

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, 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2017

	INDIVIDUAL 3 RD QUARTER		CUMULATIVE 3RD QUARTER	
	30/09/2017 Unaudited RM'000	30/09/2016 Unaudited RM'000	30/09/2017 Unaudited RM'000	30/09/2016 Unaudited RM'000
1 Revenue	1,369,985	1,256,938	4,133,350	3,944,625
2 Operating expenses	(1,356,961)	(1,252,416)	(4,083,780)	(3,896,132)
3 Other operating income	2,582	4,747	5,103	6,864
4 Profit from operations	15,606	9,269	54,673	55,357
5 Finance cost	(1,815)	(1,579)	(4,903)	(4,620)
6 Profit before taxation	13,791	7,690	49,770	50,737
7 Taxation	(3,803)	(2,276)	(13,379)	(13,636)
8 Profit for the period from operations, net of tax	9,988	5,414	36,391	37,101
10 Net profit for the period	9,988	5,414	36,391	37,101
11 Other comprehensive income :				
- Currency translation differences arising from consolidation	(3)	10	(3)	(2)
12 Total comprehensive income	9,985	5,424	36,388	37,099
13 Net profit attributable to owners of the parent	9,988	5,414	36,391	37,101
14 Total comprehensive income attributable to owners of the parent	9,985	5,424	36,388	37,099
15 Earnings per share (EPS) based on item 13 above (See Note 1 below)				
(i) EPS attributable to owners of parent	6.34	3.43	23.08	23.53

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.

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

	30/09/2017 Unaudited RM'000	31/12/2016 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	28,408	31,664
Intangible assets	193	621
Deferred tax assets	3,747	3,740
Other receivable	731	974
	<u>33,079</u>	<u>36,999</u>
2 Current Assets		
Inventories	605,925	603,162
Trade and other receivables	1,280,632	1,096,999
Derivative financial instrument	-	313
Deposits, bank and cash balances	9,732	125,871
	<u>1,896,289</u>	<u>1,826,345</u>
3 Total Assets	<u>1,929,368</u>	<u>1,863,344</u>
4 Equity		
Ordinary share capital	182,172	157,658
Share premium	-	24,514
Foreign currency translation reserve	172	175
Retained earnings	370,153	348,740
Equity attributable to owners of parent	<u>552,497</u>	<u>531,087</u>
Non controlling interest	-	-
	<u>552,497</u>	<u>531,087</u>
5 Current Liabilities		
Trade and other payables	1,222,146	1,244,252
Derivative financial instrument	300	-
Borrowings	150,323	82,932
Taxation	1,384	2,355
	<u>1,374,153</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>1,376,871</u>	<u>1,332,257</u>
8 Total Equity and Liabilities	<u>1,929,368</u>	<u>1,863,344</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.5044</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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED SEPTEMBER 30, 2017

	Issued and fully paid ordinary shares of RM1.00 each		Attributable to owners of the parent			Total Equity
			Non-distributable		Distributable	RM'000
			Share premium on ordinary shares	Foreign currency translation reserve	Accumulated profits	
No of shares 000	Nominal value RM'000	RM'000	RM'000	RM'000	RM'000	
<u>NINE MONTHS ENDED SEPTEMBER 30, 2017</u>						
At January 1, 2017	157,658	157,658	24,514	175	348,740	531,087
Total comprehensive income for the period	-	-	-	(3)	36,391	36,388
Transition to no-par value regime (Note a)	-	24,514	(24,514)	-	-	-
Dividends	-	-	-	-	(14,978)	(14,978)
At SEPTEMBER 30, 2017	157,658	182,172	-	172	370,153	552,497
<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

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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2017**

	30/09/17 Unaudited RM'000	30/09/16 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	49,770	50,737
Adjustments for non-cash items:		
Depreciation	6,845	7,190
Amortization of trademark	428	752
Unrealised derivative losses/(gain)	600	(321)
Gain on disposal of property, plant and equipment	(49)	(144)
Interest income	(116)	(413)
Interest expenses	4,903	4,620
Net (write back)/allowance for impairment of trade receivables	(1,077)	14,823
Inventories written off	6,603	5,667
Net allowance of inventory obsolescence	1,496	16
Net unrealised foreign exchange gain	(1,338)	-
Currency translation differences arising from consolidation	-	(2)
Operating cash flows before changes in working capital	<u>68,065</u>	<u>82,925</u>
Changes in working capital:		
Inventories	(10,862)	(50,107)
Trade and other receivables	(183,130)	(53,572)
Trade and other payables	(20,150)	(39,285)
	<u>(214,142)</u>	<u>(142,964)</u>
Interest paid	(4,958)	(4,613)
Interest received	116	413
Tax paid	(13,540)	(9,251)
Net cash flows used in operating activities	<u>(164,459)</u>	<u>(73,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,157)	(6,549)
Proceed from disposal of property, plant and equipment	64	304
Net cash flows used in investing activities	<u>(4,093)</u>	<u>(6,245)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(repayment)	67,391	(2,518)
Dividend paid	(14,978)	(14,978)
Net cash flows used in financing activities	<u>52,413</u>	<u>(17,496)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	<u>(116,139)</u>	<u>(97,231)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,871	106,905
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u>9,732</u>	<u>9,674</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	9,732	9,674
	<u>9,732</u>	<u>9,674</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.

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Quarterly report on consolidated results for the financial quarter and nine months ended September 30, 2017

The figures have not been audited

SEGMENTAL INFORMATION

	<u>Marketing & Distribution</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>
<u>For the Nine Months Ended September 30, 2017</u>	<u>Services</u> RM'000	<u>Services</u> RM'000	RM'000	RM'000
Revenue				
Total revenue	1,991,661	2,103,009	38,680	4,133,350
Results				
Segment result	31,442	24,425	(1,194)	54,673
Finance cost				(4,903)
Taxation				(13,379)
Profit for the financial year				<u>36,391</u>
<u>As at September 30, 2017</u>				
Other Information				
Segment assets	979,767	858,164	24,628	1,862,559
Unallocated assets				66,809
Total assets				<u>1,929,368</u>
Segment liabilities	(473,416)	(646,884)	(2,728)	(1,123,028)
Unallocated liabilities				(253,843)
Total liabilities				<u>(1,376,871)</u>
Capital expenditure	1,250	1,223	1,132	3,605
Depreciation	1,358	1,849	3,638	6,845
Net allowance/(write back) of doubtful debts	224	(1,314)	13	(1,077)
Inventories written off	5,667	936	-	6,603

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The figures have not been audited

SEGMENTAL INFORMATION

<u>For the Nine Months Ended September 30, 2016</u>	<u>Marketing &</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>	
	<u>Distribution</u>	<u>Services</u>			<u>Services</u>
	<u>Services</u>	<u>Services</u>			<u>Services</u>
	RM'000	RM'000	RM'000	RM'000	
Revenue					
Total revenue	2,009,252	1,898,488	36,885	3,944,625	
Results					
Segment result	43,554	15,797	(3,994)	55,357	
Finance cost				(4,620)	
Taxation				(13,636)	
Profit for the financial year				<u>37,101</u>	

<u>As at September 30, 2016</u>	<u>Marketing &</u>	<u>Logistics</u>	<u>Others</u>	<u>Consolidated</u>	
	<u>Distribution</u>	<u>Services</u>			<u>Services</u>
	<u>Services</u>	<u>Services</u>			<u>Services</u>
	RM'000	RM'000	RM'000	RM'000	
Other Information					
Segment assets	917,364	828,345	26,943	1,772,652	
Unallocated assets				31,236	
Total assets				<u>1,803,888</u>	
Segment liabilities	(451,908)	(640,735)	(1,728)	(1,094,371)	
Unallocated liabilities				(191,817)	
Total liabilities				<u>(1,286,188)</u>	
Capital expenditure	987	1,898	2,684	5,569	
Depreciation	(1,308)	(1,871)	(4,011)	(7,190)	
Net allowance/(write back) of doubtful debts	392	14,431	-	14,823	
Inventories written off/(written back)	5,613	54	-	5,667	

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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 October 31, 2017.

2. Accounting Policies and Basis of Preparation

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Material Changes in Estimates

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

7. Changes in Debt and Equity Securities

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

8. Dividend Paid

The following dividend payment was made during the period ended September 30, 2017:

	RM'000
In respect of the financial year ended December 31, 2016:	
- Final single tier dividend of 9.5 sen per share paid on July 13, 2017	14,978

9. Segment Information

The Group's segmental information for the financial nine months ended September 30, 2017 and September 30, 2016 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 operations:

	Current quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,335	2,412	6,845	7,190
Amortization of trademark	8	250	428	752
Loss/(gain) on derivatives	130	(422)	600	(321)
Rental income	(323)	(267)	(942)	(768)
Interest income	(32)	(110)	(116)	(413)
Interest expenses	1,815	1,579	4,903	4,620
Gain on disposal of property, plant and equipment	(47)	(2)	(49)	(144)
Net (write back)/Allowance for impairment of trade receivables	(102)	9,720	(1,077)	14,823
Inventories written off	2,539	1,970	6,603	5,667
Net allowance/(reversal) of inventory obsolescence	1,089	210	1,496	16
Net unrealized foreign exchange (gain)/loss	(1,154)	(348)	(1,338)	-
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 nine months ended September 30, 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Changes in the Composition of the Group

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

14. Related Party Disclosures

The following table provides information on significant transactions which have been entered into with related parties during nine months ended September 30, 2017 and September 30, 2016, as well as the balances with the related parties as at September 30, 2017 and September 30, 2016:

	Current nine months ended September 30, 2017 RM'000	Preceding nine months ended September 30, 2016 RM'000	Intercompany balances - due from/(to) as at	
			September 30, 2017 RM'000	September 30, 2016 RM'000
Sale of goods and services:				
- related company (goods)	1,466	1,734	157	291
- related company (rental)	478	768	117	-
- related company (cost sharing)	340	296	80	-
- related company (human resource and information technology charges)	554	425	72	56
	<u>2,838</u>	<u>3,223</u>	<u>426</u>	<u>347</u>
Purchase of goods and services:				
- related company (goods)	13,640	46,249	(1,833)	(10,193)
- related company (management fee)	3,700	3,633	(1,368)	(1,246)
- related company (information technology charges)	11,686	10,983	(76)	(310)
- other related party (rental)	-	6,885	-	-
Others (interest):				
- immediate holding company	847	337	(77)	(30)
- intermediate holding company	299	293	(26)	(34)
- related company	-	-	-	-
	<u>30,172</u>	<u>68,380</u>	<u>(3,380)</u>	<u>(11,813)</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, 2017.

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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 September 30, 2017 and up to October 31, 2017.

16. Capital Commitments

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

	RM'000
Contracted	1,966
Analyzed as follows:	
- Property, plant and equipment	1,966

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – NINE MONTHS ENDED SEPTEMBER 30, 2017
(II) Compliance with Appendix 9B of the Listing Requirements
1. Review of Performance

	Individual 3 rd Quarter				Immediate Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2017	30/09/2016	Changes		30/06/2017	Changes		30/09/2017	30/09/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,369,985	1,256,938	113,047	9.0%	1,393,697	(23,712)	(1.7%)	4,133,350	3,944,625	188,725	4.8%
Operating profit	15,606	9,269	6,337	68.4%	23,790	(8,184)	(34.4%)	54,673	55,357	(684)	(1.2%)
Profit before interest and tax	15,606	9,269	6,337	68.4%	23,790	(8,184)	(34.4%)	54,673	55,357	(684)	(1.2%)
Profit before tax	13,791	7,690	6,101	79.3%	22,470	(8,679)	(38.6%)	49,770	50,737	(967)	(1.9%)
Profit after tax	9,988	5,414	4,574	84.5%	16,357	(6,369)	(38.9%)	36,391	37,101	(710)	(1.9%)
Profit attributable to owners of the parent	9,988	5,414	4,574	84.5%	16,357	(6,369)	(38.9%)	36,391	37,101	(710)	(1.9%)

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**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD – NINE MONTHS ENDED SEPTEMBER 30, 2017**

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

1. Review of Performance (continued)

Quarterly

Revenues for the quarter increased by 9.0% from RM 1.26 billion to RM 1.37 billion as compared to the third quarter of 2016 while they declined by 1.7% from RM 1.39 billion to RM 1.37 billion as compared to the second quarter of 2017. The increase in comparison to prior year is due to organic growth in existing clients while the revenue reduction in comparison to the previous quarter is primarily related to a lack of festive periods in the third quarter.

Operating costs for the quarter decreased by 1.0% from RM 1.37 billion to RM 1.36 billion as compared to the second quarter of 2017, while they grew by 8.3% from RM 1.25 billion from the corresponding third quarter of 2016. The costs moved largely in line with revenue movements.

Profit before tax for the quarter improved by 79.3% compared to the similar quarter of 2016 due to organic growth in revenue, a stable operating cost base, and a one-off accounting adjustment that was included in the third quarter of 2016. However as compared to the preceding second quarter of 2017, there was a reduction of 38.6% due primarily to the lack of festive periods in the third quarter.

Year-to-date

Revenues grew by 4.8% from RM 3.94 billion to RM 4.13 billion as compared to 2016. This revenue growth results from underlying organic growth in existing clients.

Operating costs increased by 4.8% from RM 3.90 billion to RM 4.08 billion as compared to 2016. These cost increases were 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 1.9% 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. The year-to-date profit before tax comparison has improved due to the stronger third quarter of 2017, relative to the third quarter of 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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.

	Individual 3 rd Quarter				Immediate Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2017	30/09/2016	Changes		30/06/2017	Changes		30/09/2017	30/09/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	638,854	644,072	(5,218)	(0.8%)	687,736	(48,882)	(7.1%)	1,991,661	2,009,252	(17,591)	(0.9%)
Segment results	6,877	9,962	(3,085)	(31.0%)	15,890	(9,013)	(56.7%)	31,442	43,554	(12,112)	(27.8%)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketing and Distribution segment (continued)

Quarterly

Revenues for the quarter were RM 638.9 million, which were 0.8% below revenues of RM 644.1 million in the corresponding third quarter of 2016, and 7.1% lower than the RM 687.7 million revenues of the preceding second quarter of 2017. This segment's revenues were below prior year due to the continued challenge of weak demand in the consumer goods segment and were below prior quarter due the lack of festive periods in the third quarter.

The operating result for the quarter was RM 6.9 million, which was 31.0% below the same third quarter of 2016 and below the preceding second quarter of 2017 by 56.7%. The reduction in operating result against the third quarter of 2016 reflects a product mix shift, ongoing temporary additional warehousing costs which were not present in 2016, and a continued weak consumer demand whereas the decrease from the preceding quarter was primarily due to the lack of festive period sales during the quarter.

Year-to-date

Revenues for 2017 were RM 1.99 billion, which were 0.9% below revenues of RM 2.01 billion in 2016. This segment's revenues remain 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, as well as ongoing weak consumer demand.

The operating result for 2017 was RM 31.4 million, which was 27.8% 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.

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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.

	Individual 3 rd Quarter				Immediate Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2017	30/09/2016	Changes		30/06/2017	Changes		30/09/2017	30/09/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	720,444	601,550	118,894	19.8%	691,607	28,837	4.2%	2,103,009	1,898,488	204,521	10.8%
Segment results	9,641	1,259	8,382	665.8%	7,924	1,717	21.7%	24,425	15,797	8,628	54.6%

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Logistics segment (continued)

Quarterly

Revenues for the quarter grew by 19.8% compared to the third quarter of 2016, increasing from RM 601.6 million to RM 720.4 million, while improving by 4.2% against those of the preceding second quarter of 2017 which was RM 691.6 million. The growth in revenue was organic in both the Healthcare and Telecommunications areas of the segment and does not have a festive period effect as the products in this segment are not seasonal.

The operating result for the quarter was RM 9.6 million, which was a 665.8% increase on RM 1.3 million reported for 2016 due to strong revenue growth in 2017 and a one-off accounting adjustment in 2016. As compared to the preceding second quarter of 2017, there was a 21.7% increase due to organic growth and continued gains from operational efficiencies.

Year-to-date

Revenues for 2017 grew by 10.8% compared to 2016, increasing from RM 1.90 billion to RM 2.10 billion. The growth in revenue was organically driven.

The operating result for 2017 was RM 24.4 million, which is a 54.6% increase on 2016. The result against prior year reflects the revenue growth, improved cost efficiency, and a one-off accounting adjustment in 2016.

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Others segment

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

	Individual 3 rd Quarter				Immediate Preceding 2 nd Quarter			Cumulative 3 rd Quarter			
	30/09/2017	30/09/2016	Changes		30/06/2017	Changes		30/09/2017	30/09/2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	10,687	11,316	(629)	(5.6%)	14,354	(3,667)	(25.5%)	38,680	36,885	1,795	4.9%
Segment results	(912)	(1,952)	1,040	53.3%	(24)	(888)	(3700.0%)	(1,194)	(3,994)	2,800	70.1%

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Others segment (continued)

Quarterly

Revenues for the quarter reduced by 5.6% from RM 11.3 million to RM 10.7 million as compared to third quarter of 2016 and decreased by 25.5% on the preceding second quarter of 2017. The reduction in revenue against prior year reflects the reduction in total outlets as compared to the corresponding quarter of 2016. Revenue on a per store basis continued to grow. The reduction in revenues against the preceding quarter relates to a lack of festive period during the third quarter, which is the opposite of the second quarter which included the Hari Raya festive period. At the end of the third quarter of 2017, Famous Amos operated 81 outlets nationwide.

The operating result for the third quarter of 2017 improved by RM 1.0 million on the corresponding quarter of 2016 and reduced by RM 0.9 million on the preceding second quarter of 2017. The improvement on the corresponding quarter of 2016 is due to improved cost control while the reduction against the preceding second quarter of 2017 relates to seasonal revenue fluctuations.

Year-to-date

Revenues were RM 38.7 million in 2017 which increased by 4.9% against 2016. The improvement in revenue against prior year reflects improving consumer demand, despite a reduction in overall outlets.

The operating result for 2017 was RM -1.2 million, which represents a RM 2.8 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 third quarter of 2017 compared to the second quarter of 2017.

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3. Prospects

The Group continues to take a cautious outlook on 2017. Market conditions have remained variable and are expected to continue this way for the remainder of 2017. Costs remain relatively stable and are not expected to significantly change for the remainder of 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 September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine Months ended September 30, 2016
	RM'000	RM'000	RM'000	RM'000
Current year	3,958	3,074	13,292	14,779
Deferred tax	(155)	(798)	87	(1,143)
	<u>3,803</u>	<u>2,276</u>	<u>13,379</u>	<u>13,636</u>

The effective tax rate for the nine months ended September 30, 2017 was comparable to similar period last year whereas on a quarterly comparison, the current quarter's effective tax rate was lower as compared to similar quarter last year as 2016 was affected by an adjustment for under accrual in respect of Year of Assessment (YA) 2015. Similarly, when comparing current quarter versus preceding quarter, current quarter was higher due to under accrual YA 2016.

6. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at October 31, 2017.

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7. Group Borrowings and Debt Securities

	As at Sep 30, 2017 RM'000	As at Sep 30, 2016 RM'000
<u>Short Term Borrowings</u>		
Unsecured and fully denominated in Ringgit Malaysia:		
- Bank borrowing	122,431	63,000
- Advances from holding companies	27,892	22,682
<u>Long Term Borrowings</u>		
	-	-
Total borrowings	150,323	85,682

8. Disclosure of Derivatives

Type of derivatives	Contract / Notional Value 30/09/2017 RM'000	Fair Value 30/09/2017 RM'000
Foreign exchange contracts		
- less than 1 year	24,848	24,548
Total	24,848	24,548

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, 2017 resulting in an unrealized derivative loss of RM 0.3 million.

The unrealized derivative loss was due to the slight strengthening of the MYR after forex contracts were entered. In total, an unrealized loss on derivative contracts amounting to RM 0.6 million had been charged to the statement of comprehensive income for the nine months ended September 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 RM 0.3 million for the current year.

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9. Changes in Material Litigation

There is no material litigation as at October 31, 2017.

10. Dividend Proposed or Declared

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 nine months ended September 30, 2017 are RM 9,988,000 and RM 36,391,000 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 nine months ended September 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Disclosure of Realised and Unrealised Profits

	Current Financial Quarter September 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	353,956	332,290
- Unrealised	2,735	2,988
	356,691	335,278
Consolidated adjustments	13,462	13,462
Total group retained profits as per financial statements	370,153	348,740

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)
Company Secretary

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

Petaling Jaya
October 31, 2017