

**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, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND SIX MONTHS ENDED JUNE 30, 2017**

	INDIVIDUAL 2 <sup>ND</sup> QUARTER		CUMULATIVE 2 <sup>ND</sup> QUARTER	
	30/06/2017 Unaudited RM'000	30/06/2016 Unaudited RM'000	30/06/2017 Unaudited RM'000	30/06/2016 Unaudited RM'000
1 Revenue	1,393,697	1,354,890	2,763,365	2,687,687
2 Operating expenses	(1,370,849)	(1,327,242)	(2,726,819)	(2,643,716)
3 Other operating income	942	1,139	2,521	2,117
4 Profit from operations	23,790	28,787	39,067	46,088
5 Finance cost	(1,320)	(1,419)	(3,088)	(3,041)
6 Profit before taxation	22,470	27,368	35,979	43,047
7 Taxation	(6,113)	(6,951)	(9,576)	(11,360)
8 Profit for the period from operations, net of tax	16,357	20,417	26,403	31,687
10 Net profit for the period	16,357	20,417	26,403	31,687
11 Other comprehensive income :				
- Currency translation differences arising from consolidation	(9)	20	-	(12)
12 Total comprehensive income	16,348	20,437	26,403	31,675
13 Net profit attributable to owners of the parent	16,357	20,417	26,403	31,687
14 Total comprehensive income attributable to owners of the parent	16,348	20,437	26,403	31,675
15 Earnings per share (EPS) based on item 13 above (See Note 1 below)				
(i) EPS attributable to owners of parent	10.37	12.95	16.75	20.10

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, 2016 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 six months ended June 30, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2017**

	30/06/2017 Unaudited RM'000	31/12/2016 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	28,767	31,664
Intangible assets	201	621
Deferred tax assets	3,590	3,740
Other receivable	731	974
	<u>33,289</u>	<u>36,999</u>
2 Current Assets		
Inventories	583,614	603,162
Trade and other receivables	1,251,961	1,096,999
Derivative financial instrument	-	313
Deposits, bank and cash balances	17,168	125,871
	<u>1,852,743</u>	<u>1,826,345</u>
3 Total Assets	<u><b>1,886,032</b></u>	<u><b>1,863,344</b></u>
4 Equity		
Ordinary share capital	182,172	157,658
Share premium	-	24,514
Foreign currency translation reserve	175	175
Retained earnings	360,165	348,740
Equity attributable to owners of parent	<u>542,512</u>	<u>531,087</u>
Non controlling interest	-	-
	<u><b>542,512</b></u>	<u><b>531,087</b></u>
5 Current Liabilities		
Trade and other payables	1,309,127	1,244,252
Derivative financial instrument	162	-
Borrowings	29,821	82,932
Taxation	1,692	2,355
	<u>1,340,802</u>	<u>1,329,539</u>
6 Non Current Liabilities		
Long term liabilities	2,718	2,718
	<u>2,718</u>	<u>2,718</u>
7 Total Liabilities	<u><b>1,343,520</b></u>	<u><b>1,332,257</b></u>
8 Total Equity and Liabilities	<u><b>1,886,032</b></u>	<u><b>1,863,344</b></u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>2.9780</u>	<u>3.3686</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, 2016 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 six months ended June 30, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED JUNE 30, 2017**

	Issued and fully paid ordinary shares of RM1.00 each		Attributable to owners of the parent			Total Equity
			Non-distributable		Distributable	
			Share premium on ordinary shares	Foreign currency translation reserve	Accumulated profits	
	No of shares	Nominal value	RM'000	RM'000	RM'000	RM'000
	000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>SIX MONTHS ENDED JUNE 30, 2017</u>						
At January 1, 2017	157,658	157,658	24,514	175	348,740	531,087
Total comprehensive income for the period	-	-	-	-	26,403	26,403
Transition to no-par value regime (Note a)	-	24,514	(24,514)	-	-	-
Dividends	-	-	-	-	(14,978)	(14,978)
At June 30, 2017	157,658	182,172	-	175	360,165	542,512
<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

Note a : In accordance with Section 74 of the Companies Act 2016, the Company's shares no longer have a par or nominal value with effect from January 31, 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. In the accordance with the transitional provisions under Section 618 of the Companies Act, 2016, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have twenty four months upon the commencement of the Companies Act, 2016 to utilise the credit. During the financial period, the Company has utilized none of the credit of the share premium account which have now become part of the share capital.

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, 2016 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 six months ended June 30, 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR SIX MONTHS ENDED JUNE 30, 2017**

	30/06/17 Unaudited RM'000	30/06/16 Unaudited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	35,979	43,047
Adjustments for non-cash items:		
Depreciation	4,510	4,778
Amortization of trademark	420	502
Unrealised derivative losses	470	101
Gain on disposal of property, plant and equipment	(2)	(142)
Interest income	(84)	(303)
Interest expenses	3,088	3,041
Net (write back)/allowance for impairment of trade receivables	(975)	5,103
Inventories written off	4,064	3,697
Net allowance/(write back) of inventory obsolescence	407	(194)
Net unrealised foreign exchange (gain)/loss	(184)	348
Operating cash flows before changes in working capital	<u>47,693</u>	<u>59,978</u>
Changes in working capital:		
Inventories	15,077	2,193
Trade and other receivables	(154,552)	(131,776)
Trade and other payables	50,696	96,475
	<u>(88,779)</u>	<u>(33,108)</u>
Interest paid	(3,147)	(3,016)
Interest received	84	303
Tax paid	(9,281)	(5,592)
<b>Net cash flows (used in)/generated from operating activities</b>	<u><b>(53,430)</b></u>	<u><b>18,565</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,176)	(4,435)
Proceed from disposal of property, plant and equipment	14	224
<b>Net cash flows used in investing activities</b>	<u><b>(2,162)</b></u>	<u><b>(4,211)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment	(53,111)	(21,168)
<b>Net cash flows used in financing activities</b>	<u><b>(53,111)</b></u>	<u><b>(21,168)</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>(108,703)</b>	<b>(6,814)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,871	106,905
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	<u><b>17,168</b></u>	<u><b>100,091</b></u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	17,168	100,091
	<u>17,168</u>	<u>100,091</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, 2016 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 six months ended June 30, 2017

The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Six Months Ended June 30, 2017</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Total revenue	1,352,807	1,382,565	27,993	2,763,365
<b>Results</b>				
Segment result	24,565	14,784	(282)	39,067
Finance cost				(3,088)
Taxation				(9,576)
Profit for the financial year				<u>26,403</u>
 <b>As at June 30, 2017</b>				
<b>Other Information</b>				
Segment assets	983,562	823,795	24,498	1,831,855
Unallocated assets				54,177
Total assets				<u>1,886,032</u>
Segment liabilities	(516,748)	(683,831)	(3,153)	(1,203,732)
Unallocated liabilities				(139,788)
Total liabilities				<u>(1,343,520)</u>
Capital expenditure	430	495	699	1,624
Depreciation	869	1,208	2,433	4,510
Net allowance/(write back) of doubtful debts	(5)	(983)	13	(975)
Inventories written off	3,344	720	-	4,064

**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

The figures have not been audited

**SEGMENTAL INFORMATION**

<u>For the Six Months Ended June 30, 2016</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</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>

<u>As at June 30, 2016</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<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
Net allowance/(write back) of doubtful debts	126	4,977	-	5,103
Inventories written off/(written back)	3,896	(199)	-	3,697

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(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**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 9, 2017.

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

The unaudited condensed consolidated interim financial statements for the current quarter and six months ended June 30, 2017 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, 2016.

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, 2016. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2017, 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, 2016 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 June 30, 2017.

**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, 2017.

**9. Segment Information**

The Group's segmental information for the financial six months ended June 30, 2017 and June 30, 2016 is presented separately in this interim financial report.

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(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Profit before Tax from Operations**

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

	Current quarter ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,248	2,388	4,510	4,778
Amortization of trademark	169	251	420	502
Loss/(gain) on derivatives	123	(1,733)	470	101
Rental income	(320)	(256)	(619)	(501)
Interest income	(16)	(129)	(84)	(303)
Interest expenses	1,320	1,419	3,088	3,041
Gain on disposal of property, plant and equipment	(2)	(79)	(2)	(142)
Net (write back)/Allowance for impairment of trade receivables	(583)	4,738	(975)	5,103
Inventories written off	2,085	2,347	4,064	3,697
Net allowance/(reversal) of inventory obsolescence	403	(403)	407	(194)
Net unrealized foreign exchange (gain)/loss	(1,173)	26	(184)	348
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 six months ended June 30, 2017.

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

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**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 six months ended June 30, 2017 and June 30, 2016, as well as the balances with the related parties as at June 30, 2017 and June 30, 2016:

	Current six months ended June 30, 2017 RM'000	Preceding six months ended June 30, 2016 RM'000	Intercompany balances - due from/(to) as at	
			June 30, 2017 RM'000	June 30, 2016 RM'000
<b>Sale of goods and services:</b>				
- related company (goods)	1,220	1,024	502	380
- related company (rental)	314	501	117	-
- related company (cost sharing)	238	182	87	-
- related company (human resource and information technology charges)	370	283	73	55
	<u>2,142</u>	<u>1,990</u>	<u>779</u>	<u>435</u>
<b>Purchase of goods and services:</b>				
- related company (goods)	8,523	31,082	(2,006)	(10,911)
- related company (management fee)	2,312	2,426	(1,285)	(1,291)
- related company (information technology charges)	7,841	7,126	(392)	(536)
- other related party (rental)	-	4,590	-	-
<b>Others (interest):</b>				
- immediate holding company	589	239	(64)	(49)
- intermediate holding company	206	194	(35)	(32)
- related company	-	-	-	-
	<u>19,471</u>	<u>45,657</u>	<u>(3,782)</u>	<u>(12,819)</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, 2017.

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

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**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, 2017 and up to August 9, 2017.

**16. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at June 30, 2017 are as follows:

	RM'000
Contracted	1,143
Analyzed as follows:	
- Property, plant and equipment	<u>1,143</u>

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

## **QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

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

#### **ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – SIX MONTHS ENDED JUNE 30, 2017**

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

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

###### **Quarterly**

Revenues for the quarter grew by 2.9% from RM 1.35 billion to RM 1.39 billion as compared to the second quarter of 2016, while increasing by 1.8% from RM 1.37 billion in the first quarter of 2017. This revenue growth results from underlying organic growth in existing clients.

Operating costs for the quarter increased by 3.3% from RM 1.33 billion to RM 1.37 billion as compared to second quarter of 2016, while they similarly grew by 1.1% from RM 1.36 billion in the preceding first quarter of 2017. The cost increases for the quarter grew slower than revenue due to a change in product mix which led a reduced increase in cost of goods sold.

Profit before tax for the quarter declined by 17.9% compared to the similar quarter of 2016. However as compared to the preceding first quarter of 2017, there was an improvement of 66.3% due to favorable product mix for the quarter relating to festive in-market sales.

###### **Year-to-date**

Revenues grew by 2.8% from RM 2.69 billion to RM 2.76 billion as compared to 2016. This revenue growth results from underlying organic growth in existing clients.

Operating costs increased by 3.1% from RM 2.64 billion to RM 2.73 billion as compared to 2016. These cost increases were largely in line with the revenue growth listed above. There was a change in product mix in the first quarter which led to a corresponding small increase in cost of goods sold and a small additional increase from temporary warehousing that was required for seasonal stocking.

Profit before tax declined by 16.4% as compared to 2016. The lower profit before tax performance is a result of the change in product mix and temporary additional warehousing cost mentioned above

#### **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.

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(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Quarterly**

Revenues for the quarter were RM 687.7 million, which were 1.1% below revenues of RM 695.3 million in the corresponding second quarter of 2016, and 3.4% higher than the RM 665.1 million revenues of the preceding first quarter of 2017. This segment's revenues grew due to organic growth of existing clients but was below 2016 as festive sales performed below last year.

The operating result for the quarter was RM 15.9 million, which was 23.4% below the same second quarter of 2016 but was above the preceding first quarter of 2017 by 83.2%. The reduction in operating result against the second quarter of 2016 reflects a product mix shift and temporary additional warehousing costs which were not present in 2016 whereas the improvement over the preceding quarter was due to favorable sales mix with the onset of festive period sales.

**Year-to-date**

Revenues for 2017 were RM 1.35 billion, which were 0.9% below revenues of RM 1.37 billion in 2016. This segment's revenues grew due to organic growth of existing clients but were slightly down on prior year due to timing of Chinese New Year with 2017 earlier than 2016, which resulted in more seasonal sales being captured in the fourth quarter of 2016.

The operating result for 2017 was RM 24.6 million, which was 26.9% below 2016. The reduction in operating result reflects a product mix shift in the first quarter and temporary additional warehousing costs which were not present in 2016.

**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.

**Quarterly**

Revenues for the quarter grew by 7.0% compared to the second quarter of 2016, increasing from RM 646.4 million to RM 691.6 million, while improving by 0.1% against those of the preceding first quarter of 2017 which was RM 691.0 million. The growth in revenue was organic in both the Healthcare and Telecommunications areas of the segment.

The operating result for the quarter was RM 7.9 million, which was a 13.2% decrease on RM 9.1 million reported for 2016 due to one-off accounting adjustments in 2016. As compared to preceding first quarter of 2017, there was a 15.5% increase on favourable sales mix and continued gains from operational efficiencies.

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(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Year-to-date**

Revenues for 2017 grew by 6.6% compared to 2016, increasing from RM 1.30 billion to RM 1.38 billion. The growth in revenue was organically driven.

The operating result for 2017 was RM 14.8 million, which is a 1.7% increase on 2016. The result against prior year reflects the revenue growth and improved cost efficiency.

**Others segment**

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

**Quarterly**

Revenues for the quarter grew by 9.5% from RM 13.1 million to RM 14.4 million as compared to second quarter 2016 and increased by 5.2% on the preceding first quarter of 2017. The improvement in revenue against prior year reflects improving consumer demand, while the improvement from the preceding quarter is due to normal seasonal flows which create much larger festive sales in the current quarter. At the end of the second quarter of 2017, Famous Amos operated 80 outlets nationwide.

The operating result for the second quarter of 2017 was RM 0.0 million, which represents a RM 1.1 million improvement on the corresponding second quarter of 2016 and a RM 0.3 million reduction on the preceding first quarter of 2017. The improvement on the corresponding quarter of 2016 is due to improved revenue while the improvement against the preceding first quarter of 2017 relates to seasonal revenue fluctuations.

**Year-to-date**

Revenues were RM 28.0 million in 2017 which increased by 9.5% against 2016. The improvement in revenue against prior year reflects improving consumer demand.

The operating result for 2017 was RM -0.3 million, which represents a RM 1.8 million improvement on 2016. The improvement is due to improved revenue and continuing cost efficiencies.

**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 2017 compared to the first quarter of 2017.

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(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**3. Prospects**

The Group takes a cautious outlook on 2017. Market conditions have remained variable and are expected to continue this way for the remainder of 2017. Costs were relatively stable in the first quarter and are expected to remain stable throughout 2017.

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.

**5. Taxation**

	Quarter ended June 30, 2017	Quarter ended June 30, 2016	Six months ended June 30, 2017	Six Months ended June 30, 2016
	RM'000	RM'000	RM'000	RM'000
Current year	5,950	6,760	9,334	11,705
Deferred tax	163	191	242	(345)
	<u>6,113</u>	<u>6,951</u>	<u>9,576</u>	<u>11,360</u>

The effective tax rate for the six months ended June 30, 2017 was comparable to similar period last year whereas on a quarterly comparison, the current quarter's effective tax rate was higher due to tax adjustment in respect prior year.

**6. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at August 9, 2017.

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

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Group Borrowings and Debt Securities**

	As at June 30, 2017 RM'000
<u>Short Term Borrowings</u>	
Unsecured and fully denominated in Ringgit Malaysia:	
- Bank borrowing	729
- Advances from holding companies	29,092
	29,821

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional Value 30/06/2017 RM'000	Fair Value 30/06/2017 RM'000
Foreign exchange contracts		
- less than 1 year	34,203	34,041
<b>Total</b>	<b>34,203</b>	<b>34,041</b>

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, 2017 resulting in an unrealized derivative loss of RM 0.2 million.

The unrealized derivative loss was due to the slight strengthening of the MYR against USD and THB after forex contracts were entered. In total, an unrealized loss on derivative contracts amounting to RM 0.5 million had been charged to the statement of comprehensive income for the six months ended June 30, 2017 from the reversal of the gain on unrealized derivative gain of RM 0.3 million on the outstanding contracts at balance sheet date last year and MYR 0.2 million for the current year.



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

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. Changes in Material Litigation**

There is no material litigation as at August 9, 2017.

**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, 2016 (2015: final single tier dividend of 9.5 sen per ordinary share) was approved by shareholders at the Twenty-Five Annual General Meeting of the Company held on May 23, 2017 and paid on July 13, 2017.

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

**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 six months ended June 30, 2017 are RM 16,357,000 and RM 26,403,000 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 six months ended June 30, 2017 is 157,658,076.

**12. Auditors' report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended December 31, 2016.

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

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter ended June 30, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**13. Disclosure of Realised and Unrealised Profits**

	Current Financial Quarter June 30, 2017 RM'000	As at the end of preceding Financial Year December 31, 2016 RM'000
Total retained profits of DKSH Holdings (Malaysia) Berhad and its subsidiaries:		
- Realised	344,178	332,290
- Unrealised	2,525	2,988
	<hr/> 346,703	<hr/> 335,278
Consolidated adjustments	13,462	13,462
<b>Total group retained profits as per financial statements</b>	<hr/> <b>360,165</b>	<hr/> <b>348,740</b>

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)  
Company Secretary

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

Petaling Jaya  
August 9, 2017