior Management's profiles (continued)

Dr. Varun Sethi
Aged 43, Male, Indian

Vice President, Healthcare

Dr Varun Sethi was appointed as Vice President of Business Unit Healthcare of DKSH Malaysia Sdn Bhd, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on June 1, 2015.

He has a PhD in Pharmaceutical Sciences from the University of Illinois at Chicago, United States, and is a registered pharmacist in the State of Illinois. Dr Sethi also holds an Executive Scholar Certificate in Sales and Marketing from the Kellogg School of Management, Northwestern University, United States. He has more than 15 years of experience in the diversified healthcare area specializing in areas of product launches, key business unit management, setting up and managing new business as well as entities in key emerging markets in Asia.

Prior to joining DKSH Malaysia Sdn Bhd, Dr Sethi was the General Manager of DKSH Myanmar from 2012 to 2015 overseeing various functions in sales, marketing channel/key account management, medical detailing and sales force optimization and effectiveness. From 2011 to 2012 he was the Chief Executive Officer of Renkare, Fortis Healthcare India's dialysis centers. From 2003 to 2011 he held research and commercial roles with Baxter Healthcare International in the United States.

Currently, Dr Sethi is responsible for the overall operations of Business Unit Healthcare in Malaysia and Singapore.

Dr Sethi does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Chua Chong Hoon
Aged 41, Male, Malaysian

Vice President, Consumer Goods

Mr Chua Chong Hoon was appointed as Vice President for Fast Moving Consumer Goods of DKSH Malaysia Sdn Bhd, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on September 20, 2016.

Mr Chua holds a Bachelor of Arts with Honours degree in International Business Management from Oxford Brookes University, United Kingdom. Mr Chua brings with him over 15 years of experience in sales and marketing in both local and regional capacity.

Prior to joining DKSH, he served at Henkel Malaysia as Country Manager for Malaysia and Singapore. He started his career with Carlsberg Malaysia and moved on to Kraft Foods and Lee Kum Kee International Holdings Ltd with responsibilities revolving around marketing, trade marketing, sales and country management functions across the Asia region.

Currently, he is responsible for the Management and leadership of the Fast Moving Consumer Goods business in Malaysia.

Mr Chua does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Tan Tiong Chen
Aged 50, Female, Malaysian

General Manager, Performance Materials

Ms Tan Tiong Chen was appointed as General Manager of Business Unit Performance Materials of DKSH Malaysia Sdn Bhd, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on March 26, 2012.

She graduated with a Bachelor of Technology with Honours, majoring in Polymer Science from University Science Malaysia, Penang in 1991. Ms Tan has more than 25 years of working experience in the chemical and performance materials industries.

Prior to joining DKSH, she was the Business Manager in charge of coating division of Connell Bros Company (M) Sdn Bhd from 2006 to 2012. From 2003 to 2006, she was engaged with CIBA Specialty Chemicals Pte Ltd as a Sales Manager responsible for the sales in the paint and ink industry. From 1991 to 2002, she was the Sales Manager of DKSH Malaysia Sdn Bhd responsible to drive the sales of paint, ink, plastic and latex in Malaysia market.

Currently, Ms Tan leads the Business Unit Performance Materials for Malaysia and Singapore market, covering the food and beverage, personal care, pharmaceutical and specialty chemical industries.

Ms Tan does not hold any directorship in public companies and listed issuers. She does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Rajesh Sehgal
Aged 47, Male, Australian

Vice President, Supply Chain Management

Mr Rajesh Sehgal was appointed as Vice President of Supply Chain Management of DKSH Malaysia Sdn Bhd, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on October 1, 2016.

He graduated with a Master of Business Administration majoring in Supply Chain Management and Business Process Re-engineering and E-business from University of Monash, Melbourne, Australia. Rajesh was awarded the Certified Practising Logistician by Chartered Institute of Logistics and Transport Australia and Australasian Production and Inventory Control Society in 2011. He has more than ten years of working experience in the area of Supply Chain Management.

Prior to joining DKSH Malaysia Sdn Bhd, he was the Supply Chain Director of DKSH Vietnam Co. Ltd from 2012 to 2016 overseeing Supply Chain Management of DKSH Vietnam Co. Ltd. Before that, he was the National Logistics Manager of DKSH Australia Pty Ltd responsible for overall supply chain functions of DKSH Australia. From 2005 to 2007, he was the Supply Chain Analyst with NHP Electrical Engineering Products Pty Ltd.

Currently, Mr Sehgal is responsible for the overall Supply Chain Management in Malaysia for Business Units Healthcare, Fast Moving Consumer Goods, Technology and Performance Materials.

Mr Sehgal does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Andreas Kristanto
Aged 40, Male, Indonesian

Senior Manager, Country IT

Mr Andreas Kristanto was appointed as Head of Country IT of DKSH Malaysia Sdn Bhd, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on June 28, 2016.

He graduated with a Bachelor Degree in Industrial Engineering from Parahyangan Catholic University, Indonesia in 2000. He has more than 15 years of working experience playing significant roles in implementing SAP systems, improving business processes and supporting SAP applications.

Prior to his current role, he was the SAP Senior Manager in charge of Architecture & Governance (Logistic) of DKSH Corporate Shared Services Center Sdn Bhd from 2011 to 2016. Before that, he was the Manager in charge of SAP ERP leading the global ERP Solution Architects and Senior SAP Application Analyst from 2007 to 2008. From 2006 to 2007, he was the material management senior consultant of JSPC i-Solutions supporting SAP systems in DKSH Malaysia Sdn Bhd. From 2001 to 2005, he held various positions as specialist for ERP and SAP systems for companies in Indonesia.

Currently, Mr Kristanto leads the country IT support team of DKSH Malaysia Sdn Bhd.

Mr Kristanto does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Lee Yu Chuan
Aged 44, Male, Malaysian

Director, Country People & Organization

Mr Lee Yu Chuan was appointed as Director of Country People & Organization of DKSH Malaysia Sdn Bhd, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on April 1, 2017.

He graduated with a Bachelor Degree in Business from Swinburne University of Technology in Melbourne, Australia. Mr Lee has more than 19 years of working experience playing significant roles in multinational organizations managing Human Resources through strategic partnering by developing and executing business aligned objectives and initiatives.

Prior to joining DKSH Malaysia, he was the Assistant Vice President, Stakeholder Management with Measat Broadcast Network Systems from 2012 to 2014 in a HR business partnering capacity. He started his career with Citibank Bhd and previously worked with Ambank and Digi Telecommunications.

Currently, Mr Lee is responsible for overall HR functions of DKSH Malaysia for healthcare, fast moving consumer goods, technology and performance materials business units.

Mr Lee does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Key Senior Management's profiles (continued)

Andre' Chai P'o-Lieng
Aged 56, Male, Malaysian

Senior Legal Counsel

Mr Andre' Chai P'o-Lieng was appointed as the Head of Legal of DKSH Malaysia Sdn Bhd, a wholly-owned subsidiary of DKSH Holdings (Malaysia) Berhad on January 17, 1994. His current designation is Senior Legal Counsel and he was appointed to the key senior management on June 24, 2016.

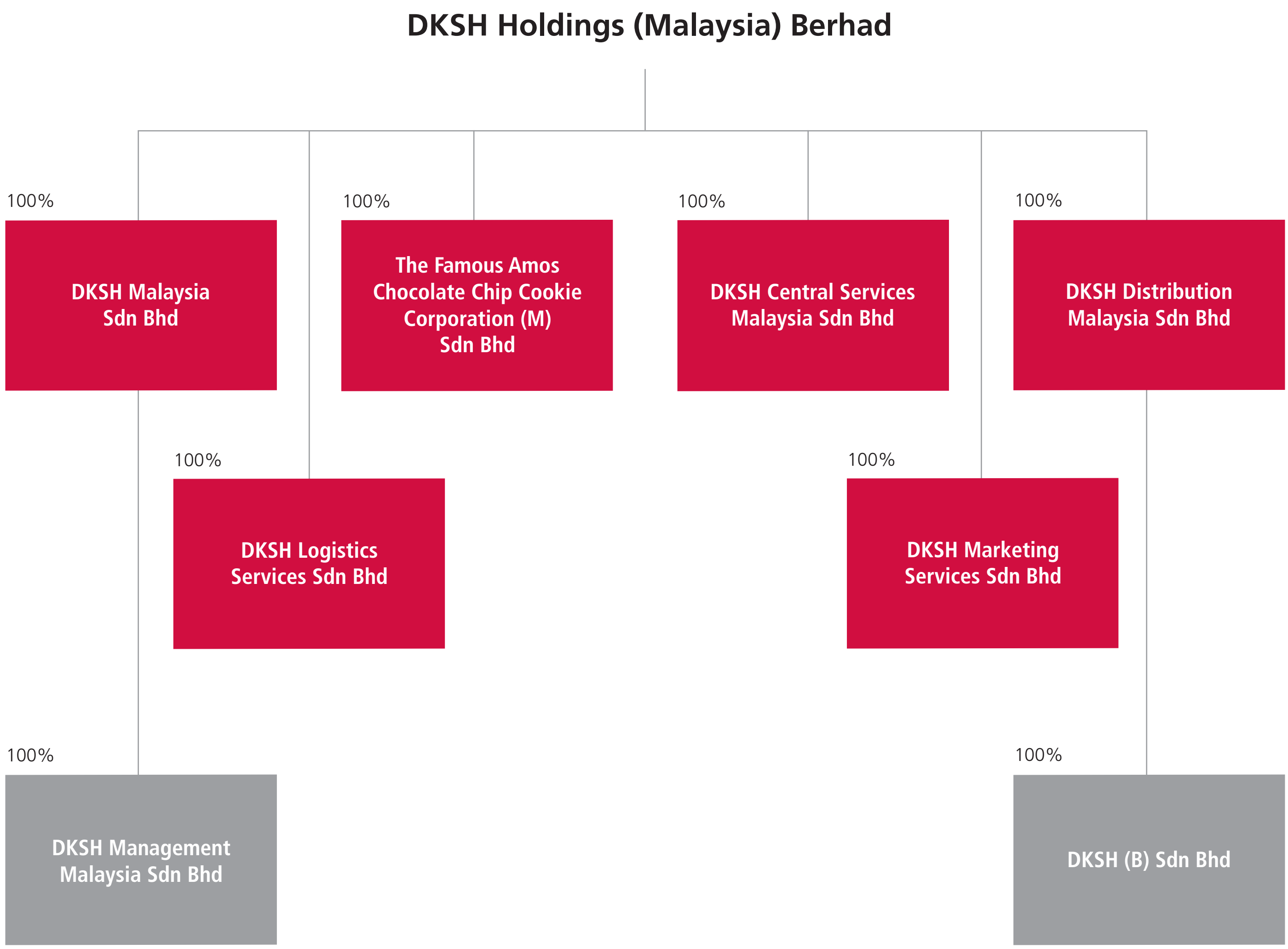
He graduated with a Bachelor of Laws Degree and a Bachelor of Economics Degree from the Australian National University, Australia. He has more than 25 years of working experience in the legal field. He is an Associate Member of the Malaysian Institute Chartered Secretaries and Administrators (MAICSA).

Prior to joining DKSH Malaysia Sdn Bhd, he was in private practice with a legal firm in 1993. Before that, he was an Executive with a merchant bank from 1991 to 1992 and an Executive with a commercial bank from 1989 to 1991. He was also in practice in a legal firm from 1986 to 1989.

Mr Chai oversees the legal matters of the Company.

Mr Chai does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Corporate structure



Corporate governance statement

DKSH's Board of Directors has committed itself to maintaining the highest standards of integrity and transparency in its governance.

Corporate governance statement

The Board of Directors of the Company ("the Board") believe that good corporate governance and sustainable business performance are intertwined. The Board is committed to upholding high standards of integrity and transparency in its governance and ensuring comprehensive application of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("the Code"). In this process, the Board and Management are furthermore supported by the initiatives of the international DKSH Group of Switzerland ("DKSH Switzerland").

The Board is pleased to report to shareholders on the Group's corporate governance practices during the financial year ended December 31, 2016 in accordance with the Code and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

Board matters

Board composition and size

The Board consists of eight (8) members: one (1) Independent Non-Executive Chairman, four (4) Independent Non-Executive Directors and two (2) Non-Independent Executive Directors of which one is also the Group Finance Director and one (1) Non-Independent Non-Executive Director.

The Board composition and size are periodically assessed by the Board through the Nominating Committee for appropriateness to meet the current and future needs of the Company. The Independent Directors who constitute more than one-third of the composition of the Board, provide a check and balance in the functioning of the Board and enhance its effectiveness. All members of the Board have extensive professional background, bringing with them vast experience and knowledge. Their profiles are set out on pages 15 to 18 of this Annual Report.

Roles and responsibilities of the Board

The Board has overall responsibility for the Company's strategic planning and direction, and for overseeing the conduct of the Company's business, corporate governance, investor relations, risks management practices and internal controls.

The Board has adopted a Board Charter which formalizes clear roles and responsibilities for the discharge of the Board's fiduciary and leadership functions. The Board Charter is subject to review by the Board as necessary to determine its adequacy for current circumstances, the Company's policies and applicable rules and regulations and is available on the Company's website at www.dksh.com.my

In executing its responsibilities, the Board has established dedicated committees and functions, and conducts respective performance reviews. Notwithstanding the delegation of specific authority to the Board Committees, the Board remains responsible for its fiduciary duties. The Board also ensures the senior management is of sufficient caliber to implement the Board's strategies and corporate objectives and promote sustainability, taking into account the interest of various stakeholders.

As the Company is majority-owned by DKSH Switzerland, it practises a world-wide executive management program covering talent life cycle management, including appointing, professional learning and development, fixing the performance-oriented compensation program of senior management and where appropriate, cross-border assignments.

The Board also establishes a corporate culture which ensures that ethical conduct is permeated throughout the Company. The Company's Code of Conduct complemented by Group Policies and Guidelines, clearly express the Company's expectations as an employer and provides detailed guidance to employees on expected business and ethical behaviour. The Code of Conduct includes an internal reporting process for events of non-compliance and is available on the Company's website at www.dksh.com.my

Board balance and effectiveness

The Board collectively has a broad range of qualifications, the right mix of skills, experience and knowledge relevant to effectively direct and supervise the Company's business activities and ensure that the interests of all stakeholders are adequately protected.

The Independent Directors provide an effective check and balance in the functioning of the Board. Their presence is essential in providing unbiased, objective and impartial opinion, advice and judgement to the Board deliberations, mitigating risks of any possible conflict of interest or undue influence from interested parties.

The Independent and Non-Executive Directors play key roles in the Board Committees, namely Audit and Nominating Committees in shaping, contributing ideas and assisting the Board in making informed decisions towards the development and strengthening of the governance structures of the Company. None of the Non-Executive Directors participate in the day-to-day management of the Group, allowing them to bring impartial and objective participation at Board or Board Committee deliberations and decision making.

There is a distinct division of roles and responsibilities of the Chairman of the Board and the Group Finance Director. The Chairman of the Board is an Independent Non-Executive Director who provides leadership at Board level and is responsible for encouraging overall Board and individual Directors effectiveness, drawing their respective knowledge, strength, experience and skills. The Group Finance Director, who is also an Executive Director, bears overall responsibilities for the Group's operational and Business Units organization effectiveness and implementation of strategies, policies and that matters approved by the Board are effectively implemented.

The Group Finance Director, assisted by the Management team, is responsible for the Management of the Group's business and also functions as the intermediary between the Board and Management.

Appointment to the Board

The Nominating Committee is responsible for the nomination and election process and for making recommendations to the Board for appointment of new Directors. The Board, after reviewing recommendations of the Nominating Committee, evaluates the suitability of an individual to be appointed.

The Board sets out expectations on the character, knowledge, experience, integrity, competence and time commitment for its members and protocols when assessing new appointments. As recommended by the Nominating Committee, a Board Diversity Policy was adopted by the Board in 2015, taking into account the provisions under the Code. The Policy articulates the diversity attributes and needs of the Board and the approach it would take to address such needs and, in the process, strengthens its composition. The Policy plays an integral role in the selection of candidates for Board

Corporate governance statement (continued)

membership. Whilst the Board recognizes and embraces the benefits of Board diversity, the Board believes in providing equal opportunities to all based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole.

Re-election of Director
In line with the Listing Requirements, all Directors of the Company shall retire from office at least once every three (3) years whilst pursuant to the Company's Constitution, one third of the Directors will retire by rotation at the Annual General Meeting ("AGM") of the Company. A retiring Director shall be eligible to offer himself for re-election subject to shareholders' approval.

Pursuant to Article 105 of the Company's Constitution, Michael Lim Hee Kiang and Alexander Stuart Davy are due for retirement at the forthcoming 25th AGM. Both Directors have expressed their intention not to seek for re-election. Therefore, Michael Lim Hee Kiang and Alexander Stuart Davy will retain office until the close of the 25th AGM of the Company.

Stephen John Ferraby who was appointed by the Board in February 2017, is subject to re-election at the forthcoming 25th AGM pursuant to Article 101 of the Company's Constitution. The Nominating Committee reviewed the eligibility of Stephen John Ferraby for re-election at the forthcoming 25th AGM to ensure that he will continue to contribute to the Board. The Board has also approved the Nominating Committee's recommendation to support his re-election as a Director of the Company.

The profile of Stephen John Ferraby who is standing for re-election at the forthcoming AGM of the Company, is set out on page 17 of this Annual Report.

Re-appointment of Director
With the coming into force of the Companies Act, 2016 on January 31, 2017, there is no age limit for Directors.

At the 24th AGM of the Company held on May 25, 2016, James Armand Menezes, who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the 25th AGM. His term of office will end at the conclusion of the 25th AGM and he has offered himself for re-appointment.

The Nominating Committee of the Company has assessed the criteria and contribution of James Armand Menezes and recommended for his re-appointment. The profile of James Armand Menezes who is standing for re-appointment at the forthcoming AGM of the Company is set out on page 16 of this Annual Report.

Board assessment
The Nominating Committee is responsible to conduct an annual assessment of the effectiveness of the Board, Board Committees, as well as the performance of individual Directors and their independence where applicable. The assessment aims at ensuring the Board members, individually and collectively, work efficiently and effectively in achieving their responsibilities as set out in the Board Charter or the respective terms of reference of the Board Committees.

The assessment of the Board was structured to ensure a balanced and objective review by the Directors in key areas. The internally developed criteria used in the assessment are guided by the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities") and customized to meet the expectations of the Board and the Company. Where appropriate, the Nominating Committee will review the assessment criteria.

The assessment questionnaires are designed using rating scales to assist the evaluation process. All Board members completed the assessment questionnaires on a confidential basis. The Directors' responses are collated and a comprehensive summary of the findings and recommendations is submitted to the Nominating Committee for evaluation, after which, the findings and recommendations are escalated to the Board for its consideration and proposed actions based on the Nominating Committee's recommendations. All Directors' responses from the annual assessment conducted were formally and properly documented.

Independence of Directors
Recommendation 3.2 of the Code sets out that the tenure of an Independent Director should not exceed a cumulative term of nine years, and if an Independent Director continues to serve on the Board upon completion of the nine years, he is subject to be re-designated as a Non-Independent Director. The Code also recommends that the Board must justify and seek shareholders' approval in the event it retains an Independent Director who has served in that capacity for more than nine years without re-designation as a Non-Independent Director.

The Board takes the view that the ability of an Independent Director to serve effectively is a function of his conduct, judgment, caliber and integrity in discharging his responsibilities in the best interest of the Company and various stakeholders, notwithstanding their tenure on the Board.

The Board also acknowledges that significant advantages are gained from the long-serving Directors who possess valuable insights and sound knowledge of the Group's business affairs and operations. In addition, the Board does not set any term limit for Directors as the Board is of the opinion that the independence of a Director should not be determined merely on the basis of his tenure of service which does not in any way impair his independent judgement nor his ability to act in the best interests of the Group. The Board believes that their attributes in terms of skills, experience, professionalism and integrity are more crucial in ascertaining the function and effectiveness of their independence than the number of years served on the Board.

In view of the above, the Board has adopted alternative practices as detailed below. The Board, taking into account the assessment conducted by the Nominating Committee, reviews the independence of all Independent Directors annually. The Nominating Committee adopts the assessment criteria provided in the Bursa Securities Corporate Governance Guide. Further, an annual confirmation of independence is obtained from the respective Independent Directors affirming that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgement or the ability to act in the best interests of the Group as prescribed in the Listing Requirements.

For the year under review, the Nominating Committee and the Board had, after evaluating the aforesaid annual assessment and considering the annual declaration made by Independent Directors, concluded that all Independent Directors of the Company had satisfied the criteria for independence as prescribed in the Listing Requirements.

Corporate governance statement (continued)

The Board is also satisfied with the level of independence demonstrated by these Directors in the Management, and objective in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

The Board justified that the Independent Directors of the Company, namely Michael Lim Hee Kiang and James Armand Menezes, whom have served in the capacity of Independent Directors for more than nine years, shall continue to play their independent role effectively and serve on the Board without re-designation as Non-Independent Directors or the need for shareholders' approval.

Board meetings and supply of Board information

The Board meets at least four (4) times a year, with additional meetings convened on an ad-hoc basis as and when decisions on urgent matters are required between scheduled meetings. The meetings of the Board and Board Committees are scheduled in advance of the calendar year and an annual Schedule of Meetings is circulated to allow Directors to plan ahead.

The Directors have demonstrated their time commitment towards fulfilling their roles and responsibilities as Directors of the Company and all Directors have complied with the minimum requirement on attendance at Board meetings as provided in the Listing Requirements. During 2016, five (5) Board meetings were held and the attendance of each Director thereat is set out in the table below.

The Board recognizes the importance of being fully informed on material matters that may have an impact on the Company and/or the Group. The fact that the Group Finance Director is also a Board member, supports a regular flow of information between the Board and Management.

Matters specifically reserved for the Board's decision, including quarterly interim financial results, are forwarded to its members prior to the meetings. The Board is given sufficient time to evaluate reports and proposals and if necessary, request additional information to enable the Board to make informed and effective decisions. Where necessary, members of the Management team are invited to attend Board or Board Committee meetings to report and update on specific items on the agenda to enable the Board/ Board Committee members to arrive at an informed decision.

The Chairman of the Board and Board Committees ensure that all its members are given ample opportunity to express their views and opinions during meetings. Directors are encouraged to share their views and insights in the course of deliberations and to partake in discussions. Discussions, decisions and conclusions are duly recorded in the minutes of meetings, which are circulated to Board members and subsequently confirmed by the Chairman of the meeting.

The Chairman of the respective Board Committee informs the Directors at Board meetings of any salient matters raised at the respective Board Committee meetings which require the Board's notice, direction or approval.

There are no restrictions for Directors, individually or collectively, to obtain independent professional advice at the Company's expense in furtherance of their duties, as and when the need arises. The Board also has access to information on the affairs of the Group which allows it to oversee the Company's business affairs and performance and has access to the advice and services of senior management and the Company Secretaries.

The Board: Composition and attendance at the Board meetings held in 2016

Directors	Designation	No. of meetings attended
Michael Lim Hee Kiang	Independent Non-Executive Chairman	5/5
James Armand Menezes	Independent Non-Executive Director	5/5
Datuk Haji Abdul Aziz bin Ismail	Independent Non-Executive Director	5/5
Alexander Stuart Davy	Independent Non-Executive Director	4/5
Lee Chong Kwee (appointed w.e.f. February 23, 2016)	Independent Non-Executive Director	4/4*
John Peter Clare (resigned w.e.f. November 22, 2016)	Non-Independent Non-Executive Director	4/5
Jason Michael Nicholas McLaren	Non-Independent Executive Director/ Group Finance Director	5/5
Lian Teng Hai	Non-Independent Executive Director	4/5

* Total number of meetings held subsequent to appointment.

Corporate governance statement (continued)

Support of Company Secretaries
The Board has direct access to the advice and services of experienced, competent and qualified Chartered Secretaries who support the Board in carrying out its roles and responsibilities. The Company Secretaries play an advisory role to the Board and facilitate overall compliance with the relevant requirements, codes or guidance and legislations including communication of key decisions and recommendations between the Board, Board Committees and Management. They also ensure statutory records of the Company are properly maintained and relevant disclosures, submissions and filings are made in a timely fashion to the regulators on behalf of the Company and the Board.

The Board is regularly updated and appraised of the latest developments in the legislation and regulatory framework affecting the Group.

Directors' training
All Directors are aware of the continuing education program requirement pursuant to the Listing Requirements. Except Stephen John Ferraby, all Directors have attended and completed the Directors' Mandatory Accreditation Program ("MAP") as prescribed by the Bursa Securities. Stephen John Ferraby who was appointed to the

Details of Internal and External Training Programs, Seminars, Briefings, etc. attended by the Directors in 2016

Name of Directors	Description of Training Programs, Seminars, Briefings, etc.
Michael Lim Hee Kiang	Risk Awareness Program Updates on the Companies Bill 2015 Updates on the proposed Malaysian Code on Corporate Governance 2016 Updates on Listing Requirements of Bursa Malaysia – Impact to Board and Audit Committee and Disclosure in Annual Report and Announcements
James Armand Menezes	Governance Symposium 2016: Driving Public-Private Governance Forward Key Amendments to Listing Requirements 2016
Datuk Haji Abdul Aziz bin Ismail	The Annual General Meeting – A Practical Insight and Managing Shareholders' Expectations Key Amendments to Listing Requirements 2016
Alexander Stuart Davy	Corporate Governance Breakfast Series: How to Leverage on AGMs for Better Engagement with Shareholders Key Amendments to Listing Requirements 2016
John Peter Clare (Resigned w.e.f. November 22, 2016)	Successful Implementation of E-Commerce Strategies Living the DKSH Leadership Principles Coaching Session On the next stage: Thailand's economic revival and the ways supply chain automation will fuel it
Lee Chong Kwee (Appoited w.e.f. February 23, 2016)	Launch of the Board Risk Committee Guide and the ASEAN Corporate Governance Scorecard Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies Of Enron, Entanglement and Enlightenment The Secrets and Art of Cyber Security SID Directors' Conference 2016: Digital Disruption Launch of the Board Guide Key Amendments to Listing Requirements 2016
Jason Michael Nicholas McLaren	Handling Press Conferences, Media Interviews & Tricky Media Questions Growth Innovation and Leadership – Digital Transformation a New Strategic Imperative Key Amendments to Listing Requirements 2016
Lian Teng Hai	Market Manipulation and Securities Fraud Corporate Governance Breakfast Series with Directors: The Cybersecurity Threat and How Board Should Mitigate the Risks

Corporate governance statement (continued)

Board on February 21, 2017 shall complete the MAP within four (4) months from his appointment.

The Board evaluates and determines the training needs of the Directors on a continuous basis and ensures its members have access to appropriate continuing education programs to enhance their business acumen and professionalism in discharging their duties. The Directors devote sufficient time to regularly expand their knowledge and enhance their skills to enable them to actively participate and contribute in their deliberations, discussions and decisions at Board and Board Committee levels. The Board is also kept informed of the requirements and updates issued by Bursa Securities and other regulatory authorities.

During the financial year under review, all Directors attended a number of training and seminar programs covering topics on finance, governance, corporate and global business and industry developments, which they have individually or collectively considered as relevant in the discharge of their duties as Directors of the Company.

The Company Secretaries facilitate the organization of internal training programs and Directors' attendance at external programs including keeping Directors informed of relevant external programs. A complete record of all internal and external programs attended by the Directors are kept and maintained by the Company Secretaries.

Directors' remuneration

The determination of the remuneration of the Directors is a matter of the Board as a whole. The remuneration payable to Non-Executive Directors who are not employed by the DKSH Group of Companies is proposed by the Board and is subject to shareholders' approval at the AGM of the Company. The remuneration shall commensurate with the experience, expertise and responsibilities undertaken and role played by the individual Director concerned.

As the Company is majority-owned by DKSH Switzerland, the remuneration of the Executive Directors is based on DKSH Switzerland's own group-wide remuneration policy and procedures which are set in line with international standards. Hence, the Board is of the opinion that a remuneration committee is not required. The Executive Directors' remuneration is established by evaluating the scope of their functions within the context of the Malaysian market and the responsibilities and skills required to perform their roles successfully subject to the annual internal performance review. In addition, the remuneration of the Executive Directors is also directly linked to the achievement of actual financial results and financial key performance indicators of the Group.

Details of Directors remuneration (both Executive and Non-Executive) is shown under Note 6 of the Company's audited financial statements for the financial year ended December 31, 2016 on page 80 of this Annual Report.

For financial year ended December 31, 2016 the aggregate of remuneration received and receivable by the Directors of the Company from the Company and the subsidiaries categorized into appropriate components is set out in the table below.

	Salaries RM'000	Bonuses RM'000	Fees RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
Executive Directors Receivables from:-						
Company	–	–	–	–	–	–
Subsidiaries	1,463	483	–	–	533	2,479
Non-Executive Directors Receivables from:-						
Company	–	–	312	–	–	312
Subsidiaries	–	–	–	–	–	–

Note: Others include Employees Provident Fund ("EPF")

Corporate governance statement (continued)

The number of Directors of the Company whose remuneration during the financial year falls within the respective bands, is set out in the table below.

Board Committees

The Board has delegated specific responsibilities to two Board Committees, namely the Nominating Committee and Audit Committee, each with clearly defined functions and terms of reference. These Committees assist the Board in making informed decisions through focused and in-depth deliberations on issues within their respective purview. The Committees report to the Board on the matters considered and their recommendation thereon. The final decision on all matters, however, lies with the Board after considering recommendations by the Committees except to the extent that certain matters are delegated by the Board to the said Committees.

Nominating Committee

The Nominating Committee of the Company was established by the Board in February 2013. The Nominating Committee comprises three Independent Non-Executive Directors. The Board designated Michael Lim Hee Kiang, Chairman of the Nominating Committee as the Senior Independent Director to whom concerns may be conveyed.

Duties and responsibilities of the Nominating Committee are set out in its terms of reference approved by the Board which are available on the Company's website at ww.dksh.com.my.

The Nominating Committee met once during the year under review with full attendance of its members. Details of the activities undertaken by the Nominating Committee in discharging its duties during 2016 are set out as below:

i. Reviewed and recommended for the Board's approval of the proposed appointments of Lee Chong Kwee as Independent Non-Executive Directors;
ii. Reviewed and recommended for the Board's approval of the proposed appointments of Lee Chong Kwee as the Chairman of the Audit Committee and a Member of the Nominating Committee;
iii. Assessment of the training needs of Board Members through the assessment of individual Directors;
iv. Evaluated the retention of the two Independent Directors, namely Michael Lim Hee Kiang and James Armand Menezes whom have served in the capacity of Independent Directors for more than nine years without re-designation as Non-Independent Directors or the need for shareholders' approval;
v. Evaluated the eligibility of the retiring Directors by rotation to stand for re-election at the previous AGM held in 2016. Criteria used in this assessment are guided by the Bursa Securities's Corporate Governance Guide.
vi. Conducted annual assessments of the Board, Board Committees, individual Directors and the independence of Independent Directors. Criteria used in these assessments are guided by the Bursa Securities's Corporate Governance Guide after taking into consideration the current and future needs of the Company.

The annual assessment of each individual Director enables the Board to ensure that each of the Board members including the Group Finance Director has the character, experience, integrity, competence and time to effectively discharge the respective role.

The Nominating Committee was satisfied that the Board has the right size and the Board composition is well balanced having considered the appropriate mix of skills, experience, strength and independence and the diversity required to meet the current and future needs of the Company.

Audit Committee

The Audit Committee of the Company was established by the Board in September 1994 and comprises solely of Independent Non-Executive Directors. During the financial year under review, James Armand Menezes was re-designated as a member of the Audit Committee, whilst Lee Chong Kwee was appointed as the Chairman of the Audit Committee.

The Audit Committee has met the requirements of Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the requisite qualification prescribed by Bursa Malaysia Securities Berhad on Audit Committee.

The Audit Committee engages on a continuous basis with the senior management of the Company, as well as the internal and external auditors.

During 2016, the Audit Committee met five (5) times. Details of the activities undertaken

Range of remuneration	No. of Executive Director	No. of Non-Executive Director
RM 50,000 and below	–	3
RM 50,001 to RM 100,000	–	2
RM 1,150,001 to RM 1,200,000	1	–
RM 1,300,001 to RM 1,350,000	1	–

Note: Remuneration paid to Executive Directors includes salary and bonus as well as other employee benefits.

Corporate governance statement (continued)

by the Audit Committee during the financial year under review and the summary of duties and responsibilities as outlined in the Audit Committee's approved by the Board are set out in the Audit Committee Report on pages 41 and 42 of this Annual Report. The terms of reference of the Audit Committee are available on the Company's website at www.dksh.com.my

Accountability and audit

Financial reporting

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of the affairs of the Company and the Group.

The Board, assisted by the Audit Committee, oversees the Group's financial reporting process, compliance with applicable accounting standards and the quality of its financial reporting. Based on the Audit Committee's recommendation, the Board approves the quarterly and annual financial statements of the Group for disclosure to the shareholders and the regulatory authorities.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements for the year ended 2016 is set out on page 43 of this Annual Report.

Relationship with the Auditors

Through the Audit Committee, the Board maintains a formal and professional relationship with the internal and external auditors and ensures the Company has transparent procedures with the auditors in line with the auditors' professional requirements. The role of the Audit Committee in relation to both auditors is described in the terms of reference of the Audit Committee which is available on the Company's website at www.dksh.com.my.

The Audit Committee reviews and discusses with the external auditors any issues arising from the interim and final audits, audit plans, audit findings and other matters of concern. The Audit Committee members meet with the external auditors at least once a year without the presence of the Executive Directors and Management.

For the financial year under review, the external auditors confirmed that they are and have been independent throughout the conduct of the audit engagement. The Audit Committee makes its own annual assessment of their suitability and independence in connection with the recommendation to retaining them as auditors and also ensures that provisions of other non-audit services rendered by them is not in conflict with their audit function.

The Audit Committee is satisfied that the objectivity and independence of the external auditors are not in any way impaired by reasons of the non-audit services provided to the Group.

Risk management and internal controls

The Board maintains a sound risk management framework and internal control system to safeguard shareholders' investment and the Group's assets. The Board recognizes its overall responsibility for the Group's internal control system and its effectiveness including reviewing its adequacy and integrity. The internal and external auditors support the Board in exercising its supervisory and control functions.

The Group adopts a balanced and pragmatic risk management approach in achieving its objectives. An overview of the state of risk management and internal controls of the Group is set out in the Statement on Risk Management and Internal Control on pages 39 to 40 of this Annual Report.

Shareholder communication and investor relations

The Company acknowledges the need for shareholders to be informed of all material business matters affecting the Company. The Company observes a corporate disclosure policy in accordance with Bursa Securities Corporate Disclosure Guide and has in place appropriate corporate communications policies and procedures when liaising with shareholders and investors to ensure dissemination of information that is factual, accurate and clear in a timely manner.

In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders and the investing public with an overview of the Group's performance and operations. Shareholders and the investing public may also obtain the up-to-date information and activities of the Company and/or the Group, corporate announcements, quarterly results and annual reports by accessing the Company's website at www.dksh.com.my. The Company maintains and ensures that its website is current, informative and contains information relevant to all shareholders.

The Company believes that the AGM is the principal platform of communication with shareholders of the Company for better appreciation of the Company's objectives and challenges. The Board encourages shareholders' participation during question and answer sessions at the AGM and provides sufficient opportunity for shareholders to communicate their expectations and concerns. The external auditors are invited to the meeting to provide their professional and independent view to shareholders on the conduct of the statutory audit and the preparation and content of their audit report, if required.

At the last AGM, the Non-Independent Executive Director/Group Finance Director, Jason Michael Nicholas McLaren, provided an overview of the business and outlook including explanation of the operational and financial performance of the Group to enable shareholders to make an informed decision. All resolutions put forth for shareholders' approval at the said AGM were voted by a show of hands. The outcome of the AGM was announced to Bursa Securities on the same day of the meeting.

The Group's Investor Relations function plays an important role in providing proactive engagements and communication with shareholders and investors. The Company conducts regular investor relations meetings post announcement of results, and welcomes the visit of investors for dialogue or discussions on the performance of the Group. The Group Finance Director is available for such meetings to address queries or issues regarding the Company and/or the Group that may be conveyed to him. During the year under review, four investor relations meetings were held.

Corporate governance statement (continued)

Additional Compliance Information

Recurrent Related Party Transactions of a revenue or trading nature ("RRPTs")

At the last Annual General Meeting of the Company held on May 25, 2016, the Company had obtained approval from shareholders to allow the Group to enter into RRPTs as specified in the Circular to Shareholders of the Company dated April 26, 2016.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, the details of RRPTs conducted during the financial year 2016 pursuant to the aforesaid shareholders' mandate are set out in the table below.

	Nature of RRPTs	Transacting parties with whom DKSH Group transact(s)	Interested Related Parties (as defined hereinunder) *	Amount transacted during the financial year 2016 RM'000
i.	Hosting and support of system applications, data processing applications, provision of infrastructure and support facilities, provision of IT and organizational consultancy services by the transacting party to DKSH Holdings (Malaysia) Berhad and its subsidiaries ("DKSH Group")	DKSH Corporate Shared Services Center Sdn Bhd ("CSSC")	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	14,876
ii.	Sale of goods by DKSH Group to transacting parties	DKSH Holding Ltd and its subsidiaries	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	2,498
iii.	Provision of distribution and logistics services by DKSH Group to transacting parties	DKSH Holding Ltd and its subsidiaries	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	46,856
iv.	Provision of Merchandising Services and Promotion Services by transacting parties for products distributed by DKSH Group	DKSH Holding Ltd and its subsidiaries	DKSH Resources 1) DKSH Asia 2) DKSH Holding Ltd 3) SJF 4) JNM 5) LTH 6)	10,653
v.	Lease/tenancy of land and/or premises and/or properties, and provision of related/administrative facilities from the transacting party +	Lembaga Tabung Angkatan Tentera ("LTAT")	LTAT 7) DAA 8)	6,171 ^

*Notes:
1) DKSH Resources (Malaysia) Sdn Bhd ("DKSH Resources") is a major shareholder of DKSH Holdings (Malaysia) Berhad ("DHMB") (74.31% direct interest as at March 31, 2017) and a wholly-owned subsidiary of DKSH Holdings (Asia) Sdn Bhd ("DKSH Asia").
2) DKSH Asia is the holding company of DKSH Resources and a wholly-owned subsidiary of DKSH Holding Ltd.
3) DKSH Holding Ltd is the holding company of DKSH Asia and the ultimate holding company of DKSH Resources.
4) Stephen John Ferraby ("SJF") is a Non-Independent Non-Executive Director and has been nominated to the Board of DHMB by DKSH Resources. SJF is a person connected with DKSH Holding Ltd, DKSH Asia and DKSH Resources.
5) Jason Michael Nicholas McLaren ("JNM") is a Non-Independent Executive Director/Group Finance Director and has been nominated to the Board of DHMB by DKSH Resources. JNM is a person connected with DKSH Holding Ltd, DKSH Asia and DKSH Resources. He is also a Director of DKSH Resources, DKSH Asia, CSSC and DKSH Smollan Field Marketing (Malaysia) Sdn Bhd ("DKSH Smollan"). CSSC is a wholly-owned subsidiary of DKSH Holding Ltd whilst DKSH Smollan is a 51% owned subsidiary of DKSH Holding Ltd.
6) Lian Teng Hai ("LTH") is a Non-Independent Executive Director and has been nominated to the Board of DHMB by DKSH Resources. LTH is a person connected with DKSH Holding Ltd, DKSH Asia and DKSH Resources.
7) LTAT is a body corporate established under the Tabung Angkatan Tentera Act 1973. The lease of premises and properties referred to item (v) above is no longer considered as a related party transaction due to the cessation of LTAT as substantial shareholder of DKSH Group with effective from January 29, 2016 and the re-designation of Datuk Haji Abdul Aziz bin Ismail ("DAA") as Independent Non-Executive Director with effective from August 23, 2016.
8) DAA was re-designated as Independent Non-Executive Director on August 23, 2016. Previously, he was a Non-Independent Non-Executive Director as he was nominated to the Board of DHMB by LTAT.
+ Lease of premises and properties held under HS(D) 66055, PT 66619, Mukim Klang, Daerah Klang, Negeri Selangor (an amalgamation of Geran 20004 (Lot 10394), Geran 20062 (Lot 10452) and Geran 35910 (Lot 10451), all in Mukim Klang, State of Selangor), from LTAT for a term of six years commencing from April 1, 2013 to March 31, 2019 with rental payable on a monthly basis.
^ The actual aggregate value of the Recurrent RPTs transacted from January 1, 2016 up to August 23, 2016 during which time the approved mandate was in force.

Corporate governance statement (continued)

Utilisation of proceeds from corporate proposals
There were no proceeds raised from corporate proposals during the financial year.

Audit and Non-Audit Fees
The amount of audit fees and non-audit fees paid or payable to the Company's External Auditors by the Group and the Company for financial year 2016 are as follows:

	Group (RM)	Company (RM)
Audit Fees	450,000	90,000
Non-Audit Fees	9,000	–
Total	459,000	90,000

Material Contracts
There were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders which were still subsisting as at the end of the financial year or which were entered into since the end of the previous year.

Compliance Statement
The Board is satisfied that the Company had observed good governance practices and in most circumstances, complied with the principles and recommendations of the Code.

This statement is made in accordance with Board's approval on April 14, 2017.

Sustainability statement

At DKSH, being a responsible corporate citizen has been the foundation of our success. We do business in a way that is profitable while also taking care of and having a positive impact on society.

The Group has in place a sustainability framework that provided the basis for a clear focus on our Corporate Responsibility ("CR") initiatives and practices in the areas of community involvement, workplace, environment and marketplace.

Our employees receive training, knowledge and opportunities to develop themselves. Our capillary distribution network enhances the quality of life for millions of Malaysians as we distribute consumer goods and healthcare products to meet their daily needs.

We also actively seek opportunities to participate in CR initiatives and we are committed to making a positive contribution at all levels. Our employees are also involved in a variety of CR initiatives that allow them to reach out a helping hand to those who need it or to pledge their efforts to a good cause.

In 2016, we continued to demonstrate this commitment to local communities through new and existing initiatives as well as supporting local charity programs through donation and volunteering efforts of our employees.

Workplace: people, values and employer value proposition

Our people, values and promise to employees

Our people are the most valuable asset we have. It is their ideas, initiatives and decisions that drive our success. United by a shared corporate culture, we empower the best professionals in our industry to grow in their careers and to work together to achieve our vision of being known as the leading company in Market Expansion Services in Malaysia.

At DKSH, our people shape the long-term growth of our business as part of an energetic and successful team and positively touch the lives of millions of Malaysians by providing them products that meet their daily needs.

Our corporate values

In a world where products, processes and technologies become easier to duplicate, true competitive advantage stems not just from organizational capabilities, but requires a corporate culture that is hard to imitate or reproduce.

Despite the diversity of our people and the diverse industries we serve, a very unique corporate culture has emerged over the decades. Five meaningful values reflect our corporate culture and are reinforced in all aspects of our business. DKSH's reputation is based on our authentic, pragmatic and entrepreneurial approach to find tailor-made solutions. Our commitment and passion drive the sustainable business results we achieve for our business partners and ourselves.

Business partners and colleagues can depend on us because we act in a straight-forward way. Just like the founders of DKSH, we share a pioneering spirit and are passionate to drive growth. We are ambitious, open to change and embrace progress. At the same time, we take charge and are accountable for our actions and outcomes. At DKSH, we enjoy our work and are passionate about what we do.

Unique opportunities for unique people

Given the complexity of DKSH's business and the dynamic markets in which we operate, coupled with the ever-evolving needs of our business partners, we depend on employees who can live up to the challenges we face every day.

Success in our business requires people with an entrepreneurial mindset who can easily adapt to change, self-starters with leadership qualities and high potential. True to the spirit of our founders, our business model leaves employees a great deal of entrepreneurial freedom to run the business within a centrally managed framework providing IT, Finance, Legal and Compliance, Communications and HR, known at DKSH as People & Organization (P&O).

The flexibility to execute on a local level enables employees to take on responsibility to grow the business and expand their

At DKSH, our people are the most valuable asset, forming an energetic and successful team that shapes the long-term growth of our business.

Sustainability statement (continued)

professional expertise. At the same time, our incentive systems and performance management are geared to recognize achievement and development opportunities for high-performing individuals.

P&O activities are designed to attract and recruit the best fitting people through efficient and effective recruiting and smooth integration processes. With a view to strengthening DKSH's performance-oriented culture, employees' job goals are aligned with the Group's overall objectives.

Diversity comes naturally

Operating a business in a way that respects the inherent values and differences between cultures is an essential success factor for a multinational company like DKSH. From the very beginning, DKSH's Swiss founders embraced cultures new and foreign to them and this legacy is reflected today in the highly diverse composition of our workforce.

In 2016, our 2,800 people work together in 30 locations across Malaysia, serving clients and customers alike. Currently, women make up more than 51% of middle and top management levels. Our female to male employee ratio shows a distribution of 51:49.

With the objective of maintaining a healthy representation of women in its workforce, the Group began consolidating its P&O policies in 2013 by extending another 30 days of unpaid maternity leave and introducing paternity and carers' leave for all employees.

As part of the national agenda to increase the participation of women in the workforce, DKSH introduced a career comeback program to recruit and retain women who have been on career breaks but are keen to re-enter the workforce. Initiatives include introducing part-time and reduced work options as well as flexible working hours to cater for certain work conditions such as women in their final trimester of their pregnancies. Other family-friendly programs include designated car parks for expecting mothers, nursing rooms and study or exam leave for all employees. The Group recognizes that such initiatives not only meet its talent needs, but increase diversity and inclusion in its workplace to contribute to long-term business success.

Empowering growth – the DKSH Fantree Academy

Having sufficient best fitting people is crucial to enabling our strategy for sustainable, profitable growth. DKSH is dedicated to empowering its people to grow professionally and aims to attract and retain the top talents in the businesses and markets it serves.

Being part of the global DKSH Group in Switzerland also allows us to leverage on the DKSH Fantree Academy, our in-house corporate learning and development center which provides a broad series of programs to develop the capabilities of our employees. The DKSH Fantree Academy offers a focused Group-wide aligned architecture that bundles our development needs into customized programs. It has two main branches: leadership programs and skills programs.

The leadership programs focus on developing core leadership competencies required at the different levels of seniority: from front line managers in their first leadership roles, right up to our DKSH country management team. The programs aim at establishing a common DKSH leadership culture, strengthening our capabilities for strategy execution as well as supporting the development of our internal pool of talents at all levels of the organization.

The skills programs support staff members to further develop specific competencies relevant to their respective functions and areas of development. While the essential skill programs cover the soft skills required at various levels across Business Segments and support functions, like "presentation" and "operational finance", the functional skills trainings are specialized by functional job area, such as Client Management, Field Sales, Customer Account Management, Trade Marketing or Business Development.

In line with building our talent pipeline for strategic growth and developing our people as all-round leaders, the Group's middle-management training program aims to equip high-performing individuals with experience-based knowledge and skills to lead their respective teams, to develop business acumen and entrepreneurial skills, to enhance their critical thinking and groom them to be mature managers and to allow them the opportunity to progress further in the organization.

Authentic
We are dependable and act in a straight forward way

Committed
We take charge and act results-oriented

Entrepreneurial
We are self-driven and act with a pioneering spirit

Passionate
We take people seriously and act with passion

Pragmatic
We are hands-on and act with common sense

Sustainability statement (continued)

The Group's junior executive trainee program is a comprehensive graduate development program that is designed to attract and prepare high-performing fresh graduates to acquire management skills through experiential learning by providing cross-function exposure within the Group's Fast Moving Consumer Goods end-to-end business operations.

In 2015, DKSH was awarded the Gold Approved Trainee Development Employer and Approved Professional Development Employer statuses by the Association of Chartered Certified Accountants (ACCA) and the Recognized Employer Partner by the Certified Practising Accountants, Australia (CPA) in recognition of its high standards in learning and development as well as support given to the Group's finance professionals.

For the second consecutive year, DKSH won the Employer of Choice, Silver Award at the 16th Malaysia HR Awards in 2016. Organized by the Malaysian Institute of Human Resource Management, this award testified to DKSH's achievements in the areas of talent management, leadership development and performance management.

Also in 2016, DKSH was recognized as a LIFE@WORK Honoree by Talent Corp, testament to its effort in implementing various diversity and inclusion programs across all gender, age and disability to improve engagement in the workforce.

DKSH's employee sports and recreation club, the Fantree Club promotes a healthy work-life balance and employee engagement by organizing sporting events and supports social activities such as inter-departmental games, festive celebrations, local trips and a treasure hunt to foster a spirit of camaraderie and instill a spirit of togetherness amongst employees.

Supporting local communities

DKSH actively invests in the local communities in which it operates. We encourage and empower our local entities to start their own initiatives as well as cooperate in regional or Group-wide ones, that may be centered on infrastructure development, disaster recovery, environmental programs, education or philanthropic projects. DKSH also continues to support local charity programs through donation and volunteering efforts of our local employees.

Highlights of our community and employee initiative projects in 2016 include:

Health and Awareness Program week

DKSH Consumer Goods Logistics organized a H.A.P.P.Y. 2.0 campaign at the distribution center in Klang to promote a healthy lifestyle and to raise awareness on health and wellness issues. This two-month campaign consisted of a series of activities, including a first aid and CPR training by the Malaysian Red Crescent, health screening programs and short fitness sessions where staff participated in stretching routines to calm the mind and improve blood circulation. There was also a blood donation drive which successfully attracted participation from 50 donors last year.

Famous Amos spreads festive cheer

Famous Amos continues to bring smiles and spread joy to people, not only through its delicious freshly baked cookies, but by giving back to the community in meaningful ways. Famous Amos organized its annual charity event to raise funds for Rumah Hope, a home for underprivileged children in Petaling Jaya.

Famous Amos successfully raised RM 15,000 through the sale of Christmas charity packs at its IOI City Mall Putrajaya outlet, where RM 10,000 was donated to Rumah Hope to support daily operating expenses at the home. The remaining funds were utilized for an excursion to SnoWalk at I-City for the children of Rumah Hope in fulfilment of their wishes for an Arctic experience at South East Asia's first indoor winter wonderland.

The Kuala Lumpur Rat Race 2016

A team of DKSH Malaysia's fastest runners put on their running shoes and wore their corporate wear to represent the company at the 16th Kuala Lumpur Rat Race 2016.

Modeled after the Carey Wall Street Rat Race in New York, the Kuala Lumpur Rat Race is a unique experience for runners as they have to run through the financial district of Kuala Lumpur in work attire.

H.A.P.P.Y. 2.0 campaign promoted a healthy lifestyle among employees with a series of activities such as stretching sessions.

Famous Amos successfully raised RM 15,000 from the public through the sale of its Christmas charity packs, where proceeds were donated to Rumah Hope.

Sustainability statement (continued)

DKSH donned running shoes and joined other Malaysian companies in running for charity.

DKSH, through Famous Amos, collaborated with the Malaysian Federation of Deaf on Project ORCHID to provide career opportunities for individuals certified with the Malaysian Department of Social Welfare.

Energetic and passionate team members from diverse backgrounds and management levels at DKSH volunteered their time and effort to run for a good cause. The event gave DKSH a platform to run with corporate Malaysia together to create corporate responsibility awareness, promote a healthy lifestyle and also to have fun racing as a team.

DKSH, together with over 500 corporate citizens from 53 companies raised RM 1.3 million from the race, proceeds of which went towards charitable organizations to promote education and financial literacy.

Project ORCHID (Opportunities in Rejuvenating Careers for the Hearing Impaired)

Launched in April 2016, Project ORCHID is a CR outreach and retention initiative aimed at providing retail career opportunities for individuals certified with the Malaysian Department of Social Welfare.

Project ORCHID is a collaboration between DKSH through Famous Amos and the Malaysian Federation of Deaf (MFD) to provide career opportunities to hearing-impaired individuals in selected Famous Amos retail outlets.

On April 1, 2016, the first batch of seven hearing-impaired employees commenced employment at Famous Amos outlets at 1Utama, Paradigm Mall, IOI City Mall, Sogo and Subang Parade. The pilot program also involved a donation of RM 100 per employee to MFD for logistics coordination and an introductory session for Famous Amos' outlet supervisors, area managers and management team on working with hearing-impaired employees.

This initiative is part of the Group's continuous effort to give back to society and also increase the retention of our employees in the retail outlets.

Environment

We provide a safe and healthy workplace and protect the environment

DKSH is committed to conducting its business in an environmentally sustainable manner by minimizing the impact of its business on the environment, using practices that are socially responsible and economically sound.

DKSH conducts its operations in compliance with applicable environmental, health and safety laws and regulations as well as company standards to provide employees with a safe, healthy and clean working environment.

Some environmental initiatives in our distribution centers include:

- Waste is segregated, wastage reduced and disposal is managed. Organic waste is sent to an environmental and waste management center to be converted to biomass and organic fertilizer, while packaging materials such as carton boxes are reutilized or sent for recycling;
- Energy-saving initiatives such as installing electrical timers and energy-saving lighting. Our cold room compressors have defrost timers with different cut-in and cut-out settings to reduce energy consumption and our carbon footprint;
- Using energy-efficient building materials. Walls at our Healthcare distribution center in Shah Alam are insulated with thick rock wool and metal cladding for better insulation and heat reflection, reducing energy consumption. Its rainwater harvesting system allows the accumulation and collection of rainwater for reuse on-site; and
- Rationalizing our customer delivery frequency and schedule based on their monthly average carton usage to reduce our carbon footprint.

Statement on risk management and internal control

The Board of Directors ("the Board") is committed to a sound system of risk management and internal controls. These have and always will be an essential success factor for the Group and are an integral part of our organization's culture. The Board is therefore pleased to present its Statement on Risk Management and Internal Control for financial year ended December 31, 2016, which has been prepared pursuant to Paragraph 15.26 (b) of the Main Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management and Internal Control; Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group (comprising the Company and its subsidiaries) during the financial year.

Board's responsibility

The Board is responsible for the adequacy and effectiveness of the Group's risk management processes and internal control system to protect the assets of the Group and to safeguard shareholders' investments. Risk management and internal controls are embedded in the Group's management systems which range from the business planning processes, the Management of client relationships, to the execution of the Group's daily business affairs.

The Group's system of internal controls is designed to manage and control risks within an acceptable risk appetite, rather than to eliminate risks altogether. Due to the inherent limitations of internal controls, the system can only provide reasonable but not absolute assurance against material misstatements, losses or fraud.

Management assists the Board in implementing and continuously fostering the risk management and internal control system of the Group. Management has therefore established a regular risk review and a Group risk register as well as a documented Internal Control system, which is subject to reviews and tests. Management also regularly evaluates and identifies the key risks and establishes action plans to further improve controls and reduce risks.

The Board has received reasonable assurance from the Group Finance Director who is primarily responsible for the financial management of the Group that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the year under review and up to the date of approval of this statement.

Risk management framework

The Group has in place a risk management framework to promote effective risk management and enhance the corporate governance assurance process.

The Group's risk management framework encompasses the following key elements:

i. Risk register: The Group regularly reviews its risk management system and the related risk registers. This risk management system includes significant strategic, operational, financial and compliance risks, as well as clearly defined action plans. The Board was briefed by Management on the Risk Register 2016 and on the regular risk reviews conducted by Management;
ii. Treasury: The Treasury department follows strictly the DKSH Corporate Treasury policy and is monitored by the Corporate Treasury Centre in Singapore. The Group executes a conservative financial risk policy and hedges all foreign exchange risks; and
iii. Insurance: The Group consciously covers and transfers certain risks exposure by securing adequate insurance coverage based on the Group's guidelines provided in the Group Policy on Risk and Insurance.

Internal control system

The following internal control components have been embedded to assist the Board to maintain a sound system of internal controls in the Group:

i. Internal Control System ("ICS"): The Group maintains a formally documented ICS which focuses on the most critical financial reporting and operational risks. ICS has been in place for nine years and has since its beginning undergone regular reviews and testing by Management, whilst risks relevant to financial reporting have been reviewed and assessed by external auditors. Management further provides assurance on the adequacy and effectiveness of the internal control system through annual Management Certifications;
ii. Policies and procedures: The Group has in place various formally documented policies and procedures, some of which were reviewed and updated during 2016. The updated policies included the Anti-Bribery and Anti-Corruption Policy, Limits of Authority Policy, Gifts, Hospitality and Entertainment Policy and Risk Management Policy;
iii. Tone at the top: The Group's management team actively enforces good governance and internal controls and further instils a culture of risk management and zero tolerance for fraud;
iv. Code of Conduct ("CoC"): The CoC was updated in 2015. This policy complements our corporate values and sets overall standards for ethical and compliant behaviour in all business dealings by employees and appointed third parties. To foster understanding and compliance with the CoC, it is compulsory for all employees to complete the new CoC training module launched in March 2016 and obtain a certification. The CoC is also an integral part of the induction programs for new employees and all employees are required to confirm compliance with the CoC annually;
v. Anti-Bribery and Anti-Corruption Policy ("ABAC"): This policy which was reviewed and updated in June 2016, supplements the Group's Code of Conduct and outlines a clear zero tolerance policy for bribery and corruption. It sets out the anti-bribery and corruption controls and procedures which are adopted to prevent and mitigate the Group's bribery risks. It

Statement on risk management and internal control (continued)

is compulsory for new employees to complete the ABAC training module and obtain a certification;

vi. Limits of Authority: The Group Limits of Authority which provides clarity on authorities assigned at Corporate, Business Unit as well as country level was updated in 2016;

vii. Anti-Fraud Policy: In line with the Group's fraud policy which was updated in 2015, the Audit Committee and the Management team review all fraud cases and ensure that the Group's zero fraud tolerance policy is adhered to. Formal reports are issued on all fraud cases and a fraud logbook is maintained to record and monitor recuperation strategy, efforts and successes including any sanction or legal action taken

viii. Whistleblowing / Fraud Reporting: The Group has made available in 2016, a whistleblowing platform for fraud related matters to be reported by employees and others. Genuine and legitimate concerns can be raised via e-mail to myethics@dksh.com;

ix. Insider Trading Policy: The Group has established measures to eliminate trading of shares during blocked periods and for persons with insider knowledge;

x. Financial Reporting: The monthly and year-end financial reports are provided to Management, business managers and Finance department for review and discussion as well as the international DKSH Group of Switzerland for scrutiny;

xi. Credit Control: Formalized credit control procedures are in place and reviewed regularly;

xii. Inventory Management: Stringent controls are in place for inventories, which are further subject to regular cycle counts and stock takes;

xiii. System access rights: Regular reviews of system access rights and segregation of duties have been carried out to strengthen internal controls;

xiv. Internal Audit: The Internal Audit department, which has been in place since the Company's listing on Bursa Securities in 1994, continues to independently review key business processes, risks and evaluate compliance with policies and procedures as well as assess the adequacy and effectiveness of internal controls. Findings and corrective measures are regularly reported to the Audit Committee. The modus operandi of Internal Audit are further explained on pages 41 to 42 of this Annual Report; and

xv. Organization Structure: The Board provides direction and oversight to the Group and Management and is supported by established Board Committees, namely the Audit Committee and Nominating Committee. Each Committee has clearly defined terms of reference. Responsibility for implementing the Group's strategies, operation and day-to-day businesses is delegated to the Group Finance Director and Management. The organization structure sets out clear segregation of roles and responsibilities, lines of accountability and limits of authority to ensure effective and independent stewardship.

Other elements of the Group's risk management and internal control processes

i. Business Continuity Planning: A formalized business continuity plan is established; and

ii. ERP System: All operating units of the Group run on a standardized and integrated SAP platform with system integrated controls.

Review of this statement by external auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the year ended December 31, 2016 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

Conclusion

For the year under review, and up to the date of approval of this statement, the Board considers the risk management framework and internal control system throughout the Group as sound and adequate to safeguard the shareholders' investment, stakeholders' interest and the Group's assets. The Board is satisfied that various initiatives and reviews undertaken in 2016 have further strengthened the effectiveness of the risk management processes and the internal control environment of the Group. There were no significant control failures or weaknesses that would result in material misstatements, material losses or material fraud.

The Board together with Management will continuously assess the suitability, adequacy and effectiveness of the Group's system of risk management and internal controls and will take corrective measures to enhance the system, as and when necessary.

This statement is made in respect of the financial year ended December 31, 2016 and in accordance with the Board's approval on April 14, 2017.

Audit Committee report

The Audit Committee of DKSH Holdings (Malaysia) Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2016 in compliance with Paragraph 15.15 of the Main Listing Requirements of Bursa Malaysia.

The Audit Committee comprises four (4) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is Lee Chong Kwee, identified by the Board and assumed the role of Chairman since November 22, 2016. The past Chairman, James Armand Menezes was re-designated as a member of the Audit Committee since November 22, 2016. All members have more than 20 years of business experience in various management, finance and audit functions and are financially literate.

The Audit Committee of DKSH Holdings (Malaysia) Berhad was established by the Board of Directors ("the Board") in September 1994. In performing their duties and discharging their responsibilities, the Audit Committee is guided by its terms of reference. The Audit Committee's Terms of Reference is available at the Company's website at www.dksh.com.my

Composition and Meetings

Five (5) Audit Committee meetings were held in 2016. The Group Finance Director and the Internal Audit Manager attended the meetings by invitation. The details of attendance of each Audit Committee member at the Committee's meetings during 2016 are set out below.

The External Auditors attended two Audit Committee meetings during the financial year. At the meetings, the Audit Committee had separate private sessions with the external auditors without the presence of any Executive Director and Management of the Company to discuss relevant audit issues and obtain feedback.

Summary of the work of Audit Committee in 2016

In 2016, the Audit Committee conducted its activities in line with the above described responsibilities. The following is a summary of the main activities carried out by the Committee during the FY2016:

i. Reviewed the quarterly financial results and annual audited financial statements before recommending to the Board for approval;
ii. Reviewed the results of the interim and final audit by the External Auditors and the resolution of issues or areas of concern highlighted in their report;
iii. Reviewed the independence, objectivity and effectiveness of the External Auditors and the services provided;
iv. Reviewed with the External Auditors on the scope of work, audit plan and fees for the statutory audit for the financial year 2016 and thereafter recommend to the Board;
v. Assessed the adequacy and effectiveness of the system of internal controls, reporting and risk management;
vi. Reviewed and approved the annual internal audit plan, scope of work and adequacy of its resources and monitoring of the audit plan;
vii. Reviewed the internal audit reports and the work performed by Internal Audit including audit findings, proposed action plans and status updates of internal audit recommendation;
viii. Received the quarterly updates on investigations into fraud and ethics cases reported;
ix. Received the quarterly updates of new/amended accounting standards relevant to the Company;

Audit Committee: Composition and attendance at the Audit Committee meetings held in 2016

Name	Status	No. of meetings attended
Lee Chong Kwee * (appointed as Chairman of Audit Committee on November 22, 2016)	Chairman, Independent Non-Executive Director	–
James Armand Menezes (re-designated from Chairman to member on November 22, 2016)	Independent Non-Executive Director	5/5
Michael Lim Hee Kiang	Independent Non-Executive Director	5/5
Datuk Haji Abdul Aziz bin Ismail	Independent Non-Executive Director	5/5

* Appointed as Chairman of Audit Committee on November 22, 2016. There was no meeting held in 2016 subsequent to his appointment.

Audit Committee report (continued)

x. Reviewed the results of ad-hoc investigation audits performed by internal audit and the corrective actions taken;
xi. Reviewed the revised Terms of Reference of the Audit Committee prior to recommendation to the Board of Directors for adoption;
xii. Reviewed the renewal of the 2016 Shareholders' Mandate for recurrent related party transactions of a revenue and trading nature entered with DKSH Holding Ltd and/or its subsidiaries and Lembaga Tabung Angkatan Tentera before recommending their approval to the Board;
xiii. Received the quarterly updates on the actual value of recurrent related party transactions of a revenue and trading nature entered into by the Company and its subsidiaries and compliance with the authority granted pursuant to the 2015/2016 Shareholders' Mandate obtained for recurrent related party transactions; and
xiv. Reviewed the Audit Committee Report and the Statement of Risk Management and Internal Control before recommending their approval to the Board for inclusion in the Company's 2016 Annual Report.

There were no restrictions of resources or information to the Audit Committee that would have impaired the effective execution of the Audit Committee's responsibilities. Throughout the financial year, the Chairman of the Audit Committee has been in continuous contact with senior management, as well as the internal and external auditors.

Summary of the work of the Internal Audit Function

The Audit Committee is supported by the in-house Internal Audit department in the discharge of its duties and responsibilities. The Internal Audit function which is independent, undertakes regular, objective and systematic review of the Group's system of internal controls, risk management and governance processes so as to provide reasonable assurance that the system continues to operate well and effectively within the Group. The Internal Audit Manager is currently supported by two Assistant Managers and an Executive. The Internal Audit function reports directly and regularly to the Chairman of the Audit Committee and a private meeting without the Management is held with the Chairman of the Audit Committee every quarter.

The objectivity, authority and responsibility of the Internal Audit department as well as the nature of assurance and consulting activities provided by the function are described in the Internal Audit Charter. The Audit Committee has reviewed the Charter to ensure that an appropriate structure, scope of activities, access and reporting arrangements are in place.

The annual internal audit plan, which is formulated on a risk-based approach, is reviewed and approved by the Audit Committee prior to the commencement of the audits. The audit approach is to focus on high risk business processes and to assess the effectiveness of internal controls therein.

The audit reports, including significant findings in respect of any non-compliance, are highlighted for Management and Audit Committee's attention. Measures and agreed actions by Management to address the improvement areas highlighted are followed-up and reviewed on a quarterly basis. For the year under review, the Internal Audit department conducted a total of two audit assignments and four investigative audits on suspicion of fraud or operational failures reported.

As a subsidiary of the international DKSH Group of Switzerland, the Internal Audit department receives occasional support, training and resources from the Global Internal Audit team, which is based in Singapore. In the year under review, Internal Audit has continued its collaborative efforts with the Global Internal Audit team. This has benefited audits and audit coverage and the transfer of knowledge and best practices from other DKSH world-wide operations into the Malaysian operations.

The internal audit activities carried out during the year encompassed the following:
i. Operational, financial and compliance audits, as well as fraud investigations;
ii. Audits of various branch offices located throughout Malaysia;
iii. Analytical reviews of the quarterly financial statements of the Group;
iv. Collaboration with auditors from the Global Internal Audit team on selected key audit areas;
v. Follow-up on implementation of recommendations and/or corrective actions by Management in addressing issues based on the audit findings; and
vi. Performing ad-hoc consultation and operational reviews as requested by the Audit Committee and/or Management.

All Internal Auditors have relevant audit background and experience. The total costs incurred for the Internal Audit function in respect of the financial year ended December 31, 2016 was approximately RM 445,560 (2015: RM 405,600) comprising mainly salaries, traveling, training and operational expenses.

Statement of Directors' responsibility

in respect of the audited financial statements

This statement is prepared as required by the Main Listing Requirements of Bursa Malaysia Securities Berhad.

Directors are legally responsible to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In preparing those financial statements, the Directors ensured that:

- they complied with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and Companies Act, 1965 ("the Act");
- appropriate accounting policies are used and applied consistently;
- the going concern basis used in preparation of the financial statements are appropriate; and
- where judgements and estimates are made, they are reasonable and prudent.

The Directors are responsible to ensure that proper accounting records are kept and disclosed with reasonable accuracy the financial position of the Group and of the Company and to ensure that the financial statements comply with MFRS, IFRS, the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors have a general responsibilities for taking such steps which are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This Statement on Directors' Responsibility is made in accordance with a resolution of the Board of Directors passed on April 14, 2017.

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended December 31, 2016.

Principal activities
The Company is principally an investment holding company. The principal activities of the Group are the provisioning of Market Expansion Services, which range from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value added services. These services are provided to consumer goods, healthcare and performance materials clients. The Group also operates retail outlets selling Famous Amos cookies.

Other information relating to the subsidiaries are disclosed in Note 13 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	50,467	40,569
Profit attributable to owners of the parent	50,467	40,569

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends
The amount of dividend paid and declared by the Company since December 31, 2015 was as follows:

	RM'000
In respect of the financial year ended December 31, 2015, a final single tier dividend of 9.5 sen per share, on 157,658,076 ordinary shares was paid on July 14, 2016	14,978

The Directors have recommended for shareholders' approval, at the forthcoming Annual General Meeting, a final single tier dividend of 9.5 sen per share amounting to RM 14,977,517 on 157,658,076 ordinary shares. These financial statements do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the financial year ending December 31, 2017.

Directors' report (continued)

Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Michael Lim Hee Kiang
James Armand Menezes
Datuk Haji Abdul Aziz bin Ismail
Alexander Stuart Davy
Jason Michael Nicholas McLaren
Lian Teng Hai
Lee Chong Kwee (Appointed on February 23, 2016)
Stephen John Ferraby (Appointed on February 21, 2017)
John Peter Clare (Resigned on November 22, 2016)

The names of the Directors of the subsidiaries in office since the beginning of the financial year to the date of this report are:

Michael Lim Hee Kiang
Lian Teng Hai
Sin Peng Guan
Jason Michael Nicholas McLaren
Varun Sethi
Liew Yin Heng
Liew Mei Ling (Appointed on November 11, 2016)
Foo Yeong Kwong (Resigned on April 15, 2016)
Hong Ting Ting (Resigned on November 11, 2016)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its subsidiary during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	At January 1, 2016	**Acquired**	**Sold**	**At December 31, 2016**
The Company				
DKSH Holdings (Malaysia) Berhad				
Michael Lim Hee Kiang	10,000	–	–	10,000

Directors' report (continued)

Directors' interests (continued)

	Number of ordinary shares of BND 1 each			
	At January 1, 2016	Acquired	Sold	At December 31, 2016
Subsidiary				
DKSH (B) Sdn. Bhd.				
Jason Michael Nicholas McLaren	1	–	–	1

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Indemnity and insurance

During the financial year, the total amount of indemnity given to the directors and officers of the Company is limited to a maximum liability of RM 17,000,000 in aggregate.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
   i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
   ii. to ensure that any current assets which were unlikely to realize their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realize.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:
   i. it necessary to write off any bad debts or the amount of provision for doubtful debts inadequate to any substantial extent; and
   ii. the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:
   i. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
   ii. any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:
   i. no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
   ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' report (continued)

Auditors and auditors' remuneration
The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration is disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated March 30, 2017.

Michael Lim Hee Kiang

Jason Michael Nicholas McLaren

Statement by Directors

pursuant to Section 251(2) of the Companies Act, 2016

We, Michael Lim Hee Kiang and Jason Michael Nicholas McLaren, being two of the Directors of DKSH Holdings (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 53 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2016 and of their financial performance and cash flows for the year then ended.

Further to the Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016, the information set out in Note 30 on page114 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated March 30, 2017.

Michael Lim Hee Kiang

Jason Michael Nicholas McLaren

Statutory declaration

pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Jason Michael Nicholas McLaren, being the Director primarily responsible for the financial management of DKSH Holdings (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 53 to 114 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Jason Michael Nicholas McLaren
at Kuala Lumpur, Wilayah Persekutuan
on March 30, 2017

Jason Michael Nicholas McLaren

Before me,

Mohd Fitry Abdul Ghani
Commissioner of Oaths
W 703

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia)

Report on the financial statements

Opinion

We have audited the financial statements of DKSH Holdings (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to the matter reported below. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue recognition	
Risk	We draw your attention to Note 2.18 and Note 3.2 to the financial statements. Total revenue for the Group for the year ended 31 December 2016 amount to RM 5.3 billion, which represents the most significant amount in the financial statements of the Group. The Group derives different streams of revenues arising from different structures of transactions and arrangements with its suppliers and customers from its business models.

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia) (continued)

Report on the financial statements (continued)

Key Audit Matters (continued)

Revenue recognition (continued)	
Risk (continued)	Management has determined the following streams of revenues from its business models as follows: • Revenue from Marketing and Distribution stream is primarily derived from the comprehensive portfolio of services provided, ranging from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value-added services. • Revenue from Logistic stream is derived from supply chain services provided, ranging from warehousing and distribution, to order processing and collections. This also includes distribution of prepaid telephone cards. Tailor-made services offered along this value chain result in distinctive services being provided to cater the needs of each supplier and customer of the Group. For each distinctive arrangement, management has to exercise judgement to determine whether the Group has the primary responsibility for providing the goods or services or for fulfilling the order, pricing latitude, inventory risk and credit risk. Hence, assessing whether a sale transaction contains the features of acting as principal or as an agent requires significant judgement. This requires detailed analysis of each contract regarding terms of business arrangements. These judgements could result in a risk that revenue from the sale of goods and/or services rendered is presented in gross amounts instead of net amounts.
Our audit response	In addressing this area of focus, we have performed, amongst others, the following procedures: a) We read and analyzed the contractual terms of the contracts with suppliers and arrangement with customers to evaluate management's assessment with regard to whether the Group is acting as principal or agent and the Group's adherence to its revenue recognition criteria which is in compliance with Accounting Standard MFRS118, Revenue. b) We have performed analytical reviews on revenues recognized to identify any material new revenue streams. c) We have assessed the internal controls including the underlying Information Technology controls and application procedures over the recording of revenue transactions based on the revenue streams.

Information other than the financial statements and auditors' report thereon
The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the information included in the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia) (continued)

Report on the financial statements (continued)

Information other than the financial statements and auditors' report thereon (continued)
If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements
The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia) (continued)

Report on the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities

The supplementary information set out in Note 30 on page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Phang Oy Lin
No. 2985/03/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
30 March 2017

Statements of comprehensive income

for the year ended December 31, 2016

		Group		Company	
	Note	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Revenue	4	5,271,047	5,572,186	47,058	36,845
Changes in inventories of finished goods		43,077	89,243	–	–
Raw materials and packaging materials used and finished goods purchased		(4,821,673)	(5,206,213)	–	–
Other income		8,580	4,872	–	–
Staff costs	5	(187,829)	(175,200)	–	–
Warehousing and logistics expenses		(68,157)	(68,353)	–	–
Net allowance for doubtful debts		(14,956)	(1,507)	–	–
Rental expenses		(37,836)	(39,540)	–	–
Depreciation of property, plant and equipment		(9,531)	(9,274)	–	–
Traveling and entertainment expenses		(12,172)	(12,451)	–	–
Information technology and communication expenses		(19,911)	(19,736)	–	–
Utilities, upkeep, repairs and maintenance costs		(13,146)	(14,868)	–	–
Office expenses		(4,558)	(4,329)	–	–
Other selling, advertising and promotional expenses		(42,474)	(44,356)	–	–
Other expenses		(14,224)	(14,492)	(662)	(591)
Amortization of trademarks		(1,004)	(1,004)	–	–
Finance costs	7	(6,336)	(3,969)	(2,933)	(2,441)
Profit before tax	8	68,897	51,009	43,463	33,813
Income tax expense	9	(18,430)	(14,173)	(2,894)	(3,000)
Profit net of tax		50,467	36,836	40,569	30,813
Other comprehensive income					
Currency translation differences		19	88	–	–
Other comprehensive income for the year, net of tax		19	88	–	–
Total comprehensive income for the year		50,486	36,924	40,569	30,813
Profit attributable to owners of the parent		50,467	36,836	40,569	30,813
Total comprehensive income attributable to owners of the parent		50,486	36,924	40,569	30,813
Earnings per share attributable to owners of the parent • basic (sen)	10	32.01	23.36	–	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of financial position

as at December 31, 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	31,664	34,240	–	–
Intangible assets	12	621	1,625	–	–
Investments in subsidiaries	13	–	–	84,615	84,615
Deferred tax assets	14	3,740	3,118	–	–
Other receivable	16	974	–	–	–
Advances to subsidiaries	16	–	–	354,093	315,831
		36,999	38,983	438,708	400,446
Current assets					
Inventories	15	603,162	563,784	–	–
Trade and other receivables	16	1,095,804	1,107,375	706	1,031
Advances to a subsidiary	16	–	–	–	28,000
Tax recoverable		1,195	1,663	–	–
Derivative financial instruments	21	313	–	–	–
Cash and bank balances	17	125,871	106,905	60,276	30,100
		1,826,345	1,779,727	60,982	59,131
Total assets		1,863,344	1,818,710	499,690	459,577
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	18	157,658	157,658	157,658	157,658
Share premium		24,514	24,514	24,514	24,514
Foreign currency translation reserve		175	156	–	–
Retained earnings	19	348,740	313,251	207,054	181,463
Total equity		531,087	495,579	389,226	363,635

Statements of financial position

as at December 31, 2016 (continued)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current liabilities					
Trade and other payables	20	1,244,252	1,231,034	666	463
Derivative financial instruments	21	–	89	–	–
Borrowings	22	82,932	88,200	52,932	48,200
Income tax payable		2,355	1,071	681	654
		1,329,539	1,320,394	54,279	49,317
Non-current liabilities					
Borrowings	22	–	–	56,185	46,625
Provision for other liabilities	23	2,718	2,737	–	–
		2,718	2,737	56,185	46,625
Total liabilities		1,332,257	1,323,131	110,464	95,942
Total equity and liabilities		1,863,344	1,818,710	499,690	459,577

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity

for the year ended December 31, 2016

		Attributable to owners of the parent				
		Non-distributable			Distributable	
	Note	Share capital RM'000	Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group						
At January 1, 2016		157,658	24,514	156	313,251	495,579
Total comprehensive income		–	–	19	50,467	50,486
Transaction with owners						
Dividend for financial year ended - December 31, 2015	24	–	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	–	(14,978)	(14,978)
At December 31, 2016		157,658	24,514	175	348,740	531,087
At January 1, 2015		157,658	24,514	68	291,393	473,633
Total comprehensive income		–	–	88	36,836	36,924
Transaction with owners						
Dividend for financial year ended - December 31, 2014	24	–	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	–	(14,978)	(14,978)
At December 31, 2015		157,658	24,514	156	313,251	495,579

Statements of changes in equity

for the year ended December 31, 2016 (continued)

		← Non-distributable	→	Distributable	
	Note	Share capital RM'000	Share premium on ordinary shares RM'000	Retained earnings RM'000	Total RM'000
Company					
At January 1, 2016		157,658	24,514	181,463	363,635
Total comprehensive income		–	–	40,569	40,569
Transaction with owners					
Dividend for financial year ended - December 31, 2015	24	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	(14,978)	(14,978)
At December 31, 2016		157,658	24,514	207,054	389,226
At January 1, 2015		157,658	24,514	165,628	347,800
Total comprehensive income		–	–	30,813	30,813
Transaction with owners					
Dividend for financial year ended - December 31, 2014	24	–	–	(14,978)	(14,978)
Total transaction with owners		–	–	(14,978)	(14,978)
At December 31, 2015		157,658	24,514	181,463	363,635

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of cash flows

for the year ended December 31, 2016

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash flows from operating activities				
Profit before tax	68,897	51,009	43,463	33,813
Adjustments for non-cash items:				
Property, plant and equipment:				
• depreciation	9,531	9,274	–	–
• written off	2	117	–	–
• net gain on disposals	(165)	(97)	–	–
Write-back of provision for property restoration cost	(19)	(123)	–	–
Inventories:				
• written off	9,607	13,851	–	–
• (write-back)/net allowance of slow moving inventories	(582)	384	–	–
Net allowance for doubtful debts	14,956	1,507	–	–
Interest income (Note c)	(449)	(468)	(14,958)	(14,740)
Interest expense (Note b)	6,336	3,969	2,933	2,441
Dividend income (gross)	–	–	(32,100)	(22,100)
Net unrealized foreign exchange losses	925	387	–	–
Unrealized derivative (gains)/losses	(387)	168	–	–
Amortization of trademarks	1,004	1,004	–	–
Operating cash flows before changes in working capital	109,656	80,982	(662)	(586)
Changes in working capital:				
Inventories	(48,403)	(104,130)	–	–
Receivables	(4,359)	(207,544)	429	(427)
Payables	12,669	232,610	(95)	77
Cash flows from/(used in) operations	69,563	1,918	(328)	(936)
Dividend received (net)	–	–	32,100	22,100
Interest received (Note c)	449	468	14,854	14,672
Interest paid (Note b)	(6,234)	(3,976)	(2,635)	(2,451)
Tax paid	(17,300)	(17,594)	(2,867)	(3,324)
Net cash flows generated from/(used in) operating activities	46,478	(19,184)	41,124	30,061

Statements of cash flows

for the year ended December 31, 2016 (continued)

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	245	149	–	–
Purchase of property, plant and equipment (Note a)	(7,530)	(21,193)	–	–
Net cash flows used in investing activities	(7,285)	(21,044)	–	–
Cash flows from financing activities				
Dividends paid on ordinary shares	(14,978)	(14,978)	(14,978)	(14,978)
Net repayment/(drawdown) of external borrowings	(38,000)	68,000	(28,000)	28,000
Net advances from/(to):				
• intermediate holding company	100	(600)	100	(600)
• immediate holding company	32,632	10,700	32,632	10,700
• related company	–	(10,000)	–	(10,000)
Net advance to subsidiaries	–	–	(702)	(64,340)
Net cash flows (used in)/generated from financing activities	(20,246)	53,122	(10,948)	(51,218)
Changes in cash and cash equivalents	18,947	12,894	30,176	(21,157)
Currency translation differences	19	88	–	–
Cash and cash equivalents at beginning of year	106,905	93,923	30,100	51,257
Cash and cash equivalents at end of year (Note 17)	125,871	106,905	60,276	30,100

Note:

(a) The additions in property, plant and equipment were acquired by way of:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash	7,530	21,193	–	–
Deferred payment	551	980	–	–
Provision for other liabilities	–	2,151	–	–
Less: Payment made for previous year acquisition	(980)	(223)	–	–
Additions and transfer from related companies (Note 11)	7,101	24,101	–	–

Statements of cash flows

for the year ended December 31, 2016 (continued)

Note: (continued)

(b) A reconciliation of interest expense and interest paid is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest paid	6,234	3,976	2,635	2,451
Interest payable	158	56	477	179
Less: Payment made for previous year interest expense	(56)	(63)	(179)	(189)
Interest expense	6,336	3,969	2,933	2,441

(c) A reconciliation of interest income and interest received is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest received	449	468	14,854	14,672
Interest receivable	–	–	1,358	1,254
Less: Receipt for previous year interest income	–	–	(1,254)	(1,186)
Interest income	449	468	14,958	14,740

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements

December 31, 2016

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.

The registered office and principal place of business of the Company are located at B-11-01, The Ascent, Paradigm, No. 1, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The immediate and intermediate holding companies of the Company are DKSH Resources (Malaysia) Sdn. Bhd. and DKSH Holdings (Asia) Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

The ultimate holding company of the Company is DKSH Holding Ltd., a company incorporated in Switzerland and listed on the SIX Swiss Exchange.

The Company is principally an investment holding company. The principal activities of the Group are the provisioning of Market Expansion Services, which range from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value added services. These services are provided to consumer goods, healthcare and performance materials clients. The Group also operates retail outlets selling Famous Amos cookies.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on March 30, 2017.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On January 1, 2016, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after January 1, 2016.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
• Amendments to MFRS 127: Equity Method in Separate Financial Statements	January 1, 2016
• Amendments to MFRS 101: Disclosure Initiatives	January 1, 2016
• Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	January 1, 2016
• Annual Improvements to MFRSs 2012 – 2014 Cycle	January 1, 2016

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortization
The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 127: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. These amendments do not have any impact on the Group's and the Company's financial statements.

Amendments to MFRS 101: Disclosure Initiatives
The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Group's and the Company's financial statements.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Annual Improvements to MFRSs 2012–2014 Cycle
The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarized below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
The amendment to MFRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

MFRS 7 Financial Instruments: Disclosures
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

MFRS 134 Interim Financial Reporting
The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

2.3 Standards issued but not yet effective
The standards and amendments that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	January 1, 2017
• MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	January 1, 2017
• Amendments to MFRS 12 (Annual Improvements to MFRS Standards 2014–2016 Cycle)	January 1, 2017
• MFRS 15 Revenue from Contracts with Customers	January 1, 2018
• MFRS 9 Financial Instruments	January 1, 2018
• MFRS 16 Leases	January 1, 2019

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)
The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

MFRS 112 Recognition of Deferred Tax for Unrealized Losses (Amendments to MFRS 112)
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

MFRS 15 Revenue from Contracts with Customers
MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognize revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

MFRS 9 Financial Instruments
In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 16 Leases
MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognize interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

2.4 Economic entities in the Group

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
ii. Exposure, or rights, to variable returns from its investment with the investee; and
iii. The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

i. The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
ii. Potential voting rights held by the Company, other vote holders or other parties;
iii. Rights arising from other contractual arrangements; and
iv. Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.4 Economic entities in the Group (continued)

Basis of consolidation (continued)
Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognized in the statement of comprehensive income. The subsidiary's cumulative gain or loss which has been recognized in other comprehensive income and accumulated in equity is reclassified to the statement of comprehensive income or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and the pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the statement of comprehensive income.

2.5 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

i. Expected to be realized or intended to be sold or consumed in normal operating cycle;
ii. Held primarily for the purpose of trading;
iii. Expected to be realized within twelve months after the reporting period; or
iv. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.5 Current versus non-current classification (continued)

A liability is current when:

i. It is expected to be settled in normal operating cycle;
ii. It is held primarily for the purpose of trading;
iii. It is due to be settled within twelve months after the reporting period; or
iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

• Quantitative disclosures of fair value measurement hierarchy	Note 28(e)
• Financial instruments (including those carried at amortized cost)	Notes 16, 20

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.7 Intangible assets

Trademarks
Acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over its estimated useful life of an average of 10 years. The accounting policy on impairment of non-financial assets is disclosed in Note 2.10.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred. The present value of the expected cost for the restoring an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The accounting policy on restoration cost is further disclosed in Note 2.17.

Property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarized as follows:

Renovations	3 - 10 years
Plant and machinery	5 - 10 years
Furniture, fittings and equipment	3 - 5 years
Motor vehicles	5 years

Work-in-progress comprises renovations which are not completed at reporting date. Depreciation on work-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the financial year.

At the end of the financial year, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policy on impairment of non-financial assets is disclosed in Note 2.10.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other gains/(losses) from operations.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.9 Investments in subsidiaries

A subsidiary is an entity over which the Company has all the following:

i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
ii. Exposure, or rights, to variable returns from its investment with the investee; and
iii. The ability to use its power over the investee to affect its returns.

Investments in subsidiaries are carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of comprehensive income.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the financial year.

The impairment loss is charged to the statement of comprehensive income. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognized in the statement of comprehensive income.

2.11 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognized as an expense in statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.18.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.12 Inventories

Inventories comprise raw materials, packaging materials and finished goods. Inventories are stated at the lower of cost and net realizable value.

Cost is principally determined on a weighted average basis and comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2.13 Share capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

(b) Dividends distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognized in the period in which the dividends are approved.

2.14 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognized in the statement of comprehensive income except to the extent that the tax relates to items recognized outside the statement of comprehensive income, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.14 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the statement of comprehensive income is recognized outside the statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenue, expenses, assets and liabilities are recognized net of the amount of goods and services tax except:

- Where the goods and services tax incurred in a purchase of asset or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.15 Employee benefits

(a) Short term employee benefits

The Group recognizes a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

(b) Post-employment benefits

National defined contribution plan

Companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. The Group's contributions are charged to the statement of comprehensive income. Once the contributions have been paid, the Group has no further payment obligations.

2.16 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, short term, highly liquid investments with original maturities of three months or less (less bank overdrafts) that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are presented within borrowings in current liabilities in the statements of financial position.

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Restoration cost

Provision for restoration cost is estimated cost of dismantling, removing or restoring the property, plant and equipment at the lease inception date for operating leases with requirements to remove leasehold improvements at the end of the lease term.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amounts can be reliably measured, regardless of when the payment is being made. For arrangements where features such as the primary responsibility for providing the goods or services or for fulfilling the order, pricing latitude, inventory risk and credit risk indicate that the Group is the principal, revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment (e.g. trade discounts, cash discounts and volume rebates) and excluding taxes or duty. In cases where the Group is not the principal, only the margin on sale, fee or commission earned is recorded in revenue.

i. Sale of goods

Revenue from the sale of goods is recognized upon transfer to the customer of significant risks and rewards. In most cases, this occurs upon delivery of products and customer acceptance.

ii. Rendering of services

Revenue from rendering of services are recognized when the services are performed.

iii. Other revenue

Other revenue earned by the Group is recognized on the following basis:

- Interest income is recognized using the effective yield method.
- Rental income is recognized as they accrue unless collectability is in doubt.
- Dividend income is recognized when the entity’s right to receive payment is established.

2.19 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognized in the statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statement of comprehensive income of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. Exchange differences arising from such non-monetary items are also recognized directly in equity.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.19 Foreign currencies (continued)

(c) Foreign operations
The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognized in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognized in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.20 Financial assets
Financial assets are recognized in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss
Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognized in the statements of comprehensive income. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognized separately in the statements of comprehensive income as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets held primarily for trading purposes are presented as current whereas financial assets not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables
Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, and through the amortization process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.20 Financial assets (continued)

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of comprehensive income when the held-to-maturity investments are derecognized or impaired, and through the amortization process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognized in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognized in the statements of comprehensive income. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the statements of comprehensive income as a reclassification adjustment when the financial asset is derecognized. Interest income calculated using the effective interest method is recognized in the statements of comprehensive income. Dividends on an available-for-sale equity instrument are recognized in the statements of comprehensive income when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realized within 12 months after the reporting date.

A financial asset is derecognized when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the statements of comprehensive income.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.21 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortized cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognized in the statements of comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. The amount of reversal is recognized in the statements of comprehensive income.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statements of comprehensive income, is transferred from equity to the statements of comprehensive income.

Impairment losses on available-for-sale equity investments are not reversed in the statements of comprehensive income in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognized in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in the statements of comprehensive income if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the statements of comprehensive income.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.22 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.23 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognized in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognized in the statements of comprehensive income. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognized initially at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognized in statements of comprehensive income when the liabilities are derecognized, and through the amortization process.

A financial liability is derecognized when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Notes to the financial statements

December 31, 2016 (continued)

2. Summary of significant accounting policies (continued)

2.24 Borrowing costs

Borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognized in the statements of comprehensive income in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.25 Segment reporting

For management purposes, the Group is organized into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. These segmental information are reviewed by the chief operating decision maker. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

There were no significant key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2 Critical judgment in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Revenue recognition

The Group derives different streams of revenues arising from different structures of transactions and arrangements with its suppliers and customers from its business models.

The determination of whether the Group is principal or agent requires judgement. In making this judgement, the Group evaluates, among other factors, whether the Group has the primary responsibility for providing the goods or services or for fulfilling the order, latitude in establishing the price, control over inventory risk and credit risk. Therefore, the Group reviews its contractual arrangements with each supplier and customer to assess whether they are acting as principal or agent in a specific arrangement. The Group also reviews its contractual arrangements when there are variations to the contract terms.

Management exercises judgement based on the above features to determine whether the Group is acting as principal or agent for each arrangement.

Notes to the financial statements

December 31, 2016 (continued)

4. Revenue

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Sale of goods	5,244,140	5,546,569	–	–
Rendering of services	26,907	25,617	–	–
Commission income	–	–	–	5
Interest income:				
• subsidiaries	–	–	14,509	14,277
• others	–	–	449	463
Dividend income:				
• subsidiaries	–	–	32,100	22,100
	5,271,047	5,572,186	47,058	36,845

5. Staff costs

	Group	
	2016 RM'000	**2015 RM'000**
Salaries and bonus	137,207	127,213
Post-employment benefits obligation:		
• national defined contribution plan and social security contribution	21,460	19,889
Other employee benefits	29,162	28,098
	187,829	175,200

Included in staff costs are Executive Directors' remuneration as disclosed in Note 6.

Notes to the financial statements

December 31, 2016 (continued)

6. Directors' remuneration

The details of remuneration received/receivable by the Directors of the Group and the Company for the financial year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-executive Directors:				
• fees	312	162	312	150
Executive Director:				
• salaries	1,463	1,177	–	–
• bonuses	483	630	–	–
• post-employment benefits obligation:				
- national defined contribution plan and social security contribution	142	113	–	–
• other employee benefits	391	267	–	–
	2,479	2,187	–	–
	2,791	2,349	312	150

7. Finance costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense:				
• bankers' acceptances	1,485	786	–	–
• promissory notes	1,801	1,368	–	–
• revolving credit	1,993	903	383	77
• advances from holding companies	962	779	962	779
• subsidiaries	–	–	1,588	1,538
• related company	–	47	–	47
• others	95	86	–	–
	6,336	3,969	2,933	2,441

Notes to the financial statements

December 31, 2016 (continued)

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Auditors' remuneration:				
• statutory audits	450	450	90	90
• other services	9	167	–	–
Amortization of trademarks	1,004	1,004	–	–
Property, plant and equipment:				
• depreciation	9,531	9,274	–	–
• written off	2	117	–	–
• net gain on disposals	(165)	(97)	–	–
Write-back of provision for property restoration cost	(19)	(123)	–	–
Services provided to related companies:				
• information technology charges	(61)	(81)	–	–
• cost sharing	(398)	(157)	–	–
• human resources charges	(525)	(522)	–	–
Interest income:				
• subsidiaries	–	–	(14,509)	(14,277)
• external parties	(449)	(468)	(449)	(463)
Net derivatives losses/(gains)				
• realized	352	(1,813)	–	–
• unrealized	(387)	168	–	–
Net foreign exchange losses/(gains):				
• realized	302	(1,496)	–	–
• unrealized	925	387	–	–
Inventories:				
• written off	9,607	13,851	–	–
• net (write-back)/provision of slow moving inventories	(582)	384	–	–
Net allowance for doubtful debts	14,956	1,507	–	–
Rental expenses:				
• other related party	9,180	9,180	–	–
• external parties	29,664	31,147	–	–
Rental income	(1,008)	(787)	–	–
Information technology services charged by a related company	14,876	14,374	–	–
Management fees charged by a related company	4,383	4,696	–	–

Notes to the financial statements

December 31, 2016 (continued)

9. Income tax expense

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Malaysian income tax				
• Current year	18,641	14,400	2,850	3,001
• Under/(over) provision in prior years	411	(381)	44	(1)
	19,052	14,019	2,894	3,000
Deferred tax (Note 14):				
• Relating to origination and reversal of temporary differences	(427)	(43)	–	–
• Relating to reduction in Malaysian income tax rate	–	238	–	–
• Overprovision in prior years	(195)	(41)	–	–
	(622)	154	–	–
Total income tax expense	18,430	14,173	2,894	3,000

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction. Companies in Brunei are taxed where for the first BND 100,000 of the chargeable income, only 25% is taxable, the next BND 150,000 only 50% is taxable and 100% is taxable for any remaining balance. The income tax rate applicable to the subsidiary, DKSH (B) Sdn. Bhd. in Brunei is 18.5% (2015: 18.5%).

Notes to the financial statements

December 31, 2016 (continued)

9. Income tax expense (continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit before tax	68,897	51,009	43,463	33,813
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	16,535	12,752	10,431	8,453
Different tax rate in other country	1	(7)	–	–
Effect on deferred tax of reduction in Malaysian income tax rate	–	238	–	–
Expenses not deductible for tax purposes	1,675	1,741	123	73
Income not subject to tax	–	–	(7,704)	(5,525)
Effect of origination and reversal of temporary differences	35	–	–	–
Unutilised losses disregarded	(35)	–	–	–
Utilization of previously unrecognized deferred tax assets	3	(129)	–	–
Under/(over) provision of income tax in prior years	411	(381)	44	(1)
Overprovision of deferred tax in prior years	(195)	(41)	–	–
Income tax expense	18,430	14,173	2,894	3,000

10. Earnings per share - Basic

The earnings per share is calculated by dividing the net profit for the financial year attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016 RM'000	**2015 RM'000**
Profit net of tax attributable to owners of the parent	50,467	36,836
Weighted average number of ordinary shares in issue ('000)	157,658	157,658

	Group	
	2016 sen	**2015 sen**
Profit for the year	32.01	23.36

There are no shares in issuance which have a dilutive effect to the earnings per share of the Group.

Notes to the financial statements

December 31, 2016 (continued)

11. Property, plant and equipment

Group	Renovations RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
At December 31, 2016						
Cost						
At January 1, 2016	28,153	15,972	73,171	1,757	362	119,415
Additions	414	778	4,309	242	1,358	7,101
Disposals	–	(490)	(64)	(520)	–	(1,074)
Transfer to a related company	–	–	(8)	–	–	(8)
Reclassification	1,406	22	192	5	(1,625)	–
Written off	(6)	–	(991)	–	–	(997)
Adjustment	–	–	–	–	(58)	(58)
At December 31, 2016	29,967	16,282	76,609	1,484	37	124,379
Accumulated depreciation						
At January 1, 2016	15,567	11,597	56,335	1,676	–	85,175
Charge for the year	1,735	825	6,937	34	–	9,531
Transfer to a related company	–	–	(2)	–	–	(2)
Disposals	–	(490)	(63)	(441)	–	(994)
Written off	(6)	–	(989)	–	–	(995)
At December 31, 2016	17,296	11,932	62,218	1,269	–	92,715
Net carrying amount	12,671	4,350	14,391	215	37	31,664

Property, plant and equipment were transferred to related companies at a net carrying amount of RM 6,000 (2015: RM 50,000) and these amounts were fully received from related companies.

Notes to the financial statements

December 31, 2016 (continued)

11. Property, plant and equipment (continued)

Group (continued)	Renovations RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
At December 31, 2015						
Cost						
At January 1, 2015	28,873	17,053	72,664	1,977	920	121,487
Additions	11,455	964	11,312	–	365	24,096
Disposals	–	(53)	(1,162)	(145)	–	(1,360)
Transfer from related companies	–	–	6	–	–	6
Transfer to related companies	(42)	–	(8)	–	–	(50)
Reclassification	647	143	133	–	(923)	–
Written off	(12,780)	(2,135)	(9,774)	(75)	–	(24,764)
At December 31, 2015	28,153	15,972	73,171	1,757	362	119,415
Accumulated depreciation						
At January 1, 2015	26,811	12,849	60,473	1,772	–	101,905
Charge for the year	1,536	936	6,678	124	–	9,274
Transfer from related companies	–	–	1	–	–	1
Disposals	–	(54)	(1,159)	(145)	–	(1,358)
Written off	(12,780)	(2,134)	(9,658)	(75)	–	(24,647)
At December 31, 2015	15,567	11,597	56,335	1,676	–	85,175
Net carrying amount	12,586	4,375	16,836	81	362	34,240

Included in property, plant and equipment is a provision for restoration cost of RM 2,718,000 (2015: RM 2,737,000).

Notes to the financial statements

December 31, 2016 (continued)

12. Intangible assets

	Group Trademarks RM'000
Cost:	
At January 1, 2015, December 31, 2015, January 1, 2016 and December 31, 2016	8,493
Accumulated amortization:	
At January 1, 2015	5,864
Amortization during the year	1,004
At December 31, 2015 and January 1, 2016	6,868
Amortization during the year	1,004
At December 31, 2016	7,872
Net carrying amount:	
At December 31, 2016	621
At December 31, 2015	1,625

Trademarks

Trademarks refer to the Alladdin's and Eva's trademarks acquired by the Group. The estimated average useful life of these trademarks is 10 years. Alladdin's trademark has a remaining amortization period of 0.5 year (2015: 1.5 years) while Eva's trademark has a remaining amortization period of 7.7 years (2015: 8.7 years).

Notes to the financial statements

December 31, 2016 (continued)

13. Investments in subsidiaries

	Company	
	2016 RM'000	2015 RM'000
Non-current assets		
Unquoted shares at cost	91,909	91,909
Less: Accumulated impairment losses	(7,294)	(7,294)
	84,615	84,615

Details of the subsidiaries are as follows:

		Proportion of ownership interest		
Name of Company	**Country of incorporation**	**2016 %**	**2015 %**	**Principal activities**
DKSH Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of Market Expansion Services for consumer goods, healthcare and performance materials clients.
DKSH Distribution Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of Market Expansion Services for healthcare clients.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Malaysia	100	100	Sale of chocolate chip cookies and operation of retail outlets.
DKSH Marketing Services Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Logistics Services Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Central Services Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
Held through DKSH Malaysia Sdn. Bhd.:				
• DKSH Management Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
Held through DKSH Distribution Malaysia Sdn. Bhd.:				
• DKSH (B) Sdn. Bhd.*	Brunei Darussalam	100	100	Dormant.

* Audited by a member firm of Ernst & Young Global.

Notes to the financial statements

December 31, 2016 (continued)

14. Deferred tax

	Group	
	2016 RM'000	**2015 RM'000**
At January 1	3,118	3,272
Recognized in statements of comprehensive income (Note 9)	622	(154)
At December 31	3,740	3,118

The components and movements of deferred tax liability and assets during the financial year prior to offsetting are as follows:

Group	**As at January 1, 2015 RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2015 RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2016 RM'000**
Deferred tax asset/(liability):					
Property, plant and equipment	223	(856)	(633)	(85)	(718)
	223	(856)	(633)	(85)	(718)
Offsetting	(223)		633		718
	–		–		–
Deferred tax assets:					
Receivables	288	235	523	977	1,500
Inventories	923	123	1,046	(209)	837
Provisions	1,838	344	2,182	(61)	2,121
	3,049	702	3,751	707	4,458
Offsetting	223		(633)		(718)
	3,272		3,118		3,740

Notes to the financial statements

December 31, 2016 (continued)

14. Deferred tax (continued)

	Group	
	2016 RM'000	**2015 RM'000**
Presented after appropriate offsetting as follows:		
Deferred tax assets	3,740	3,118
Deferred tax liability	–	–
	3,740	3,118

Deferred tax assets have not been recognized in respect of the following items:

	Group	
	2016 RM'000	**2015 RM'000**
Other deductible temporary differences	291	291
Unutilized capital allowances	106	106
Unabsorbed business losses	10,374	10,551
	10,771	10,948

Deferred tax assets had not been recognized where it is not probable that future taxable profits will be available against which the deductible temporary differences can be utilized for certain subsidiaries in the Group. Unabsorbed business losses of the subsidiary, DKSH (B) Sdn. Bhd. in Brunei can only be carried forward for six years for utlization against future taxable profits.

15. Inventories

	Group	
	2016 RM'000	**2015 RM'000**
At cost:		
Raw materials	1,965	4,820
Packaging materials	2,169	3,013
Finished goods	599,028	555,951
	603,162	563,784

During the year, the amount of inventories recognized as an expense in the statement of comprehensive income of the Group was RM 4,778,596,000 (2015: RM 5,116,970,000) and the amount written down was RM 9,607,000 (2015: RM 13,851,000).

Notes to the financial statements

December 31, 2016 (continued)

16. Trade and other receivables

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current				
Trade receivables				
Third parties	1,093,660	1,102,613	–	–
Less: Allowance for impairment of trade receivables	(27,091)	(12,135)	–	–
	1,066,569	1,090,478	–	–
Other receivables				
Deposits	9,369	8,773	2	2
Prepayments	1,232	741	–	24
Net GST refundables	11,353	2,969	–	–
Sundry receivables	6,540	3,434	–	–
Amounts due from:				
• fellow subsidiaries	–	–	704	1,005
• related companies	741	980	–	–
	29,235	16,897	706	1,031
Total trade and other receivables	1,095,804	1,107,375	706	1,031
Current				
Advances to a subsidiary	–	–	–	28,000
Non-current				
Other receivable	974	–	–	–
Advances to subsidiaries	–	–	354,093	315,831
	974	–	354,093	315,831
Total trade and other receivables (current and non-current)	1,096,778	1,107,375	706	1,031
Total advances to subsidiaries	–	–	354,093	343,831
Less: Prepayments	(1,232)	(741)	–	(24)
Add: Cash and bank balances (Note 17)	125,871	106,905	60,276	30,100
Total loans and receivables	1,221,417	1,213,539	415,075	374,938

Notes to the financial statements

December 31, 2016 (continued)

16. Trade and other receivables (continued)

(a) Trade receivables

Credit terms of trade receivables range from payment in advance to 90 days (2015: payment in advance to 90 days). They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Neither past due nor impaired	1,003,579	956,576
Less than three months past due but not impaired	62,633	129,683
Between three to six months past due but not impaired	334	4,219
More than six months past due but not impaired	23	–
	62,990	133,902
Impaired	27,091	12,135
	1,093,660	1,102,613

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

As at December 31, 2016, the Group's trade receivables of RM 62,990,000 (2015: RM 133,902,000) were past due their contractual payment date but not impaired. These relate to a number of external parties where there are no expectations of default.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Trade receivables - nominal amounts	27,091	12,135
Less: Allowance for impairment	(27,091)	(12,135)
	–	–
Movement in allowance accounts:		
At January 1	12,135	14,435
Allowance for impairment	15,562	2,145
Amounts written off	–	(3,807)
Write-back of allowance for impairment	(606)	(638)
At December 31	27,091	12,135

Notes to the financial statements

December 31, 2016 (continued)

16. Trade and other receivables (continued)

(a) Trade receivables (continued)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Credit risk management with respect to trade receivables is disclosed in Note 28(d) to the financial statements.

The currency exposure profile of net trade receivables is as follows:

	Group	
	2016 RM'000	2015 RM'000
Trade receivables		
Ringgit Malaysia	1,049,094	1,075,356
Brunei Dollar	15,024	15,119
US Dollar	2,246	3
Singapore Dollar	123	–
Australian Dollar	4	–
Japanese Yen	52	–
Sterling Pound	26	–
	1,066,569	1,090,478

(b) Related party balances

The amounts receivable from fellow subsidiaries and related companies are unsecured, non-interest bearing and repayable within 30 to 90 days (2015: 30 to 90 days).

The currency exposure profile of related party balances is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	156	308	704	1,005
US Dollar	336	93	–	–
Swiss Franc	18	–	–	–
Euro	125	158	–	–
Singapore Dollar	106	421	–	–
	741	980	704	1,005

In prior year, advances to a subsidiary of RM 28,000,000 were unsecured, bore interest of 4.40% per annum and repayable within the next 12 months.

Advances to subsidiaries of RM 354,093,000 (2015: RM 315,831,000) are unsecured and carry interest rates which range between 4.10% to 4.20% (2015: 4.40% to 4.65%) per annum. These advances are not intended to be recalled, in full or in part, within the next 12 months from the reporting date.

Notes to the financial statements

December 31, 2016 (continued)

17. Cash and bank balances

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits with licensed banks	60,000	30,213	60,000	30,000
Cash on hand and at banks	65,871	76,692	276	100
Cash and bank balances	125,871	106,905	60,276	30,100
The currency exposure profile of deposits, cash and bank balances is as follows:				
Ringgit Malaysia	123,387	105,073	60,276	30,100
US Dollar	824	194	–	–
Singapore Dollar	586	217	–	–
Euro	201	408	–	–
Swiss Franc	2	25	–	–
Australian Dollar	13	129	–	–
Brunei Dollar	858	859	–	–
	125,871	106,905	60,276	30,100

Deposits with licensed banks have an average day to maturity period of 2 days (2015: 3 days) and weighted average effective interest rate per annum at reporting date is 2.73% (2015: 3.00%).

18. Share capital

	Number of shares		Amount	
	2016 '000	**2015 '000**	**2016 RM'000**	**2015 RM'000**
Authorized share capital:				
Ordinary shares of RM1 each - at January 1/December 31	499,180	499,180	499,180	499,180
Redeemable cumulative preference shares of RM0.01 each - at January 1/December 31	82,000	82,000	820	820
			500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1 each - at January 1/December 31	157,658	157,658	157,658	157,658

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the financial statements

December 31, 2016 (continued)

19. Retained earnings

The Company may distribute dividends out of its retained earnings as at December 31, 2016 under the single tier system.

20. Trade and other payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade payables				
Third parties	1,141,627	1,127,471	–	–
Other payables				
Accruals	50,588	50,034	369	285
Provisions	7,686	8,173	–	–
Sundry payables	41,510	34,771	–	–
Net GST payables	145	164	–	–
Amounts due to:				
• intermediate holding company	33	33	33	33
• immediate holding company	125	23	125	23
• subsidiaries	–	–	139	122
• related companies	2,538	10,365	–	–
	102,625	103,563	666	463
Total trade and other payables	1,244,252	1,231,034	666	463
Less: Provisions	(7,686)	(8,173)	–	–
Add: Borrowings (Note 22)	82,932	88,200	109,117	94,825
Total financial liabilities carried at amortized cost	1,319,498	1,311,061	109,783	95,288

Notes to the financial statements

December 31, 2016 (continued)

20. Trade and other payables (continued)

The currency exposure profile of payables is as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Trade payables		
Ringgit Malaysia	1,092,796	1,033,873
US Dollar	35,854	34,801
Euro	2,552	40,391
Swiss Franc	88	298
Brunei Dollar	–	623
Singapore Dollar	3,573	13,701
Australian Dollar	1,109	356
Japanese Yen	316	60
Thai Baht	4,191	2,225
New Zealand Dollar	841	912
Sterling Pound	307	231
	1,141,627	1,127,471

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Amounts due to related parties				
Ringgit Malaysia	1,957	9,740	297	178
Swiss Franc	242	57	–	–
Thai Baht	–	185	–	–
US Dollar	416	383	–	–
Singapore Dollar	78	–	–	–
Japanese Yen	3	56	–	–
	2,696	10,421	297	178

Notes to the financial statements

December 31, 2016 (continued)

20. Trade and other payables (continued)

	Group	
	2016 RM'000	**2015 RM'000**
Sundry payables		
Ringgit Malaysia	41,501	34,760
Brunei Dollar	9	11
	41,510	34,771

The average credit terms of payables are as follows:

	Group/Company Average credit terms	
	2016	**2015**
Trade payables	0 to 180 days	0 to 180 days
Sundry payables	30 days	30 days
Amounts due to related parties	Payable within 30 to 120 days	Payable within 30 to 120 days

The amounts payable to intermediate holding company, immediate holding company, subsidiaries and related companies are unsecured and non-interest bearing.

21. Derivative financial instruments

	Group		
	Contract value RM'000	**Fair value RM'000**	**Assets/ (Liabilities) RM'000**
2016			
Current assets:			
Forward foreign exchange contracts - at fair value through profit or loss	23,566	23,879	313
2015			
Current liabilities:			
Forward foreign exchange contracts - at fair value through profit or loss	40,408	40,319	(89)

Notes to the financial statements

December 31, 2016 (continued)

21. Derivative financial instruments (continued)

The Group's derivative financial instruments relate to forward foreign exchange contracts which are entered into in currencies other than the Group's functional currency to manage exposure to fluctuations in foreign currency exchange rates on specified transactions.

At December 31, 2016, the settlement dates on open forward contracts ranged between 1 and 4 months (2015: 1 and 4 months).

The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts are as follows:

At December 31, 2016

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables:				
EUR 585,000	EUR	MYR	2,755	1EUR=RM4.7089
USD 2,808,352	USD	MYR	12,393	1USD=RM4.4129
CHF 175,000	CHF	MYR	757	1CHF=RM4.3285
THB 44,470,560	THB	MYR	5,514	1THB=RM0.1240
SGD 690,000	SGD	MYR	2,147	1SGD=RM3.1120
			23,566	

At December 31, 2015

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables:				
EUR 723,000	EUR	MYR	3,467	1EUR=RM4.7953
USD 5,756,515	USD	MYR	24,943	1USD=RM4.3330
CHF 233,250	CHF	MYR	917	1CHF=RM3.9314
AUD 51,000	AUD	MYR	159	1AUD=RM3.1176
THB 40,686,452	THB	MYR	4,799	1THB=RM0.1180
SGD 1,990,036	SGD	MYR	6,123	1SGD=RM3.0768
			40,408	

The fair value of outstanding forward contracts of the Group at the reporting date are at favorable net position of RM 313,000 (2015: unfavorable net position of RM 89,000).

Notes to the financial statements

December 31, 2016 (continued)

22. Borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Bankers' acceptances	30,000	20,000	–	–
Revolving credit	–	28,000	–	28,000
Promissory notes	–	20,000	–	–
Advances from:				
• intermediate holding company	9,422	9,322	9,422	9,322
• immediate holding company	43,510	10,878	43,510	10,878
	82,932	88,200	52,932	48,200
Non-current				
Advances from subsidiaries	–	–	56,185	46,625
Total loans and borrowings	82,932	88,200	109,117	94,825

Bankers' acceptances, revolving credit and promissory notes are unsecured.

Advances from intermediate holding company and immediate holding company bear interest which ranges between 4.10% to 4.20% (2015: 4.40% to 4.65%) per annum. These advances are unsecured and are repayable upon demand.

Advances from subsidiaries are deposits of excess cash placed with the Company and bear interest which ranges between 3.15% to 3.30% (2015: 3.15% to 3.30%) per annum. These advances are unsecured and are not repayable within the next 12 months.

Notes to the financial statements

December 31, 2016 (continued)

22. Borrowings (continued)

Weighted average year end effective interest rates

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Bankers' acceptances	3.39	3.81	–	–
Revolving credit	–	3.15	–	3.15
Promissory notes	–	3.62	–	–

The remaining maturities of loans and borrowings as at December 31, 2016:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within one year	82,932	88,200	52,932	48,200
More than one year	–	–	56,185	46,625
Total	82,932	88,200	109,117	94,825

23. Provision for other liabilities

	Group	
	2016 RM'000	2015 RM'000
Property restoration cost:		
At January 1	2,737	855
Additions	–	2,151
Write-back of provision	(19)	(123)
Utilized	–	(146)
At December 31	2,718	2,737

The amount represents a provision for property restoration cost upon expiry of lease term ranging from eight and ten years.

Notes to the financial statements

December 31, 2016 (continued)

24. Dividends

Dividends paid in respect of ordinary shares for the financial year are as follows:

	Group and Company			
	2016		2015	
	Gross dividend per share Sen	Amount of dividends RM'000	Gross dividend per share Sen	Amount of dividends RM'000
Final dividend: - For financial year ended December 31, 2015 paid on July 14, 2016:				
• single tier	9.5	14,978	–	–
Final dividend: - For financial year ended December 31, 2014 paid on August 20, 2015:				
• single tier	–	–	9.5	14,978
Dividends in respect of the year	9.5	14,978	9.5	14,978

The Directors have recommended for shareholders' approval, at the forthcoming Annual General Meeting, a final single tier dividend of 9.5 sen per share amounting to RM 14,977,517 on 157,658,076 ordinary shares. These financial statements do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the financial year ending December 31, 2017.

Notes to the financial statements

December 31, 2016 (continued)

25. Commitments

(a) Capital commitments

Capital expenditures not provided for in the financial statements are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Property, plant and equipment:		
Authorized by the Directors and contracted for	869	1,683

(b) Non-cancellable operating lease commitments

The Group entered into non-cancellable operating lease agreements for the use of office premises, warehouses, outlets and certain office equipment. Office premises and warehouse leases have an average tenure of between three to ten years, outlet leases have an average tenure of between one year to three years while office equipment leases have an average tenure of between two to five years.

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Payable within one year	30,169	30,747
Payable after one year but not later than five years	61,615	75,923
Payable after five years	15,476	22,840
	107,260	129,510

Notes to the financial statements

December 31, 2016 (continued)

26. Significant related party transactions

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(a) Sales of goods and services:				
Sale of services:				
• related companies (goods)	2,498	2,402	–	–
• related companies (rental)	1,008	787	–	–
• related companies (cost sharing)	398	157	–	–
• related companies (information technology charges)	61	81	–	–
• related companies (human resource charges)	525	522	–	–
	4,490	3,949	–	–
Others (interest):				
• subsidiaries	–	–	14,509	14,277
Others (dividend):				
• subsidiaries	–	–	32,100	22,100
	–	–	46,609	36,377
	4,490	3,949	46,609	36,377
(b) Purchase of goods and services:				
Purchase of services:				
• related companies (goods)	57,509	60,319	–	–
• a related company (management fee)	4,383	4,696	–	–
• a related company (information technology charges)	14,876	14,374	–	–
• a related company (market survey)	–	177	–	–
• other related party (rental)	9,180	9,180	–	–
	85,948	88,746	–	–
Others (interest):				
• immediate holding company	570	331	570	331
• intermediate holding company	392	448	392	448
• a related company	–	47	–	47
• subsidiaries	–	–	1,588	1,538
	962	826	2,550	2,364
	86,910	89,572	2,550	2,364

Notes to the financial statements

December 31, 2016 (continued)

26. Significant related party transactions (continued)

(c) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-executive Directors:				
• fees	312	162	312	150
Salaries and bonus	6,792	6,591	–	–
Post-employment benefits obligation:				
• national defined contribution plan and social security contribution	639	685	–	–
Other employee benefits	1,695	819	–	–
	9,126	8,095	–	–
	9,438	8,257	312	150

The related parties of the Group and the Company are as follows:

Related parties	Relationships
DKSH Holding Ltd.	Ultimate holding company
DKSH Holdings (Asia) Sdn. Bhd.	Immediate holding company of DRSB
DKSH Resources (Malaysia) Sdn. Bhd. ("DRSB")	Immediate holding company
DKSH Marketing Services Sdn. Bhd.	Subsidiary
DKSH Distribution Malaysia Sdn. Bhd.	Subsidiary
DKSH (B) Sdn. Bhd.	Subsidiary
DKSH Logistics Services Sdn. Bhd.	Subsidiary
DKSH Central Services Malaysia Sdn. Bhd.	Subsidiary
DKSH Malaysia Sdn. Bhd.	Subsidiary
DKSH Management Malaysia Sdn. Bhd.	Subsidiary
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Subsidiary
DKSH Corporate Shared Services Center Sdn. Bhd.	Related company
Bio-Life Marketing Sdn. Bhd. *	Related company
DKSH Management Pte. Ltd.	Related company
DKSH Taiwan Ltd.	Related company
DKSH Chile S.A.	Related company
The United Drug (1996) Co. Ltd.	Related company

Notes to the financial statements

December 31, 2016 (continued)

26. Significant related party transactions (continued)

The related parties of the Group and the Company are as follows: (continued)

Related parties	Relationships
DKSH Luxury & Lifestyle (Malaysia) Sdn. Bhd.	Related company
DKSH Switzerland Ltd.	Related company
DKSH Vietnam Co. Ltd.	Related company
DKSH South East Asia Pte. Ltd. (SG Division)	Related company
DKSH Singapore Pte. Ltd.	Related company
DKSH International AG	Related company
DKSH Management Ltd.	Related company
DKSH Technology Sdn. Bhd.	Related company
DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd.	Related company
PT DKSH (Indonesia), Jakarta	Related company
DKSH (Thailand) Ltd.	Related company
DKSH International Ltd.	Related company
DKSH Japan K.K., Tokyo	Related company
DKSH (China) Co. Ltd., Shanghai	Related company
DKSH Shanghai Ltd., Shanghai	Related company
Medinova AG	Related company
DKSH Technology Pte. Ltd.	Related company
DKSH Marketing (S) Pte. Ltd.	Related company
FAVOREX Pte. Ltd.	Related company
Lembaga Tabung Angkatan Tentera	Other related party

Subsidiary refers to companies within the listed Group of DKSH Holdings (Malaysia) Berhad.

Related company refers to companies outside the listed Group of DKSH Holdings (Malaysia) Berhad and companies under the Group of DKSH Holding Ltd..

Other related party refers to a shareholder of DKSH Holdings (Malaysia) Berhad which is a body corporate established under the Tabung Angkatan Tentera Act 1973.

* Ceased to be a related company effective November 30, 2016.

Notes to the financial statements

December 31, 2016 (continued)

27. Segmental information

The Group is organized into three main business segments:

- Marketing and distribution services
- Logistics services
- Others

All the major operations of the Group are carried out in Malaysia. Accordingly, the segment reports as presented below had been reviewed by the chief operating decision maker.

(a) Primary reporting format - business segments

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2016					
Revenue					
Segment revenue	2,657,659	2,560,178	53,210	–	5,271,047
Intersegment revenue	866	–	–	(866)	–
Revenue	2,658,525	2,560,178	53,210	(866)	5,271,047
Results					
Segment results	55,207	22,810	(2,784)	–	75,233
Finance costs					(6,336)
Income tax expense					(18,430)
Profit for the financial year					50,467
Net assets					
Segment assets	869,018	807,011	25,366	–	1,701,395
Unallocated assets					161,949
Total assets					1,863,344
Segment liabilities	(420,650)	(719,379)	(1,598)	–	(1,141,627)
Unallocated liabilities					(190,630)
Total liabilities					(1,332,257)
Other information					
Capital expenditure	1,538	2,470	3,093	–	7,101
Depreciation of property, plant and equipment	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

Notes to the financial statements

December 31, 2016 (continued)

27. Segmental information (continued)

(a) Primary reporting format - business segments (continued)

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2015					
Revenue					
Segment revenue	2,523,246	2,992,255	56,685	–	5,572,186
Intersegment revenue	759	–	–	(759)	–
Revenue	2,524,005	2,992,255	56,685	(759)	5,572,186
Results					
Segment results	41,439	15,663	(2,124)	–	54,978
Finance costs					(3,969)
Income tax expense					(14,173)
Profit for the financial year					36,836
Net assets					
Segment assets	861,525	791,302	35,675	–	1,688,502
Unallocated assets					130,208
Total assets					1,818,710
Segment liabilities	(455,557)	(669,503)	(2,411)	–	(1,127,471)
Unallocated liabilities					(195,660)
Total liabilities					(1,323,131)
Other information					
Capital expenditure	2,306	2,545	19,245	–	24,096
Depreciation of property, plant and equipment	1,851	2,481	4,942	–	9,274
Amortization of trademarks	1,004	–	–	–	1,004
Net allowance for doubtful debts	1,060	447	–	–	1,507
Inventories written off	9,732	4,119	–	–	13,851

Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise only trade payables. Capital expenditure comprises additions to property, plant and equipment (Note 11).

Notes to the financial statements

December 31, 2016 (continued)

27. Segmental information (continued)

(a) Primary reporting format - business segments (continued)

	Group	
	2016 RM'000	2015 RM'000
Unallocated assets mainly consists of:		
Trademarks	621	1,625
Cash on hand and at banks	65,871	76,692
Deposits with licensed bank	60,000	30,213
Other receivables	30,209	16,897
Deferred tax assets	3,740	3,118
Others	1,508	1,663
	161,949	130,208
Unallocated liabilities mainly consists of:		
Accruals and sundry payables	(92,243)	(84,969)
Provisions	(7,686)	(8,173)
Short term borrowings	(30,000)	(68,000)
Intercompany advances	(52,932)	(20,200)
Amounts due to:		
• intermediate holding company	(33)	(33)
• immediate holding company	(125)	(23)
• related companies	(2,538)	(10,365)
Others	(5,073)	(3,897)
	(190,630)	(195,660)

(b) Secondary reporting format - geographical segments

Although the Group has an operation in Brunei Darussalam, there is no disclosure of this operation as a separate geographical segment as the revenue contributed by this foreign incorporated company is not material to constitute an independent geographical segment as stipulated under MFRS 8: Operating Segments.

Notes to the financial statements

December 31, 2016 (continued)

28. Financial risk management objectives and policies

The activities of the Group and the Company expose the Group to a variety of financial risks, in the areas of interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group and the Company are adequately protected. Financial risk management involves risk reviews, monitoring of the compliance of internal control systems and adherence to DKSH Holding Ltd. Group's financial risk management policies.

(a) Interest rate risk

Interest rate exposures arise from the Group's and the Company's loans and borrowings and advances to subsidiaries. They are managed through the use of a mixture of fixed and floating rate debts.

At the reporting date, the interest rate profile of the interest-bearing financial instruments is as below:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net financial assets/(liabilities):				
• Fixed rate instruments	(30,000)	(68,000)	–	(28,000)
• Floating rate instruments	(52,932)	(20,200)	244,976	277,006
	(82,932)	(88,200)	244,976	249,006

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Apart from the advances to subsidiaries, the Group's and the Company's investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits. The information on maturity dates and effective interest rates of financial assets are disclosed in Note 17.

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statements of comprehensive income.

Notes to the financial statements

December 31, 2016 (continued)

28. Financial risk management objectives and policies (continued)

(a) Interest rate risk (continued)

Sensitivity analysis for floating rate instruments

A change of 5% in interest rates at the reporting date would result in the profit before tax to be higher/(lower) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Floating rate instruments (denominated in RM)				
• 5% increase	(27)	(11)	127	153
• 5% decrease	27	11	(127)	(153)

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales, purchases and payments on behalf that are denominated in a currency other than the functional currency to which they relate. The currencies giving rise to this risk are primarily United States Dollar (USD), Brunei Dollar (BND), Euro (EUR), Swiss Franc (CHF), Australian Dollar (AUD), Thai Baht (THB), Sterling Pound (GBP), Singapore Dollar (SGD), Japanese Yen (JPY) and New Zealand Dollar (NZD).

The net unhedged financial assets and financial liabilities of the Group that are not denominated in its functional currency are as follows:

	Note
Trade receivables	16 (a)
Due from related companies	16 (b)
Cash and bank balances	17
Trade and other payables	20
Due to related companies	20

Notes to the financial statements

December 31, 2016 (continued)

28. Financial risk management objectives and policies (continued)

(b) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, BND, EUR, CHF, AUD, THB, GBP, SGD, JPY and NZD exchange rates against the functional currency of the Group entities, with all other variables held constant.

		Group	
		2016 Profit net of tax RM'000	2015 Profit net of tax RM'000
USD/RM	• strengthened 5%	(1,249)	16
	• weakened 5%	1,249	(16)
BND/RM	• strengthened 5%	571	563
	• weakened 5%	(571)	(563)
EUR/RM	• strengthened 5%	(85)	(27)
	• weakened 5%	85	27
CHF/RM	• strengthened 5%	(12)	(1)
	• weakened 5%	12	1
AUD/RM	• strengthened 5%	(42)	4
	• weakened 5%	42	(4)
THB/RM	• strengthened 5%	(159)	(76)
	• weakened 5%	159	76
GBP/RM	• strengthened 5%	(11)	(7)
	• weakened 5%	11	7
SGD/RM	• strengthened 5%	(108)	23
	• weakened 5%	108	(23)
JPY/RM	• strengthened 5%	(10)	(2)
	• weakened 5%	10	2
NZD/RM	• strengthened 5%	(32)	–
	• weakened 5%	32	–

Notes to the financial statements

December 31, 2016 (continued)

28. Financial risk management objectives and policies (continued)

(c) Liquidity risk

The Group and the Company manage operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. The Company relies on the distribution of dividends and interest income from subsidiaries to meet its working capital requirements.

The table below analyzes the Group's and the Company's financial liabilities into relevant maturity profile based on the remaining period in the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

Analysis of undiscounted financial instruments by remaining contractual maturities

Group	Less than one year RM'000	More than one year RM'000	Total RM'000
2016			
Trade and other payables	1,244,252	–	1,244,252
Borrowings	83,494	–	83,494
Derivatives - settled net	23,566	–	23,566
	1,351,312	–	1,351,312
2015			
Trade and other payables	1,231,034	–	1,231,034
Borrowings	88,622	–	88,622
Derivatives - settled net	40,408	–	40,408
	1,360,064	–	1,360,064

Company	Less than one year RM'000	More than one year RM'000	Total RM'000
2016			
Trade and other payables	666	–	666
Borrowings	53,480	56,767	110,247
	54,146	56,767	110,913
2015			
Trade and other payables	463	–	463
Borrowings	48,559	47,009	95,568
	49,022	47,009	96,031

Notes to the financial statements

December 31, 2016 (continued)

28. Financial risk management objectives and policies (continued)

(d) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's and the Company's other financial assets, which comprise advances to subsidiaries and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets. However, the Company has a significant concentration of credit risk in the form of advances to subsidiaries.

(e) Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including amounts due to/from group companies) and short term borrowings.

The fair values of derivative financial instruments are determined based on the quoted market price of similar derivatives as they are not traded on an active market. These derivatives are classified as Level 2 financial instruments in accordance with MFRS 7 "Financial Instruments: Disclosures" classification hierarchy.

Group	Level 2 RM'000
2016	
Derivative financial instruments	23,566
2015	
Derivative financial instruments	40,408

The Group does not have any financial instruments classified as Level 1 and Level 3 as at December 31, 2016 and 2015.

Notes to the financial statements

December 31, 2016 (continued)

29. Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business via a mixture of equity and its debt obligation in adherence to DKSH Holding Ltd. Group's financial risk management policies.

The Group optimizes the overall capital management performance through improvement in the cash flows. The Group's cash flows management focuses on inventories, receivables and payables by ensuring that it has sufficient liquidity to meet its obligations. No significant changes were made in the objectives, policies or processes during the years ended December 31, 2016 and December 31, 2015.

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Loans and borrowings	82,932	88,200	109,117	94,825
Less: Cash and bank balances	(125,871)	(106,905)	(60,276)	(30,100)
(Surplus cash)/net debt	(42,939)	(18,705)	48,841	64,725
Equity attributable to the owners of the parent	531,087	495,579	389,226	363,635
Total capital	531,087	495,579	389,226	363,635
Total capital and net debt	488,148	476,874	438,067	428,360
% of net debt to total capital and net debt	–	–	11%	15%

The gearing ratio is not governed by the MFRS and its definition and calculation may vary from one group/company to another.

Supplementary explanatory note on disclosure of realized and unrealized profits

30. Supplementary explanatory note on disclosure of realized and unrealized profits

The breakdown of the retained profits of the Group and of the Company into realized and unrealized profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated March 25, 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of the Company and its subsidiaries				
• Realized	332,290	297,843	207,054	181,463
• Unrealized	2,988	1,946	–	–
	335,278	299,789	207,054	181,463
Consolidation adjustments	13,462	13,462	–	–
Total retained profits as per financial statements	348,740	313,251	207,054	181,463

The determination of realized and unrealized profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

Analysis of shareholdings

as at March 31, 2017

Total number of issued shares	:	157,658,076
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Number of shareholders	:	2,784

Analysis by size of shareholdings (as per the Record of Depositors)

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued shares
Less than 100	191	6.86	1,409	Negligible
100 to 1,000	1,366	49.07	1,119,491	0.71
1,001 to 10,000	990	35.56	3,763,600	2.39
10,001 to 100,000	190	6.82	5,356,300	3.40
100,001 to less than 5% of issued shares	46	1.65	30,262,200	19.19
5% and above of issued shares	1	0.04	117,155,076	74.31
Total	**2,784**	**100.00**	**157,658,076**	**100.00**

Directors' Interests in Shares in the Company (as per the Register of Directors' Shareholdings)

	Direct interest		Deemed interest	
	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Michael Lim Hee Kiang	10,000	0.01	–	–
James Armand Menezes	–	–	–	–
Datuk Haji Abdul Aziz bin Ismail	–	–	–	–
Alexander Stuart Davy	–	–	–	–
Lee Chong Kwee	–	–	–	–
Stephen John Ferraby	–	–	–	–
Jason Michael Nicholas McLaren	–	–	–	–
Lian Teng Hai	–	–	–	–

Directors' Interests in Shares in a Related Corporation (as per the Register of Directors' Shareholdings)

	Direct interest		Deemed interest	
DKSH (B) Sdn Bhd - Subsidiary	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Jason Michael Nicholas McLaren	1	Negligible	–	–

Save as disclosed above, none of the Directors had any interest in shares of the Company or its related corporations.

Analysis of shareholdings

as at March 31, 2017 (continued)

Shareholdings of Substantial Shareholders in the Company (as per the Register of Substantial Shareholders)

Name	Direct interest No. of shares held	Direct interest % of issued shares	Deemed interest No. of shares held	Deemed interest % of issued shares
DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31	–	–

Top 30 largest shareholders (as per the Record of Depositors)

	Name	No. of shares held	% of issued shares
1.	DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31
2.	Lembaga Tabung Angkatan Tentera	7,597,300	4.82
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	2,892,100	1.83
4.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 9)	2,394,400	1.52
5.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for AMB Value Trust Fund (4249)	2,170,400	1.38
6.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for DCG Asia Value Master Fund	1,320,800	0.84
7.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AberIslamic)	1,238,600	0.78
8.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Lombard Odier & Co Ltd	1,050,700	0.67
9.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	1,002,000	0.63
10.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F. TemIslamic)	847,900	0.54
11.	Wong Lok Jee & Ong Lok Jee	710,000	0.45
12.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - AMB Smallcap Trust Fund	680,000	0.43
13.	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for MSIG Insurance (Malaysia) Bhd (210236)	647,500	0.41
14.	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	594,100	0.38

Analysis of shareholdings

as at March 31, 2017 (continued)

Top 30 largest shareholders (as per the Record of Depositors) (continued)

Name	No. of shares held	% of issued shares
15. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)	578,800	0.37
16. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Al-Faid (4389)	512,200	0.32
17. DB (Malaysia) Nominee (Asing) Sdn Bhd State Street Luxembourg Fund WLGK for Goodhart Partners Horizon Fund – HMG Global Emerging Markets Equity Fund	432,200	0.27
18. Amsec Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	382,600	0.24
19. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment Value Fund (950290)	325,200	0.21
20. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad for RHB Insurance Berhad (TSTAC/CLNT)	323,000	0.21
21. Amsec Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)	298,000	0.19
22. Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS Switzerland AG (Clients Assets)	290,000	0.18
23. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	276,500	0.18
24. Ten Woon Hwa	241,200	0.15
25. CIMB Group Nominee (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for Sun Life Malaysia Assurance Berhad	216,600	0.14
26. Amerjeet Singh A/L Naib Singh	202,000	0.13
27. Amanahraya Trustees Berhad AMB Dana Yakin	200,000	0.13
28. HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	200,000	0.13
29. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment Balanced Fund (910170)	197,000	0.12
30. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT-I)	196,000	0.12
Total	**145,172,176**	**92.08**

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Fifth Annual General Meeting ("25th AGM") of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") will be held on Wednesday, May 24, 2017 at 10:00 a.m. at the Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan to transact the following businesses:

Agenda

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the financial year ended December 31, 2016 and the Reports of the Directors and Auditors thereon.
   (Refer Note 9)

2. To approve the payment of a final single tier dividend of 9.5 sen per share for the financial year ended December 31, 2016.
   Ordinary Resolution 1

3. To approve the payment of Directors' fees of RM 312,760 for the financial year ended December 31, 2016.
   Ordinary Resolution 2

4. To re-elect Stephen John Ferraby who retires pursuant to Article 101 of the Constitution of the Company.
   Ordinary Resolution 3

5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending December 31, 2017 and to authorize the Directors to fix their remuneration.
   Ordinary Resolution 4

As Special Business:

To consider and if thought fit, to pass the following Resolutions:

6. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
   "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 April 26, 2017 ("Proposed Shareholders' 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 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."
   Ordinary Resolution 5

7. **Re-appointment of Director**
   To re-appoint James Armand Menezes as Director of the Company.
   Ordinary Resolution 6

As Other Business:

8. To transact any other business of an Annual General Meeting for which due notice shall have been given.

Notice of Annual General Meeting (continued)

Notice of Dividend Entitlement and Payment Dates

Notice is also hereby given that subject to the approval of members at the 25th AGM of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") to be held on Wednesday, May 24, 2017, a final single tier dividend of 9.5 sen per share in respect of the financial year ended December 31, 2016 will be paid on July 13, 2017 to shareholders whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Securities Berhad on June 30, 2017.

A Depositor shall qualify for entitlement to the dividend in respect of:
(i) shares transferred into the Depositor's securities account before 4:00 p.m. on June 30, 2017 for transfers; and
(ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By order of the Board

Lwee Wen Ling (MAICSA 7058065)
Andrè Chai P'o-Lieng (MAICSA 7062103)
Company Secretaries

Petaling Jaya
April 26, 2017

Notes:

Proxy
1. A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint not more than two (2) proxies to attend, vote and speak on such member's behalf. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.
3. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointer or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or under the hand of an officer or attorney duly authorized.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of the shareholdings to be represented by each proxy in the instrument appointing the proxies.
5. The instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or adjournment thereof; otherwise the instrument of proxy shall not be treated as valid and person so named shall not be entitled to vote in respect thereof. Only original copies of the duly executed form of proxy are acceptable.
6. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

Entitlement to attend AGM
7. For the purpose of determining members who shall be entitled to attend the 25th AGM, only the Company's members whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd on May 17, 2017 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.

Voting by poll
8. Pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice will be put to vote by poll.

Audited Financial Statements and the Reports of the Directors and Auditors thereon
9. The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Act for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Final Single Tier Dividend
10. With reference to Section 131 of the Act, a Company may only make a distribution to the shareholders out of profits of the Company available if the Company is solvent. On April 5, 2017, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on July 13, 2017 in accordance with the requirements under Section 132(2) and (3) of the Act.

Notice of Annual General Meeting (continued)

Directors' fees

11. Pursuant to Section 230(1) of the Act, which came into force on January 31, 2017, fees and benefits payable to Directors of the Company will have to be approved by shareholders at a general meeting. The Directors' fees of RM 312,760 for the financial year ended December 31, 2016 are payable to Non-Executive Directors who are not employed by the DKSH Group of Companies. There is no benefits payable to Non-Executive Directors of the Company.

Directors who retire by rotation pursuant to Article 105

12. Michael Lim Hee Kiang and Alexander Stuart Davy, the Directors who retire by rotation in accordance with Article 105 of the Constitution of the Company have expressed their intention not to seek for re-election. Hence, both of them will retain office until the close of the Twenty-Fifth Annual General Meeting of the Company.

Re-election of Director who retire pursuant to Article 101

13. Stephen John Ferraby who was appointed as Director of the Company by the Board on February 21, 2017 and being eligible, has offered himself for re-election pursuant to Article 101 of the Constitution of the Company. His appointment was based on the Nominating Committee's recommendation after considering relevant criteria such as his experience, qualifications and potential contributions including the needs of the Board namely, the Board composition, size, structure, balance, mix of skills and competencies. The Board has considered and supports his election as a Director of the Company.

Re-appointment of Auditors

14. Messrs Ernst & Young ("EY"), the auditors of the Company have expressed their willingness to continue in office as auditors of the Company for the financial year ending December 31, 2017. The Board has approved the Audit Committee's recommendation that they be retained having considered relevant feedback on their experience, performance and independence.

Explanatory Note to Special Business:

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

1. The proposed Ordinary Resolution 5, if passed, will renew the authority obtained at the last AGM in 2016 and allow DKSH Group to enter into recurrent related party transactions with DKSH Holding Ltd and its subsidiaries involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group, which are of a revenue or trading nature and necessary for DKSH Group's day-to-day operations.

   Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated April 26, 2017 which is despatched together with the Company's Annual Report 2016.

Re-appointment of Director

2. The proposed Ordinary Resolution 6 is to seek shareholders' approval on the re-appointment of James Armand Menezes who had been re-appointed in the previous AGM held on May 25, 2016 as Director under Section 129(6) of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of this AGM as Director of the Company. If passed, the proposed Resolution 6 will authorize the continuation of James Armand Menezes to act as Director of the Company and he shall subject to retirement by rotation at a later date.

Statement Accompanying Notice of Twenty-Fifth Annual General Meeting
(pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Stephen John Ferraby and James Armand Menezes are standing for re-election and re-appointment respectively as Directors of the Company. Their profiles are set out in the section entitled "Directors' profiles" on pages 15 to 18 of this Annual Report. The details of their interest in the shares of the Company are set out on page 115 of this Annual Report.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Proxy Form

for the Twenty-Fifth Annual General Meeting

DKSH Holdings (Malaysia) Berhad

(Company No. 231378-A)

No. of Shares held:	CDS Account No.:

I/We ____
(full name and in capital letters)

NRIC (new and old)/Passport/Company No.: ____________________ of ____________________

____
(full address)

being a member of **DKSH Holdings (Malaysia) Berhad**, hereby appoint ______________________

______________________ NRIC No. (new and old): ____________________
(full name as per NRIC and in capital letters)

of ____
(full address)

and/or ______________________ NRIC No. (new and old*):* ____________________
(full name as per NRIC and in capital letters)

of ____
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty-Fifth Annual General Meeting of the Company to be held at Kristal Ballroom 1, 1st Floor, West Wing, Hilton Petaling Jaya, No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, May 24, 2017 at 10:00 a.m. or at any adjournment thereof. I/We indicate with an "X" in the spaces below how I/we wish my/our vote to be cast:

No.	Resolutions	For	Against
1.	To approve the payment of a final single tier dividend of 9.5 sen per share for the financial year ended December 31, 2016.		
2.	To approve the payment of Directors' fees.		
3.	To re-elect Stephen John Ferraby as a Director of the Company.		
4.	To re-appoint Messrs Ernst & Young as Auditors of the Company.		
5.	To approve the renewal of the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
6.	To re-appoint James Armand Menezes as Director of the Company.		

Subject to the above stated voting instruction, my/our proxy/proxies may vote or abstain from voting on any resolutions as he/she may think fit.

____
Signature of Member/Common Seal *(if Member is a Corporation)*

Dated this __________ day of ______________, 2017.

The proportions of my/our shareholdings to be represented by my/our proxies are as follows:

First Proxy
No. of shares: ____________________
Percentage: ____________________ %

Second Proxy
No. of shares: ____________________
Percentage: ____________________ %

Notes:

1. A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint not more than two (2) proxies to attend, vote and speak on such member's behalf. A proxy may but need not be a member of the Company there shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.
3. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointer or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or under the hand of an officer or attorney duly authorized.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of the shareholdings to be represented by each proxy in the instrument appointing the proxies.
5. The instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof ; otherwise the instrument of proxy shall not be treated as valid and person so named shall not be entitled to vote in respect thereof. Only original copies of the duly executed form of proxy are acceptable.
6. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.
7. Only the Company's members whose names appear in the Record of Depositors on May 17, 2017 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.

Fold this flap for sealing

Then fold here

Affix
Stamp

The Share Registrar of
DKSH Holdings (Malaysia) Berhad (231378-A)

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No.8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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Resilient unique scalable

Well-diversified, unique and scalable, our business is resilient and difficult to replicate, resulting in strong barriers to entry and exit. Our diversity is broad in terms of industries, markets, products, services and business partners serviced and forms the foundation of our sustainable and profitable growth. The majority of our products we handle are close to the daily needs of the people in the markets where we are active, contributing to the resilience of our business model.

DKSH Holdings (Malaysia) Berhad (231378-A)
B-11-01, The Ascent, Paradigm, No. 1, Jalan SS7/26A, Kelana Jaya
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Phone +60 3 7882 8888, Fax +60 3 7882 8899