

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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31 March 2011.

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 1st quarter and the financial period ended 31 March 2011 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 2010. The figures for the cumulative period in the current quarter to 31 March 2011 have not been audited.

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 2010. The new, revised and amended FRS and IC Interpretations, which are effective for financial periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, are not anticipated to result in any material impact to the financial results of the Group.

2. 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 2010 was not qualified.

3. Seasonal or Cyclical Factors

The Group's service segments cover primarily the Fast Moving Consumer Goods and Healthcare sectors. Consequently, revenue and contributions are influenced by the festive seasons of Hari Raya, Christmas, Chinese New Year and Deepavali.

4. 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.

5. Material Changes in Estimates

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

6. Changes in Debt and Equity Securities

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

7. Dividend Paid

No dividend was paid in the quarter ended 31 March 2011.

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8. Segment Information

The Group's segmental information for the financial quarters ended 31 March 2011 and 31 March 2010 is presented separately in the file '1Q2011-BursaM-Segmental' attached together with this package.

9. 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.

10. Material Events Subsequent to the end of Financial Period

There were no material events subsequent to the end of the period reported that have not been reflected in the financial statements for the quarter ended 31 March 2011.

11. Changes in the Composition of the Group

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

12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the quarter ended 31 March 2011 and up to 12 May 2011.

15. Capital Commitments

Authorised capital commitments not provided for in this interim financial report as at 31 March 2011 are as follows:

	RM'000
Contracted	600
Not contracted	-
	<hr style="width: 100%; border: 0.5px solid black;"/> 600
Analysed as follows:	
- Property, plant and equipment	<hr style="width: 100%; border: 0.5px solid black;"/> 600

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD – 1st QUARTER ENDED 31 March 2011

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

1. Review of performance

The year has commenced positively with a strong first quarter performance. Revenue increased by 13.6% over the comparative period of Q1 2010, or an increase of 8.4% as compared to the preceding fourth quarter of 2010. Operating expenses increased by 12.1% as compared to the same period of 2010, whilst financing costs remained in line with prior year comparatives.

On this basis, profit before tax for the first quarter increased by 187.2% compared to Q1 2010. Whilst tax increased by 85.7%, PAT for the Group increased by 257.8%.

As outlined in the releases of 2010, business segment reporting was redesigned to comply with the new requirements of FRS 8. The three business segments are (1) Marketing and Distribution services, (2) Logistics services and (3) Others.

Comments to the Performance of the Business Segments

Marketing and Distribution Services

Under the segment Marketing and Distribution services, the Group provides the full range of available services. The service portfolio ranges from marketing and sales, to distribution and logistics, to invoicing and credit management, to trade return management, and other value added services.

Revenue for the first quarter of 2011 came in at RM 478.4 million. This represents an increase of 11.1% over the revenue of RM 430.5 million for the first quarter of 2010, and an increase of 19.7% as compared to the immediately preceding fourth quarter of 2010.

The segmental result, after full allocation of corporate overhead for internal services, arrived at RM 9.3 million, an increase of 397.7% over the RM 1.9 million for the same period of 2010. With continued organic growth, increased focus on new business development, as well as close management of inventories, market hygiene and receivables, the positive performance is expected to continue throughout the rest of 2011.

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Logistics Services

Under the segment Logistics Services, the Group does not provide the entire services portfolio, but focuses on supply chain services ranging from import, to forwarding, to warehousing and distribution, to order processing, and the management of collections. Contrary to the Marketing and Distribution segment, sales and marketing services are not provided by DKSH, but are run by the suppliers. The businesses represented under this segment are primarily the Business Unit Healthcare and parts of the Business Unit Consumer Goods, which are entirely supply chain-centric.

Revenue for the first quarter increased by 15.7% from RM 502.9 million in 2010 to RM 582.0 million in 2011. The growth is a result of good organic growth and was further supported by new healthcare businesses, which came in only in the second half of 2010 (and therefore did not contribute to the Q1 2010 results).

The segmental result for the first quarter 2011 after full allocation of corporate overhead for internal services came to RM 7.3 million, an improvement of 49.9% over the RM 4.9 million in the first quarter of 2010.

Whilst margins in the telephone card business continue to deteriorate, the new healthcare businesses, as well as further business development are expected to support the positive trend for this segment throughout the rest of 2011.

Others

The third segment consists of smaller units, most notably the Famous Amos chocolate chip cookie chain, which forms the most important operational unit.

Revenue for the first quarter 2011 arrived at RM 11.0 million, up 15.4% compared to the same period of 2010, which reported RM 9.5 million. However, compared to the immediately preceding fourth quarter 2010, revenue decreased by 15.8% from RM 13.0 million. This is however an expected seasonal pattern for the Famous Amos business, which peaks during the festivities later in the year. The growth for Famous Amos is expected to continue with further expansions in retail outlets planned.

The segmental contribution improved from RM 0.7 million in the first quarter of 2010 to RM 1.2 million in the same quarter of 2011, an increase of 15.4%.

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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 the year and generate the bulk of the contribution.

3. Prospects

The year has commenced very positively for the Group and all business segments.

The strategies and initiatives undertaken as part of the restructuring of the Group in late 2008 and 2009 remain a continued focal part and are vital to maintaining the positive track record. These include a focus on inventories and market hygiene, controls on expenses that cannot be reimbursed from suppliers, a control on costs, and the motivation and determination of the sales teams. With operational controls in place, the focus will be on growth of existing businesses, as well as business development with selected suppliers.

Subject to meeting these objectives, the Group expects to maintain the positive trend.

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 March 2011 RM'000	Qtr Ended 31 March 2010 RM'000	YTD Qtr Ended 31 March 2011 RM'000	YTD Qtr Ended 31 March 2010 RM'000
Current year	4,694	2,065	4,694	2,065
Deferred tax	(468)	211	(468)	211
	4,226	2,276	4,226	2,276

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

There were no changes in the status of corporate proposals announced during the quarter under review.

9. Group Borrowings and Debt Securities

Short Term Borrowings

Unsecured and fully denominated in Ringgit Malaysia:

	RM'000
Bankers' acceptances	62,400
Promissory notes	24,106
Term loan due within 12 months	3,333
Others	55
	<u>89,894</u>

Long Term Borrowings

Unsecured and fully denominated in Ringgit Malaysia:

	RM'000
Fixed rate term loan	50,000
Advances from holding companies	26,505
Others	25
	<u>76,530</u>

10. Disclosure of Derivatives

Type of derivatives	Contract / Notional value 31/03/2011 RM'000	Fair Value 31/03/2011 RM'000
Foreign exchange contracts - less than 1 year	35,086	34,795
Total	<u>35,086</u>	<u>34,795</u>

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 Treasury policy.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at 31 March 2011 resulting in a difference of RM 0.3 million. This represents an improvement of RM 0.8 million as compared to the year end 31 December 2010 derivative loss position of RM 1.1 million. The unrealised gain has been charged to the statement of comprehensive income for the quarter and offsets a realised loss of RM 0.8 million on the same forward contracts as they mature. The current unrealised derivative loss of RM 0.3 million arose due to the strengthening of the MYR against the USD, offset by a weaker MYR compared to other currencies.

11. Changes in Material Litigation

There was no change in material litigation since the last financial year ended 31 March 2011 and up to 12 May 2011.

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 RM10,677,000 and RM10,677,000 respectively.
- (b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is 157,658,076.

14. Disclosure of Realised and Unrealised Profits/Losses

	Current Quarter as at 31/03/ 2011 RM'000	As at the end of last Financial Year 31/12/2010 RM'000
Total retained profits/(accumulated losses) of DKSH Holdings (M) Bhd and its subsidiaries:		
- Realised	1,480	(8,621)
- Unrealised	(1,566)	(2,142)
Total group retained profits/(accumulated losses) as per consolidated accounts	(86)	(10,763)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2011

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 RM'000	CURRENT YEAR TO DATE 31/03/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000
1 Revenue	1,071,312	942,942	1,071,312	942,942
2 Operating Expenses	(1,054,514)	(937,472)	(1,054,514)	(937,472)
3 Other Operating Income	984	1,973	984	1,973
4 Profit from Operations	17,782	7,443	17,782	7,443
5 Finance cost	(1,845)	(1,894)	(1,845)	(1,894)
6 Profit before taxation	15,937	5,549	15,937	5,549
7 Taxation	(4,226)	(2,276)	(4,226)	(2,276)
8 Net profit for the period	11,711	3,273	11,711	3,273
9 Other comprehensive income:- - Currency Translation differences arising from consolidation	4	(61)	4	(61)
10 Total comprehensive income	11,715	3,212	11,715	3,212
11 Net profit attributable to: Equity holders of the company	10,677	2,529	10,677	2,529
Non controlling interest	1,034	744	1,034	744
Net profit for the period	11,711	3,273	11,711	3,273
12 Total comprehensive income attributable to: Equity holders of the company	10,681	2,468	10,681	2,468
Non controlling interest	1,034	744	1,034	744
Total comprehensive income	11,715	3,212	11,715	3,212
13 Earnings per share based on 12 above after				
(i) Basic (See Note 1 below) (sen)	6.77	1.57	6.77	1.57
(ii) Fully diluted	N/A	N/A	N/A	N/A

Note:-

1 The weighted average number of shares used in 13 above is computed : 157,658,076 shares.

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT END OF CURRENT QUARTER 31/03/2011 RM'000	AUDITED AS AT END OF PREVIOUS QUARTER 31/12/2010 RM'000
1 Non Current Assets		
Property, plant and equipment	51,774	53,402
Intangible assets	9,618	9,862
Available for sale financial assets	62	62
Deferred tax assets	7,137	6,832
	<u>68,591</u>	<u>70,158</u>
2 Current Assets		
Inventories	282,008	313,655
Receivables	672,035	590,850
Deposits, bank and cash balances	75,512	132,942
	<u>1,029,555</u>	<u>1,037,447</u>
3 Total Assets	<u>1,098,146</u>	<u>1,107,605</u>
4 Equity		
Ordinary share capital	157,658	157,658
Share premium	24,514	24,514
Revaluation reserve	13,527	13,527
Foreign currency translation reserve	(23)	(27)
Accumulated losses	(86)	(10,763)
Equity attributable to equity holders of the company	<u>195,590</u>	<u>184,909</u>
Non controlling interest	17,809	16,775
	<u>213,399</u>	<u>201,684</u>
5 Current Liabilities		
Payables	695,454	653,930
Derivative financial instrument	291	1,062
Borrowings (unsecured)	89,894	161,772
Taxation	4,463	1,987
	<u>790,102</u>	<u>818,751</u>
6 Non current Liabilities		
Borrowings (unsecured)	76,530	68,870
Post employment benefit obligation	10,478	10,496
Long term liabilities	289	289
Deferred taxation	7,348	7,515
	<u>94,645</u>	<u>87,170</u>
7 Total Liabilities	<u>884,747</u>	<u>905,921</u>
8 Total Equity and Liabilities	<u>1,098,146</u>	<u>1,107,605</u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>1.2406</u>	<u>1.1728</u>

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2011

	Issued and fully paid ordinary shares of RM1 each		Attributable to equity holders of the parent				Non controlling interest	Total Equity
	No of shares	Nominal value	Non-distributable		Accumulated losses	RM'000		
			Share premium on ordinary shares	Revaluation reserves				
	RM'000	RM'000	RM'000	RM'000	RM'001	RM'000	RM'000	
<u>QUARTER ENDED 31 MARCH 2011</u>								
At 1 January 2011	157,658	157,658	24,514	13,527	(27)	(10,763)	16,775	201,684
Total comprehensive income for the period	-	-	-	-	4	10,677	1,034	11,715
Dividends	-	-	-	-	-	-	-	-
At 31 March 2011	157,658	157,658	24,514	13,527	(23)	(86)	17,809	213,399
<u>QUARTER ENDED 31 MARCH 2010</u>								
At 1 January 2010 (as previously stated)	157,658	157,658	24,514	13,505	-	(33,474)	16,197	178,400
Effect of adoption FRS 139	-	-	-	17	-	(522)	-	(505)
At 1 January 2010 (as restated)	157,658	157,658	24,514	13,522	-	(33,996)	16,197	177,895
Total comprehensive income for the period	-	-	-	-	-	2,468	744	3,212
At 31 March 2010	157,658	157,658	24,514	13,522	-	(31,528)	16,941	181,107

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2011

	Period ended 31/03/11	Period ended 31/03/10
	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income	11,715	3,212
Adjustments for non cash flows:		
Non cash items	7,247	8,460
Non operating expenses	(3,561)	(4,290)
Operating profit before changes in working capital	<u>15,401</u>	<u>7,382</u>
Changes in working capital:		
Inventories	31,623	11,242
Trade and other receivables	(81,725)	(31,220)
Trade and other payables and provisions	42,164	40,369
Net cashflow from operating activities	<u>7,463</u>	<u>27,773</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	<u>(668)</u>	<u>(493)</u>
Net cashflow from investing activities	<u>(668)</u>	<u>(493)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	(64,225)	(32,369)
Dividend Paid	-	-
Net cashflow from financing activities	<u>(64,225)</u>	<u>(32,369)</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	(57,430)	(5,089)
CASH AND CASH EQUIVALENTS B/F	132,942	87,447
CASH AND CASH EQUIVALENTS C/F	<u>75,512</u>	<u>82,358</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	75,512	82,358
Bank overdraft	-	-
	<u>75,512</u>	<u>82,358</u>

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

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SEGMENTAL INFORMATION

	<u>For the Period Ended 31 March 2011</u>			
	<u>Marketing & Distribution Services</u> RM'000	<u>Logistics Services</u> RM'000	<u>Others</u> RM'000	<u>Consolidated</u> RM'000
Revenue				
Total Revenue	478,391	581,969	10,952	1,071,312
Results				
Segment result	9,263	7,345	1,174	17,782
Finance cost				(1,845)
Profit from ordinary activities before tax				<u>15,937</u>
At 31 March 2011				
Other Information				
Segment assets	500,634	445,269	50,184	996,087
Unallocated assets				102,059
Total assets				<u>1,098,146</u>
Segment liabilities	(242,573)	(365,884)	(1,400)	(609,857)
Unallocated liabilities				(274,890)
Total liabilities				<u>(884,747)</u>
Capital expenditure	176	177	373	726
Depreciation	(1,047)	(270)	(1,011)	(2,328)

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SEGMENTAL INFORMATION

	<u>For the Period Ended 31 March 2010</u>			
	<u>Marketing & Distribution Services</u> RM'000	<u>Logistics Services</u> RM'000	<u>Others</u> RM'000	<u>Consolidated</u> RM'000
Revenue				
Total Revenue	430,532	502,916	9,494	942,942
Results				
Segment result	1,861	4,899	683	7,443
Finance cost				(1,894)
Profit from ordinary activities before tax				5,549
At 31 March 2010				
Other Information				
Segment assets	474,687	336,373	49,665	860,725
Unallocated assets				122,655
Total assets				983,380
Segment liabilities	(209,401)	(297,511)	(919)	(507,831)
Unallocated liabilities				(294,446)
Total liabilities				(802,277)
Capital expenditure	85	196	291	572
Depreciation	(1,730)	(359)	(428)	(2,517)