

**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 March 2009.

### **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 1<sup>st</sup> quarter and the financial period ended 31 March 2009 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 2008.

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 2008.

##### **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 2008.

##### **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 2008 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**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

##### **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**

No dividend was paid in the quarter ended 31 March 2009.

##### **9. Segment Information**

The Group's segmental information for the financial quarters ended 31 March 2009 and 31 March 2008 is presented separately in the file '1Q2009-BursaM-Segmental' attached together with this package.

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**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 March 2009.

**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 March 2009 and up to 22 May 2009.

**14. Capital Commitments**

Authorised capital commitments not provided for in this interim financial report as at 31 March 2009 are as follows:

	<u>RM'000</u>
Contracted	218
Not contracted	-
	<hr/>
	218
	<hr/>
Analysed as follows:	
- Property, plant and equipment	<u>218</u>

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#### **ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD – 1 ST QUARTER ENDED 31 MARCH 2009**

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

###### **1. Review of performance**

In the first quarter 2009, the Group reported sales of RM 901 million representing a small decline of 0.8% from the first quarter 2008 but also an increase of 3.1% from the immediately preceding fourth quarter 2008. This reflects a strong performance when taking into account of the more difficult economic conditions and reductions in the Group's agency portfolio. However, it must be noted that the sales growth continues to be driven by lower-margin agencies.

Group profit before tax amounted to RM 3 million in comparison to last year's first quarter loss before tax of RM 9.5 million, which had been the result of an RM 11.8 million charge for the restructuring exercise in the Consumer Goods area of the Trading and Logistics segment. Without consideration of that exceptional charge, performance in the first three months of 2009 would have been slightly ahead of last year.

##### **Comments to the Performance of the Business Segments**

###### **Trading and Logistics Segment**

The Trading and Logistics segment achieved sales of RM 885 million in the first quarter 2009, slightly behind the RM 891 million reported for the first quarter 2008 but RM 30 million or 3.5% ahead of the immediately preceding fourth quarter 2008. While this result is lower than the unit's original target, which was established before the onset of the difficult economic conditions, it shows the resilience of the segment's business in the fast moving consumer goods, healthcare and telecommunication businesses which, so far, have done reasonably well. This development is particularly welcomed because the reduction in the number of agencies, which took place in the course of the restructuring exercise in 2008, had led to concerns that sales would be strongly impacted. At the beginning of 2009, Sanofi/Aventis joined DKSH with their healthcare business, while Beiersdorf, the manufacturer of the Nivea brand, terminated their agency agreement with effect from the end of February.

In the fourth quarter 2008 release, the Group pointed out that particular attention was and is being paid to inventory and receivables management, notably the timely and effective collection from customers. These efforts have been further advanced with a strengthened credit management and the Group has repeatedly demonstrated that customers with overdue accounts will not be supplied. In addition, inventory management has improved and the level has dropped in the first quarter after the situation in some over-stocked agencies was rectified. All of these moves have significantly reduced the working capital and thus the reduced need for bank borrowings.

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#### **Chemicals Segment**

The small Chemicals segment remains behind the performance of previous years. First quarter 2009 sales amounted to RM 5.9 million, 25% behind the same quarter in 2008 and 16% below the immediately preceding fourth quarter 2008. Consequently, the segmental contribution dropped to break-even, which is substantially below the results of the same period last year.

Of all businesses of DKSH Holdings, the Chemicals segment is most exposed to the more difficult economic conditions because it supplies to the exporting Malaysian industry which is affected by the slump in international trade. Without a clear indication of improvements to date, the Segment is cutting expenses and focusing on improved customer service.

#### **Food Segment**

The Food segment continues to develop well with sales of RM 9.4 million in the first quarter which represent an increase of 5% over the same quarter in 2008 but also a decline of 15% over the immediately preceding fourth quarter 2008. This latter decline is not unexpected because the Segment achieves its annual best results in the fourth quarter of a year because of the festive seasons which are of particular importance to the main business, the Famous Amos Chocolate Chip Cookie chain. The segmental result of just below RM 1 million is 13% below the results of one year ago and this reflects the cost of setting up an information technology system needed for the further expansion of the chain.

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

The third and fourth quarters traditionally show the strongest performance in a year and generate the bulk of the contribution.

#### **3. Prospects**

The Group continues to expect a more difficult business environment in 2009 than in 2008 and remains cautious despite the satisfactory first quarter results.

Based on the first four months' performance, sales should not significantly decrease in the main lines of fast moving consumer goods, pharmaceuticals and telephone cards despite the restructuring of the agency portfolio. Ongoing margin pressure from high volume agencies requires a tight cost management.

As previously explained, the focus in 2009 will be to improve the management of inventory and receivables levels and working capital requirements and to minimise the risks inherent in these areas.

#### **4. Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast or profit guarantee for the year.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 5. Taxation

	<b>Qtr Ended 31 March 2009</b>	<b>Qtr Ended 31 March 2008</b>	<b>YTD Qtr Ended 31 March 2009</b>	<b>YTD Qtr Ended 31 March 2008</b>
	RM'000	RM'000	RM'000	RM'000
Current year	1,189	1,143	1,189	1,143
Deferred tax	423	544	423	544
	<u>1,612</u>	<u>1,687</u>	<u>1,612</u>	<u>1,687</u>

#### 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.

#### 8. Status of Corporate Proposals Announced

On 23 March 2009, AmInvestment Bank Berhad announced on behalf of DKSH Holdings (Malaysia) Berhad that the Securities Commission had approved the extension of time of one year from the date of the Securities Commission's letter dated 19 March 2009 upto 19 March 2010 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. In the event the 30% Restricted Shares are not fully subscribed by Bumiputera investors or if the Ministry of International Trade and Industry fails to allocate such Shares within one year, DKSH is no longer required to adhere to the Equity Condition.

On 12 May 2009, 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 Corporate Shared Services Center Sdn Bhd and DKSH Field Marketing Sdn Bhd (formerly known as XFactor FMS Sdn Bhd) at the Annual General Meeting on 18 June 2009.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Group Borrowings and Debt Securities

##### Short Term Borrowings

Unsecured and fully denominated in Ringgit Malaysia:

	<b>RM'000</b>
Bankers' acceptances	35,527
Promissory notes	62,019
Term loan due within 12 months	156,667
	<u>254,213</u>

##### Long Term Borrowings

Unsecured and fully denominated in Ringgit Malaysia:

	<b>RM'000</b>
Fixed rate term loan	10,000
Advances from holding companies	48,045
	<u>58,045</u>

#### 10. Off Balance Sheet Financial Instruments Hedging Instruments

As at 22 May 2009, the Group has entered into the following foreign exchange forward contracts to hedge its purchases in foreign currencies:

Currency	Contract amount in FCY'000	Date of contract	Value date of contract	Equivalent value in RM'000
US Dollar	8,704	10.12.08 – 29.04.09	25.05.09 – 05.02.10	31,772
Swiss Franc	917	03.11.08 – 29.04.09	25.05.09 – 30.11.09	2,905
Singapore Dollar	262	10.12.08 – 29.04.09	25.05.09 – 31.07.09	637
Euro	419	29.10.08 – 29.04.09	25.05.09 – 01.09.09	2,009
Australian Dollar	347	10.12.08 – 29.04.09	25.05.09 – 01.09.09	884
Sterling Pound	10	10.10.08	25.05.09 – 30.06.09	50
<b>Total</b>				<b>38,257</b>

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.

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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 2008 and up to 22 May 2009.

#### **12. Dividend Proposed or Declared**

No interim dividend has been declared by the Board of Directors.

#### **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 RM901,000 and RM901,000.
- (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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**SEGMENTAL INFORMATION**

	<u>Trading &amp; Logistics</u>			RM'000
	<u>Logistics</u>	<u>Chemicals</u>	<u>Food</u>	
<u>For the Period Ended 31 March 2009</u>	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Total Revenue	885,315	5,904	9,403	900,622
<b>Results</b>				
Segment result	5,504	45	954	6,503
Finance cost				(3,499)
Profit from ordinary activities before tax				3,004
Tax				(1,612)
Profit from ordinary activities after tax				1,392
Minority interest				(491)
Net Profit for the period				901
<b>At 31 March 2009</b>				
<b>Other Information</b>				
Segment assets	883,486	9,205	8,033	900,724
Unallocated assets				165,960
Total assets				1,066,684
Segment liabilities	(494,551)	(1,155)	(427)	(496,133)
Unallocated liabilities				(408,799)
Total liabilities				(904,932)
Capital expenditure	427	-	154	581
Depreciation	(2,523)	(33)	(170)	(2,726)



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**SEGMENTAL INFORMATION**

	<u>Trading &amp;</u>			<u>Consolidated</u>
	<u>Logistics</u>	<u>Chemicals</u>	<u>Food</u>	
<u>For the Period Ended 31 March 2008</u>	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Total Revenue	890,778	7,900	8,943	907,621
<b>Results</b>				
Segment result	(5,629)	170	1,095	(4,364)
Finance cost				(5,168)
Profit from ordinary activities before tax				(9,532)
Tax				(1,687)
Profit from ordinary activities after tax				(11,219)
Minority interest				(878)
Net profit for the period				(12,097)
<b>At 31 March 2008</b>				
<b>Other Information</b>				
Segment assets	1,054,013	14,436	7,934	1,076,383
Unallocated assets				121,180
Total assets				1,197,563
Segment liabilities	505,709	3,339	1,092	510,140
Unallocated liabilities				539,738
Total liabilities				1,049,878
Capital expenditure	667	-	164	831
Depreciation	(3,298)	(33)	(166)	(3,497)