

Quarterly rpt on consolidated results for the financial period ended 31 Mar 2016

DKSH HOLDINGS (MALAYSIA) BERHAD

Financial Year End	31 Dec 2016
Quarter	1 Qtr
Quarterly report for the financial period ended	31 Mar 2016
The figures	have not been audited

Attachments



DKSH Q1 2016 Quarterly Report.pdf
771.2 kB

Default Currency

Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 31 Mar 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	1,332,797	1,419,132	1,332,797	1,419,132
2 Profit/(loss) before tax	15,679	16,811	15,679	16,811
3 Profit/(loss) for the period	11,270	12,225	11,270	12,225
4 Profit/(loss) attributable to ordinary equity holders of the parent	11,270	12,225	11,270	12,225
5 Basic earnings/(loss) per share (Subunit)	7.15	7.75	7.15	7.75
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	

7	Net assets per share attributable to ordinary equity holders of the parent (\$\$)	3.2147	3.1434
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Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

i **Announcement Info**

Company Name	DKSH HOLDINGS (MALAYSIA) BERHAD
Stock Name	DKSH
Date Announced	24 May 2016
Category	Financial Results
Reference Number	FRA-09052016-00013

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and three months ended March 31, 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND THREE MONTHS ENDED MARCH 31, 2016

	INDIVIDUAL 1 ST QUARTER		CUMULATIVE 1 ST QUARTER	
	31/03/2016 Unaudited RM'000	31/03/2015 Unaudited RM'000	31/03/2016 Unaudited RM'000	31/03/2015 Unaudited RM'000
1 Revenue	1,332,797	1,419,132	1,332,797	1,419,132
2 Operating expenses	(1,316,474)	(1,402,893)	(1,316,474)	(1,402,893)
3 Other operating income	978	1,058	978	1,058
4 Profit from operations	17,301	17,297	17,301	17,297
5 Finance cost	(1,622)	(486)	(1,622)	(486)
6 Profit before taxation	15,679	16,811	15,679	16,811
7 Taxation	(4,409)	(4,586)	(4,409)	(4,586)
8 Profit for the period from operations, net of tax	11,270	12,225	11,270	12,225
10 Net profit for the period	11,270	12,225	11,270	12,225
11 Other comprehensive income :				
- Currency translation differences arising from consolidation	(32)	7	(32)	7
12 Total comprehensive income	11,238	12,232	11,238	12,232
13 Net profit attributable to owners of the parent	11,270	12,225	11,270	12,225
14 Total comprehensive income attributable to owners of the parent	11,238	12,232	11,238	12,232
15 Earnings per share (EPS) based on item 13 above (See Note 1 below)				
(i) EPS attributable to owners of parent	7.15	7.75	7.15	7.75

Note:

1 The weighted average number of shares used in item 15 above is computed : 157,658,076 shares.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016**

	31/03/2016 Unaudited RM'000	31/12/2015 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	32,922	34,240
Intangible assets	1,374	1,625
Deferred tax assets	3,654	3,118
	<u>37,950</u>	<u>38,983</u>
2 Current Assets		
Inventories	537,975	563,784
Trade and other receivables	1,180,991	1,109,038
Deposits, bank and cash balances	65,055	106,905
	<u>1,784,021</u>	<u>1,779,727</u>
3 Total Assets	<u>1,821,971</u>	<u>1,818,710</u>
4 Equity		
Ordinary share capital	157,658	157,658
Share premium	24,514	24,514
Foreign currency translation reserve	124	156
Retained earnings	324,521	313,251
Equity attributable to owners of parent	<u>506,817</u>	<u>495,579</u>
5 Current Liabilities		
Trade and other payables	1,152,895	1,231,034
Derivative financial instrument	1,923	89
Borrowings	154,140	88,200
Taxation	3,478	1,071
	<u>1,312,436</u>	<u>1,320,394</u>
6 Non Current Liabilities		
Long term liabilities	2,718	2,737
	<u>2,718</u>	<u>2,737</u>
7 Total Liabilities	<u>1,315,154</u>	<u>1,323,131</u>
8 Total Equity and Liabilities	<u>1,821,971</u>	<u>1,818,710</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.2147</u>	<u>3.1434</u>

The unaudited Condensed Consolidated Statement of Finance Position should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2016

	Issued and fully paid ordinary shares of RM1.00 each		Attributable to owners of the parent		Total Equity	
			Non-distributable		Distributable	
			No of shares 000	Nominal value RM'000	Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000
<u>THREE MONTHS ENDED MARCH 31, 2016</u>						
At January 1, 2016	157,658	157,658	24,514	156	313,251	495,579
Total comprehensive income for the period	-	-	-	(32)	11,270	11,238
At March 31, 2016	157,658	157,658	24,514	124	324,521	506,817
<u>THREE MONTHS ENDED MARCH 31, 2015</u>						
At January 1, 2015	157,658	157,658	24,514	68	291,393	473,633
Total comprehensive income for the period	-	-	-	7	12,225	12,232
At March 31, 2015	157,658	157,658	24,514	75	303,618	485,865

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31, 2016**

	31/03/16 Unaudited RM'000	31/03/15 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,679	16,811
Adjustments for non cash flows:		
Depreciation	2,390	2,133
Amortization of trademark	251	251
Loss/(gain) on derivatives	1,834	(104)
Gain on disposal of property, plant and equipment	(63)	(11)
Written off property, plant and equipment	-	-
Interest income	(174)	(240)
Interest expenses	1,622	486
Allowance for impairment of trade receivables	365	424
Inventories written off	1,350	2,324
Allowance of inventory obsolescence	209	20
Net unrealised foreign exchange loss	322	161
Currency translation differences arising from consolidation	(32)	7
Other non cash items	-	17
Operating profit before changes in working capital	<u>23,753</u>	<u>22,279</u>
Changes in working capital:		
Inventories	24,250	(38,847)
Trade and other receivables	(72,131)	(103,799)
Trade and other payables	(77,461)	66,146
	<u>(125,342)</u>	<u>(76,500)</u>
Interest paid	(1,616)	(472)
Interest received	174	240
Tax paid	(2,725)	(5,561)
Post-employment benefit obligation paid	(46)	(169)
Net cash flow (used in)/from operating activities	<u>(105,802)</u>	<u>(60,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,130)	(2,194)
Proceed from disposal of property, plant and equipment	142	31
Net cash flow used in investing activities	<u>(1,988)</u>	<u>(2,163)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing/(repayment)	65,940	6,763
Net cash flow from/(used in) financing activities	<u>65,940</u>	<u>6,763</u>
CHANGES ON CASH AND CASH EQUIVALENTS	<u>(41,850)</u>	<u>(55,583)</u>
CASH AND CASH EQUIVALENTS B/F	106,905	93,923
CASH AND CASH EQUIVALENTS C/F	<u>65,055</u>	<u>38,340</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	65,055	38,340
	<u>65,055</u>	<u>38,340</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Three Months Ended March 31, 2016</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Total revenue	669,832	650,506	12,459	1,332,797
Results				
Segment result	12,842	5,407	(948)	17,301
Finance cost				(1,622)
Taxation				(4,409)
Profit for the financial year				<u>11,270</u>
 As at March 31, 2016				
Other Information				
Segment assets	894,020	804,381	31,815	1,730,216
Unallocated assets				91,755
Total assets				<u>1,821,971</u>
Segment liabilities	(420,712)	(636,154)	(812)	(1,057,678)
Unallocated liabilities				(257,476)
Total liabilities				<u>(1,315,154)</u>
Capital expenditure	325	329	496	1,150
Depreciation	(447)	(616)	(1,327)	(2,390)

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SEGMENTAL INFORMATION

<u>For the Three Months Ended March 31, 2015</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Revenue				
Total revenue	649,483	755,524	14,125	1,419,132
Results				
Segment result	11,335	5,792	170	17,297
Finance cost				(486)
Taxation				(4,586)
Profit for the financial year				<u>12,225</u>

<u>As at March 31, 2015</u>	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
Other Information				
Segment assets	823,850	673,354	22,546	1,519,750
Unallocated assets				60,018
Total assets				<u>1,579,768</u>
Segment liabilities	(449,328)	(523,598)	(2,013)	(974,939)
Unallocated liabilities				(118,964)
Total liabilities				<u>(1,093,903)</u>
Capital expenditure	467	481	1,022	1,970
Depreciation	(501)	(593)	(1,039)	(2,133)

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Quarterly report on consolidated results for the financial quarter ended March 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(I) Compliance with MFRS 134: Interim Financial Reporting

1. Corporate Information

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 24, 2016.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and three months ended March 31, 2016 have been prepared in accordance with MFRS 134 (Interim Financial Reporting) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2015.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements of the Group for the year ended December 31, 2015. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2016, did not have any material impact on the financial results of the Group.

3. Disclosure of Audit Report Qualification and Status of Matters Raised

The auditors' report on the financial statements of the Group for the year ended December 31, 2015 was not qualified.

4. Seasonal or Cyclical Factors

The Group's segments cover primarily Consumer Goods and Healthcare businesses. Consequently, net sales are influenced by the festive seasons of Chinese New Year, Hari Raya, Deepavali and Christmas.

5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Material Changes in Estimates

There were no material changes in estimates used to prepare these interim financial statements.

7. Changes in Debt and Equity Securities

There were no changes in debt and equity securities during the quarter under review.

8. Dividend Paid

No dividend was paid during the quarter ended March 31, 2016.

9. Segment Information

The Group's segmental information for the financial three months ended March 31, 2016 and March 31, 2015 is presented separately in this interim financial report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Profit before Tax from Operations

The following items are included in profit before tax from continuing operations:

	Current quarter ended		Cumulative Year-to-Date ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,390	2,133	2,390	2,133
Amortization of trademark	251	251	251	251
Loss/(gain) on derivatives	1,834	(104)	1,834	(104)
Rental income	(245)	(69)	(245)	(69)
Interest income	(174)	(240)	(174)	(240)
Interest expenses	1,622	486	1,622	486
Gain on disposal of property, plant and equipment	(63)	(11)	(63)	(11)
Allowance for impairment of trade receivables	365	424	365	424
Inventories written off	1,350	2,324	1,350	2,324
Net allowance of inventory obsolescence	209	20	209	20
Net unrealized foreign exchange loss	322	161	322	161
Gain on disposal of quoted/unquoted investment	-	-	-	-
Impairment of assets	-	-	-	-
Exceptional items	-	-	-	-

11. Valuation of Property, Plant and Equipment

Property, plant and equipment have been brought forward without amendment from the previous audited annual financial statements.

12. Material Events subsequent to the end of the Financial Period

There were no material events subsequent to the end of the period reported that have not been reflected in the interim financial statements for the three months ended March 31, 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Changes in the Composition of the Group

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

14. Related Party Disclosures

The following table provides information on significant transactions which have been entered into with related parties during the three months ended March 31, 2016 and March 31, 2015, as well as the balances with the related parties as at March 31, 2016 and March 31, 2015:

	Current three months ended March 31, 2016 RM'000	Preceding three months ended March 31, 2015 RM'000	Intercompany balances - due from/(to) as at	
			March 31, 2016 RM'000	March 31, 2015 RM'000
Sale of goods and services:				
- related company (goods)	422	340	128	135
- related company (rental)	245	69	-	-
- related company (cost sharing)				
- related company (human resource and information technology charges)	56	-	-	-
	142	147	54	34
	<u>865</u>	<u>556</u>	<u>182</u>	<u>169</u>
Purchase of goods and services:				
- related company (goods)	16,144	15,426	(8,912)	(7,637)
- related company (management fee)	1,226	1,171	(1,481)	(1,384)
- related company (information technology charges)	3,552	3,244	(364)	(357)
- other related party (rental)	2,295	2,295	-	-
Others (interest):				
- immediate holding company	98	115	(31)	(36)
- intermediate holding company	99	49	(31)	(27)
- related company	-	45	-	(15)
	<u>23,414</u>	<u>22,345</u>	<u>(10,819)</u>	<u>(9,456)</u>

The amounts receivable from or payable to related parties are unsecured, non-interest bearing and carry credit terms between 30 to 120 days. There were no overdue balances from related parties as at March 31, 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended March 31, 2016 and up to May 24, 2016.

16. Capital Commitments

Authorized capital commitments not provided for in this interim financial report as at March 31, 2016 are as follows:

	RM'000
Contracted	1,916
Analyzed as follows:	
- Property, plant and equipment	1,916

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**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD – THREE MONTHS ENDED MARCH 31, 2016**

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

1. Review of Performance

Revenues for the first quarter of 2016 declined by 6.1% from RM 1.42 billion in the first quarter of 2015 to RM 1.33 billion in the first quarter of 2016, while they declined by 1.7% from RM 1.36 billion in the fourth quarter of 2015. This reduction in revenues reflects the change in a telecommunications client that was expected to reduce revenues. There is also an element of a reduction of sales in the first quarter of 2016 relating to Chinese New Year, which led to a reduced sales period in February, in relation to the fourth quarter of 2015 which included festive sales for Christmas and Chinese New Year. When adjusted for these factors revenues grew double-digits when compared to the first quarter of 2015 due to both organic growth of existing clients and new clients.

In the first quarter of 2016, operating costs decreased by 6.2% compared to the first quarter of 2015 and by 1.8% compared to the preceding fourth quarter of 2015. Operating costs declined by slightly more than the reductions in revenue noted above, indicating that efficiencies were realized elsewhere in the cost base, resulting in first quarter of 2016 operating profit remaining at the level seen in the first quarter of 2015 and exceeding the fourth quarter of 2015 by 13.4%.

Profit before tax in the first quarter of 2016 declined by 6.7% compared to the first quarter of 2015. However, profit before tax in the first quarter of 2016 grew by 13.6% compared to the fourth quarter of 2015, primarily due to growth in revenues on non-telecommunications clients and stable and lower operating costs relative to revenues. The key factor leading to the reduction in profit before tax when compared to the first quarter of 2015 is the rapid appreciation of the Malaysian Ringgit in January and February, which caused a temporary exchange gain loss due to the forward hedging of foreign currency purchases at exchange rates that subsequently became unfavourable. This effect is not pronounced when the Malaysian Ringgit is stable, as it has been for the past two months.

Comments to the Performance of the Business Segments

Marketing and Distribution segment

Under the segment Marketing and Distribution, the Group provides the full range of services. The service portfolio ranges from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value added services.

Revenues for the first quarter of 2016 were RM 669.8 million, which were 3.1% higher than revenues of RM 649.5 million in the corresponding first quarter of 2015 and 7.4% higher than the RM 623.4 million revenues of the preceding fourth quarter of 2015. This segment's improved revenues particularly reflect organic growth in existing clients. The growth against the preceding quarter is particularly notable as the fourth quarter of 2015 included seasonal sales for Christmas and Chinese New Year, while the first quarter of 2016 benefited only from some sales for Chinese New Year and included a reduction of revenues during Chinese New Year.

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The first quarter 2016 operating result was RM 12.8 million, which was 13.3% up on the same first quarter of 2015 and 9.1% up on the preceding fourth quarter of 2015. The improvements in operating result compared to the same quarter of last year and the preceding fourth quarter of 2015 are larger than the equivalent comparisons in revenue growth, indicating improved margin mix and cost efficiencies.

Logistics segment

Under the segment Logistics, the Group provides supply chain services ranging from warehousing and distribution, to order processing and sales collections. Sales and marketing services for clients in this segment are generally not provided by the Group, but are mostly run by the clients. The businesses represented under this segment include the Healthcare business and supply chain focused parts of the Consumer Goods business.

Revenues for the first quarter of 2016 decreased by 13.9% compared to the first quarter of 2015, declining from RM 755.5 million to RM 650.5 million. First quarter of 2016 revenues also decreased against those of the preceding fourth quarter of 2015 by 9.3% from RM 717.2 million. This reduction is primarily due to the change in a telecommunications client in this segment. Other clients' sales had double-digit growth when compared to the first quarter of 2015 due to the inclusion of new clients in Healthcare. Revenues would have been largely similar to the preceding quarter due to seasonal effects noted above due to this segment being particularly affected by a significant pre-Goods and Services Tax (GST) implementation increase in revenues in the first quarter of 2015.

The operating result for this segment in the first quarter of 2016 was RM 5.4 million, which is a 6.6% reduction on the same first quarter of 2015 and a 9.2% increase on the preceding fourth quarter of 2015. This reflects increased operating costs and relatively lower revenues for existing clients in relation to the first quarter of 2015 due to the pre-GST revenues increase noted above; and stable costs in relation to the preceding fourth quarter of 2015.

Others segment

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

Revenues were RM 12.5 million in the first quarter of 2016 which was down by 11.8% on the same first quarter of 2015 and down by 18.5% on the preceding fourth quarter of 2015. The comparison with first quarter of 2015 reflects the continuing challenging market conditions being experienced, while the reduction from the preceding fourth quarter of 2015 reflects the improvement in revenues due to Christmas and Chinese New Year sales seen in the preceding quarter. At the end of the first quarter of 2016, Famous Amos operated 91 outlets nationwide.

The operating result for the first quarter of 2016 was RM 1.1 million lower than the first quarter of 2015. The operating result was, however, RM 0.5 million higher than the preceding fourth quarter of 2015. The reduction in comparison to the first quarter of 2015 reflects the reduced revenues noted above, while the increase from the preceding quarter relates to timing differences in costs which balance across the quarters.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Material Changes in Profit before Taxation for the Current Quarter as compared to the Immediate Preceding Quarter

There were no material items that have affected the performance of the first quarter of 2016 compared to the fourth quarter of 2015.

3. Prospects

The Group takes a positive outlook on 2016. Market conditions remain somewhat challenging, however day-to-day demand continues to recover. The Group invested significantly in infrastructure in 2015 which resulted in an increased cost base and some double costs for the Kota Kinabalu distribution center and the Petaling Jaya head office. These costs are now stable and no major infrastructure upgrades are planned in 2016 as the infrastructure has now been put in place to support the growth currently being experienced. Revenues will continue to be below prior year due to the change in telecommunications client, however, revenues for existing clients are expected to continue to grow.

The client and customer portfolio remains well diversified and supported by a strong sales, marketing and distribution infrastructure with a capillary distribution reach. With a scalable business model, the Group offers a comprehensive portfolio of services along the entire value chain, customized and tailor-made to clients' specific needs. Furthermore, operational risk management processes and controls, supported by an industry leading IT system, continue to support the existing businesses as well as new clients.

Two market trends additionally support a positive medium-to-long-term outlook for the Group. Firstly, the growing middle class in Malaysia supports the demand for consumer goods and healthcare products. Secondly, manufacturers increasingly focus on core competencies and seek specialized service providers in order to grow the market for and with them.

4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

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Quarterly report on consolidated results for the financial quarter ended March 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Taxation

	Quarter ended March 31, 2016 RM'000	Quarter ended March 31, 2015 RM'000	Three months ended March 31, 2016 RM'000	Three months ended March 31, 2015 RM'000
Current year	4,945	4,811	4,945	4,811
Deferred tax	(536)	(225)	(536)	(225)
	<u>4,409</u>	<u>4,586</u>	<u>4,409</u>	<u>4,586</u>

The effective tax rate for the quarter ended March 31, 2016 did not decrease even though the corporate tax rate had been revised downwards to 24% as announced in Budget 2014. This was due to a subsidiary experiencing low profit before tax while the non-deductible expenses in the form of renovations remained unchanged. When compared to the same quarter of the previous year, non-deductible expenses in the form of depreciation of the new offices affected the current quarter.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at May 24, 2016.

7. Group Borrowings and Debt Securities

	As at March 31, 2016 RM'000
<u>Short Term Borrowings</u>	
Unsecured and fully denominated in Ringgit Malaysia:	
- Bank borrowing	131,300
- Advances from holding companies	22,840
	<u>154,140</u>

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value 31/03/2016 RM'000	Fair Value 31/03/2016 RM'000
Foreign exchange contracts		
- less than 1 year	36,262	34,339
Total	<u>36,262</u>	<u>34,339</u>

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)
(Incorporated in Malaysia)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Disclosure of Derivatives (contd.)

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the date of the statement of financial position, unless hedged by forward foreign exchange contracts when the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

Future liabilities in foreign currencies are covered by forward-purchased currencies from reputable banks when their amounts and due dates are known. Forward hedges are exclusively used for bona-fide and documented trade transactions and not for speculative purposes in line with the DKSH Treasury policy.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at March 31, 2016 resulting in an unrealized derivative loss of RM 1.9 million.

The unrealized derivative loss as at March 31, 2016 was high as the Ringgit strengthened against the US-Dollar, Euro and Swiss franc after the contracts have been entered into. In total, an unrealized loss on derivative contracts amounting to RM 1.8 million has been charged to the statement of comprehensive income for the quarter ended March 31, 2016 representing the loss for the three months to date after reversal of the unrealized loss on derivatives of RM 0.1 million as at December 31, 2015.

9. Changes in Material Litigation

There is no material litigation as at May 24, 2016.

10. Dividend Proposed or Declared

(a) The Company had announced that the Directors had recommended a final single tier dividend of 9.5 sen per share (2014: final single tier dividend of 9.5 sen per ordinary share) in respect of the financial year ended December 31, 2015 for shareholders' approval at the forthcoming Annual General Meeting of the Company. Subject to shareholders' approval, the proposed dividend will be payable on July 14, 2016 to shareholders whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd 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.

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

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)
(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended March 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Earnings Per Share

- (a) The earnings used as the numerator in calculating basic and diluted earnings per share for the quarter under review and for the three months ended March 31, 2015 are RM 11,270,000 and RM 12,225,000, respectively.
- (b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share for the quarter under review and for the three months ended March 31, 2015 is 157,658,076.

12. Disclosure of Realised and Unrealised Profits

	Current Financial Quarter March 31, 2016 RM'000	As at the end of preceding Financial Year December 31, 2015 RM'000
Total retained profits of DKSH Holdings (Malaysia) Berhad and its subsidiaries:		
- Realised	308,545	297,843
- Unrealised	2,514	1,946
	<hr/> 311,059	<hr/> 299,789
Consolidated adjustments	13,462	13,462
Total group retained profits as per financial statements	<hr/> 324,521 <hr/>	<hr/> 313,251 <hr/>

By Order of the Board

Chew Ann Nee (MAICSA 7030413)
Company Secretary

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

Petaling Jaya
May 24, 2016