

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

DKSH HOLDINGS (MALAYSIA) BERHAD

Financial Year End 31 Dec 2016

Quarter 3 Qtr

Quarterly report for the financial period ended 30 Sep 2016

The figures have not been audited

Attachments



DKSH Q3 2016 Quarterly Report.pdf
149.4 kB

Default Currency

Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	1,256,938	1,425,143	3,944,625	4,216,281
2 Profit/(loss) before tax	7,690	6,612	50,737	37,210
3 Profit/(loss) for the period	5,414	4,513	37,101	26,755
4 Profit/(loss) attributable to ordinary equity holders of the parent	5,414	4,513	37,101	26,755
5 Basic earnings/(loss) per share (Subunit)	3.43	2.86	23.53	16.97
6 Proposed/Declared dividend per share (Subunit)	0.00	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 (\$\$)	3.2837	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**

Company Name	DKSH HOLDINGS (MALAYSIA) BERHAD
Stock Name	DKSH
Date Announced	22 Nov 2016
Category	Financial Results
Reference Number	FRA-14112016-00006

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2016

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

	INDIVIDUAL 3 RD QUARTER		CUMULATIVE 3 RD QUARTER	
	30/09/2016 Unaudited RM'000	30/09/2015 Unaudited RM'000	30/09/2016 Unaudited RM'000	30/09/2015 Unaudited RM'000
1 Revenue	1,256,938	1,425,143	3,944,625	4,216,281
2 Operating expenses	(1,252,416)	(1,419,338)	(3,896,132)	(4,181,206)
3 Other operating income	4,747	2,121	6,864	4,646
4 Profit from operations	9,269	7,926	55,357	39,721
5 Finance cost	(1,579)	(1,314)	(4,620)	(2,511)
6 Profit before taxation	7,690	6,612	50,737	37,210
7 Taxation	(2,276)	(2,099)	(13,636)	(10,455)
8 Profit for the period from operations, net of tax	5,414	4,513	37,101	26,755
10 Net profit for the period	5,414	4,513	37,101	26,755
11 Other comprehensive income :				
- Currency translation differences arising from consolidation	10	66	(2)	100
12 Total comprehensive income	5,424	4,579	37,099	26,855
13 Net profit attributable to owners of the parent	5,414	4,513	37,101	26,755
14 Total comprehensive income attributable to owners of the parent	5,424	4,579	37,099	26,855
15 Earnings per share (EPS) based on item 13 above (See Note 1 below)				
(i) EPS attributable to owners of parent	3.43	2.86	23.53	16.97

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.

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2016

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

	30/09/2016 Unaudited RM'000	31/12/2015 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	32,478	34,240
Intangible assets	873	1,625
Deferred tax assets	4,260	3,118
	<u>37,611</u>	<u>38,983</u>
2 Current Assets		
Inventories	608,208	563,784
Trade and other receivables	1,148,120	1,109,038
Derivative financial instrument	275	0
Deposits, bank and cash balances	9,674	106,905
	<u>1,766,277</u>	<u>1,779,727</u>
3 Total Assets	<u>1,803,888</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	154	156
Retained earnings	335,374	313,251
Equity attributable to owners of parent	<u>517,700</u>	<u>495,579</u>
5 Current Liabilities		
Trade and other payables	1,190,857	1,231,034
Derivative financial instrument	-	89
Borrowings	85,682	88,200
Taxation	6,931	1,071
	<u>1,283,470</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>1,286,188</u>	<u>1,323,131</u>
8 Total Equity and Liabilities	<u>1,803,888</u>	<u>1,818,710</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.2837</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.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

	Issued and fully paid ordinary shares of RM1.00 each		Attributable to owners of the parent			Total Equity
	No of shares 000	Nominal value RM'000	Non-distributable		Distributable	
			Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000		
<u>NINE MONTHS ENDED SEPTEMBER 30, 2016</u>						
At January 1, 2016	157,658	157,658	24,514	156	313,251	495,579
Total comprehensive income for the period	-	-	-	(2)	37,101	37,099
Dividends	-	-	-	-	(14,978)	(14,978)
At September 30, 2016	157,658	157,658	24,514	154	335,374	517,700
<u>NINE MONTHS ENDED SEPTEMBER 30, 2015</u>						
At January 1, 2015	157,658	157,658	24,514	68	291,393	473,633
Total comprehensive income for the period	-	-	-	100	26,755	26,855
Dividends	-	-	-	-	(14,978)	(14,978)
At September 30, 2015	157,658	157,658	24,514	168	303,170	485,510

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.

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2016**

	30/09/16 Unaudited RM'000	30/09/15 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit attributable to owners of the parent	37,101	26,755
Adjustments for non-cash items:		
Depreciation	7,190	6,644
Amortization of trademark	752	753
Gain on derivatives	(321)	(1,949)
Gain on disposal of property, plant and equipment	(144)	(64)
Interest income	(413)	(396)
Interest expenses	4,620	2,511
Allowance for impairment of trade receivables	14,823	933
Inventories written off	5,667	7,816
Net allowance/(write back) of inventory obsolescence	16	(110)
Net unrealised foreign exchange loss	-	(221)
Currency translation differences arising from consolidation	(2)	100
Income tax expense	13,636	10,455
Other non-cash items	-	40
Operating cash flows before changes in working capital	<u>82,925</u>	<u>53,267</u>
Changes in working capital:		
Inventories	(50,107)	(101,711)
Trade and other receivables	(53,572)	(202,847)
Trade and other payables	<u>(38,851)</u>	<u>143,901</u>
	<u>(142,530)</u>	<u>(160,657)</u>
Interest paid	(4,613)	(2,435)
Interest received	413	396
Tax paid	(9,251)	(15,492)
Post-employment benefit obligation paid	(434)	(352)
Net cash flows generated from/(used in) operating activities	<u>(73,490)</u>	<u>(125,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,549)	(18,999)
Proceed from disposal of property, plant and equipment	304	182
Net cash flows used in investing activities	<u>(6,245)</u>	<u>(18,817)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/borrowing	(2,518)	128,658
Dividend paid	(14,978)	(14,978)
Net cash flows used in financing activities	<u>(17,496)</u>	<u>113,680</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>(97,231)</u>	<u>(30,410)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>106,905</u>	<u>93,923</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>9,674</u>	<u>63,513</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	9,674	63,513
	<u>9,674</u>	<u>63,513</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.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2016
The figures have not been audited

SEGMENTAL INFORMATION

	<u>For the Nine Months Ended September 30, 2016</u>		
	<u>Marketing & Distribution Services</u> RM'000	<u>Logistics Services</u> RM'000	<u>Others</u> RM'000
Revenue			Consolidated RM'000
Total revenue	2,009,252	1,898,488	36,885
Results			
Segment result	43,554	15,797	(3,994)
Finance cost			55,357
Taxation			(4,620)
Profit for the financial year			(13,636)
			<u>37,101</u>
As at September 30, 2016			
Other Information			
Segment assets	917,364	828,345	26,943
Unallocated assets			31,236
Total assets			<u>1,803,888</u>
Segment liabilities	(451,908)	(640,735)	(1,728)
Unallocated liabilities			(191,817)
Total liabilities			<u>(1,286,188)</u>
Capital expenditure	987	1,898	2,684
Depreciation	(1,308)	(1,871)	(4,011)
			5,569
			<u>(7,190)</u>

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2015

SEGMENTAL INFORMATION

For the Nine Months Ended September 30, 2015

	<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	1,899,841	2,275,047	41,393	4,216,281
Results				
Segment result	29,672	10,711	(662)	39,721
Finance cost				(2,511)
Taxation				(10,455)
Profit for the financial year				<u>26,755</u>

	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
As at September 30, 2015				
Other Information				
Segment assets	892,541	761,379	37,005	1,690,925
Unallocated assets				85,324
Total assets				<u>1,776,249</u>
Segment liabilities	(440,246)	(606,785)	(2,250)	(1,049,281)
Unallocated liabilities				(241,458)
Total liabilities				<u>(1,290,739)</u>
Capital expenditure	1,665	2,080	15,030	18,775
Depreciation	(1,893)	(2,071)	(2,680)	(6,644)

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended September 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 November 22, 2016.

2. Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements for the current quarter and nine months ended September 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.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended September 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

The following dividend payment was made during the period ended September 30, 2016:

	RM'000
In respect of the financial year ended December 31, 2015:	
- Final single tier dividend of 9.5 sen per share paid on July 14, 2016	<u>14,978</u>

9. Segment Information

The Group's segmental information for the financial nine months ended September 30, 2016 and September 30, 2015 is presented separately in this interim financial report.

[The rest of this page has been left blank intentionally]

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

QUARTERLY REPORT

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

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	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,412	2,560	7,190	6,644
Amortization of trademark	250	251	752	753
Gain on derivatives	(422)	(1,266)	(321)	(1,949)
Rental income	(267)	(54)	(768)	(226)
Interest income	(110)	(41)	(413)	(396)
Interest expenses	1,579	1,314	4,620	2,511
Gain on disposal of property, plant and equipment	(2)	(47)	(144)	(64)
Allowance for impairment of trade receivables	9,720	511	14,823	933
Inventories written off	1,970	2,946	5,667	7,816
Net allowance/(reversal) of inventory obsolescence	210	(211)	16	(110)
Net unrealized foreign exchange gain	(348)	(253)	-	(221)
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 nine months ended September 30, 2016.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended September 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 nine months ended September 30, 2016 and September 30, 2015, as well as the balances with the related parties as at September 30, 2016 and September 30, 2015:

	Current nine months ended September 30, 2016 RM'000	Preceding nine months ended September 30, 2015 RM'000	Intercompany balances - due from/(to) as at	
			September 30, 2016 RM'000	September 30, 2015 RM'000
Sale of goods and services:				
- related company (goods)	1,734	1,666	291	555
- related company (rental)	768	226	-	-
- related company (cost sharing)	296	-	-	-
- related company (human resource and information technology charges)	425	449	56	70
	<u>3,223</u>	<u>2,341</u>	<u>347</u>	<u>625</u>
Purchase of goods and services:				
- related company (goods)	46,249	45,025	(10,193)	(9,743)
- related company (management fee)	3,633	3,665	(1,246)	(1,429)
- related company (information technology charges)	10,983	10,569	(310)	(735)
- other related party (rental)	6,885	7,624	-	-
Others (interest):				
- immediate holding company	337	345	(30)	(40)
- intermediate holding company	293	240	(34)	(99)
- related company	-	46	-	-
	<u>68,380</u>	<u>67,514</u>	<u>(11,813)</u>	<u>(12,046)</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 September 30, 2016.

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

QUARTERLY REPORT

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

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 September 30, 2016 and up to November 22, 2016.

16. Capital Commitments

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

	RM'000
Contracted	<u>1,401</u>
Analyzed as follows:	
- Property, plant and equipment	<u>1,401</u>

[The rest of this page has been intentionally left blank]

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

QUARTERLY REPORT

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – NINE MONTHS ENDED SEPTEMBER 30, 2016

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

1. Review of Performance

Revenues for the third quarter of 2016 declined by 11.8% from RM 1.43 billion in the third quarter of 2015 to RM 1.26 billion, while also decreasing by 7.2% from RM 1.35 billion in the second quarter of 2016. This reduction in revenues reflects the change in a telecommunications client that was expected to reduce revenues while also reflecting a generally weaker consumer demand in the third quarter of 2016 when compared to both the corresponding third quarter of 2015 and the preceding second quarter of 2015.

In the third quarter of 2016, operating costs decreased by 11.8% compared to the third quarter of 2015, while also decreasing by 5.6% compared to the preceding second quarter of 2016. The result compared to prior year shows both a reduction in product costs which correlates with the reduction in sales while also showing an underlying cost reduction in fixed costs while the comparison with the preceding quarter is less than that seen in revenue due to comparatively stable fixed costs and a one-off doubtful debt provision.

Profit before tax in the third quarter of 2016 improved by 16.3% compared to the third quarter of 2015. However, third quarter of 2016 profit before tax declined by 71.9% compared to the second quarter of 2016. The result against prior year is driven by the improved cost base and relatively stable revenue (when telecommunications changes are considered), while the result compared to the preceding quarter is driven by the relative downturn in revenues and some one-off expenses.

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 third quarter of 2016 were RM 644.1 million, which were 6.9% higher than revenues of RM 602.3 million in the corresponding third quarter of 2015 and 7.4% lower than the RM 695.3 million revenues of the preceding second quarter of 2016. This segment's improved revenues compared to prior year again particularly reflect organic growth in existing clients. The downturn compared to the second quarter of 2016 is due to a general downturn of consumer demand.

The third quarter 2016 operating result was RM 10.0 million, which was 83.6% up on the same third quarter of 2015 and 52.0% down on the preceding second quarter of 2016. The improvements in operating result compared to the same quarter of last year reflect the improved revenue performance and lower fixed cost base, while the downturn in relation to the preceding second quarter of 2016 is primarily driven by the comparatively weaker revenue result.

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

QUARTERLY REPORT

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

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 third quarter of 2016 decreased by 25.6% compared to the third quarter of 2015, declining from RM 808.2 million to RM 601.6 million. Third quarter of 2016 revenues also decreased against those of the preceding second quarter of 2016 by 6.9% from RM 646.4 million. This reduction compared to prior year is primarily due to the change in a telecommunications client in this segment which happened in the third quarter of 2015. Other clients' sales continued to grow when compared to the third quarter of 2015 due to organic growth. Revenues slightly reduced when compared to the preceding second quarter of 2016, reflecting a general weakness and in market demand.

The operating result for this segment in the third quarter of 2016 was RM 1.3 million, which is a 49.9% decrease on the same third quarter of 2015 and a 86.2% decrease on the preceding second quarter of 2016. There was an effect from the lower revenue result and a significant effect from a one-off doubtful debt provision.

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 11.3 million in the third quarter of 2016 which decreased by 22.5% on the same third quarter of 2015 and by 13.7% on the preceding second quarter of 2016. The revenue decline relates to generally weaker consumer demand as noted above. At the end of the third quarter of 2016, Famous Amos operated 86 outlets nationwide.

The operating result for the third quarter of 2016 was RM 1.9 million lower than the third quarter of 2015 and RM 0.9 million lower than the preceding second quarter of 2016. The reductions reflect the weak revenue result with relatively high fixed costs.

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended September 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 third quarter of 2016 compared to the second quarter of 2016.

3. Prospects

The Group continues to take a positive outlook on 2016. Market conditions were slightly weaker in the third quarter but are overall 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 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.

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

QUARTERLY REPORT

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Taxation

	Quarter ended September 30, 2016 RM'000	Quarter ended September 30, 2015 RM'000	Nine months ended September 30, 2016 RM'000	Nine months ended September 30, 2015 RM'000
Current year	3,074	2,026	14,779	10,963
Deferred tax	(798)	73	(1,143)	(508)
	<u>2,276</u>	<u>2,099</u>	<u>13,636</u>	<u>10,455</u>

The effective tax rate for the quarter ended September 30, 2016 increased as compared to previous quarter due to slower performance of the main operating unit after the very strong performance of the second quarter. As compared to same period last year, the effective tax rate is lower due to the lower corporate tax rate of 24% for the year and generally poorer profit before tax performance for same period last year post GST (Goods and Sales Tax) implementation. Year-to-date effective tax rate was lower than previous year mainly due to lower corporate tax rate and the poorer year-to-date performance for 2015 post GST. This was partially offset by 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.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at November 22, 2016.

7. Group Borrowings and Debt Securities

	As at September 30, 2016 RM'000
<u>Short Term Borrowings</u>	
Unsecured and fully denominated in Ringgit Malaysia:	
- Bank borrowing	63,000
- Advances from holding companies	22,682
	<u>85,682</u>

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value 30/09/2016 RM'000	Fair Value 30/09/2016 RM'000
Foreign exchange contracts - less than 1 year	19,993	20,268
Total	<u>19,993</u>	<u>20,268</u>

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

QUARTERLY REPORT

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

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 September 30, 2016 resulting in an unrealized derivative gain of RM 0.3 million.

The unrealized derivative gain as at September 30, 2016 was RM 0.3 million due to the weakening of the MYR after forex contracts were entered into. In total, an unrealized gain on derivative contracts amounting to RM 0.3 million had been charged to the statement of comprehensive income for the 9 months ended September 30, 2016 representing the gain of RM 0.4 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 November 22, 2016.

10. Dividend Proposed or Declared

There was no dividend 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 September 30, 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 nine months ended September 30, 2016 are RM 5,414,000 and RM 37,101,000, 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 nine months ended September 30, 2016 is 157,658,076.

12. Disclosure of Realised and Unrealised Profits

	Current Financial Quarter September 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	318,577	297,843
- Unrealised	3,335	1,946
	<hr/> 321,912	<hr/> 299,789
Consolidated adjustments	13,462	13,462
Total group retained profits as per financial statements	<hr/> 335,374	<hr/> 313,251

By Order of the Board

Chew Ann Nee (MAICSA 7030413)
Company Secretary

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

Petaling Jaya
November 22, 2016