DKSH

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

[formerly known as Diethelm Holdings (Malaysia) Berhad]
(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31 December 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(I) Compliance with FRS 134: Interim Financial Reporting

1. Accounting Policies and Basis of Preparation

The unaudited condensed interim financial statements for the 4th quarter and the financial period ended 31 December 2008 have been prepared in accordance with the FRS134 (Interim Financial Reporting) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2007.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007.

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 31 December 2007 was not qualified.

4. Seasonal or Cyclical Factors

The Group's principal activities are the distribution of fast moving consumer and healthcare products. Consequently, sales and contributions are influenced by the festive seasons of Hari Raya, Christmas, Chinese New Year and Deepavali.

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

Except for the restructuring charge of RM4.2 million incurred as at 31 December 2008, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows.

6. Material Changes in Estimates

The Company has not made any material estimates.

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 final dividend of 3 sen per ordinary share of RM1 each, less 26% tax, for the year ended 31 December 2007 (year ended 31 December 2006 : 3 sen per ordinary share of RM1 each, less 27% tax) was paid on 13 August 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Segment Information

The Group's segmental information for the financial quarters ended 31 December 2008 and 31 December 2007 is presented separately in the file '4Q2008-BursaM-Segmental' attached together with this package.

10. Valuation of Property, Plant and Equipment

Property, plant and equipment, which are stated at revalued amounts, have been brought forward without amendment from the previous annual financial statements.

11. Material Events Subsequent to the end of Financial Period

There were no material events subsequent to the end of the period reported and that have not been reflected in the financial statements for the quarter ended 31 December 2008.

12. Changes in the Composition of the Group

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

13. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended 31 December 2008 and up to 23 February 2009.

14. Capital Commitments

Authorised capital commitments not provided for in this interim financial report as at 31 December 2008 are as follows:

	RM'000
Contracted	434
Not contracted	-
	434
Analysed as follows:	
- Property, plant and equipment	434

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD – 4TH QUARTER ENDED 31 DECEMBER 2008

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

1. Review of performance

For DKSH Holdings (Malaysia) Berhad, the past year was marked by a large-scale restructuring project, unfavourable adjustments to the agency portfolio, the key management change in September, and generally more difficult business conditions, especially in the Fourth Quarter.

Throughout the year, the Company had informed the shareholders on the progress of the restructuring project, which lasted eight months until September. It was initiated after the unsatisfactory performance in 2007 in order to improve profitability and the balance sheet.

In the release to the Third Quarter, the Company had pointed out the slow realisation of the staff adjustments, renewed increases in market hygiene and receivable provisions, general cost hikes, notably for transportation, and slower than expected sales. As a consequence, the Company, following the key management change on 1 September 2008, primarily focussed on the Fast Moving Consumer Goods business. Considerable efforts are being devoted to initiating changes in the traditional business model affecting these activities, however, it must be understood that the adjustment process takes time and does not yield immediate improvements. A lot more work is required, particularly now under adverse external circumstances.

Group sales in the Fourth Quarter amounted to RM 873 million, almost exactly on the same level as during the Fourth Quarter 2007, but a drop of 5.5% from the immediate preceding Third Quarter 2008. Both the Fourth Quarter 2007 and the Fourth Quarter 2008 include the sales of Texchem Consumers Sdn Bhd, which was acquired on 1 June 2007. Cumulative sales in 2008 reached RM 3,623 million, up 7.5% from 2007. Without consideration of the acquisition of Texchem Consumers Sdn Bhd in 2007, the underlying growth rate would have been 8%. 2008 sales were affected by the departure of agencies, either because of supplier acquisitions and mergers, or because of changed priorities either from suppliers or the Company. These departures reduced the 2008 annual sales, and, without these changes, the overall sales growth would have exceeded 10%.

In the Fourth Quarter 2008, the Group achieved an operational profit of RM 19.5 million which exceeded even the significantly improved results of the Third Quarter. Traditionally, the Fourth Quarter has always been the best performer and 2008 was no exception. The Company was able to finalize the restructuring cost, which, for the full year, amounted to RM 4.2 million. The no longer required provisions were written back as were earlier taken receivable provisions after Fourth Quarter improvements to the debtor profile. The full year profit before tax reached RM 9.9 million, 93.5% of the 2007 profit before tax.

Comments to the Performance of the Business Segments

Trading and Logistics Segment

The largest segment, Trading and Logistics, reported quarterly sales of RM 855 million which represented an increase of 0.2% from the Fourth Quarter 2007 and a drop of 5.4% from the preceding Third Quarter 2008 when sales were RM 904 million. Cumulative sales reached RM 3,551 million, a growth of 7.6% over 2007. Again, without consideration of Texchem Consumers Sdn Bhd, acquired on 1 June 2007, the underlying growth rate would have been 8.1%. The cumulative segmental contribution was RM 23.2 million, an improvement of 1.9% over the RM 22.8 million achieved in 2007.

The strong sales performance in the second half of the year is particularly satisfying because it was achieved despite the agency portfolio down-sizing and it underlines the marketing and distribution reach of the Trading and Logistics segment of DKSH Holdings (Malaysia) Berhad. Quite a number of agencies achieved double-digit growth in a generally difficult market.

The restructuring project focussed on the Fast Moving Consumer Goods group in this business segment. In the process, the Company installed electronic tools to reduce the dependency on manual back-office work. The order processing in this group is now mostly performed through the hand-held devices of the sales representatives. The unit has also streamlined its structure and moved from four legal entities into just one, thus taking advantage of synergy resulting from this reorganization.

Throughout the Trading and Logistics segment, particular attention is being paid to the management of the balance sheet, notably receivables and inventory. Credit management was reinforced and the Company has demonstrated its willingness to stop supply even to large customers not meeting their contractual payment terms. This tougher approach has shown positive results and the Company is determined to pursue these measures.

Chemicals Segment

In the Fourth Quarter 2008, the Chemicals segment achieved sales of RM 7 million, 22% below the Fourth Quarter 2007 and 24% below the immediately preceding Third Quarter 2008. Cumulative sales for the full year reached RM 32.8 million, 8.8% below the RM 36 million in 2007. Accordingly, the segmental contribution dropped from RM 2.5 million in 2007 to RM 1.1 million in 2008.

Principal factors affecting sales were the slow-down in the automotive industry, plant shut-down in petrochemicals, departing agencies in the rubber and animal care segments as well as unrealised development projects for plantations. All of this was further exacerbated by the absence of the traditional domestic festive demand surge because of dropping exports. The lower sales volume immediately increased pressure on the cost base and this resulted in the lower segmental contribution.

Food Segment

Fourth Quarter sales reached RM 11 million, a drop of 5% from the strong Fourth Quarter 2007 and a growth of 8% from the immediately preceding Third Quarter 2008. Cumulative sales amounted to RM 38.5 million, an increase of 8.2% over 2007. The segmental contribution was RM 4.9 million, 4.5% above the respective 2007 achievement.

Principal businesses in this segment are The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn Bhd chain and the niche Food Ingredients range. Both have progressed well in 2008 and, especially, Famous Amos strengthened its leadership position in the freshly baked cookie business.

In January 2009, there was an issue concerning contaminated peanut butter in dough imported from the United States. The Company would like to stress that all Famous Amos dough in Malaysia was free of such contamination and this was confirmed by the Ministry of Health which had checked the Company's dough. The focus of Famous Amos is on food safety and there was never any risk for Malaysian customers.

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

The Fourth Quarter traditionally shows the strongest performance in a year and generates the bulk of contribution.

3. Prospects

Expectations are that 2009 will be an increasingly more difficult business environment. While the Company does not foresee significant sales decreases in its main lines of fast moving consumer goods, pharmaceuticals and telephone cards, the focus will be on volumes handled because this determines the main income. With fewer agencies handled since 2008 and the forthcoming departure of Beiersdorf by the end of February 2009, which will result in an important improvement of the balance sheet, the Company's performance will depend on the acquisition of new agencies and cost containment. In 2009, particular attention is on the balance sheet, particularly on receivables and inventory and the Company will make every effort to achieve meaningful reductions.

4. Variance of Actual Profit from Forecast Profit
The Group did not issue any profit forecast or profit guarantee for the year.

5. Taxation

	Qtr Ended 31 December		YTD Qtr Ended 31 December	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current year	1,153	1,112	5,860	6,434
Deferred tax	(1,665)	(1,208)	(1,888)	(845)
	(512)	(96)	3,972	5,589

6. Profits/(Losses) on Sale of Unquoted Investments and/or Properties
There was no sale of unquoted investments and/or properties during the financial quarter.

7. Quoted Securities other than Securities in Existing Subsidiary and Associated Companies
There were no purchases or disposals of quoted and marketable securities during the financial quarter.

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8. Status of Corporate Proposals Announced

On 4 April 2008, AmInvestment Bank Berhad announced on behalf of DKSH Holdings (Malaysia) Berhad that the Securities Commission had approved the extension of time of twelve months from 19 November 2007 to 19 November 2008 for the Company to comply with the Securities Commission's Condition of allocating 30% of the Restricted Shares to Bumiputera investors within 2 years after the completion of the Restricted Issue of 75 million new ordinary shares of RM1.00 each. An application for further extension of time is pending approval from the Securities Commission.

On 30 October 2008, the Company announced its intention to seek the shareholders' approval for the Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with DKSH Field Marketing Sdn Bhd (formerly known as XFactor FMS Sdn Bhd) at the Extraordinary General Meeting. The shareholders' approval was obtained at the Extraordinary General Meeting held on 3 December 2008.

9. Group Borrowings and Debt Securities

Short Term Borrowings

Unsecured and fully denominated in Ringgit Malaysia:

	RM'000
Bankers' acceptances	100,000
Promissory notes	62,712
Term loan due within 12 months	156,666
	319,378

Long Term Borrowings

Unsecured and fully denominated in Ringgit Malaysia:

	RM'000
Fixed rate term loan	11,667
Advances from holding companies	46,942
	58,609

10. Off Balance Sheet Financial Instruments

Hedging Instruments

As at 23 February 2009, the Group has entered into the following foreign exchange forward contracts to hedge its purchases in foreign currencies:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Currency	Contract amount in FCY'000	Date of contarct	Value date of contract	Equivalent value in RM'000
US Dollar	11,306	12.09.08 – 10.02.09	24.02.09 – 05.02.10	40,947
Swiss Franc	590	03.11.08 – 10.12.08	24.02.09 – 20.08.09	1,799
Singapore Dollar	161	14.11.08 – 10.12.08	24.02.09 – 31.03.09	388
Euro	384	29.10.08 – 09.01.09	24.02.09 – 31.03.09	1,800
Australia Dollar	208	29.10.08 – 09.01.09	24.02.09 – 31.03.09	506
Sterling Pound	47	10.10.08 – 14.11.08	24.02.09 – 31.03.09	249
Total				**45,689**

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date, 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 income statement.

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 Group's policy. The Group does not foresee any significant credit and market risks.

11. Changes in Material Litigation

There is no change in material litigation since the last financial year ended 31 December 2007 and up to 23 February 2009.

12. Dividend Proposed or Declared

No interim dividend has been declared by the Board of Directors. A final dividend of 3 sen gross per ordinary share for the year ended 31 December 2007 was approved by the shareholders at the 16th Annual General Meeting of the Company on 12 June 2008 and was subsequently paid to the shareholders on 13 August 2008.

13. Earnings Per Share

(a) The earning used as the numerator in calculating basic and diluted earnings per share for the current quarter and current year-to-date are RM13,478,000 and RM1,250,000.

(b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is 157,658,076.

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The figures have not been audited and are to be read in conjunction with the 2007 annual report.

SEGMENTAL INFORMATION

For the Period Ended 31 December 2008	Trading & Logistics	Chemicals	Food	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
Total Revenue	3,551,195	32,846	38,544	3,622,585
Results				
Segment result	23,221	1,123	4,882	29,226
Finance cost				(19,321)
Profit from ordinary activities before tax				9,905
Tax				(3,972)
Profit from ordinary activities after tax				5,933
Minority interest				(4,683)
Net Profit for the year				1,250
At 31 December 2008				
Other Information				
Segment assets	971,516	12,860	9,428	993,804
Unallocated assets				123,133
Total assets				1,116,937
Segment liabilities	480,756	2,300	1,454	484,510
Unallocated liabilities				471,873
Total liabilities				956,383
Capital expenditure	5,864		1,138	7,002
Depreciation	(11,356)	(151)	(659)	(12,166)

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SEGMENTAL INFORMATION

For the Period Ended 31 December 2007	Trading & Logistics	Chemicals	Food	Consolidated
				AUDITED
	RM'000	RM'000	RM'000	RM'000
Revenue				
Total Revenue	3,300,117	36,014	35,636	3,371,767
Results				
Segment result	22,779	2,525	4,672	29,976
Finance cost				(19,381)
Profit from ordinary activities before tax				10,595
Tax				(5,589)
Profit from ordinary activities after tax				5,006
Minority interest				(3,560)
Net profit for the year				1,446
At 31 December 2007				
Other Information				
Segment assets	1,064,485	15,725	8,878	1,089,088
Unallocated assets				139,265
Total assets				1,228,353
Segment liabilities	491,759	3,347	1,367	496,473
Unallocated liabilities				572,976
Total liabilities				1,069,449
Capital expenditure	10,224	-	746	10,970
Depreciation	(10,700)	(153)	(618)	(11,471)