Annual Report 2015

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
James Armand Menezes	Independent Non-Executive Director
Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director
Alexander Stuart Davy	Independent Non-Executive Director
Lee Chong Kwee	Independent Non-Executive Director
John Peter Clare	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

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

Nominating Committee

Michael Lim Hee Kiang	Chairman of the Nominating Committee
James Armand Menezes	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

Chew Ann Nee, MAICSA 7030413

Andre' Chai P'o-Lieng, MAICSA 7062103

Principal bankers

Deutsche Bank (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Public Bank Berhad

Chairman's statement

Michael Lim Hee Kiang
Chairman, DKSH Holdings (Malaysia) Berhad

On behalf of the Board of Directors, I am pleased to present the Annual Report and the audited financial statements of DKSH Holdings (Malaysia) Berhad ("the Group") for the financial year ended December 31, 2015.

Sales growth despite challenging conditions

The Group maintained strong net sales growth of 4.4% in 2015, with net sales increasing from RM 5.3 billion to RM 5.6 billion. 2015 was a challenging year with consumer demand significantly affected by a difficult macroeconomic environment. The introduction of Goods and Services Tax (GST) in April 2015 was well managed by the Group with no disruptions to operations, however, there was an effect on consumer markets with demand decreasing significantly following the GST implementation.

The Group's continued emphasis on sustainable, profitable growth resulted in continued strong net sales growth in both the Marketing and Distribution as well as the Logistics segments. In both cases, organic growth was supported by the addition of new clients who contributed significantly in both segments. The changing consumer demand affected the mix of products and the Group observed a shift towards lower margin products and fluctuating market demand throughout the year. There was a significant change of a client towards the end of the year which had a large effect on net sales in the fourth quarter, despite having no effect on profitability.

The Others segment continued to be affected by an increasingly competitive retail market, which coupled with the specific macroeconomic challenges encountered in 2015, led to reduced net sales in the Famous Amos business. After prior expansion to strengthen brand awareness, the strategy in 2015 shifted to maintaining our retail footprint and existing brand recognition. We continued to open new outlets in strategically important locations while reducing the total number of outlets to 92, a net reduction of three outlets.

Investing in the future

In 2015, the Group invested in two large infrastructure projects to prepare for future growth. The first of these projects was the opening of a new modern distribution center in Kota Kinabalu, Sabah in April 2015. Located in Kota Kinabalu Industrial Park (KKIP), this new distribution center houses consumer goods and healthcare products at 207,000 square feet (19,200 square meters), with additional available capacity of 75,000 square feet (6,900 square meters). The new distribution center ideally positions the Group to better cater to our clients and customers in the promising East Malaysia market.

Following the sale of the Group's Jalan Universiti property in 2013, the head office was relocated in June 2015 to a new and more modern office building at The Ascent, Paradigm, in Kelana Jaya. With 1,300 employees occupying eight levels, the DKSH Group is the largest tenant of the 32 floor Grade-A corporate tower. The new space allows for more efficient working conditions, enabling better collaboration across departments and functions and will allow for scalable growth and an improved position as an employer of choice in Malaysia.

These strategic infrastructure investments led to additional costs and increased capital expenditure, which resulted in an increased cost base during 2015. This is partially a permanent increase as capacity has been expanded to support future growth and is partially one-off costs of double rent and expenses relating to the relocation of both facilities.

Despite solid net sales growth, in challenging market conditions, profit net of tax declined by 38.5% from RM 59.9 million to RM 36.8 million. This decline was largely due to challenging market conditions resulting in a negative shift in product mix towards lower margin sales and increased operating costs due to major investments in infrastructure as part of strategic expansion for future growth.

Chairman's statement (continued)

Dividends

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-Fourth Annual General Meeting in May 2016. The total payout is approximately RM 15.0 million. This dividend payment has been maintained at prior year levels despite the decline in profits reflecting Management's confidence in the future prospects of the Company.

Outlook

The Group takes a cautiously positive outlook on 2016. Market conditions continue to stabilize and the Group considers it likely that consumer demand will improve from post-GST implementation levels seen in mid-2015. Net sales are expected to decline in 2016 due to the change of a major client, although this will have an insignificant effect on profitability. Organic growth is expected in existing clients and new business development remains robust. Importantly, the key growth drivers of a growing middle class and a trend towards outsourcing remain strong in Malaysia.

Our client and customer portfolio remains well diversified and with significant investment in our future during 2015, the Group is well positioned to add to this portfolio and deliver further sustainable, profitable growth. Having over the last three years invested in major distribution centers and office upgrades to support future growth, there are no plans for significant infrastructure expenditure during 2016.

The Group continues to benefit from an unsurpassed capillary distribution network, an industry leading IT system and rigorous internal controls and processes and is ideally positioned to continue to serve our clients and customers as the leading Market Expansion Services company in Malaysia.

Acknowledgements

2015 was a challenging year of adaption and growth, as we dealt with difficult market dynamics while continuing to strategically invest in the Group's infrastructure for future sustainable, profitable growth. That the Group successfully navigated this challenging year and remains positioned for strong growth in 2016 is due to the excellent efforts of the management team and the 2,800 specialists at our 30 business locations throughout Malaysia. On behalf of the Board, I would like to express my sincere appreciation for their passion and commitment. I would also like to thank our business partners for their continued trust and support in growing our mutual business throughout Malaysia and Brunei.

Our Board of Directors remains well diversified and has been further strengthened. I would like to take this opportunity to welcome Mr Lee Chong Kwee to the Board. I am convinced the Board will benefit from the extensive experience that Mr Lee brings to the Company. I wish to also extend my appreciation to my fellow Board members for their counsel and valuable contributions during the year.

Most importantly, I would also like to thank you, our valued shareholders, for your continued support and belief in DKSH Malaysia.

Michael Lim Hee Kiang
Chairman

Management discussion and analysis

The management review of the Group outlines an in-depth analysis of the financial year 2015 and provides an outlook into DKSH's further growth.

Management discussion and analysis

Summary

Despite a challenging market environment due to difficult macroeconomic conditions, the Group grew net sales by 4.4%, increasing from RM 5.3 billion to RM 5.6 billion. This growth came from both existing clients and new clients who contributed strongly to our sales growth.

The Group successfully managed the implementation of the Goods and Services Tax (GST) in April 2015 with no business disruption. However, the GST implementation and depreciation of the Malaysian Ringgit during 2015 had a significant effect on our two main markets, consumer goods and healthcare, which led to a year of reduced demand and unpredictability.

2015 was a year of ongoing investment in infrastructure to position the Group for future growth. Two large key infrastructure projects were completed: the relocation of our distribution center in Kota Kinabalu, Sabah and the relocation of our head office in Petaling Jaya.

The challenging market conditions experienced and increased expenditure on infrastructure to enable future growth were key drivers of reduced profitability in 2015. However, the Group is now better positioned for profit growth in 2016 as market conditions stabilize without any further need for major investment in additional infrastructure.

Building a platform for future growth

2015 was the third and final year of a period of reinvention and infrastructure growth that involved the Group relocating two major distribution centers and our head office. This cycle of change began in 2013 with the approval and initiation of the project to relocate the Group's healthcare operations from the former Jalan Universiti office and distribution center to a new state-of-the-art facility in Shah Alam. This distribution center was fully operational by 2014 and we still continue to further develop this facility to ensure that it remains at the cutting edge of distribution excellence in Malaysia.

Recognizing the outstanding potential of the East Malaysian market and with improved public infrastructure allowing for significant opening of the Sabah market, the Group invested in a new modern distribution center in Kota Kinabalu Industrial Park (KKIP). This facility is well positioned both in relation to the Sepanggar Bay Container Port and to directly serve over 1,000 customers in Kota Kinabalu and across Sabah. The Group opened the new 207,000 square foot (19,200 square meter) facility in April 2015. The temperature controlled facility is equipped with a 29,000 square foot (2,700 square meter) cold chain room for the storage and efficient handling of consumer and healthcare products such as food categories, pharmaceuticals, vaccines and life-saving medicine. The distribution center currently has a capacity to store 3,500 stock keeping units (SKUs) and is designed to store 9,000 pallets. Additional capacity of 75,000 square feet (6,900 square meters) is available for future expansion. In line with the DKSH Group's dedication to quality assurance and compliance, the facility complies with Good Distribution Practices (GDP) and Good Distribution Practices for Medical Device (GDPMD) as well as adheres to stringent ISO 9001:2008 and ISO 13485:2003 international standards.

The second major infrastructure project completed in 2015 was the move of the Group's head office from the Jalan Universiti location which was sold in 2013. In June 2015, we opened our new head office at The Ascent, Paradigm, in Kelana Jaya. This brand new A-Grade corporate tower now houses 1,300 DKSH Group specialists in eight levels and is a more modern and well organized office which will allow for closer collaboration of teams, more efficient use of space and for the DKSH Group to be even more recognized as a leading employer of choice in the Malaysian talent market.

With the addition of these two market leading distribution centers, our new modern head office, our now complete network of four ISO certified distribution centers, eight regional distribution centers and a total of 30 business locations, the Group is now well positioned for future profit growth and will be able to enter 2016 with stable operating costs and facilities and distribution capacity to deliver exceptional growth for our more than 180 clients.

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.

Net sales in this segment grew by 5.2% in 2015, from RM 2.4 billion to RM 2.5 billion. This growth was largely contributed by new clients who either joined in 2015 or showed full year sales in 2015. With difficult market conditions experienced during the year, there was a shift in product mix towards lower margin clients. Likewise, there was an increase in operating costs due to some short-term additional capacity in the earlier part of the year and increased expense for infrastructure investment, both in terms of increased cost base and one-off costs of moving and double rent. As a result, expense increases were greater than the contribution of increasing net sales and the operating result was down by 30.7% from RM 59.8 million to RM 41.4 million.

This segment includes the Group's Performance Materials business which had a steady year despite challenging conditions, especially in terms of the depreciation of the Malaysian Ringgit, whereby the business has the largest exposure to exchange rate

Management discussion and analysis (continued)

fluctuations. This business remains focused on their core product range while adding key new clients to support steady growth.

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 its clients. The businesses represented under this segment include the Healthcare business and supply chain focused parts of the Consumer Goods business.

Net sales from continuing operations grew by 3.9% from RM 2.9 billion in 2014 to RM 3.0 billion in 2015. Net sales were impacted by a change of a telecommunications client in the fourth quarter of 2015. If not for this change, net sales growth would have been even stronger.

The macroeconomic conditions discussed above also impact this category and there was a weakening of market demand observed throughout the last three quarters of 2015. This, coupled with increased costs for new infrastructure resulted in a decline in the operating result of 30.2% from RM 22.5 million to RM 15.7 million.

The Healthcare business which forms part of this segment experienced organic growth from existing and new clients. This business is now served by two new and modern distribution centers in Shah Alam and Kota Kinabalu. With growth in existing clients and constant ongoing, promising business development, the segment is now well prepared to build on the growth of 2015 and to further grow in 2016.

The telecommunications business in this segment saw a major change of client in the fourth quarter of 2015, which means significantly reduced net sales, but with an insignificant effect on profitability.

Segment “Others”

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

The Famous Amos business continues to be impacted by difficult market conditions, which were exacerbated by the specific economic challenges of 2015. Net sales declined in 2015 by 7.3% from RM 61.1 million to RM 56.7 million. After two years of expansion in order to protect and grow the brand, the Group has adopted a strategic approach to stabilize and maintain our brand strength by selectively opening new outlets in strategically important locations while approximately maintaining the total number of outlets by relocating or closing outlets with lower levels of performance. This will allow the business to focus on operational efficiencies and target net sales growth to increase profitability. The total number of outlets reduced by three during 2015 to 92 outlets at the end of 2015.

Strategy for sustainable, profitable growth

The DKSH Group’s strategy for sustainable, profitable growth continues to focus on doing more of what we do best and doing it even better. We are constantly striving to serve our existing clients better by maintaining our high service standards while offering innovating service offerings, and at the same time, attracting the best possible new clients to complement our highly diversified client portfolio. We maintain an equally strong customer focus and are at all times working to position the DKSH Group as the Market Expansion Services company of choice for our customers.

While striving for growth, we continue to focus on realizing operational efficiencies while maintaining high standards in our processes and internal controls. Our engaged and committed employees help to drive these efficiencies and we are constantly realizing economies of scale to drive profitability growth.

The DKSH Group is the number one Market Expansion Services company in Malaysia and we will continue to strive to be the number one not just in Malaysia overall, but also in every part of Malaysia and every category in which we operate.

Outlook

We maintain an optimistic outlook for the Group. 2015 was a year of macroeconomic difficulty and challenging and unpredictable markets, which coincided with a year of investment and infrastructure growth for the Group. We enter 2016 with a stable and highly skilled management team, a committed and driven team of 2,800 specialists spread across Malaysia, a well-diversified portfolio of more than 180 clients and excellent business development prospects. All of the key infrastructure that is needed for growth is now in place, including the only complete capillary distribution network in Malaysia supported by a world class IT system. The Group is well positioned to serve our clients and customers seamlessly across the value chain.

Long term growth drivers are intact and the current economic and market conditions appear to be stabilizing.

Jason Michael Nicholas McLaren
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 5.6 billion

2,800 specialists

30 business locations

4 ISO-certified distribution centers and 8 regional distribution centers

Network of more than 180 clients and 13,000 customers

Financial highlights

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

	2011	2012	2013	2014	2015
Net sales	4,260,749	4,724,726 [1]	5,085,623 [2]	5,339,481	5,572,186
Earnings before interest, tax, depreciation and amortization	85,143	111,643	203,222	91,936	65,256
Profit before tax	67,687	94,014 [1]	190,445	80,415	51,009
Net profit attributable to owners of the parent	44,346	77,762	174,828	59,911	36,836
Exceptional items	–	21,063	109,147	–	–
Net profit excluding exceptional items	44,346	56,699	65,681	59,911	36,836
Total assets employed	1,240,147	1,283,469	1,384,023	1,495,561	1,818,710
Shareholders' equity	222,182	290,810	449,187	473,633	495,579

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

What we do
DKSH is the leading Market Expansion Services provider with a focus on Asia. As the term "Market Expansion Services" suggests, 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 value chain to support them in successfully achieving their goals.

Deeply rooted in Malaysia
DKSH is one of the oldest and largest Market Expansion Services providers in Malaysia. Its first branch office was established in 1923 in Penang. The Company has since grown from strength to strength employing a workforce of 2,800 specialists. Today, DKSH's new head office at The Ascent, Paradigm, in Kelana Jaya and its 30 business locations serve more than 180 clients and 13,000 customers across Malaysia, providing unparalleled market coverage nationwide.

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
As the industry leader in Asia, DKSH is the first choice for clients seeking a trust-worthy and reliable Market Expansion Services partner who can guarantee the integrity of their value chain and the quality of their services.

Publicly listed on the SIX Swiss Exchange since March 2012, DKSH is a global company headquartered in Zurich. With 770 business locations in 36 countries – 740 of them in Asia – and 28,300 specialists, DKSH generated net sales of CHF 10.1 billion in 2015.

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 fields of expertise: Consumer Goods, Healthcare, Performance Materials and Technology.

In 2015, DKSH celebrated its 150th anniversary. Founded in 1865 with a strong Swiss heritage, DKSH has a long tradition of doing business in and with Asia and is deeply rooted in communities and businesses across Asia Pacific.

Our new head office at The Ascent, Paradigm will undoubtedly be a major paradigm shift in the way we work and do business as well as enable us to continue our success story.

Corporate profile (continued)

Touching the daily lives of millions of Malaysians, DKSH provides a vast portfolio of products for daily use, including many well-known local and international brands.

Our business segments

Our business segments focus on the fields of consumer goods, healthcare and performance materials, and offer 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 and 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 22 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 Shah Alam which has a capacity of 55,000 pallets for ambient and 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 hyper and supermarkets, shops, kiosks, medical halls and pharmacies throughout Malaysia.

In Malaysia, DKSH represents over 180 clients and distributes their products to more than 13,000 customers ranging from local sundry shops to hypermarkets and medical halls to pharmacies and hospitals.

Corporate profile (continued)

DKSH's regular and up-to-date market insights help our clients create even more effective marketing campaigns.

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 focuses 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 with the opening of a new distribution center in Kota Kinabalu, Sabah in 2015. The newly built 207,000 square foot facility is strategically located in Kota Kinabalu Industrial Park (KKIP) with easy access to Sepanggar Bay Container Port and to the city center. Well connected to the transportation network, it allows 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. The new distribution center also serves as a regional hub for the company's smaller facilities in Tawau and Sandakan.

The larger and more advanced distribution center replaces an older facility which was operating at full capacity. The distribution center represents a significant capacity upgrade in DKSH Malaysia's consumer goods and healthcare infrastructure and is part of its growth plans in East Malaysia.

The Group's 130,000 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 distribution center is a leading service provider for clinical trial supply chain activities, addressing the increasingly complex clinical trial supply packaging, labeling and distribution requirements. Its technologically-advanced cold chain and redressing facilities has industry leading standards storage of vaccines and bio-tech products.




With its solid infrastructure, strategic location and sound logistics services, our new Kota Kinabalu distribution center aims to strengthen DKSH's unique and capillary distribution network in East Malaysia.

Corporate profile (continued)

Freshly baked in store throughout the day, our Famous Amos business has extensive presence in Malaysia with 92 outlets in shopping malls and airports across the country.

In line with DKSH's dedication 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) as well as adhere to strict ISO 9001:2008 and ISO 13485:2003 international standards.

To reach more customers in a timely manner nationwide, the Marketing and Distribution and the Logistics segments' two main distribution centers are further supported by ten 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 selected assortment of complementary products such as hampers, gifts, chocolates and confectionery items. There were a total of 92 Famous Amos outlets located in West and East Malaysia at the end of 2015.

This segment also includes central overheads including rental.

Our core business: Market Expansion Services

What we do

DKSH helps companies to grow their business in existing markets and expand into new ones. We do this by delivering the services our business partners need to achieve their goals:

Comprehensive portfolio of services

We help our business partners grow by providing a complete range of specialized services along the value chain: from sourcing, market analysis and research, marketing and sales to distribution and logistics and after-sales services.

Customized in every case

Our services are precisely tailored to the exact needs of our clients and customers.

Integrated to leverage success

Because we take profound responsibility for our business partners' goods, brands and markets, our Market Expansion Services offer more than just outsourcing particular activities. Our intelligently integrated and tailor-made services deliver seamless end-to-end solutions no matter how large or small the requirements.

A true service philosophy

Our business is about more than the exchange and promotion of goods. It is about 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 the experience, know-how and networks of specialists working for DKSH. It is about gathering data from our hundreds of thousands of customers and translating this into highly detailed and up-to-date market information and advice.

An emerging industry

Market Expansion Services (MES), which has become part of the global outsourcing industry, is a highly attractive sector and promises substantial growth. Contrary to "conventional outsourcing" such as IT, payroll or accounting, which are mainly focused on cost reduction, Market Expansion Services are aimed at top and bottom line growth, increasing market shares, penetration and coverage as well as reducing fixed costs and complexity.

Asia Pacific is predicted to be a promising MES market

MES is one of the most promising sectors in the outsourcing industry, with an estimated annual growth rate of 6.6% over the next five years as projected by Roland Berger.

Learn more about our industry at:
www.dksh.com.my
www.marketexpansion.com
www.expand.dksh.com

Corporate profile (continued)

Comprehensive portfolio of services along the value chain

Services we offer along the value chain

DKSH offers companies integrated and tailor-made Market Expansion Services along their entire value chain:

We provide access to a global sourcing network

Our unique sourcing network and a deep industry experience enable us to provide any materials and products 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 record in brand-building and service all relevant channels to market, customers and outlets. In Malaysia, we offer comprehensive market coverage to help our business partners grow 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 ensures top quality standards, fast problem resolution and the ability to establish a high-value image. We offer real added value to clients and customers alike.

Corporate profile (continued)

By working closely with our business partners, we enable them to benefit from market insights, reduced time-to-market intervals and new revenue opportunities.

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. We help our partners in growing and adding value to their business and enable them to achieve lasting success.

As a result of 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 and 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. Our business partners recognize that growth is more profitable if they focus on their core competencies and outsource other elements of the value chain to specialist services providers such as DKSH.

Our clients

Our clients – manufacturers of fast moving consumer goods, pharmaceuticals, consumer health products and medical devices and specialty chemicals – 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.

Corporate profile (continued)

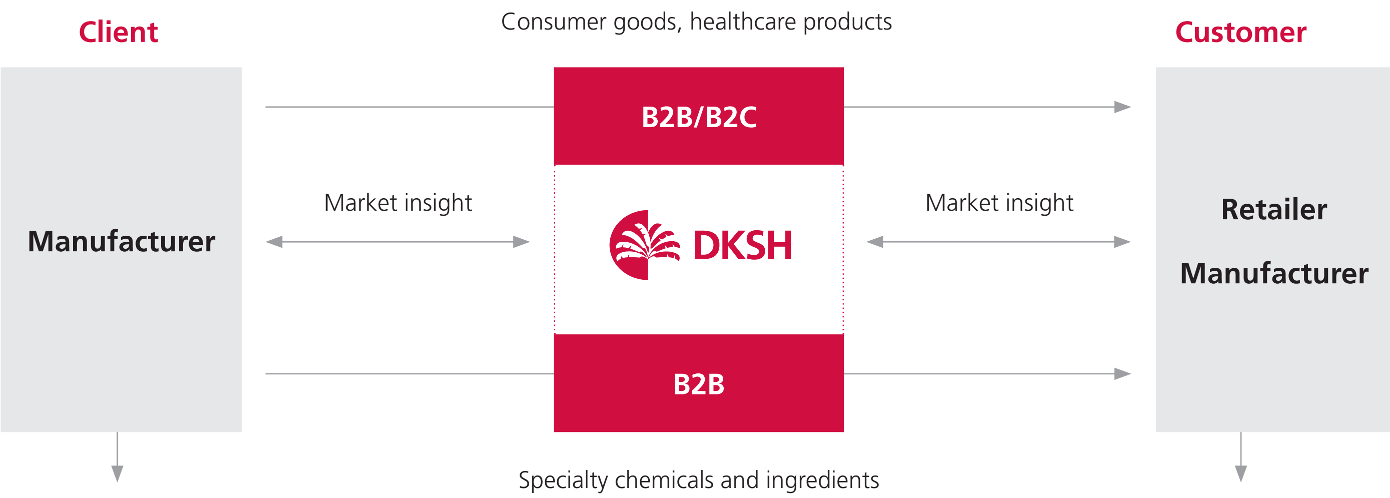
Our customers

Our customers are either 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.

With our leading marketing and sales competencies as well as our commitment to international quality standards and corporate compliance, we set the benchmark in Malaysia.



We support our clients in marketing, selling and distributing products, provide after-sales services and market insight in new and existing markets.

We support our customers in getting the best products, brands and raw materials at the best price, and we provide them with knowledge and market insights.

Directors' profiles

Michael Lim Hee Kiang
Aged 68, 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 had no convictions for any offences within the past ten years.

James Armand Menezes
Aged 70, Malaysian

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

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. 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 had no convictions for any offences within the past ten years.

Directors' profiles (continued)

Datuk Haji Abdul Aziz bin Ismail
Aged 63, Malaysian

Non-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 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. 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 had no convictions for any offences within the past ten years.

Alexander Stuart Davy
Aged 58, 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. 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 had no convictions for any offences within the past ten years.

Directors' profiles (continued)

Lee Chong Kwee
Aged 59, Singaporean

Independent Non-Executive Director

Mr Lee Chong Kwee was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 23, 2016 as an Independent Non-Executive Director.

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 Jurong Port Pte Ltd and sits on the boards of various companies such as JTC Corporation and Mapletree Investments Pte Ltd. He is a Fellow of the Singapore Institute of Directors. He does not hold any directorship in other public companies. 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 had no convictions for any offences within the past ten years.

John Peter Clare
Aged 45, British

Non-Independent Non-Executive Director

Mr John Peter Clare was appointed as the Group Finance Director of DKSH Holdings (Malaysia) Berhad on March 1, 2011. He continued to serve as a member of the Board after he relinquished his position as the Group Finance Director of the Company on April 15, 2015. Mr Clare was subsequently re-designated as a Non-Independent Non-Executive Director on February 23, 2016.

Mr Clare graduated from the Swiss business school of St. Gallen with a Master of Arts (Major in Finance and Accounting). Thereafter he worked for three years in the Corporate Audit department of Roche, a Swiss pharmaceutical company. In 1999, he joined Diethelm Thailand in Internal Audit and has since 2003 headed the world-wide DKSH Group Internal Audit department out of Hong Kong. In this capacity, he has overseen the audit activities of the world-wide DKSH Group and has over the years supported various corporate initiatives and projects. Since the end of 2008, Mr Clare has headed the Group's Risk Management department based in Hong Kong. In November 2010, he took on the responsibility for DKSH's finance activities in Malaysia as the Country Finance Director. Mr Clare presently leads the Business Unit Healthcare in DKSH Thailand as Vice President Business Unit Healthcare.

Mr Clare does not hold any directorship in other public companies. 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 had no convictions for any offences within the past ten years.

Directors' profiles (continued)

Jason Michael Nicholas McLaren
Aged 40, 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 Practicing 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. 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 had no convictions for any offences within the past ten years.

Lian Teng Hai
Aged 62, Malaysian

Non-Independent Executive Director

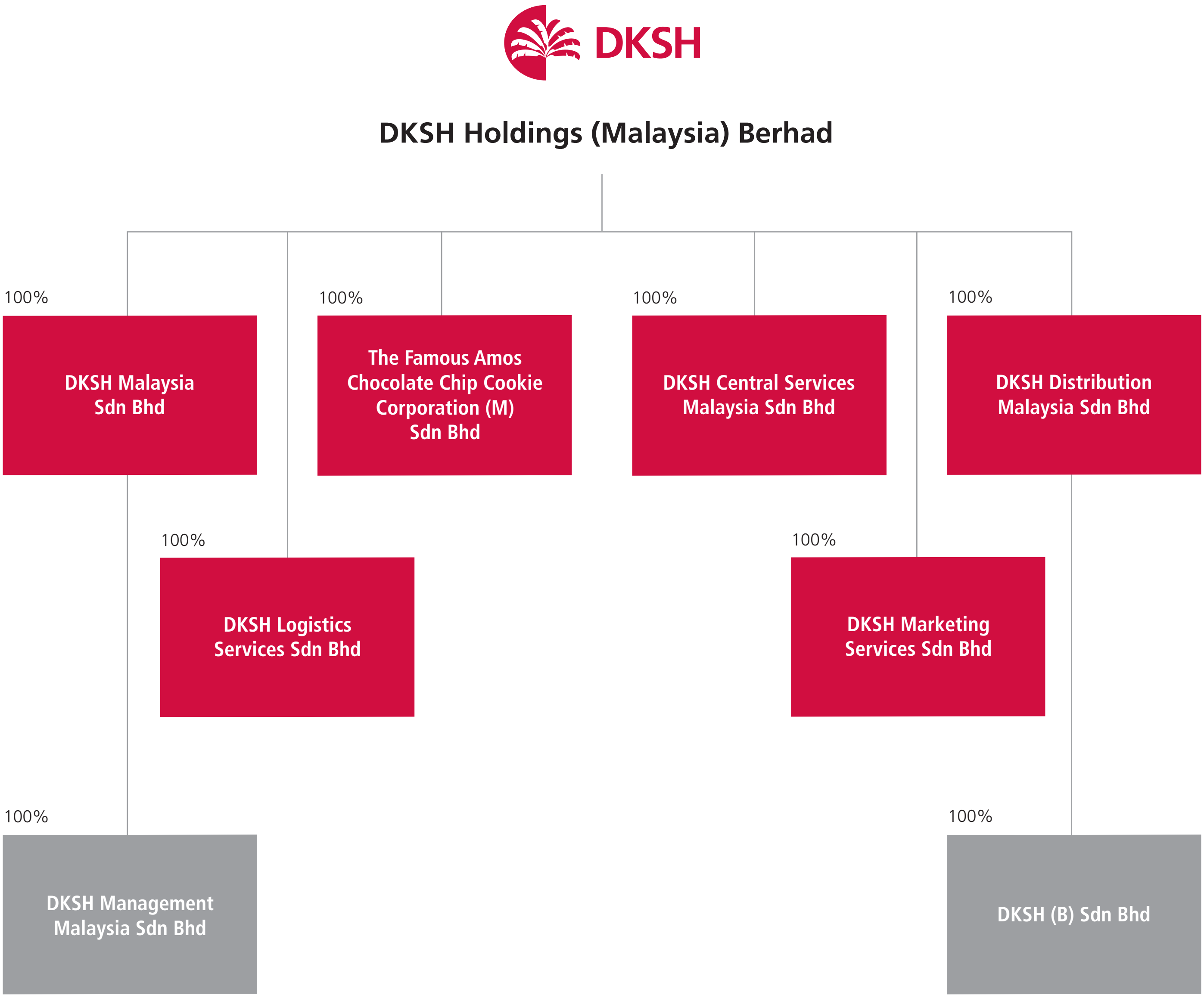
Mr Lian Teng Hai was appointed to the Board of DKSH Holdings (Malaysia) Berhad on February 26, 2015 as a Non-Independent Executive Director.

Mr Lian holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom. He is presently the Vice President of Fast Moving Consumer Goods, 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 had no convictions for any offences within the past ten years.

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, 2015 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 members: an Independent Non-Executive Chairman, three Independent Non-Executive Directors, two Non-Independent Non-Executive Directors and two Non-Independent Executive Directors of which one is also the Group Finance 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 17 to 20 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 practices a world-wide executive management program covering talent life cycle management, including appointing, professional learning and development, fixing the performance-orientated 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 complimented 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.

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 judgment 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

Corporate governance statement (continued)

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 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 strengthen its composition. The Policy plays an integral role in the selection of candidates for Board membership. Whilst the Board recognises 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/Election of Directors

In line with the Listing Requirements, all Directors of the Company shall retire from office at least once every three years whilst pursuant to the Company's Articles of Association, 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.

Two Directors, namely Datuk Haji Abdul Aziz bin Ismail and John Peter Clare are due for retirement at the forthcoming AGM pursuant to Article 105 of the Company's Articles of Association and having both been last re-elected at the 2014 AGM. Being eligible, both have expressed their intention to seek re-election at the forthcoming AGM.

The Board is satisfied that both the retiring Directors who are non-independent Directors, will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions. In February 2016, the Board approved the recommendation of the Nominating Committee that both retiring Directors are eligible for re-election at the forthcoming AGM.

Lee Chong Kwee who was appointed by the Board in February 2016, is subject to election at the forthcoming AGM pursuant to Article 101 of the Company's Articles of Association. The Nominating Committee reviewed the eligibility of Lee Chong Kwee for election at the forthcoming AGM to ensure that he will continue to contribute. The Board has also approved the Nominating Committee's recommendation to support his election as a Director of the Company.

The profiles of the retiring Directors standing for re-election/election at the forthcoming AGM of the Company, is set out on pages 18 and 19 of this Annual Report.

Re-appointment of Director

The Nominating Committee is also responsible for recommending to the Board for re-appointment of Directors who are over 70 years of age. Section 129 of the Companies Act 1965 provides that Directors who are over the age of 70 years shall retire at every AGM but may offer themselves for re-appointment.

James Armand Menezes, an independent director who attained the age of 70 years in January 2016, is subject to re-appointment at the forthcoming AGM pursuant to Section 129 of the Companies Act 1965. In February 2016, the Board approved the recommendation of the Nominating Committee that he is eligible for re-appointment at the forthcoming AGM.

The profile of the retiring Director standing for re-appointment at the forthcoming AGM of the Company, is set out on page 17 of this Annual Report.

Board assessment

The Nominating Committee is responsible to conduct an annual assessment on the effectiveness of the Board, Board Committees, as well as the performance of individual Directors and his 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.

Corporate governance statement (continued)

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

One of the recommendations 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 his 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's 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. 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 two of the Independent Directors of the Company, namely Michael Lim Hee Kiang and James Armand Menezes, each of 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 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.

Corporate governance statement (continued)

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 2015, four 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 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.

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,

The Board : Composition and attendance at the Board meetings held in 2015

Directors	Designation	No. of meetings attended
Michael Lim Hee Kiang	Independent Non-Executive Chairman	4/4
James Armand Menezes	Independent Non-Executive Director	4/4
Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director	2/4
Alexander Stuart Davy	Independent Non-Executive Director	3/4
Jason Michael Nicholas McLaren	Non-Independent Executive Director/ Group Finance Director	3/3*
John Peter Clare**	Non-Independent Executive Director	4/4
Lian Teng Hai	Non-Independent Executive Director	3/3*

* Total number of meetings held subsequent to appointment.
** Re-designated as a Non-Independent Non-Executive Director on February 23, 2016.

Corporate governance statement (continued)

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. Save for Lee Chong Kwee, all Directors have attended and completed the Directors' Mandatory Accreditation Programme ("MAP") as prescribed by the Bursa Securities. Lee Chong Kwee who was appointed to the Board on February 23, 2016 shall complete the MAP within four 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.

Details of internal and external training programs, seminars, briefings etc attended by the Directors in 2015

Mandatory Accreditation Programme for Directors of Public Listed Companies	May 6 and 7	NM
Audit Oversight Board Conversation with Audit Committees	May 7	ML
Knowing how to detect, prevent and report financial irregularities and scandalous activities	June 15	DAA
Board Chairman Series Part 2: Leadership Excellence from the Chair	July 28	ML
Directors Corporate Governance Series: Building Effective Finance Function – From reporting to Analytics to Strategic Input	August 10	NM
The Role and Development of the CFO	August 11	NM
A Strategic Knowledge Sharing Session: To re-strategize the organization of its internal resources to rise above the challenges	August 12	NM
Corporate Governance Statement Reporting Workshop: The Interplay between CG, Non-Financial Information and Investment Decision – What Boards of Listed Companies Need to Know	August 19	LTH
Detecting Financial Frauds	August 25	JAM, JC, LTH, ML, NM and SD
Navigating the political Economy of Global Business: A Malaysian Insight	November 3	NM
National Seminar on Trans-Pacific Partnership Agreement 2015	December 1	NM

Notes:
DAA - Datuk Haji Abdul Aziz bin Ismail
JAM - James Armand Menezes
JC - John Peter Clare
LTH - Lian Teng Hai
ML - Michael Lim Hee Kiang
NM - Jason Michael Nicholas McLaren
SD - Alexander Stuart Davy

Corporate governance statement (continued)

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 is 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 be commensurate with the experience, expertise and responsibilities undertaken and role played by the individual Director concerned.

As the Company is majority-owned by DKSH Holding Ltd of Switzerland, the remuneration of the Executive Directors is based on DKSH Holding Ltd'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 are 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 are 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, 2015 on page 76 of this Annual Report. The aggregate remuneration of Directors for the financial year ended December 31, 2015 analysed into the appropriate bands of RM 50,000 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.

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 2015 are set out as below:

i. Reviewed and recommended for Board's approval and adoption of the proposed Board Diversity Policy;
ii. Reviewed and recommended for the Board's approval of the proposed appointments of Jason Michael Nicholas McLaren and Lian Teng Hai as Directors;

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	–	1
RM 450,001 to RM 500,000	1	–
RM 650,001 to RM 700,000	1	–
RM 1,050,001 to RM 1,100,000	1	–

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

Corporate governance statement (continued)

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, each of 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 2015. Criteria used in this assessment are guided by the Bursa Securities's Corporate Governance Guide; and

The Nominating Committee also evaluates the nomination and election of Board and Board Committee members and makes recommendations to the Board for its approval. Criteria used in the selection process takes into account the current and future needs of the Company. During the financial year under review, the Board had two new Directors appointed to the Board on February 26, 2015.

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 Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Audit Committee, an Independent Director, is a qualified Certified Public Accountant and Chartered Accountant. The Audit Committee engages on a continuous basis with the senior management of the Company, as well as the internal and external auditors.

During 2015, the Audit Committee met four times. Details of the activities undertaken by the Audit Committee during the financial year under review and the summary of duties and responsibilities as outlined in the Audit Committee's terms of reference approved by the Board are set out in the Audit Committee Report on pages 39 and 40 of this Annual Report. The terms of reference of the Audit Committee are available on the Company's website.

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 2015 is set out on page 41 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.

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.

Corporate governance statement (continued)

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 recognises 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 37 and 38 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 the Bursa Securities's 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.

The Board will ensure that any votes of shareholders required to be taken on a poll at the general meeting are provided for and complied with.

At the last AGM, the immediate past Group Finance Director, John Peter Clare, 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. Poll voting will be adopted if there is substantive resolution to be put forth for shareholders' approval at the general meetings.

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 and queries or issues regarding the Company and/or the Group may be conveyed to him. During the year under review, three investor relations meetings were held.

Additional compliance information pursuant to the Listing Requirements

Utilization of proceeds raised from corporate proposals

There were no proceeds raised from corporate proposals during the financial year under review.

Corporate governance statement (continued)

Recurrent related party transactions of a revenue or trading nature ("RRPTs")
At the last AGM of the Company held on June 25, 2015, 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 May 29, 2015.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, the details of RRPTs conducted during the financial year 2015 pursuant to the aforesaid shareholders' mandate are set out in the table below.

	Nature of RRPTs	Transacting party(ies) with whom DKSH Group transact(s)	Interested Related Parties (as defined hereinunder) *	Amount transacted during the financial year 2015 RM'000
i.	Hosting and support of system applications, data processing applications, provision of infrastructure and support facilities, provision of IT, organizational consultancy and outsourced accounting 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] JPC [4] JNM [5] LTH [6]	11,286
ii.	Sale of goods by DKSH Group to transacting companies	DKSH Holding Ltd and its subsidiaries	DKSH Resources [1] DKSH Asia [2] DKSH Holding Ltd [3] JPC [4] JNM [5] LTH [6]	1,951
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] JPC [4] JNM [5] LTH [6]	42,101
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] JPC [4] JNM [5] LTH [6]	9,323
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]	7,395

*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, 2016) and a wholly-owned subsidiary of DKSH Asia.
2) DKSH Holdings (Asia) Sdn Bhd ("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) John Peter Clare ("JPC") is a Non-Independent Non-Executive Director (formerly a Non-Independent Executive Director) and has been nominated to the Board of DHMB by DKSH Resources. JPC is a person connected with DKSH Holding Ltd, DKSH Asia and DKSH Resources. He was also a Director of DKSH Resources, DKSH Asia, Bio-Life Marketing Sdn Bhd ("Bio-Life"), DKSH Corporate Shared Services Center Sdn Bhd ("CSSC") and DKSH Smollan Field Marketing (Malaysia) Sdn Bhd ("DKSH Smollan"). Bio-Life and CSSC are wholly-owned subsidiaries of DKSH Holding Ltd whilst DKSH Smollan is a 51% owned subsidiary of DKSH Holding Ltd.
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, Bio-Life, CSSC and DKSH Smollan.
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. LTAT is a related party by virtue of LTAT being a person connected with DAA.
8) Datuk Haji Abdul Aziz bin Ismail ("DAA") is a Non-Independent Non-Executive Director and has been nominated to the Board of DHMB by LTAT. DAA is deemed interested in the transaction.
+ 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.

Corporate governance statement (continued)

Share buy-backs
During the financial year under review, the Company did not have any share buy-back exercise.

Options, warrants or convertible securities
No options, warrants or convertible securities were issued by the Company during the financial year under review.

Variation in results
There was no significant variation between the results for the financial year under review and unaudited results previously released by the Company. The Company had not released or announced any estimated profit, financial forecast and projection for the financial year ended December 31, 2015.

Depository receipt program
The Company did not sponsor any depository receipt program during the financial year under review.

Imposition of sanctions and/or penalties
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies for the financial year under review.

Non-audit fees
During the financial year under review, non-audit fees of RM 167,238 were paid to the external auditors of the Company in connection with the services rendered to the Company and/or the Group.

Profit guarantees
No profit guarantees were given by the Company during the financial year under review.

Employees' share option scheme ("ESOS")
The Company does not have any ESOS.

Share issuance scheme ("SIS")
The Company does not have any allocation of options or shares pursuant to SIS.

Material contracts
Save as disclosed in the table below, neither the Company nor its subsidiaries had entered into any material contract which involves interests of Directors and/or major shareholders and is still subsisting at the end of the financial year under review.

Material contract which involves Director's interest

Date	Transacting parties	Nature of transaction	Consideration (RM)	Mode of settlement of consideration	Nature of relationship between the Director and the transacting party
May 2, 2013	DKSH Malaysia Sdn Bhd ("DMSB") and Lembaga Tabung Angkatan Tentera ("LTAT")	Lease of premises and properties by LTAT to DMSB	• Monthly rental of RM 739,500 per month for the period from April 1, 2013 to March 31, 2016 • Monthly rental of RM 790,500 per month for the period from April 1, 2016 to March 31, 2019	Cash	LTAT is a person connected with Datuk Haji Abdul Aziz bin Ismail, a Director of the Company

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 1, 2016.

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 of 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 2015, 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.

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

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 Human Resources (HR).

The flexibility to execute on a local level enables employees to take on responsibility to grow the business and expand their professional expertise. At the same time, our incentive systems and performance management are geared to recognize achievement and development opportunities for high-performing individuals.

Sustainability statement (continued)

HR 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.

Building our talent pipeline through DKSH Fantree Academy.

In 2015, our 2,800 people work together in 30 locations across Malaysia, serving clients and customers alike. Currently, women make up more than 48% of middle and top management levels. Our female to male employee ratio shows a distribution of 57:43.

With the objective of maintaining a healthy representation of women in its workforce, the Group began consolidating its Human Resources 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.

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.

Sustainability statement (continued)

At DKSH, our people are our greatest asset, and we invest in them by creating an environment of continuous learning and personal development that enables them to deliver their best.

Blood donation campaign at our Consumer Goods Logistics distribution center.

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 Practicing Accountants, Australia (CPA) in recognition of its high standards in learning and development as well as support given to the Group's finance professionals.

DKSH also won the Silver Employer of Choice Award at the 15th Malaysia HR Awards organized by the Malaysian Institute of Human Resource Management. Further positioning the Group as an employer of choice, DKSH was recognized for its significant achievements in the areas of talent management, leadership development and performance management.

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 interdepartmental 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

As we are deeply rooted in the communities we serve, we actively engage in a wide range of initiatives. The Group continued to demonstrate this commitment to local communities through active participation in community outreach programs and activities. These initiatives may be centered on philanthropic projects, environmental programs, disaster recovery, education or infrastructure development.

Highlights of our community and employee initiative projects in 2015 include:

DKSH Consumer Goods Logistics organizes Health and Awareness Program week

DKSH Consumer Goods Logistics organized a Health and Awareness Program on November 10 in its Klang distribution center. The health and wellness campaign aims to promote a healthy lifestyle and create health awareness among its 400 employees.

The week's highlights include a Body Mass Index (BMI) analysis program to measure employees' BMI and to share its results and a blood donation drive organized in collaboration with the National Blood Center – 60 pints of blood was successfully collected; and a health education talk and body health analysis.

Famous Amos spreads festive cheer

Famous Amos is committed to bringing smiles and spreading 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 raised funds by selling Christmas charity packs at its IOI City Mall Putrajaya outlet and successfully raised RM 15,000 from the public. With an emphasis on education, RM 10,000 will be channeled to the Rumah Hope's education fund for the children. The remaining proceeds raised from the event were used to purchase two units of desktop computer for the home.

The management team and employees of Famous Amos volunteered to take time off from work to present the cheque from the charity drive and delivered goodie bags filled with stationeries and Famous Amos goodies to the home.

Famous Amos spreads festive cheer and makes this annual CSR pogram a meaningful one for the children at Rumah Hope.

Sustainability statement (continued)

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 has defrost timers with different cut-in and cut-out setting 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 deposition of rainwater for reuse on-site
- 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 provide the following statement outlining the respective activities of the Group and the key elements of the system the Group has in place.

Board 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 2015 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 Center 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 eight 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 2015;
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;
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 Corruption Policy ("ABC"): This policy 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 is compulsory for new employees to complete the ABC training module and obtain a certification;
vi. Limits of Authority: The Group Limits of Authority which provide clarity on authorities assigned at Corporate, Business Unit as well as country level was updated in 2015;
vii. Anti-Fraud Policy: In line with the Group's fraud policy which was updated in 2015, the Audit Committee and the management team reviews all fraud cases and ensures 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;

Statement on risk management and internal control (continued)

viii. Insider Trading Policy: The Group has established measures to eliminate trading of shares during blocked periods and for persons with insider knowledge;
ix. 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;
x. Credit Control: Formalized credit control procedures are in place and reviewed regularly;
xi. Inventory Management: Stringent controls are in place for inventories, which are further subject to regular stock takes;
xii. System access rights: Regular reviews of system access rights and segregation of duties have been carried out to strengthen internal controls;
xiii. 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 is further explained on page 40 of this Annual Report; and
xiv. 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, 2015 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 2015 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, losses or 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, 2015 and in accordance with the Board's approval on April 1, 2016.

Audit Committee report

The Audit Committee comprises three members, all of whom are Non-Executive Directors with two being Independent Non-Executive Directors. The Chairman of the Audit Committee, James Armand Menezes, an Independent Non-Executive Director, is a Certified Public Accountant (CPA) and Chartered Accountant (CA). All members have more than 20 years of business experience in various management, finance and audit functions and are financially literate.

Duties and responsibilities

The Audit Committee of DKSH Holdings (Malaysia) Berhad was established by the Board of Directors ("the Board") in September 1994. The specific responsibilities of the Audit Committee are set out in its own terms of reference, which was updated and adopted in 2014, and include:

i. Assistance in establishing an environment in which controls can operate effectively;
ii. Oversight of the Group's systems of financial reporting, and internal controls and ensuring an early warning system is in place;
iii. Review of the Group's procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by relevant regulatory bodies;
iv. Assessment of the adequacy, quality, and timeliness of management reports;
v. Recommendation for the appointment and remuneration of the external auditors and the terms and scope of the audit engagement;
vi. Review of the audit scope and annual planning, as well as the reports issued by the external auditors, their evaluation of the system of internal controls and follow up on the implementation of recommendations;
vii. Review of the competency, adequacy of resources, audit scope, and annual planning of the Internal Audit department, as well as the reports, audit findings and the follow-up on the implementation of recommendations;
viii. Review of the annual financial statements and quarterly interim results of the Company and the Group before submission to the Board for approval and to ensure that they are prepared in a timely and accurate manner complying with accounting and regulatory requirements;
ix. Review of related party transactions and conflict of interest situations that may arise within the Company and the Group; and
x. Consideration of other issues referred to by the Board from time to time.

Summary of activities in 2015

In 2015, the Audit Committee conducted its activities in line with the above described responsibilities. This included:

i. Review of the quarterly financial results and annual audited financial statements before recommending to the Board for approval;
ii. Review 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. Review the external auditors' scope of work and audit plan for the financial year 2015 and their proposed audit fees;
iv. Assessment of the adequacy and effectiveness of the system of internal controls, reporting and risk management;
v. Review, approval and monitoring of the annual internal audit plan, scope of work and adequacy of its resources;
vi. Review of the internal audit reports and the work performed by Internal Audit including audit findings, proposed action plans and status updates of internal audit recommendation;
vii. Receive quarterly updates on investigations into fraud and ethics case reported;
viii. Receive quarterly updates of new/amended accounting standards relevant to the Company;
ix. Review results of ad-hoc investigation audits performed by internal audit and the corrective actions taken;
x. Review the renewal of the 2015 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;
xi. Receive 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 2014/2015 Shareholders' Mandate obtained for recurrent related party transactions; and
xii. Review of the Audit Committee Report and the Statement on Risk Management and Internal Control before recommending their approval to the Board for inclusion in the Company's 2014 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.

Audit Committee report (continued)

Four Audit Committee meetings were held in 2015. Board members, 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 2015 are set out in the table 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.

Internal Audit

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 satisfactorily and effectively within the Group. The Internal Audit Manager is currently supported by two Executives. The Internal Audit function reports directly and regularly to the Chairman of the Audit Committee and a private meeting without the presence of Management is held with the Chairman of the Audit Committee every quarterly.

The objective, authority and responsibility of the Internal Audit department as well as the nature of assurance and consultancy activities provided by the function are described in the Internal Audit Charter. The Audit Committee has reviewed the Charter to ensure 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 9 audit assignments and 10 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 of 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, 2015 was approximately RM 405,600 (2014: RM 311,500) comprising mainly salaries, travelling, training and operational expenses.

Audit Committee : Composition and attendance at the Audit Committee meetings held in 2015

Name	Status	No. of meetings attended
James Armand Menezes	Chairman, Independent Non-Executive Director	4/4
Michael Lim Hee Kiang	Independent Non-Executive Director	4/4
Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director	2/4

Statement of Directors' responsibility

in respect of the audited financial statements

Pursuant to the Companies Act 1965 ("the Act"), the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year, and the results and cash flows of the Company and the Group for the financial year.

The Directors are of the view that the financial statements for the year ended December 31, 2015 of the Company and the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the requirements of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Directors consider that in preparing the financial statements of the Company and the Group for the year ended December 31, 2015, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose, with reasonable accuracy, the financial position of the Company and the Group and enable the Directors to ensure that the financial statements are in compliance with the Act and in accordance with MFRS and IFRS. The Directors have general responsibility to take such steps that are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

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, 2015.

Principal activities
The Company is principally an investment holding company. The principal activities of the Group are the provisioning of Market Expansion Services, which ranges 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 material 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.

Results

	Group RM'000	Company RM'000
Profit net of tax	36,836	30,813
Profit attributable to owners of the parent	36,836	30,813

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, 2014 was as follows:

	RM'000
In respect of the financial year ended December 31, 2014, a final single tier dividend of 9.5 sen per share, on 157,658,076 ordinary shares was paid on August 20, 2015	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 RM14,977,517 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, 2016.

Directors' report (continued)

Directors
The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

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

In accordance with Article 105 of the Company's Articles of Association, Datuk Haji Abdul Aziz bin Ismail and John Peter Clare shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election as Directors.

In accordance with Section 129 of the Company's Articles of Association, James Armand Menezes who has attained the age of 70 years, shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment as a Director to hold office until the conclusion of the next Annual General Meeting.

In accordance with Article 101 of the Company's Articles of Association, Lee Chong Kwee who was appointed as a Director during the year, shall hold office until the forthcoming Annual General Meeting and, being eligible, offers himself for election as a Director.

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 emoluments 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 other than as those disclosed in the notes to the financial statements.

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 1.1.2015	**Acquired**	**Sold**	**At 31.12.2015**
DKSH Holdings (Malaysia) Berhad				
Michael Lim Hee Kiang	10,000	–	–	10,000

Directors' report (continued)

Directors' interests (continued)

	Number of ordinary shares of B$1 each			
	At 1.1.2015	Acquired	Sold	At 31.12.2015
DKSH (B) Sdn. Bhd.				
John Peter Clare	1	–	1	–
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.

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 all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
   iii. 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. the amount written off for bad debts or the provision for doubtful debts in the financial statements of the Group and of the Company 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
The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated April 1, 2016.

Michael Lim Hee Kiang **Jason Michael Nicholas McLaren**

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

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 49 to 110 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, 2015 and of their financial performance and cash flows for the year then ended.

Further to the Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965, the information set out in Note 30 on page 111 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 April 1, 2016.

Michael Lim Hee Kiang

Jason Michael Nicholas McLaren

Statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

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 49 to 111 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
Petaling Jaya in the Selangor Darul Ehsan
on April 1, 2016

Jason Michael Nicholas McLaren

Before me,

S. Arokiadass, A.M.N
Commissioner of Oaths
No. B460

Independent auditors' report

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

Report on the financial statements

We have audited the financial statements of DKSH Holdings (Malaysia) Berhad, which comprise statements of financial position as at December 31, 2015 of the Group and of the Company, and the 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 a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 110.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements 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 responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015 and of their financial performance and 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.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of a subsidiary of which we have not acted as auditors, which is indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Independent auditors' report

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

Other reporting responsibilities

The supplementary information set out in Note 30 on page 111 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 174 of the Companies Act, 1965 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

Loke Siew Heng
No. 2871/07/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
April 1, 2016

Statements of comprehensive income

for the year ended December 31, 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	4	5,572,186	5,339,481	36,845	16,151
Changes in inventories of finished goods		89,243	76,772	–	–
Finished goods purchased		(5,206,213)	(4,964,097)	–	–
Other income		4,872	3,649	–	–
Staff costs	5	(175,200)	(167,104)	–	–
Warehousing and logistics expenses		(68,353)	(58,483)	–	–
Net allowance for doubtful debts		(1,507)	(236)	–	–
Rental expenses		(39,540)	(32,959)	–	–
Depreciation of property, plant and equipment		(9,274)	(7,895)	–	–
Travelling and entertainment expenses		(12,451)	(12,516)	–	–
Information technology and communication expenses		(19,736)	(17,665)	–	–
Utilities, upkeep, repairs and maintenance costs		(14,868)	(15,001)	–	–
Office expenses		(4,329)	(3,942)	–	–
Other selling, advertising and promotional expenses		(44,356)	(43,095)	–	–
Other expenses		(15,496)	(13,853)	(591)	(485)
Finance costs	7	(3,969)	(2,641)	(2,441)	(2,692)
Profit before tax	8	51,009	80,415	33,813	12,974
Income tax expense	9	(14,173)	(20,504)	(3,000)	(3,357)
Profit net of tax		36,836	59,911	30,813	9,617
Other comprehensive income					
Currency translation differences		88	8	–	–
Other comprehensive income for the year, net of tax		88	8	–	–
Total comprehensive income for the year		36,924	59,919	30,813	9,617
Profit attributable to owners of the parent		36,836	59,911	30,813	9,617
Total comprehensive income attributable to owners of the parent		36,924	59,919	30,813	9,617
Earnings per share attributable to owners of the parent • basic (sen)	10	23.36	38.00	–	–

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

Statements of financial position

as at December 31, 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	34,240	19,582	–	–
Intangible assets	12	1,625	2,629	–	–
Investments in subsidiaries	13	–	–	84,615	84,615
Deferred tax assets	14	3,118	3,272	–	–
Advances to subsidiaries	16	–	–	315,831	279,171
		38,983	25,483	400,446	363,786
Current assets					
Inventories	15	563,784	473,889	–	–
Trade and other receivables	16	1,107,375	901,338	1,031	536
Advances to a subsidiary	16	–	–	28,000	–
Tax recoverable		1,663	849	–	–
Derivative financial instruments	21	–	79	–	–
Cash and bank balances	17	106,905	93,923	30,100	51,257
		1,779,727	1,470,078	59,131	51,793
Total assets		1,818,710	1,495,561	459,577	415,579
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		156	68	–	–
Retained earnings	19	313,251	291,393	181,463	165,628
Total equity		495,579	473,633	363,635	347,800

Statements of financial position

as at December 31, 2015 (continued)

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current liabilities					
Trade and other payables	20	1,231,034	997,141	463	396
Derivative financial instruments	21	89	–	–	–
Borrowings	22	88,200	20,100	48,200	20,100
Income tax payable		1,071	3,832	654	978
		1,320,394	1,021,073	49,317	21,474
Non-current liabilities					
Borrowings	22	–	–	46,625	46,305
Provision for other liabilities	23	2,737	855	–	–
		2,737	855	46,625	46,305
Total liabilities		1,323,131	1,021,928	95,942	67,779
Total equity and liabilities		1,818,710	1,495,561	459,577	415,579

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, 2015

		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, 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
At January 1, 2014		157,658	24,514	60	266,955	449,187
Total comprehensive income		–	–	8	59,911	59,919
Transactions with owners						
Dividends for financial year ended December 31, 2013	24	–	–	–	(35,473)	(35,473)
Total transactions with owners		–	–	–	(35,473)	(35,473)
At December 31, 2014		157,658	24,514	68	291,393	473,633

Statements of changes in equity

for the year ended December 31, 2015 (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, 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
At January 1, 2014		157,658	24,514	191,484	373,656
Total comprehensive income		–	–	9,617	9,617
Transactions with owners					
Dividends for financial year ended December 31, 2013	24	–	–	(35,473)	(35,473)
Total transactions with owners		–	–	(35,473)	(35,473)
At December 31, 2014		157,658	24,514	165,628	347,800

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, 2015

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Cash flows from operating activities				
Total comprehensive income attributable to owners of the parent	36,924	59,919	30,813	9,617
Adjustments for non-cash items:				
Property, plant and equipment:				
• depreciation	9,274	7,895	–	–
• written off	117	7	–	–
• net gain on disposals	(97)	(244)	–	–
Write-back of provision for property restoration cost	(123)	–	–	–
Inventories:				
• written off	13,851	8,819	–	–
• net allowance/(write-back) of provision for slow moving	384	(299)	–	–
Net allowance for doubtful debts	1,507	236	–	–
Translation of currency differences	(88)	(8)	–	–
Interest income (Note c)	(468)	(1,278)	(14,740)	(16,145)
Interest expense (Note b)	3,969	2,641	2,441	2,692
Dividend income (gross)	–	–	(22,100)	–
Net unrealized foreign exchange losses	387	873	–	–
Unrealized derivative losses	168	131	–	–
Amortization of trademarks	1,004	985	–	–
Income tax expense	14,173	20,504	3,000	3,357
Operating cash flows before changes in working capital	80,982	100,181	(586)	(479)
Changes in working capital:				
Inventories	(104,130)	(85,084)	–	–
Receivables	(207,544)	(53,240)	(427)	5
Payables	232,962	123,869	77	24
Cash flows from/(used in) operations	2,270	85,726	(936)	(450)
Dividend received (net)	–	–	22,100	–
Interest received (Note c)	468	1,278	14,672	15,926
Interest paid (Note b)	(3,976)	(2,609)	(2,451)	(2,739)
Tax paid	(17,594)	(22,794)	(3,324)	(2,669)
Post-employment benefits obligation paid	(352)	(5,102)	–	–
Net cash flows (used in)/generated from operating activities	(19,184)	56,499	30,061	10,068

Statements of cash flows

for the year ended December 31, 2015 (continued)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	149	271	–	–
Purchase of intangible assets	–	(280)	–	–
Purchase of property, plant and equipment (Note a)	(21,193)	(7,002)	–	–
Net cash flows used in investing activities	(21,044)	(7,011)	–	–
Cash flows from financing activities				
Dividends paid to owners of parent	(14,978)	(35,473)	(14,978)	(35,473)
Net drawdown/(repayment) of external borrowings	68,000	(20,000)	28,000	–
Net advances from/(repayment to) intercompanies	100	(12,095)	100	(12,095)
Net (advance to)/repayment from subsidiaries	–	–	(64,340)	37,125
Net cash flows generated from/(used in) financing activities	53,122	(67,568)	(51,218)	(10,443)
Changes in cash and cash equivalents	12,894	(18,080)	(21,157)	(375)
Currency translation differences	88	8	–	–
Cash and cash equivalents at beginning of year	93,923	111,995	51,257	51,632
Cash and cash equivalents at end of year (Note 17)	106,905	93,923	30,100	51,257

Note:

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Cash	21,193	7,002	–	–
Deferred payment	980	223	–	–
Provision for other liabilities	2,151	566	–	–
Less: Payment made for previous year acquisition	(223)	(390)	–	–
Additions (Note 11)	24,101	7,401	–	–

Statements of cash flows

for the year ended December 31, 2015 (continued)

Note: (continued)

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Interest paid	3,976	2,609	2,451	2,739
Deferred payment	56	63	179	189
Less: Payment made for previous year interest expense	(63)	(31)	(189)	(236)
Interest expense	3,969	2,641	2,441	2,692

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Interest received	468	1,278	14,672	15,926
Deferred income	–	–	1,254	1,186
Less: Receipt for previous year interest income	–	–	(1,186)	(967)
Interest income	468	1,278	14,740	16,145

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

Notes to the financial statements

December 31, 2015

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 ranges 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 material 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 April 1, 2016.

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, 2015, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after January 1, 2015.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	July 1, 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	July 1, 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	July 1, 2014

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Adoption of the above amended MFRSs did not have any effect on the financial performance or position of the Group and the Company as discussed below:

Annual Improvements to MFRSs 2010–2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarized below.

MFRS 3 Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.

MFRS 8 Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgments made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The Group has not applied the aggregation criteria as mentioned above. The Group continues to present the reconciliation of segment assets to total assets.

MFRS 124 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

Annual Improvements to MFRSs 2011–2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarized below.

MFRS 13 Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable). The Group does not apply the portfolio exception.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

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
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
MFRS 14 Regulatory Deferral Accounts	January 1, 2016
Annual Improvements to MFRSs 2012–2014 Cycle	January 1, 2016
MFRS 15 Revenue from Contracts with Customers	January 1, 2018
MFRS 9 Financial Instruments	January 1, 2018

The Directors expect that the adoption of the above standards and amendments will have no material impact on the financial statements in the period of initial application as discussed below:

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 are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to 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 associates 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

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 Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

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. The Directors of the Company do not anticipate that the application of these amendments will 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 to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after January 1, 2016, with earlier application permitted.

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.

MFRS 134 Interim Financial Reporting
MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

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 depicts 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 Directors anticipate that the application of MFRS 15 is unlikely to have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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.

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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.4 Economic entities in the Group (continued)

Basis of consolidation (continued)

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.

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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.6 Fair value measurement (continued)

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.

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

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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.

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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

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.

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")

The net amount of GST, being the difference between output and input of GST, is included as part of receivables or payables in the statement of financial position.

Notes to the financial statements

December 31, 2015 (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

i. 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.

ii. Other defined contribution plan

The plan has been terminated in 2013. The Group accrued interest on the remaining accumulated balance annually, at the current interest rate for savings accounts plus 1%. Once the interest was accrued, the Group had no further liabilities.

(c) Accruals for retrenchment benefits

Retrenchment benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes retrenchment benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide retrenchment benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the financial year are discounted to present value.

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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.17 Provisions (continued)

Onerous contract
The Group recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring
Restructuring provisions mainly comprise lease termination penalties and employee termination payments and are recognized in the period in which the Group becomes legally or constructively committed to payment. Future operating costs are not provided for.

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.

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 revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyers, net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue from rendering of services is recognized upon performance.

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

Interest income	–	using the effective yield method.
Rental and commission income	–	as it accrues unless collectability is in doubt.
Dividend income	–	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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.19 Foreign currencies (continued)

(b) Foreign currency transactions (continued)

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.

(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.

Notes to the financial statements

December 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

2.20 Financial assets (continued)

(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.

(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, 2015 (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, 2015 (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.

(c) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.20.

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, 2015 (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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of trademarks

The Group valued the trademarks using the premium pricing model and value-in-use method. Both valuations require significant judgment. In making this judgment, the Group evaluates, among other factors, the price premium, discount rate and future use of the trademarks. In making these key estimates and judgments, the Group takes into consideration assumptions that are mainly based on market condition existing at the financial position dates and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group. More details are disclosed in Note 12 to the financial statements.

(b) Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognized. More details are disclosed in Note 14 to the financial statements.

3.2 Critical judgment in applying the entity's accounting policies

There were no significant judgments made by the management in the process of applying the Group's and the Company's accounting policies that have significant effects on the amounts recognized in the financial statements.

Notes to the financial statements

December 31, 2015 (continued)

4. Revenue

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Sale of goods	5,546,569	5,313,228	–	–
Rendering of services	25,617	26,253	–	–
Commission income	–	–	5	6
Interest income:				
• subsidiaries	–	–	14,277	14,867
• others	–	–	463	1,278
Dividend income (gross):				
• subsidiaries	–	–	22,100	–
	5,572,186	5,339,481	36,845	16,151

5. Staff costs

	Group	
	2015 RM'000	**2014 RM'000**
Salaries and bonus	127,213	118,654
Post-employment benefits obligation:		
• national defined contribution plan and social security contribution	19,889	19,924
Other employee benefits	28,098	28,526
	175,200	167,104

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

Notes to the financial statements

December 31, 2015 (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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Non-executive Directors:				
• fees	162	167	150	155
Executive Director:				
• salaries and bonus	1,807	1,180	–	–
Post-employment benefits obligation:				
• national defined contribution plan and social security contribution	113	–	–	–
• other employee benefits	267	204	–	–
	2,187	1,384	–	–
	2,349	1,551	150	155

7. Finance costs

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Interest expense:				
• bankers' acceptances	786	352	–	–
• promissory notes	1,368	–	–	–
• revolving credit	903	249	77	–
• term loans	–	815	–	–
• advances from holding companies	779	933	779	933
• subsidiaries	–	–	1,538	1,516
• related company	47	242	47	242
• others	86	50	–	1
	3,969	2,641	2,441	2,692

Notes to the financial statements

December 31, 2015 (continued)

8. Profit before tax

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Auditors' remuneration:				
• statutory audits	450	450	90	90
• other services	167	162	–	–
Amortization of trademarks	1,004	985	–	–
Property, plant and equipment:				
• depreciation	9,274	7,895	–	–
• written off	117	7	–	–
• net gain on disposals	(97)	(244)	–	–
Write-back of provision for property restoration cost	(123)	–	–	–
Compensation from suppliers	(849)	(859)	–	–
Miscellaneous income	(930)	(850)	(5)	(6)
Services provided to related companies:				
• information technology charges	(81)	(103)	–	–
• cost sharing	(157)	–	–	–
• human resources charges	(522)	(446)	–	–
Interest income:				
• subsidiaries	–	–	(14,277)	(14,867)
• others	(468)	(1,278)	(463)	(1,278)
Net unrealized derivatives losses	168	131	–	–
Net foreign exchange (gains)/losses:				
• realized	(1,496)	52	–	–
• unrealized	387	873	–	–
Inventories:				
• written off	13,851	8,819	–	–
• net provision/(write-back) of provision for slow moving	384	(299)	–	–
Net allowance for doubtful debts	1,507	236	–	–
Rental expenses:				
• other related party	9,180	9,180	–	–
• others	31,147	24,054	–	–
Rental income	(787)	(275)	–	–
Information technology services charged by a related company	14,374	12,057	–	–
Management fees charged by a related company	4,696	3,925	–	–

Notes to the financial statements

December 31, 2015 (continued)

9. Income tax expense

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Malaysian income tax				
• Current year	14,400	20,989	3,001	3,291
• (Over)/underprovision in prior years	(381)	72	(1)	66
	14,019	21,061	3,000	3,357
Deferred tax (Note 14):				
• Relating to origination and reversal of temporary differences	(43)	387	–	–
• Relating to reduction in Malaysian income tax rate	238	–	–	–
• Overprovision in prior years	(41)	(944)	–	–
	154	(557)	–	–
Total income tax expense	14,173	20,504	3,000	3,357

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year rate of 25% with effect from the year of assessment 2016. The computation of deferred tax as at December 31, 2015 has reflected these changes.

Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction. Companies in Brunei are taxed where for the first BND100,000 of the chargeable income, only 25% is taxable, the next BND150,000 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% (2014: 18.5%).

Notes to the financial statements

December 31, 2015 (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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax	51,009	80,415	33,813	12,974
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	12,752	20,104	8,453	3,244
Different tax rate in other country	(7)	(18)	–	–
Effect on deferred tax of reduction in Malaysian income tax rate	238	–	–	–
Expenses not deductible for tax purposes	1,741	1,344	73	47
Income not subject to tax	–	–	(5,525)	–
Utilization of previously unrecognized deferred tax assets	(129)	(54)	–	–
(Over)/underprovision of income tax in prior years	(381)	72	(1)	66
Overprovision of deferred tax in prior years	(41)	(944)	–	–
Income tax expense	14,173	20,504	3,000	3,357

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	
	2015 RM'000	2014 RM'000
Profit net of tax attributable to owners of the parent	36,836	59,911
Weighted average number of ordinary shares in issue ('000)	157,658	157,658

	Group	
	2015 sen	2014 sen
Profit for the year	23.36	38.00

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, 2015 (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, 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 RM2,106,000.

Notes to the financial statements

December 31, 2015 (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, 2014						
Cost						
At January 1, 2014	28,999	18,196	69,110	2,190	90	118,585
Additions	134	407	5,496	–	1,364	7,401
Disposals	–	(1,508)	(157)	(213)	–	(1,878)
Reclassification	112	–	422	–	(534)	–
Written off	(372)	(42)	(2,207)	–	–	(2,621)
At December 31, 2014	28,873	17,053	72,664	1,977	920	121,487
Accumulated depreciation						
At January 1, 2014	25,993	13,355	57,296	1,831	–	98,475
Charge for the year	1,184	1,044	5,524	143	–	7,895
Disposals	–	(1,508)	(141)	(202)	–	(1,851)
Written off	(366)	(42)	(2,206)	–	–	(2,614)
At December 31, 2014	26,811	12,849	60,473	1,772	–	101,905
Net carrying amount	2,062	4,204	12,191	205	920	19,582

Notes to the financial statements

December 31, 2015 (continued)

12. Intangible assets

	Group Trademarks RM'000
Cost:	
At January 1, 2014	8,213
Addition	280
At December 31, 2014 and December 31, 2015	8,493
Accumulated amortization:	
At January 1, 2014	4,879
Amortization during the year	985
At December 31, 2014	5,864
Amortization during the year	1,004
At December 31, 2015	6,868
Net carrying amount:	
At December 31, 2015	1,625
At December 31, 2014	2,629

Recoverable amount based on value-in-use

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on annual financial budgets approved by the Directors. Cash flows beyond the approved budget's time frame are extrapolated using the estimated growth rates. The growth rate does not exceed the long term average growth rate for the relevant CGUs.

Notes to the financial statements

December 31, 2015 (continued)

12. Intangible assets (continued)

Valuation of trademarks

Alladdin's trademark
The valuation of trademark is determined based on the premium pricing model.

The key assumptions involved in the value-in-use calculation are as follows:

- A period of 1.5 (2014: 2.5) years based on the remaining life of the trademark,
- Revenue and operating profits were based on the current year's results,
- Declining growth rate of 13.7% (2014: 1.1% growth rate) as a result of continuing competitive pressure from the market players, and
- Pre-tax weighted average cost of capital of 8.8%, at 1.5% risk premium (2014: pre-tax weighted average cost of capital of 10.4%, at 1.5% risk premium).

Based on the above key assumptions, the recoverable amount for the Alladdin's trademark based on the value-in-use calculation was higher than the carrying value of the trademark. Thus, no impairment is recognized for the financial year.

The sensitivity of the recoverable amount based on changes to the discount rate and growth rate is as follows:

- if the discount rate increases by 27% (2014: 81%) with all other variables remain constant, the trademark will be impaired by RM740 (2014: RM16,000).
- if the growth rate decreases by 17% (2014: 43%) with all other variables remain constant, the trademark will be impaired by RM1,053 (2014: RM47,000).

Eva's trademark
The valuation of the trademark is based on the value-in-use method and the key assumptions involved are as follows:

- A period of 8.7 (2014: 9.7) years based on the remaining life of the trademark,
- Revenue were based on the current year's results,
- Growth rate of 20% (2014: 20%) for the first 4 years (2014: first 5 years) and 15% thereafter, and
- Pre-tax weighted average cost of capital of 8.8% (2014: 10.4%).

Based on the above key assumptions, the recoverable amount for the Eva's trademark based on the value-in-use calculation was higher than the carrying value of the trademark. Thus, no impairment is recognized for the financial year.

The sensitivity of the recoverable amount based on changes to the discount rate and growth rate is as follows:

- if the discount rate increases by 45% (2014: 53%) with all other variables remain constant, the trademark will be impaired by RM2,348 (2014: RM2,600).
- fluctuation of the growth rate with all other variables remain constant will not have any significant impact to the impairment of the trademark.

Notes to the financial statements

December 31, 2015 (continued)

13. Investments in subsidiaries

	Company	
	2015 RM'000	**2014 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**	**2015 %**	**2014 %**	**Principal activities**
DKSH Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of Market Expansion Services for consumer goods, healthcare and performance material clients.
Held through DKSH Malaysia Sdn. Bhd.:				
• DKSH Management Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Marketing Services Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Distribution Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of Market Expansion Services for healthcare clients.
Held through DKSH Distribution Malaysia Sdn. Bhd.:				
• DKSH (B) Sdn. Bhd.*	Brunei Darussalam	100	100	Dormant.
DKSH Logistics Services Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Central Services Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of estate management services. The Company had scaled down its activity during the year.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Malaysia	100	100	Sale of chocolate chip cookies and operation of retail outlets.

* Audited by a member firm of Ernst & Young.

Notes to the financial statements

December 31, 2015 (continued)

14. Deferred tax

	Group	
	2015 RM'000	**2014 RM'000**
At January 1	3,272	2,715
Recognized in statements of comprehensive income (Note 9)	(154)	557
At December 31	3,118	3,272

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, 2014 RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2014 RM'000**	**Recognized in statement of comprehensive income RM'000**	**As at December 31, 2015 RM'000**
Deferred tax (liability)/asset:					
Property, plant and equipment	(804)	1,027	223	(856)	(633)
	(804)	1,027	223	(856)	(633)
Offsetting	804		(223)		633
	–		–		–
Deferred tax assets:					
Receivables	323	(35)	288	235	523
Inventories	998	(75)	923	123	1,046
Other payables	2,198	(360)	1,838	344	2,182
	3,519	(470)	3,049	702	3,751
Offsetting	(804)		223		(633)
	2,715		3,272		3,118

Notes to the financial statements

December 31, 2015 (continued)

14. Deferred tax (continued)

	Group	
	2015 RM'000	2014 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	3,118	3,272
Deferred tax liability	–	–
	3,118	3,272

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

	Group	
	2015 RM'000	2014 RM'000
Other deductible temporary differences	301	334
Unutilized capital allowances	106	115
Unabsorbed business losses	10,589	11,129
	10,996	11,578

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.

15. Inventories

	Group	
	2015 RM'000	2014 RM'000
At cost:		
Raw materials	4,820	4,604
Packaging materials	3,013	2,577
Finished goods	555,951	466,708
	563,784	473,889

During the year, the amount of inventories recognized as an expense in cost of sales of the Group was RM5,116,970,000 (2014: RM4,887,325,000) and the amount written down was RM13,851,000 (2014: RM8,819,000).

Notes to the financial statements

December 31, 2015 (continued)

16. Trade and other receivables

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current				
Trade receivables				
Third parties	1,102,613	904,560	–	–
Less: Allowance for impairment of doubtful debts	(12,135)	(14,435)	–	–
	1,090,478	890,125	–	–
Other receivables				
Deposits	8,773	9,004	2	2
Prepayments	741	1,499	24	–
Net GST refundables	2,969	–	–	–
Sundry receivables	3,434	229	–	–
Amounts due from:				
• fellow subsidiaries	–	–	1,005	533
• related companies	980	481	–	1
	16,897	11,213	1,031	536
Total trade and other receivables	1,107,375	901,338	1,031	536
Current				
Advances to a subsidiary	–	–	28,000	–
Non-current				
Advances to subsidiaries	–	–	315,831	279,171
Total advances to subsidiaries	–	–	343,831	279,171
Total trade and other receivables	1,107,375	901,338	1,031	536
Total advances to subsidiaries	–	–	343,831	279,171
Less: Prepayments	(741)	(1,499)	(24)	–
Add: Cash and bank balances (Note 17)	106,905	93,923	30,100	51,257
Total loans and receivables	1,213,539	993,762	374,938	330,964

Notes to the financial statements

December 31, 2015 (continued)

16. Trade and other receivables (continued)

(a) Trade receivables

Credit terms of trade receivables range from payment in advance to 90 days (2014: 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	
	2015 RM'000	**2014 RM'000**
Neither past due nor impaired	956,576	773,657
Less than three months past due but not impaired	129,683	116,468
Between three to six months past due but not impaired	4,219	–
	133,902	116,468
Impaired	12,135	14,435
	1,102,613	904,560

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, 2015, the Group's trade receivables of RM133,902,000 (2014: RM116,468,000) 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	
	2015 RM'000	**2014 RM'000**
Trade receivables - nominal amounts	12,135	14,435
Less: Allowance for impairment	(12,135)	(14,435)
	–	–
Movement in allowance accounts:		
At January 1	14,435	14,199
Allowance for impairment	2,145	1,451
Amounts written off	(3,807)	–
Write-back of allowance for impairment	(638)	(1,215)
At December 31	12,135	14,435

Notes to the financial statements

December 31, 2015 (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	
	2015 RM'000	2014 RM'000
Trade receivables		
Ringgit Malaysia	1,075,356	877,962
US Dollar	3	36
Brunei Dollar	15,119	12,127
	1,090,478	890,125

(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 (2014: 30 to 90 days).

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	308	191	1,005	534
US Dollar	93	41	–	–
Euro	158	143	–	–
Singapore Dollar	421	106	–	–
	980	481	1,005	534

Advances to a subsidiary of RM28,000,000 (2014: RM Nil) are unsecured, bear interest of 4.40% per annum and repayable within the next 12 months.

Advances to subsidiaries of RM315,831,000 (2014: RM279,171,000) are unsecured and carry interest rates which range between 4.40% to 4.65% (2014: 4.55% to 5.00%) 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, 2015 (continued)

17. Cash and bank balances

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deposits with licensed banks	30,213	40,907	30,000	40,700
Cash on hand and at banks	76,692	53,016	100	10,557
Cash and bank balances	106,905	93,923	30,100	51,257

The currency exposure profile of deposits, bank and cash balances is as follows:

Ringgit Malaysia	105,073	91,894	30,100	51,257
US Dollar	194	213	–	–
Singapore Dollar	217	279	–	–
Euro	408	642	–	–
Swiss Franc	25	6	–	–
Australian Dollar	129	62	–	–
Brunei Dollar	859	827	–	–
	106,905	93,923	30,100	51,257

Deposits with licensed banks have an average day to maturity period of 3 days (2014: 1 day) and weighted average effective interest rate per annum at reporting date is 3.00% (2014: 3.00%).

18. Share capital

	Number of shares		Amount	
	2015 '000	**2014 '000**	**2015 RM'000**	**2014 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, 2015 (continued)

19. Retained earnings

The Company may distribute dividends out of its retained earnings as at December 31, 2015 under the single tier system.

20. Trade and other payables

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current				
Trade payables				
Third parties	1,127,471	904,791	–	–
Other payables				
Accruals	58,207	53,684	285	206
Sundry payables	34,771	32,381	–	–
Net GST payables	164	–	–	–
Amounts due to:				
• intermediate holding company	33	41	33	41
• immediate holding company	23	1	23	1
• subsidiaries	–	–	122	127
• related companies	10,365	6,243	–	21
	103,563	92,350	463	396
Total trade and other payables	1,231,034	997,141	463	396
Add: Total loans and borrowings (Note 22)	88,200	20,100	94,825	66,405
Total financial liabilities carried at amortized cost	1,319,234	1,017,241	95,288	66,801

Notes to the financial statements

December 31, 2015 (continued)

20. Trade and other payables (continued)

The currency exposure profile of payables is as follows:

	Group	
	2015 RM'000	2014 RM'000
Trade payables		
Ringgit Malaysia	1,033,873	826,266
US Dollar	34,801	31,207
Euro	40,391	34,245
Swiss Franc	298	70
Brunei Dollar	623	370
Singapore Dollar	13,701	3,855
Australian Dollar	356	6,409
Japanese Yen	60	2
Thai Baht	2,225	2,170
New Zealand Dollar	912	152
Sterling Pound	231	45
	1,127,471	904,791

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Intercompany payables				
Ringgit Malaysia	9,740	5,973	178	190
Swiss Franc	57	58	–	–
Thai Baht	185	96	–	–
US Dollar	383	84	–	–
Japanese Yen	56	74	–	–
	10,421	6,285	178	190

Notes to the financial statements

December 31, 2015 (continued)

20. Trade and other payables (continued)

	Group	
	2015 RM'000	2014 RM'000
Sundry payables		
Ringgit Malaysia	34,760	32,119
Brunei Dollar	11	262
	34,771	32,381

The average credit terms of payables are as follows:

	Group/Company Average credit terms	
	2015	2014
Trade payables	0 to 180 days	0 to 180 days
Sundry payables	30 days	30 days
Intercompany payables	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	Liabilities/ (Assets) RM'000
2015			
Current liabilities:			
Forward foreign exchange contracts at fair value through profit or loss	40,408	40,319	89
2014			
Current assets:			
Forward foreign exchange contracts at fair value through profit or loss	13,868	13,947	(79)

Notes to the financial statements

December 31, 2015 (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, 2015, the settlement dates on open forward contracts ranged between 1 and 4 months (2014: 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, 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	

At December 31, 2014

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables:				
EUR 370,000	EUR	MYR	1,558	1EUR=RM4.2120
USD 2,427,295	USD	MYR	8,462	1USD=RM3.4862
CHF 171,660	CHF	MYR	656	1CHF=RM3.8225
AUD 110,000	AUD	MYR	316	1AUD=RM2.8684
THB 20,332,000	THB	MYR	2,124	1THB=RM0.1045
SGD 290,000	SGD	MYR	752	1SGD=RM2.5923
			13,868	

The fair value of outstanding forward contracts of the Group at the reporting date are at unfavorable net position of RM89,000 (2014: favorable net position of RM79,000).

Notes to the financial statements

December 31, 2015 (continued)

22. Borrowings

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current				
Bankers' acceptances	20,000	–	–	–
Revolving credit	28,000	–	28,000	–
Promissory notes	20,000	–	–	–
Advances from:				
• intermediate holding company	9,322	9,922	9,322	9,922
• immediate holding company	10,878	178	10,878	178
• related company	–	10,000	–	10,000
	88,200	20,100	48,200	20,100
Non-current				
Advances from subsidiaries	–	–	46,625	46,305
Total loans and borrowings	88,200	20,100	94,825	66,405

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

Advances from intermediate holding company and immediate holding company bear interest which ranges between 4.40% to 4.65% (2014: 4.55% to 5.00%) per annum.

In prior year, advances from related company bore interest which ranged between 2.75% to 2.95%. These advances were unsecured and were repayable on demand.

Advances from subsidiaries are deposits of excess cash placed with the Company and bear interest which ranges between 3.15% to 3.30% (2014: 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, 2015 (continued)

22. Borrowings (continued)

Weighted average year end effective interest rates

	Group		Company	
	2015 %	**2014 %**	**2015 %**	**2014 %**
Bankers' acceptances	3.81	–	–	–
Revolving credit	3.15	–	3.15	–
Promissory notes	3.62	–	–	–

The remaining maturities of loans and borrowings as at December 31, 2015:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Within one year	88,200	20,100	48,200	20,100
More than one year	–	–	46,625	46,305
Total	88,200	20,100	94,825	66,405

23. Provision for other liabilities

	Group	
	2015 RM'000	**2014 RM'000**
Property restoration cost:		
At January 1	855	289
Additions	2,151	566
Write-back of provision	(123)	–
Utilized	(146)	–
At December 31	2,737	855

The amount represents a provision for property restoration cost upon expiry of lease term.

Notes to the financial statements

December 31, 2015 (continued)

24. Dividends

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

	Group and Company			
	2015		2014	
	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, 2014 paid on August 20, 2015:				
• single tier	9.5	14,978	–	–
Final dividend for financial year ended December 31, 2013 paid on August 22, 2014:				
• single tier	–	–	9.5	14,977
Special dividend for financial year ended December 31, 2013 paid on August 22, 2014:				
• single tier	–	–	13.0	20,496
Dividends in respect of the year	9.5	14,978	22.5	35,473

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 RM14,977,517 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, 2016.

Notes to the financial statements

December 31, 2015 (continued)

25. Commitments

(a) Capital commitments

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

	Group	
	2015 RM'000	2014 RM'000
Property, plant and equipment:		
Authorized by the Directors and contracted for	1,683	1,723
Authorized by the Directors and not contracted for	–	20,946
	1,683	22,669

(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 eleven 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	
	2015 RM'000	2014 RM'000
Payable within one year	30,747	23,682
Payable after one year but not later than five years	75,923	56,785
Payable after five years	22,840	15,408
	129,510	95,875

Notes to the financial statements

December 31, 2015 (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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Sales of goods and services:				
Sale of services:				
• related companies (goods)	2,402	2,331	–	–
• related companies (rental)	787	275	–	–
• related companies (cost sharing)	157	–	–	–
• related companies (information technology charges)	81	103	–	–
• related companies (human resource charges)	522	446	–	–
	3,949	3,155	–	–
Others (interest):				
• subsidiaries	–	–	14,277	14,867
Others (dividend):				
• subsidiaries	–	–	22,100	–
	–	–	36,377	14,867
	3,949	3,155	36,377	14,867
(b) Purchase of goods and services:				
Purchase of services:				
• related companies (goods)	60,319	58,660	–	–
• a related company (management fee)	4,696	3,925	–	–
• a related company (information technology charges)	14,374	12,057	–	–
• a related company (market survey)	177	–	–	–
• other related party (rental)	9,180	9,180	–	–
	88,746	83,822	–	–
Others (interest):				
• immediate holding company	331	469	331	469
• intermediate holding company	448	464	448	464
• a related company	47	242	47	242
• subsidiaries	–	–	1,538	1,516
	826	1,175	2,364	2,691
	89,572	84,997	2,364	2,691

Notes to the financial statements

December 31, 2015 (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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Non-executive Directors:				
• fees	162	167	150	155
Salaries and bonus	6,591	6,367	–	–
Post-employment benefits obligation:				
• national defined contribution plan and social security contribution	685	662	–	–
Other employees benefits	819	756	–	–
	8,095	7,785	–	–
	8,257	7,952	150	155

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

Notes to the financial statements

December 31, 2015 (continued)

26. Significant related party transactions (continued)

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

Related parties	Relationships
The United Drug (1996) Co. Ltd.	Related company
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
Medinova AG	Related company
DKSH Technology Pte. Ltd.	Related company
DKSH Marketing (S) 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.

Notes to the financial statements

December 31, 2015 (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, 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

Notes to the financial statements

December 31, 2015 (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, 2014					
Revenue					
Segment revenue	2,399,072	2,879,263	61,146	–	5,339,481
Intersegment revenue	739	–	–	(739)	–
Revenue	2,399,811	2,879,263	61,146	(739)	5,339,481
Results					
Segment results	59,760	22,445	851	–	83,056
Finance costs					(2,641)
Income tax expense					(20,504)
Profit for the financial year					59,911
Net assets					
Segment assets	737,130	626,909	19,557	–	1,383,596
Unallocated assets					111,965
Total assets					1,495,561
Segment liabilities	(377,551)	(523,644)	(3,596)	–	(904,791)
Unallocated liabilities					(117,137)
Total liabilities					(1,021,928)
Other information					
Capital expenditure	1,590	1,435	4,376	–	7,401
Depreciation of property, plant and equipment	2,087	2,273	3,535	–	7,895
Amortization of trademarks	985	–	–	–	985

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, 2015 (continued)

27. Segmental information (continued)

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

	Group	
	2015 RM'000	**2014 RM'000**
Unallocated assets mainly consists of:		
Trademarks	1,625	2,629
Cash on hand and at banks	76,692	53,016
Deposits with licensed bank	30,213	40,907
Other receivables	16,897	11,213
Deferred tax assets	3,118	3,272
Others	1,663	928
	130,208	111,965
Unallocated liabilities mainly consists of:		
Accruals and sundry payables	(93,142)	(86,065)
Short term borrowings	(68,000)	–
Intercompany advances	(20,200)	(20,100)
Intercompany balances	(10,421)	(6,285)
Others	(3,897)	(4,687)
	(195,660)	(117,137)

(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, 2015 (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 borrowings. 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial liabilities:				
• Fixed rate instruments	68,000	–	28,000	–
• Floating rate instruments	20,200	20,100	66,825	66,405
	88,200	20,100	94,825	66,405

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.

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, 2015 (continued)

28. Financial risk management objectives and policies (continued)

(a) Interest rate risk (continued)

Sensitivity analysis for floating rate instruments

A change of 20% 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Floating rate instruments (denominated in RM)				
• 20% increase	(44)	(39)	(121)	(152)
• 20% decrease	44	39	121	152

(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) and Japanese Yen (JPY).

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

	Note
Trade and other 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, 2015 (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 and JPY exchange rates against the functional currency of the Group entities, with all other variables held constant.

		Group	
		2015 Profit net of tax RM'000	2014 Profit net of tax RM'000
USD/RM	• strengthened 5%	16	38
	• weakened 5%	(16)	(38)
BND/RM	• strengthened 5%	563	455
	• weakened 5%	(563)	(455)
EUR/RM	• strengthened 5%	(27)	(14)
	• weakened 5%	27	14
CHF/RM	• strengthened 5%	(1)	(2)
	• weakened 5%	1	2
AUD/RM	• strengthened 5%	4	(1)
	• weakened 5%	(4)	1
THB/RM	• strengthened 5%	(76)	(85)
	• weakened 5%	76	85
GBP/RM	• strengthened 5%	(7)	–
	• weakened 5%	7	–
SGD/RM	• strengthened 5%	23	(25)
	• weakened 5%	(23)	25
JPY/RM	• strengthened 5%	(2)	(3)
	• weakened 5%	2	3

(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.

Notes to the financial statements

December 31, 2015 (continued)

28. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

The table below analyses 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
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
2014			
Trade and other payables	997,141	–	997,141
Borrowings	20,295	–	20,295
Derivatives - settled net	13,868	–	13,868
	1,031,304	–	1,031,304

Company	Less than one year RM'000	More than one year RM'000	Total RM'000
2015			
Trade and other payables	463	–	463
Borrowings	48,559	47,009	95,568
	49,022	47,009	96,031
2014			
Trade and other payables	396	–	396
Borrowings	20,295	46,870	67,165
	20,691	46,870	67,561

Notes to the financial statements

December 31, 2015 (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 other financial assets, which comprise 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.

(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
2015	
Derivative financial instruments	40,408
2014	
Derivative financial instruments	13,868

The Group does not have any financial instruments classified as Level 1 and Level 3 as at December 31, 2015 and 2014.

Notes to the financial statements

December 31, 2015 (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, 2015 and December 31, 2014.

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Loans and borrowings	88,200	20,100	94,825	66,405
Less: Cash and bank balances	(106,905)	(93,923)	(30,100)	(51,257)
(Surplus cash)/net debt	(18,705)	(73,823)	64,725	15,148
Equity attributable to the owners of the parent	495,579	473,633	363,635	347,800
Total capital	495,579	473,633	363,635	347,800
Total capital and net debt	476,874	399,810	428,360	362,948
% of net debt to total capital and net debt	–	–	15%	4%

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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total retained profits of the Company and its subsidiaries				
• Realized	297,843	275,418	181,463	165,628
• Unrealized	1,946	2,513	–	–
	299,789	277,931	181,463	165,628
Consolidation adjustments	13,462	13,462	–	–
Total retained profits as per financial statements	313,251	291,393	181,463	165,628

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, 2016

Authorized share capital	:	RM 500,000,000
Issued and paid-up share capital	:	RM 157,658,076 divided into 157,658,076 ordinary shares of RM1.00 each
Class of shares	:	Ordinary shares of RM 1.00 each
Voting rights	:	One vote per ordinary share

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	124	5.44	1,045	Negligible
100 to 1,000	1,204	52.81	1,013,258	0.64
1,001 to 10,000	751	32.94	2,806,270	1.78
10,001 to 100,000	157	6.89	4,628,100	2.93
100,001 to less than 5% of issued shares	43	1.88	32,054,327	20.33
5% and above of issued shares	1	0.04	117,155,076	74.31
Total	**2,280**	**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	–	–	–	–
John Peter Clare	–	–	–	–
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, 2016 (continued)

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

	Direct interest		Deemed interest	
Name	**No. of shares held**	**% of issued shares**	**No. of shares held**	**% of issued shares**
DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31	–	–
Franklin Resources, Inc.	8,051,500	5.11	–	–

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	7,652,300	4.85
3. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	4,358,400	2.76
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)	2,370,400	1.50
6. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AberIslamic)	1,886,700	1.20
7. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F.TemIslamic)	1,298,700	0.82
8. HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Lombard Odier & Co Ltd	990,000	0.63
9. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for DCG Asia Value Master Fund	874,100	0.55
10. Wong Lok Jee @ Ong Lok Jee	712,000	0.45
11. CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - AMB Smallcap Trust Fund	680,000	0.43
12. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	642,800	0.41
13. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	608,000	0.39
14. HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	594,100	0.38

Analysis of shareholdings

as at March 31, 2016 (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-Faid (4389)	586,000	0.37
16. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)	559,000	0.35
17. HSBC Nominees (Asing) Sdn Bhd HSBC-FS I for Asean Growth Fund (Manufacturers L)	535,400	0.34
18. 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
19. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund	400,000	0.25
20. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment Value Fund (950290)	331,400	0.21
21. Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS Switzerland AG (Clients Assets)	315,900	0.20
22. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	276,500	0.18
23. HSBC Nominees (Asing) Sdn Bhd HSBC-FS I for Asean Growth Fund (Manulife CB)	254,700	0.16
24. AMSEC Nominees (Tempatan) Sdn Bhd AMTrustee Bhd for Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	251,800	0.16
25. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment Balanced Fund (910170)	222,800	0.14
26. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (KNGA SML CAP FD)	220,000	0.14
27. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Asia (EX Japan) Quantum Fund (4579)	220,000	0.14
28. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Growth Fund (4074)	217,700	0.14
29. Amerjeet Singh a/l Naib Singh	202,000	0.13
30. HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	200,000	0.13
Total	**147,442,376**	**93.52**

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Fourth Annual General Meeting ("24th AGM") of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") will be held on Wednesday, May 25, 2016 at 10.00 a.m. at 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, 2015 and the Reports of the Directors and Auditors thereon.

2. To approve the payment of a final single tier dividend of 9.5 sen per share for the financial year ended December 31, 2015.
   Ordinary Resolution 1

3. To approve the payment of Directors' fees of RM 150,000 for the financial year ended December 31, 2015.
   Ordinary Resolution 2

4. To re-elect Datuk Haji Abdul Aziz bin Ismail who retires pursuant to Article 105 of the Company's Articles of Association.
   Ordinary Resolution 3

5. To re-elect John Peter Clare who retires pursuant to Article 105 of the Company's Articles of Association.
   Ordinary Resolution 4

6. To consider and if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act 1965:
   "THAT James Armand Menezes, retiring in accordance with Section 129 of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
   Ordinary Resolution 5

7. To elect Lee Chong Kwee who retires pursuant to Article 101 of the Company's Articles of Association.
   Ordinary Resolution 6

8. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending December 31, 2016 and to authorize the Directors to fix their remuneration.
   Ordinary Resolution 7

As Special Business:

To consider and if thought fit, to pass with or without modifications, the following Resolutions:

9. **Proposed Mandate I 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, 2016 ("Proposed Mandate I") provided that such arrangements and/or transactions are:
   i. recurrent transactions of a revenue or trading nature;
   ii. necessary for the day-to-day operations; and
   iii. carried out in the ordinary course of business on normal commercial terms which are consistent with DKSH Group's normal business practices and policies, on terms not more favorable to Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

   AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Mandate I will continue to be in force until:
   i. the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or
   ii. the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act 1965 ("Act") (but must not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
   iii. 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 8

10. **Proposed Mandate II 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(b) of the Circular to Shareholders dated April 26, 2016

Notice of Annual General Meeting (continued)

("Proposed Mandate II") 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 II 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 143(1) of the Companies Act 1965 ("Act") (but must not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
iii. 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 9

11. To transact any other business of an Annual General Meeting for which due notice shall have been given.

Notice of Dividend Entitlement and Payment Dates

Notice is also hereby given that subject to the approval of members at the 24th AGM of DKSH Holdings (Malaysia) Berhad (231378-A) ("the Company") to be held on Wednesday, May 25, 2016, a final single tier dividend of 9.5 sen per share in respect of the financial year ended December 31, 2015 will be paid on July 14, 2016 to shareholders whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Securities Berhad on June 27, 2016.

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 27, 2016 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

Chew Ann Nee (MAICSA 7030413)
Andre' Chai P'o-Lieng (MAICSA 7062103)
Company Secretaries

Petaling Jaya
April 26, 2016

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 and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to 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

Notice of Annual General Meeting (continued)

48 hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; 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. For the purpose of determining members who shall be entitled to attend the 24th 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 18, 2016 shall be entitled to attend the said meeting or appoint proxies to attend, vote and speak on their behalf.

Explanatory Notes

1. **Audited Financial Statements and the Reports of the Directors and Auditors thereon**
   The Audited Financial Statements for the financial year ended December 31, 2015 and the Reports of the Directors and Auditors thereon will be laid before the Company at the 24th AGM for consideration of the members pursuant the Companies Act 1965 ("CA"). There is no requirement for the members to approve them and hence, the matter will not be put forward for voting.

2. **Directors' fees**
   The Directors' fees of RM 150,000 for the financial year ended December 31, 2015 are payable to Non-Executive Directors who are not employed by the DKSH Group of Companies.

3. **Re-election of Directors who retire by rotation pursuant to Article 105**
   Datuk Haji Abdul Aziz bin Ismail and John Peter Clare are due for retirement at this Annual General Meeting ("AGM") and being eligible, have offered themselves for re-election as Directors of the Company. The Board has considered the Nominating Committee's evaluation of the eligibility of the two retiring Directors who are Non-Independent Non-Executive Directors and is satisfied that both will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions.

4. **Re-appointment of Director pursuant to Section 129 of the CA**
   James Armand Menezes who attained the age of 70 years, is due for retirement at this AGM and being eligible, has offered himself for re-appointment as a Director of the Company. The Board has considered the Nominating Committee's evaluation of the eligibility of the retiring Independent Non-Executive Director and is satisfied that he will continue to bear his knowledge, experience and skills and contribute positively to the Board's discussions, deliberations and decisions and that he continues to fulfil the criteria for independence as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   Pursuant to Section 129(6) of the CA, a person of or over the age of 70 years who is proposed for re-appointment as a Director of the Company shall be re-appointed by a resolution passed by a majority of not less than three-fourths of the members of the Company present and voting in person or by proxy at a general meeting, and if so re-appointed, the Director shall hold office until the conclusion of the next AGM of the Company.

5. **Election of Director who retire pursuant to Article 101**
   Lee Chong Kwee who was appointed as a Director of the Company by the Board on February 23, 2016 and being eligible, has offered himself for election pursuant to Article 101 of the Company's Articles of Association. 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.

6. **Re-appointment of Auditors**
   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, 2016. The Board has approved the Audit Committee's recommendation that they be retained having considered relevant feedback on their experience, performance and independence.

7. **Proposed Mandate I for Recurrent Related Party Transactions of a Revenue or Trading Nature**
   The proposed Ordinary Resolution 8, if passed, will renew the authority obtained at the last AGM in 2015 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.

Notice of Annual General Meeting (continued)

8. **Proposed Mandate II for Recurrent Related Party Transaction of a Revenue or Trading Nature**
   The proposed Ordinary Resolution 9, if passed, will renew the authority obtained at the last AGM in 2015 and allow DKSH Group to enter into recurrent related party transactions with Lembaga Tabung Angkatan Tentera 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 Mandate I and Proposed Mandate II is set out in the Circular to Shareholders dated April 26, 2016 which is despatched together with the Company's Annual Report 2015.

Statement Accompanying Notice of Twenty-Fourth Annual General Meeting
(pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The individual who is standing for election as a Director of the Company is Lee Chong Kwee. His profile is set out in the Directors' profiles on page 19 of this Annual Report and details of his interest in the shares of the Company is set out on page 112 of this Annual Report.

Proxy Form

for the Twenty-Fourth Annual General Meeting

DKSH

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-Fourth 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 25, 2016 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, 2015.		
2.	To approve the payment of Directors' fees.		
3.	To re-elect Datuk Haji Abdul Aziz bin Ismail as a Director of the Company.		
4.	To re-elect John Peter Clare as a Director of the Company.		
5.	To re-appoint James Armand Menezes as a Director of the Company.		
6.	To elect Lee Chong Kwee as a Director of the Company.		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company.		
8.	To approve the renewal of the Proposed Mandate I for Recurrent Related Party Transactions of a revenue or trading nature.		
9.	To approve the renewal of the Proposed Mandate II for Recurrent Related Party Transactions of a revenue or trading nature.		

Subject to the abovestated voting instruction, my/our proxy/proxies may vote or abstain from voting on any resolutions as he/she may think fit.

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: ______________________ %

____
Signature of Member/Common Seal *(if Member is a Corporation)*

Dated this __________ day of ______________, 2016.

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 and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
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5. The instrument appointing the proxy must be deposited at the office of 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 adjourned meeting or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; 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 18, 2016 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

1st fold here

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 continuing 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
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