

DKSH HOLDINGS (MALAYSIA) BERHAD (231378-A)

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 30 June 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2012

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/06/2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2011 RM'000	CURRENT YEAR TO DATE 30/06/2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2011 RM'000
1 Revenue	1,216,329	1,055,114	2,340,031	2,126,426
2 Operating Expenses	(1,195,027)	(1,036,854)	(2,301,847)	(2,091,368)
3 Other Operating Income	2,269	1,645	3,807	2,629
4 Profit from Operations	23,571	19,905	41,991	37,687
5 Finance cost	(1,966)	(1,688)	(3,925)	(3,533)
6 Profit before taxation	21,605	18,217	38,066	34,154
7 Taxation	(6,879)	(5,116)	(11,623)	(9,404)
8 Net profit for the period	14,726	13,101	26,443	24,750
9 Other comprehensive income:-				
- Currency Translation differences arising from consolidation	-	23	(1)	27
- Gain on fair value changes on available for sale				
10 Total comprehensive income	14,726	13,124	26,442	24,777
11 Net profit attributable to:				
Owners of the parent	13,682	11,823	24,637	22,438
Non controlling interest	1,044	1,278	1,806	2,312
Net profit for the period	14,726	13,101	26,443	24,750
12 Total comprehensive income attributable to:				
Owners of the parent	13,682	11,846	24,636	22,465
Non controlling interest	1,044	1,278	1,806	2,312
Total comprehensive income	14,726	13,124	26,442	24,777
13 Earnings per share based on 11 above after				
(i) Basic (See Note 1 below) (sen)	8.68	7.50	15.63	14.23
(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 2011

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 30/06/2012 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 31/12/2011 RM'000
1 Non Current Assets		
Property, plant and equipment	48,652	50,527
Intangible assets	8,398	8,886
Available for sale financial assets	69	69
Deferred tax assets	4,188	4,275
	<u>61,307</u>	<u>63,757</u>
2 Current Assets		
Inventories	383,584	382,101
Trade and other receivables	844,155	681,563
Derivative financial instrument	138	0
Deposits, bank and cash balances	39,179	112,726
	<u>1,267,056</u>	<u>1,176,390</u>
3 Total Assets	1,328,363	1,240,147
4 Equity		
Ordinary share capital	157,658	157,658
Share premium	24,514	24,514
Revaluation reserve	-	-
Available for sale reserve	29	29
Foreign currency translation reserve	14	15
Retained earnings	60,463	46,862
Equity attributable to owners of parent	<u>242,678</u>	<u>229,078</u>
Non controlling interest	15,813	17,977
	258,491	247,055
5 Current Liabilities		
Trade and other payables	838,818	764,764
Derivative financial instrument	-	106
Borrowings	185,207	154,831
Taxation	7,361	4,282
	<u>1,031,386</u>	<u>923,983</u>
6 Non current Liabilities		
Borrowings	25,205	56,955
Post employment benefit obligation	12,582	11,561
Long term liabilities	289	289
Deferred tax liabilities	410	304
	<u>38,486</u>	<u>69,109</u>
7 Total Liabilities	1,069,872	993,092
8 Total Equity and Liabilities	1,328,363	1,240,147
9 Net assets per share attributable to ordinary equity holders of the company (RM)	1.5393	1.4530

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2012

	Issued and fully paid ordinary shares of RM1 each	Attributable to owners of the parent				Non controlling interest	Total Equity
		Non-distributable					
	No of shares 000	Nominal value RM'000	Share premium on ordinary shares RM'000	Revaluation reserves RM'000	Available for sale reserve RM'000	Foreign currency translation reserve RM'000	Accumulated profits RM'000
<u>QUARTER ENDED 30 June 2012</u>							
At 1 January 2012	157,658	157,658	24,514	-	29	15	46,862
Total comprehensive income for the period	-	-	-	-	-	(1)	24,637
Dividends	-	-	-	-	-	-	(11,036)
At 30 June 2012	157,658	157,658	24,514	-	-	14	60,463
<u>QUARTER ENDED 30 June 2011</u>							
At 1 January 2011	157,658	157,658	24,514	-	22	-	9,859
Total comprehensive income for the period	-	-	-	-	-	27	22,438
Dividends	-	-	-	-	-	-	(7,095)
At 30 June 2011	157,658	157,658	24,514	-	22	27	25,202

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 2011.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2012

	Period ended 30/06/12 <u>RM'000</u>	Period ended 30/06/11 <u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income attributable to owners of the parent	24,636	22,465
Adjustments for non cash flows:		
Depreciation	4,492	4,589
Amortisation of trademark	488	488
Gain on derivatives	(244)	(984)
Interest income	(83)	(88)
Interest expenses	3,925	3,533
Tax expenses	11,623	9,404
Impairment of trade receivables	(510)	(867)
Inventories written off	2,925	3,489
Allowance for inventory obsolescence	(726)	(319)
Accruals for post-employment benefits obligations	1,152	585
Non-controlling interests	1,806	2,312
Other non cash items	23	151
Operating profit before changes in working capital	<u>49,507</u>	<u>44,758</u>
Changes in working capital:		
Inventories	(3,816)	(34,578)
Trade and other receivables	(162,042)	(88,601)
Trade and other payables and provisions	63,419	107,329
	<u>(102,439)</u>	<u>(15,850)</u>
Interest paid	(3,931)	(3,469)
Interest received	83	88
Tax paid	(8,505)	(3,379)
Other non operating expenses	(277)	(728)
Net cashflow from operating activities	<u>(65,562)</u>	<u>21,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	(2,607)	(1,577)
Net cashflow from investing activities	<u>(2,607)</u>	<u>(1,577)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings	(1,408)	(59,888)
Dividend Paid	(3,970)	(10,667)
Net cashflow from financing activities	<u>(5,378)</u>	<u>(70,555)</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	<u>(73,547)</u>	<u>(50,712)</u>
CASH AND CASH EQUIVALENTS B/F	112,726	132,942
CASH AND CASH EQUIVALENTS C/F	<u>39,179</u>	<u>82,230</u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	39,179	82,230
Bank overdraft	-	-
	<u>39,179</u>	<u>82,230</u>

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

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The figures have not been audited and are to be read in conjunction with the 2011 annual report.

SEGMENTAL INFORMATION

	For the Period Ended 30 June 2012			Consolidated RM'000
	Marketing & Distribution Services RM'000	Logistics Services RM'000	Others RM'000	
Revenue				
Total Revenue	1,039,284	1,275,630	25,117	2,340,031
Results				
Segment result	23,200	15,878	2,913	41,991
Finance cost				(3,925)
Profit from ordinary activities before tax				38,066
At 30 June 2012				
Other Information				
Segment assets	712,623	502,027	48,999	1,263,649
Unallocated assets				64,714
Total assets				1,328,363
Segment liabilities	(324,905)	(420,047)	(2,112)	(747,064)
Unallocated liabilities				(322,808)
Total liabilities				(1,069,872)
Capital expenditure	835	882	904	2,621
Depreciation	(1,736)	(636)	(2,120)	(4,492)

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Quarterly report on consolidated results for the financial quarter ended 30 June 2011
The figures have not been audited and are to be read in conjunction with the 2010 annual report.

SEGMENTAL INFORMATION

	<u>For the Period Ended 30 June 2011</u>			RM'000
	<u>Marketing & Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	
	RM'000	RM'000	RM'000	RM'000
Revenue				
Total Revenue	937,213	1,166,897	22,316	2,126,426
Results				
Segment result	19,816	15,643	2,228	37,687
Finance cost				(3,533)
Profit from ordinary activities before tax				<u>34,154</u>
At 30 June 2011				
Other Information				
Segment assets	556,470	454,769	52,311	1,063,550
Unallocated assets				109,484
Total assets				<u>1,173,034</u>
Segment liabilities	(307,962)	(364,605)	(3,002)	(675,569)
Unallocated liabilities				(274,527)
Total liabilities				<u>(950,096)</u>
Capital expenditure	639	345	766	1,750
Depreciation	(2,016)	(538)	(2,035)	(4,589)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(I) Compliance with FRS 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.

2. First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)

The condensed consolidated interim financial statements for the period ended 30 June 2012 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. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”). The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of DKSH Holdings (Malaysia) Berhad group of companies (“the Group”) for the year ended 31 December 2011.

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 *First Time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”) has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position and financial performance is set out in Note 3 below. These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

3. Significant accounting policies and applications of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies and applications of MFRS 1 (continued)

(a) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standards IAS 16 (Revised) Property, Plant and Equipment, which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded certain buildings at revalued amounts, but had not adopted a policy of revaluation, and continued to carry those buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of the transition to MFRS, the Group elected to:

- i. regard the valuation of the leasehold land and buildings as at 1997 as the deemed cost at date of revaluation as this amount was broadly comparable to fair value at that date. The revaluation surplus of RM 13,505,000 (30 June 2011: RM 13,505,000; 31 December 2011: RM 13,505,000) was transferred to retained earnings on the date of transition to MFRS.
- ii. the deferred tax liability on the revaluation reserve amounting to RM 7,144,000 at the date of transition was transferred from deferred tax liability to retained earnings on the date of transition. The reversal of the deferred tax liability on amortisation of the revaluation of the leasehold land and building was similarly adjusted in the Statement of Comprehensive Income for the period ended 30 June 2011 and 31 December 2011 amounting to RM 124,000 and RM 248,000 respectively.

(b) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM 27,000 (30 June 2011: RM 27,000; 31 December 2011: RM 27,000) were adjusted to retained earnings.

The reconciliations of equity and total comprehensive income for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies and applications of MFRS 1 (continued)

Reconciliation of equity as at 30 June 2011

	FRS as at 30 June 2011	Note 3a(i) Property, plant and equipment	Note 3a(ii) Deferred tax liability	Note 3b Foreign currency translation reserve	MFRS as at 30 June 2011
	RM'000	RM'000	RM'000	RM'000	RM'000
Non Current Assets					
Property, plant and equipment	50,492				50,492
Intangible assets	9,374				9,374
Available for sale financial assets	62				62
Deferred tax assets	6,465				6,465
	<u>66,393</u>				<u>66,393</u>
Current Assets					
Inventories	344,916				344,916
Trade and other receivables	679,495				679,495
Derivative financial instrument	0				0
Deposits, bank and cash balances	82,230				82,230
	<u>1,106,641</u>				<u>1,106,641</u>
Total Assets	<u>1,173,034</u>				<u>1,173,034</u>
Equity					
Ordinary share capital	157,658				157,658
Share premium	24,514				24,514
Revaluation reserve	13,505	(13,505)			0
Available for sale reserve	22				22
Foreign currency translation reserve	0			27	27
Retained earnings	4,704	13,505	7,020	(27)	25,202
Equity attributable to owners of parent	200,403				207,423
Non controlling interest	15,515				15,515
	<u>215,918</u>				<u>222,938</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies and applications of MFRS 1 (continued)

Reconciliation of equity as at 30 June 2011 (continued)

	FRS as at 30 June 2011	Note 3a(i) Property, plant and equipment	Note 3a(ii) Deferred tax liability	Note 3b Foreign currency translation reserve	MFRS as at 30 June 2011
	RM'000	RM'000	RM'000	RM'000	RM'000
Current Liabilities					
Trade and other payables	761,146				761,146
Derivative financial instrument	78				78
Borrowings	93,281				93,281
Taxation	7,144				7,144
	<u>861,649</u>				<u>861,649</u>
Non current Liabilities					
Borrowings	77,500				77,500
Post employment benefit obligation	10,353				10,353
Long term liabilities	289				289
Deferred tax liabilities	7,325		(7,020)		305
	<u>95,467</u>				<u>88,447</u>
Total Liabilities	<u>957,116</u>				<u>950,096</u>
Total Equity and Liabilities	<u>1,173,034</u>				<u>1,173,034</u>



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies and applications of MFRS 1 (continued)

Reconciliation of Total Comprehensive Income

	Note 3a(ii)		Note 3a(ii)			
	Current Quarter 3 months ended		Cumulative Year to Date 6 months ended			
	FRS 30 June 2011 RM'000	Deferred tax liability RM'000	MFRS 30 June 2011 RM'000	FRS 30 June 2011 RM'000	Deferred tax liability RM'000	MFRS 30 June 2011 RM'000
Revenue	1,055,114		1,055,114	2,126,426		2,126,426
Operating Expenses	(1,036,854)		(1,036,854)	(2,091,138)		(2,091,138)
Other Operating Income	1,645		1,645	2,629		2,629
Profit from Operations	19,905		19,905	37,687		37,687
Finance cost	(1,688)		(1,688)	(3,533)		(3,533)
Profit before taxation	18,217		18,217	34,154		34,154
Taxation	(5,054)	(62)	(5,116)	(9,280)	(124)	(9,404)
Net profit for the period	13,163		13,101	24,874		24,750
Other comprehensive income:-						
- Currency Translation differences arising from consolidation	23		23	27		27
Total comprehensive income	13,186		13,124	24,901		24,777



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies and applications of MFRS 1 (continued)

Reconciliation of Total Comprehensive Income (continued)

	Note 3a(ii) Current Quarter 3 months ended		Note 3a(ii) Cumulative Year to Date 6 months ended			
	FRS 30 June 2011 RM'000	Deferred tax liability RM'000	MFRS 30 June 2011 RM'000	FRS 30 June 2011 RM'000	Deferred tax liability RM'000	MFRS 30 June 2011 RM'000
Net profit attributable to:						
Owners of the parent	11,885		11,823	22,562		22,438
Non controlling interest	1,278		1,278	2,312		2,312
Net profit for the period	13,163		13,101	24,874		24,750
Total comprehensive income attributable to:						
Owners of the parent	11,908		11,846	22,589		22,465
Non controlling interest	1,278		1,278	2,312		2,312
Total comprehensive income	13,186		13,124	24,901		24,777

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. 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 2011 was not qualified.

5. Seasonal or Cyclical Factors

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

6. 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.

7. Material Changes in Estimates

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

8. Changes in Debt and Equity Securities

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

9. Dividend Paid

No interim dividend was paid in the quarter ended 30 June 2012. A final single-tier dividend of 7 sen per ordinary share of RM1 each was paid on 17 August 2012 for the year ended 31 December 2011. In comparison, the dividend paid for the year ended 31 December 2010 was a single-tier dividend of 4.5 sen per ordinary share of RM1 each paid on 18 August 2011.

10. Segment Information

The Group's segmental information for the financial quarters ended 30 June 2012 and 30 June 2011 is presented separately in this interim financial report.

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11. Profit before tax

The following items are included in profit before tax:

	Current quarter 3 months ended		Cumulative Year to Date 6 months ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,290	2,261	4,492	4,589
Amortisation of trademark	244	244	488	488
Gain on derivatives	(50)	(213)	(244)	(984)
Rental Income	96	95	192	192
Impairment of assets	-	-	-	-
Exceptional items	-	-	-	-
Interest income	(53)	(44)	(83)	(88)
Interest expenses	1,966	1,688	3,925	3,533
Gain/loss on disposal of quoted/unquoted investment	-	-	-	-
Write-back for impairment of trade receivables	(803)	(1,644)	(510)	(867)
Inventories written off	1,244	1,469	2,925	3,489
Allowance for inventory obsolescence	(839)	(803)	(726)	(319)

12. 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.

13. 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 30 June 2012.

14. Changes in the Composition of the Group

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

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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 30 June 2012 and up to 24 August 2012.

16. Capital Commitments

Authorised capital commitments not provided for in this interim financial report as at 30 June 2012 are as follows:

	RM'000
Contracted	1,161
Not contracted	-
	<hr/>
	1,161
Analysed as follows:	
- Property, plant and equipment	<hr/>
	1,161

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Related Party Disclosures

The following table provides information on significant transactions which have been entered into with related parties during the six-month period ended 30 June 2012 and 30 June 2011 as well as the balances with the related parties as at 30 June 2012 and 31 December 2011:

	Current	Preceding	Intercompany balances	
	Financial Year 30/06/2012 RM'000	Financial Year 30/06/2011 RM'000	- due from / (to)	
			30/06/2012 RM'000	31/12/2011 RM'000
(a) Sale of goods and services:				
- related company (goods)	22,821	220	3,245	5,554
- related company (rental)	192	193	-	-
- related company (human resource charges)	280	165	133	73
	<u>23,293</u>	<u>578</u>	<u>3,378</u>	<u>5,627</u>
(b) Purchase of goods and services:				
- related company (goods)	29,836	24,297	(6,957)	(5,921)
- related company (management fee)	926	1,591	(57)	(953)
- related company (information technology charges)	5,528	4,993	(100)	(633)
- other related party (rental)	6,445	6,286	-	-
Others (interest):				
- intermediate holding company	542	516	(91)	(92)
	<u>43,277</u>	<u>37,683</u>	<u>(7,205)</u>	<u>(7,599)</u>

The amounts receivable or payable between related parties are unsecured, non-interest bearing and carry credit terms between 30 to 90 days. There were no overdue balances from related parties as at 30 June 2012.

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD – 2nd QUARTER ENDED 30 JUNE 2012

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

1. Review of performance

Revenues increased by 15.3% from RM 1.06 billion in the second quarter of 2011 to RM 1.22 billion for the same quarter of 2012. As compared to the first quarter of 2012, revenues grew by 8.2%, whilst revenues grew by 10% compared to the first six months of 2011.

All three reported segments contributed to the positive revenue growth, whilst organic business growth of existing clients provided the key driver. Furthermore, new clients both in Consumer Goods as well as in Healthcare additionally supported the growth.

Total operating expenses, which remain closely managed, increased by 10% to RM 2.30 billion compared to the first six month of 2011 in line with expectations and sales growth.

Profit before tax increased by 11.5% from RM 34.2 million in the first six months of 2011 to RM 38.1 million in the same period of 2012. Profit after tax improved by 6.8% from RM 24.8 million to RM 26.4 million based on a tax charge during the second quarter relating to timing differences in prior years.

The three reported business segments for the Group remain (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 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.

Segmental revenues grew by 14.3% to RM 524.6 million compared to the second quarter of 2011, or a growth of 1.9% compared to the immediately preceding first quarter of 2012. On a year-to-date basis, revenues increased by 10.9% compared to the same six month period of 2012. The strong revenue performance came from good organic growth of existing clients and was further supplemented by growth in new clients obtained in 2011 and promising new business development in the first six months of 2012. Such clients included both international and local manufacturers with product groups ranging from beauty care to confectioneries. The successful business development is expected to continue and further assist in revenue growth.

On this basis, the operating result grew by 17.1% to RM 23.2 million in the first six months of 2012 compared to the corresponding period of 2011.

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Logistics Services

Under the segment Logistics services, the Group focuses on supply chain services ranging from import, to forwarding, warehousing and distribution, order processing, and sales collections. Sales and marketing services for clients in this segment are not usually provided by the Group but are generally run by the clients. The businesses represented under this segment are parts of Business Units Healthcare and Consumer Goods, which are entirely supply chain focused, specifically the telephone card business, as well as the transport and freight forwarding business.

Segmental revenues increased by 16.1% to RM 679.1 million compared to the second quarter of 2011 and grew by 13.9% compared to the immediately preceding first quarter of 2012. Compared to the first six months of 2011, revenues grew by 9.3%. This strong revenue growth was contributed primarily by organic growth in the Healthcare business, as well as by an extension in distribution territories for the telephone card distribution, which positively supported revenue growth from the second quarter onwards. New clients under the Healthcare business furthermore added to the positive performance.

Investments into strengthening the management team of the DKSH Transport Agency business and the discontinuation of the cargo consolidation business in the second part of 2011 affected this segment's performance.

On this basis, operating profits for this segment grew by 1.5% from RM 15.6 million in the first six months of 2011 to RM15.9 million in the corresponding period of 2012. As compared to the profit performance in the first quarter of 2012, this segment however improved by 57.9%, primarily on the back of strong performance in Healthcare.

Others

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

Revenues for this segment improved by 11.1% to RM 12.6 million compared to the second quarter of 2011. Compared to the immediately preceding first quarter, which was supported by the Chinese New Year festive period, revenues grew 1% in line with expectations and seasonality of the business. Overall, this segment remains 12.6% ahead of prior year revenue performance, supported by growth in new outlets. Famous Amos now operates 74 retail stores nationwide.

On the basis of good revenue performance, the segmental result increased by 30.7% to RM2.9 million in the first six months of 2012 compared to the same period of 2011.

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

The first quarter was supported by the Chinese New Year festive period. Despite the absence of festive periods in the second quarter, revenues and profits performed well in line with expectations.

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3. Prospects

Despite global macro-economic challenges, the Group continues to maintain a generally positive outlook based on a well diversified portfolio of clients and customers, as well as a strong sales, marketing and distribution infrastructure with capillary distribution reach. The Group offers a comprehensive portfolio of services along the entire value chain, customized and tailor-made to business partners' specific needs. Furthermore, operational risk management processes and controls, supported by an industry leading IT system, continue to support the business.

Within the segment Marketing and Distribution services, the focus will remain on growing existing clients. Additionally, new international and local clients have been signed up in recent months and are expected to further support this growth momentum, whilst new business development remains an integral part of the Group's strategy.

Within the segment Logistics services, the successful extension of the distribution territories for the telephone card business is further expected to support revenue growth. In the Healthcare business much of the growth will come from existing clients. New clients signed up over recent months will further support sales, whilst business development will continue. Under DKSH Transport Agencies, the strengthening of the management team and a clear focus and strategy are expected to support this niche business.

As for Famous Amos, the continued retail expansion will support the growth of this business, whilst the focus on processes and operational efficiencies continues.

In line with the business model, the Group's stringent hedging processes, and the fact that certain suppliers cover foreign exchange risks, forex fluctuations are not expected to have a significant impact on the Group in the next quarters.

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 pharmaceutical products. Secondly, manufacturers focus increasingly on core competencies and seek specialized service providers in order to grow the market for and with them. We expect these to be positive macro-economic trends for the Group.

The Group will continue to implement its strategy for growth, growing organically with existing business partners and through business development.

In summary, the Group's performance is expected to continue positively. The already successfully concluded new business development initiatives are expected to further underline this growth.

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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5. Taxation

	Qtr Ended 30 June 2012 RM'000	Qtr Ended 30 June 2011 RM'000	YTD Qtr Ended 30 June 2012 RM'000	YTD Qtr Ended 30 June 2011 RM'000
Current year	6,305	4,408	11,433	9,102
Deferred tax	574	708	190	302
	<u>6,879</u>	<u>5,116</u>	<u>11,623</u>	<u>9,404</u>

6. Status of Corporate Proposals Announced

On 20 June 2012, it was announced that DKSH Central Services Malaysia Sdn Bhd (formerly known as Diethelm Central Services Sdn Bhd), a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement ("SPA") with Absoland Sdn Bhd ("Purchaser") to dispose of a piece of leasehold land measuring approximately 83,171 sq. ft. held under Pajakan Negeri 9747, Lot 7 Seksyen 13, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor together with a single-storey warehouse and a two-storey office building annexed thereto and erected thereon to the Purchaser for a total cash consideration of RM 30.0 million ("Consideration").

The deposit of RM 3.0 million equivalent to 10% of the Consideration has been received and has been accounted for as a payable in books of the Company as at 30 June 2012. The Purchaser has been granted an initial 4 months to complete the purchase. To date there has been no indication if an extension is required.

The gain on the disposal will be accounted for in the books of the Company upon completion of the SPA.

7. Group Borrowings and Debt Securities

Short Term Borrowings

**Qtr Ended 30
June 2012**

Unsecured and fully denominated in Ringgit Malaysia:

	RM'000
Bankers' acceptances	68,500
Promissory notes	66,679
Term loans	50,000
Others	28
	<u>185,207</u>

Long Term Borrowings

Unsecured and fully denominated in Ringgit Malaysia:

	RM'000
Fixed rate term loan	0
Advances from holding companies	25,205
Others	0
	<u>25,205</u>

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8. Disclosure of Derivatives

Type of derivatives	Contract / Notional value 30/06/2012 RM'000	Fair Value 30/06/2012 RM'000
Foreign exchange contracts - less than 1 year	23,560	23,698
Total	23,560	23,698

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 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 Treasury policy.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at 30 June 2012 resulting in a unrealized derivative gain of RM 0.1 million. In total, unrealized gains on forward contracts amounting to RM 0.2 million have been charged to the Statement of Comprehensive Income year-to-date, reversing the position as at 31 December 2011.

The current unrealized derivative gain of RM 0.2 million arose due to a strengthening of the USD after the contract date of the USD forex contracts.

9. Changes in Material Litigation

There was no change in material litigation since the date of the last annual Statement of Financial Position and up to 24 August 2012.

10. Dividend Proposed or Declared

No interim dividend has been declared by the Board of Directors during the current quarter. A final single-tier dividend of 7 sen per ordinary share of RM1 each for the year ended 31 December 2011 has been declared and approved by the shareholders in the recent AGM and paid on 17 August 2012. In comparison, the dividend paid for the year ended 31 December 2010 included a single-tier dividend of 4.5 sen per ordinary share of RM1 each which was paid on 18 August 2011.

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11. Earnings Per Share

- (a) The earnings used as the numerator in calculating basic and diluted earnings per share for the current quarter and current year-to-date are RM 13,682,000 and RM 24,637,000 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.

12. Disclosure of Realised and Unrealised Profits/Losses

	Current Financial Year 30/06/2012	As at the end of last Financial Year 31/12/2011
	RM'000	RM'000
Total retained profits of DKSH Holdings (Malaysia) Berhad and its subsidiaries:		
- Realised	46,877	57,019
- Unrealised	16,837	16,888
	<hr/> 63,714	<hr/> 73,907
Less : consolidated adjustments	(3,251)	(27,045)
Total group retained profits as per financial statements	<hr/> 60,463	<hr/> 46,862