

# Quarterly rpt on consolidated results for the financial period ended 30 Jun 2016

## DKSH HOLDINGS (MALAYSIA) BERHAD

Financial Year End	31 Dec 2016
Quarter	2 Qtr
Quarterly report for the financial period ended	30 Jun 2016
The figures	have not been audited

### Attachments



DKSH Q2 2016 Quarterly Report.pdf  
149.4 kB

Default Currency	Other Currency
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Currency: Malaysian Ringgit (MYR)

### SUMMARY OF KEY FINANCIAL INFORMATION 30 Jun 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	1,354,890	1,372,006	2,687,687	2,791,138
2 Profit/(loss) before tax	27,368	13,787	43,047	30,598
3 Profit/(loss) for the period	20,417	10,017	31,687	22,242
4 Profit/(loss) attributable to ordinary equity holders of the parent	20,417	10,017	31,687	22,242
5 Basic earnings/(loss) per share (Subunit)	12.95	6.35	20.10	14.11
6 Proposed/Declared dividend per share (Subunit)	9.50	0.00	9.50	9.50
	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 (\$\$)		3.2493		3.1434

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

 **Announcement Info**

<b>Company Name</b>	DKSH HOLDINGS (MALAYSIA) BERHAD
<b>Stock Name</b>	DKSH
<b>Date Announced</b>	23 Aug 2016
<b>Category</b>	Financial Results
<b>Reference Number</b>	FRA-02082016-00004

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and six months ended June 30, 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND SIX MONTHS ENDED JUNE 30, 2016**

	INDIVIDUAL 2 <sup>ND</sup> QUARTER		CUMULATIVE 2 <sup>ND</sup> QUARTER	
	30/06/2016 Unaudited RM'000	30/06/2015 Unaudited RM'000	30/06/2016 Unaudited RM'000	30/06/2015 Unaudited RM'000
1 Revenue	1,354,890	1,372,006	2,687,687	2,791,138
2 Operating expenses	(1,327,242)	(1,358,975)	(2,643,716)	(2,761,868)
3 Other operating income	1,139	1,467	2,117	2,525
4 Profit from operations	28,787	14,498	46,088	31,795
5 Finance cost	(1,419)	(711)	(3,041)	(1,197)
6 Profit before taxation	27,368	13,787	43,047	30,598
7 Taxation	(6,951)	(3,770)	(11,360)	(8,356)
8 Profit for the period from operations, net of tax	20,417	10,017	31,687	22,242
10 Net profit for the period	20,417	10,017	31,687	22,242
11 Other comprehensive income :				
- Currency translation differences arising from consolidation	20	27	(12)	34
12 Total comprehensive income	20,437	10,044	31,675	22,276
13 Net profit attributable to owners of the parent	20,417	10,017	31,687	22,242
14 Total comprehensive income attributable to owners of the parent	20,437	10,044	31,675	22,276
15 Earnings per share (EPS) based on item 13 above (See Note 1 below)				
(i) EPS attributable to owners of parent	12.95	6.35	20.10	14.11

## 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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**QUARTERLY REPORT**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2016**

	30/06/2016 Unaudited RM'000	31/12/2015 Audited RM'000
<b>1 Non Current Assets</b>		
Property, plant and equipment	32,853	34,240
Intangible assets	1,123	1,625
Deferred tax assets	3,462	3,118
	<u>37,438</u>	<u>38,983</u>
<b>2 Current Assets</b>		
Inventories	558,088	563,784
Trade and other receivables	1,235,879	1,109,038
Deposits, bank and cash balances	100,091	106,905
	<u>1,894,058</u>	<u>1,779,727</u>
<b>3 Total Assets</b>	<u><u>1,931,496</u></u>	<u><u>1,818,710</u></u>
<b>4 Equity</b>		
Ordinary share capital	157,658	157,658
Share premium	24,514	24,514
Foreign currency translation reserve	144	156
Retained earnings	329,960	313,251
Equity attributable to owners of parent	<u>512,276</u>	<u>495,579</u>
<b>5 Current Liabilities</b>		
Trade and other payables	1,326,909	1,231,034
Dividend payables	14,978	-
Derivative financial instrument	231	89
Borrowings	67,032	88,200
Taxation	7,352	1,071
	<u>1,416,502</u>	<u>1,320,394</u>
<b>6 Non Current Liabilities</b>		
Long term liabilities	2,718	2,737
	<u>2,718</u>	<u>2,737</u>
<b>7 Total Liabilities</b>	<u><u>1,419,220</u></u>	<u><u>1,323,131</u></u>
<b>8 Total Equity and Liabilities</b>	<u><u>1,931,496</u></u>	<u><u>1,818,710</u></u>
<b>9 Net assets per share attributable to ordinary equity holders of the company (RM)</b>	<u>3.2493</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 SIX MONTHS ENDED JUNE 30, 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>SIX MONTHS ENDED JUNE 30, 2016</u>						
At January 1, 2016	157,658	157,658	24,514	156	313,251	495,579
Total comprehensive income for the period	-	-	-	(12)	31,687	31,675
Dividends	-	-	-	-	(14,978)	(14,978)
At JUNE 30, 2016	157,658	157,658	24,514	144	329,960	512,276
<u>SIX MONTHS ENDED JUNE 30, 2015</u>						
At January 1, 2015	157,658	157,658	24,514	68	291,393	473,633
Total comprehensive income for the period	-	-	-	34	22,242	22,276
Dividends	-	-	-	-	(14,978)	(14,978)
At JUNE 30, 2015	157,658	157,658	24,514	102	298,657	480,931

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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**QUARTERLY REPORT**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR SIX MONTHS ENDED JUNE 30, 2016**

	30/06/16 Unaudited RM'000	30/06/15 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit attributable to owners of the parent	31,687	22,242
Adjustments for non-cash items:		
Depreciation	4,778	4,084
Amortization of trademark	502	502
Loss/(gain) on derivatives	101	(683)
Gain on disposal of property, plant and equipment	(142)	(17)
Interest income	(303)	(355)
Interest expenses	3,041	1,197
Allowance for impairment of trade receivables	5,103	422
Inventories written off	3,697	4,870
(Write back)/allowance of inventory obsolescence	(194)	101
Net unrealised foreign exchange loss	348	32
Currency translation differences arising from consolidation	(12)	34
Income tax expense	11,360	8,356
Other non-cash items	-	29
Operating cash flows before changes in working capital	<u>59,966</u>	<u>40,814</u>
Changes in working capital:		
Inventories	2,193	(88,415)
Trade and other receivables	(131,776)	(185,942)
Trade and other payables	96,816	233,652
	<u>(32,767)</u>	<u>(40,705)</u>
Interest paid	(3,016)	(1,194)
Interest received	303	355
Tax paid	(5,592)	(9,919)
Post-employment benefit obligation paid	(349)	(169)
<b>Net cash flows generated from/(used in) operating activities</b>	<u><b>18,545</b></u>	<u><b>(10,818)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,435)	(10,275)
Proceed from disposal of property, plant and equipment	244	17
<b>Net cash flows used in investing activities</b>	<u><b>(4,191)</b></u>	<u><b>(10,258)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment	(21,168)	(4,950)
<b>Net cash flows used in financing activities</b>	<u><b>(21,168)</b></u>	<u><b>(4,950)</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>(6,814)</b>	<b>(26,026)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	106,905	93,923
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>100,091</b></u>	<u><b>67,897</b></u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	100,091	67,897
	<u>100,091</u>	<u>67,897</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>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
<u>For the Six Months Ended June 30, 2016</u>	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Total revenue	1,365,180	1,296,938	25,569	2,687,687
<b>Results</b>				
Segment result	33,592	14,538	(2,042)	46,088
Finance cost				(3,041)
Taxation				(11,360)
Profit for the financial year				<u>31,687</u>
<b><u>As at June 30, 2016</u></b>				
<b>Other Information</b>				
Segment assets	961,298	811,103	28,690	1,801,091
Unallocated assets				130,405
Total assets				<u>1,931,496</u>
Segment liabilities	(494,754)	(738,238)	(1,267)	(1,234,259)
Unallocated liabilities				(184,961)
Total liabilities				<u>(1,419,220)</u>
Capital expenditure	609	1,300	1,546	3,455
Depreciation	(879)	(1,237)	(2,662)	(4,778)

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

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**SEGMENTAL INFORMATION**

<u>For the Six Months Ended June 30, 2015</u>	<u>Marketing &amp; Distribution</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>
	<u>Services</u>	<u>Services</u>		
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Total revenue	1,297,543	1,466,802	26,793	2,791,138
<b>Results</b>				
Segment result	24,247	8,197	(649)	31,795
Finance cost				(1,197)
Taxation				(8,356)
Profit for the financial year				<u>22,242</u>
<u>As at June 30, 2015</u>	<u>Marketing &amp; Distribution</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>
	<u>Services</u>	<u>Services</u>		
	RM'000	RM'000	RM'000	RM'000
<b>Other Information</b>				
Segment assets	881,836	745,615	28,197	1,655,648
Unallocated assets				89,907
Total assets				<u>1,745,555</u>
Segment liabilities	(503,573)	(633,036)	(2,756)	(1,139,365)
Unallocated liabilities				(125,259)
Total liabilities				<u>(1,264,624)</u>
Capital expenditure	1,259	1,698	7,095	10,052
Depreciation	(1,025)	(1,247)	(1,812)	(4,084)



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## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 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 August 23, 2016.

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

The unaudited condensed consolidated interim financial statements for the current quarter and six months ended June 30, 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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**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2016.

**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 June 30, 2016.

**9. Segment Information**

The Group's segmental information for the financial six months ended June 30, 2016 and June 30, 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	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,388	1,951	4,778	4,084
Amortization of trademark	251	251	502	502
(Gain)/loss on derivatives	(1,733)	(579)	101	(683)
Rental income	(256)	(103)	(501)	(172)
Interest income	(129)	(115)	(303)	(355)
Interest expenses	1,419	711	3,041	1,197
Gain on disposal of property, plant and equipment	(79)	(6)	(142)	(17)
Allowance for impairment of trade receivables	4,738	2	5,103	422
Inventories written off	2,347	2,546	3,697	4,870
Net (reversal)/allowance of inventory obsolescence	(403)	81	(194)	101
Net unrealized foreign exchange loss/(gain)	26	(129)	348	32
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 six months ended June 30, 2016.

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Quarterly report on consolidated results for the financial quarter ended June 30, 2016.

**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 six months ended June 30, 2016 and June 30, 2015, as well as the balances with the related parties as at June 30, 2016 and June 30, 2015:

	Current six months ended June 30, 2016 RM'000	Preceding six months ended June 30, 2015 RM'000	Intercompany balances - due from/(to) as at	
			June 30, 2016 RM'000	June 30, 2015 RM'000
<b>Sale of goods and services:</b>				
- related company (goods)	1,024	1,054	380	218
- related company (rental)	501	238	-	-
- related company (cost sharing)	182	-	-	-
- related company (human resource and information technology charges)	283	301	55	52
	<u>1,990</u>	<u>1,593</u>	<u>435</u>	<u>270</u>
<b>Purchase of goods and services:</b>				
- related company (goods)	31,082	29,120	(10,911)	(6,084)
- related company (management fee)	2,426	2,368	(1,291)	(1,312)
- related company (information technology charges)	7,126	6,937	(536)	(209)
- other related party (rental)	4,590	4,590	-	-
<b>Others (interest):</b>				
- immediate holding company	239	227	(49)	(38)
- intermediate holding company	194	107	(32)	(28)
- related company	-	46	-	-
	<u>45,657</u>	<u>43,395</u>	<u>(12,819)</u>	<u>(7,671)</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 June 30, 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 June 30, 2016 and up to August 23, 2016.

**16. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at June 30, 2016 are as follows:

	RM'000
Contracted	945
Analyzed as follows:	
- Property, plant and equipment	945

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – SIX MONTHS ENDED JUNE 30, 2016**

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

###### **1. Review of Performance**

Revenues for the second quarter of 2016 declined by 1.2% from RM 1.37 billion in the second quarter of 2015 to RM 1.35 billion, while they increased by 1.7% from RM 1.33 billion in the first quarter of 2016. This reduction in revenues reflects the change in a telecommunications client that was expected to reduce revenues. The reduction on the same quarter of 2015 seen in the second quarter of 2016 is lower than that seen in the first quarter of 2016, which reflects both the post-Goods and Services Tax (GST) reduction in sales observed in the second quarter of 2015 and consistently improving sales, relative to the first quarter of 2016. When adjusted for these factors, revenues again grew double-digits when compared to the second quarter of 2015 due to both organic growth of existing clients and new clients.

In the second quarter of 2016, operating costs decreased by 2.3% compared to the second quarter of 2015, whereas there was an increase of 0.8% compared to the preceding first quarter of 2016. Operating costs again declined by more than the reductions in revenue noted above, indicating that efficiencies were realized elsewhere in the cost base, resulting in second quarter of 2016 operating profit increasing by 98.6% compared to second quarter of 2015 and exceeding the first quarter of 2016 by 66.4%.

Profit before tax in the second quarter of 2016 improved by 98.5% compared to the second quarter of 2015 and also grew by 74.6% compared to the first quarter of 2016, primarily due to growth in revenues on non-telecommunications clients and stable and lower operating costs relative to revenues.

##### 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 second quarter of 2016 were RM 695.3 million, which were 7.3% higher than revenues of RM 648.1 million in the corresponding second quarter of 2015 and 3.8% higher than the RM 669.8 million revenues of the preceding first quarter of 2016. This segment's improved revenues particularly reflect organic growth in existing clients. The continued growth compared to the first quarter of 2016 is partially related to slightly lower sales in the first quarter, but also reflects stability of sales and ongoing organic growth.

The second quarter 2016 operating result was RM 20.8 million, which was 60.7% up on the same second quarter of 2015 and 61.6% up on the preceding first quarter of 2016. The improvements in operating result compared to the same quarter of last year and the preceding first quarter of 2016 are significantly larger than the equivalent comparisons in revenue growth, indicating improved margin mix and cost efficiencies.

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **Logistics segment**

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

Revenues for the second quarter of 2016 decreased by 9.1% compared to the second quarter of 2015, declining from RM 711.3 million to RM 646.4 million. Second quarter of 2016 revenues also decreased against those of the preceding first quarter of 2016 by 0.6% from RM 650.5 million. This reduction compared to prior year is primarily due to the change in a telecommunications client in this segment. Other clients' sales had double-digit growth when compared to the second quarter of 2015 due to strong organic growth. Revenues slightly reduced but were largely in line with the preceding first quarter of 2016, reflecting steady revenues.

The operating result for this segment in the second quarter of 2016 was RM 9.1 million, which is a 279.7% increase on the same second quarter of 2015 and a 68.9% increase on the preceding first quarter of 2016. This reflects strong revenue supported by improving margin mix and operational efficiencies which reduce operating expenses.

#### **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 13.1 million in the second quarter of 2016 which increased by 3.5% on the same second quarter of 2015 and by 5.2% on the preceding first quarter of 2016. The revenue improvement is primarily due to seasonal sales relating to Hari Raya which fell slightly earlier in 2016. At the end of the second quarter of 2016, Famous Amos operated 90 outlets nationwide.

The operating result for the second quarter of 2016 was RM 0.3 million lower than the second quarter of 2015 and RM 0.1 million lower than the preceding first quarter of 2016. The reduction in comparison to the second quarter of 2015 reflects the reduced revenues noted above, while the decrease from the preceding quarter highlights relatively low sales growth with rising expenses.

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Quarterly report on consolidated results for the financial quarter ended June 30, 2016.

### **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 second quarter of 2016 compared to the first quarter of 2016.

#### **3. Prospects**

The Group continues to take a positive outlook on 2016. Market conditions are relatively stable. Costs remain stable and no major expenses or 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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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5. Taxation**

	Quarter ended June 30, 2016 RM'000	Quarter ended June 30, 2015 RM'000	Six months ended June 30, 2016 RM'000	Six months ended June 30, 2015 RM'000
Current year	6,760	4,126	11,705	8,937
Deferred tax	191	(356)	(345)	(581)
	<u>6,951</u>	<u>3,770</u>	<u>11,360</u>	<u>8,356</u>

The effective tax rate for the quarter ended June 30, 2016 decreased as compared to previous quarter due to strong performance of the main operating unit. Consequently, the effective tax rate for the 6 months ended June 30, 2016 was positively affected. As compared to same period last year, the effective tax rate is markedly lower due to reduced corporate tax rate of 24% for the year and generally poorer profit before tax performance for same period last year post GST implementation. Had it not been for the higher non-deductible expenditure in the form of depreciation of the new offices which affected the current year but not the first half of 2015, the gap in the effective tax rate between 2016 and 2015 would have been bigger.

**6. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at August 23, 2016.

**7. Group Borrowings and Debt Securities**

	As at June 30, 2016 RM'000
<u>Short Term Borrowings</u>	
Unsecured and fully denominated in Ringgit Malaysia:	
- Bank borrowing	50,000
- Advances from holding companies	17,032
	<u>67,032</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value 30/06/2016 RM'000	Fair Value 30/06/2016 RM'000
Foreign exchange contracts - less than 1 year	17,182	16,951
<b>Total</b>	<u>17,182</u>	<u>16,951</u>

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## **QUARTERLY REPORT**

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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 June 30, 2016 resulting in an unrealized derivative loss of RM 0.2 million.

The unrealized derivative loss as at June 30, 2016 was only RM 0.2 million due to the reversal of the previous quarter's unrealized derivative loss as the contracts were unwound during the quarter. In total, an unrealized gain on derivative contracts amounting to RM 1.7 million had been charged to the statement of comprehensive income for the quarter ended June 30, 2016 representing the gain of RM 1.8 million from reversal of the derivative loss for the previous quarter and offset by a small unrealized derivative loss of RM 0.1 million on the outstanding contracts at balance sheet date.

#### **9. Changes in Material Litigation**

There is no material litigation as at August 23, 2016.

#### **10. Dividend Proposed or Declared**

The final single tier dividend of 9.5 sen per ordinary share in respect of the financial year ended December 31, 2015 (2014: final single tier dividend of 9.5 sen per ordinary share) was approved by shareholders at the Twenty-Fourth Annual General Meeting of the Company held on May 25, 2016 and paid on July 14, 2016.

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



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## QUARTERLY REPORT

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## 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 six months ended June 30, 2016 are RM 20,417,000 and RM 31,687,000, 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 six months ended June 30, 2016 is 157,658,076.

### 12. Disclosure of Realised and Unrealised Profits

	Current Financial Quarter June 30, 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	314,196	297,843
- Unrealised	2,302	1,946
	<hr/>	<hr/>
	316,498	299,789
Consolidated adjustments	13,462	13,462
<b>Total group retained profits as per financial statements</b>	<hr/> <b>329,960</b> <hr/>	<hr/> <b>313,251</b> <hr/>

By Order of the Board

Chew Ann Nee (MAICSA 7030413)  
Company Secretary

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

Petaling Jaya  
August 23, 2016