Annual Report 2013

DKSH Holdings (Malaysia) Berhad

Think Asia. Think DKSH.

Making business partners grow

Our highly specialized business segments guarantee the expert handling of products and brands from a wide range of industries, helping our broad portfolio of clients and customers to grow.

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Notice of Annual General Meeting

Notice is hereby given that the Twenty-Second Annual General Meeting of DKSH Holdings (Malaysia) Berhad (Co. No. : 231378-A) will be held on Tuesday, June 24, 2014 at 10.00 a.m. at Conference Room, Ground Floor, 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia to transact the following business:

Agenda

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the financial year ended December 31, 2013 and the Reports of the Directors and Auditors thereon.
   Ordinary Resolution 1

2. To approve the payment of a final single tier dividend of 9.5 sen per ordinary share and a special single tier dividend of 13 sen per ordinary share for the financial year ended December 31, 2013.
   Ordinary Resolution 2

3. To approve the payment of Directors' fees of RM 150,000 for the financial year ended December 31, 2013.
   Ordinary Resolution 3

4. To re-elect Datuk Haji Abdul Aziz bin Ismail who retires pursuant to Article 105 of the Company's Articles of Association.
   Ordinary Resolution 4

5. To re-elect John Peter Clare who retires pursuant to Article 105 of the Company's Articles of Association.
   Ordinary Resolution 5

6. To re-appoint Ernst & Young as Auditors of the Company for the financial year ending December 31, 2014 and to authorize the Directors to fix their remuneration.
   Ordinary Resolution 6

As Special Business:

To consider and if thought fit, to pass with or without modifications, the following Resolutions:

7. **Proposed Mandate I for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   "THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("DKSH Group") to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group ("Related Parties") as specified in section 2.5(a) of the Circular to Shareholders dated May 30, 2014 ("Proposed Mandate I") provided that such arrangements and/or transactions are:
   (i) recurrent transactions of a revenue or trading nature;
   (ii) necessary for the day-to-day operations; and
   (iii) carried out in the ordinary course of business on normal commercial terms which are consistent with DKSH Group's normal business practices and policies, on terms not more favorable to Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

   AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Mandate I will continue to be in force until:
   (i) the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or
   (ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to section 143(1) of the Companies Act 1965 ("Act") (but must not extend to such extensions as may be allowed pursuant to section 143(2) of the Act); or
   (iii) until the authority is revoked or varied by a resolution passed by the shareholders in a general meeting,

   whichever is the earlier.

   AND THAT the Directors of the Company be and are hereby empowered to complete and to do all such acts and things, including executing all such documents as may be required, as they may consider expedient or necessary to give effect to this resolution."
   Ordinary Resolution 7

8. **Proposed Mandate II for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   "THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("DKSH Group") to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group ("Related Parties") as specified in section 2.5(b) of the Circular to

Notice of Annual General Meeting (continued)

Shareholders dated May 30, 2014 ("Proposed Mandate II") provided that such arrangements and/or transactions are:
(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the day-to-day operations; and
(iii) carried out in the ordinary course of business on normal commercial terms which are consistent with DKSH Group's normal business practices and policies, on terms not more favorable to Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Mandate II will continue to be in force until:
(i) the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or
(ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to section 143(1) of the Companies Act 1965 ("Act") (but must not extend to such extensions as may be allowed pursuant to section 143(2) of the Act); or
(iii) until the authority is revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered to complete and to do all such acts and things, including executing all such documents as may be required, as they may consider expedient or necessary to give effect to this resolution."
Ordinary Resolution 8

9. To transact any other business of an Annual General Meeting for which due notice shall have been given.

By order of the Board

Andre' Chai P'o-Lieng (MAICSA 7062103)
Kwan Wai Sin (MAICSA 7035227)
Company Secretaries

Petaling Jaya
May 30, 2014

Notes:

(i) Only members of the Company whose names appear in the Record of Depositors as at June 16, 2014 will be entitled to attend and vote at the Annual General Meeting.
(ii) A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint not more than two (2) proxies to attend, vote and speak on such member's behalf. A proxy may, but need not, be a member of the Company.
(iii) Where a member appoints more than one (1) proxy to attend and vote at the Annual General Meeting, the appointment shall be invalid unless the member specifies the proportion of the shareholdings to be represented by each proxy in the Proxy Form.
(iv) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.
(v) The Proxy Form shall be in writing under the hand of the appointer or of his/her attorney duly authorized in writing, or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorized. Only original copy of the duly signed and/or sealed Proxy Form will be accepted.
(vi) To be valid, the original signed and/or sealed Proxy Form must be deposited at the registered office of the Company at 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Annual General Meeting or any adjournment thereof.

Notice of Annual General Meeting (continued)

Explanatory notes on special business (pursuant to paragraph 7.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad):

1. **Ordinary Resolution 7**
   Proposed Mandate I for Recurrent Related Party Transactions of a Revenue or Trading Nature

   The proposed Ordinary Resolution 7, if passed, will renew the authority obtained at the last Annual General Meeting and allow DKSH Group to enter into recurrent related party transactions with DKSH Holding Ltd and its subsidiaries involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group, which are of a revenue or trading nature and necessary for DKSH Group's day-to-day operations.

2. **Ordinary Resolution 8**
   Proposed Mandate II for Recurrent Related Party Transactions of a Revenue or Trading Nature

   The proposed Ordinary Resolution 8, if passed, will renew the authority obtained at the last Annual General Meeting and allow DKSH Group to enter into recurrent related party transactions with Lembaga Tabung Angkatan Tentera involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of DKSH Group, which are of a revenue or trading nature and necessary for DKSH Group's day-to-day operations.

Further information on the Proposed Mandate I and Proposed Mandate II is set out in the Circular to Shareholders dated May 30, 2014 which is despatched together with the Company's Annual Report 2013.

Statement accompanying notice of Annual General Meeting (pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad):

No individual is seeking election as a Director at the Twenty-Second Annual General Meeting of the Company.

Corporate information

Board of Directors

Michael Lim Hee Kiang	Independent Non-Executive Chairman
James Armand Menezes	Independent Non-Executive Director
Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director
Alexander Stuart Davy	Independent Non-Executive Director
John Peter Clare	Non-Independent Executive Director/Group Finance Director

Audit Committee

James Armand Menezes	Chairman of the Audit Committee
Michael Lim Hee Kiang	Member
Datuk Haji Abdul Aziz bin Ismail	Member

Nominating Committee

Michael Lim Hee Kiang	Chairman of the Nominating Committee
James Armand Menezes	Member
Alexander Stuart Davy	Member

Registered office

Address: 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan	Phone +60 3 7966 0288 Fax +60 3 7956 0401

Auditors

Ernst & Young, Chartered Accountants Address: Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur	Phone +60 3 7495 8000 Fax +60 3 2095 9076 / 2095 9078

Share registrar

Tricor Investor Services Sdn Bhd Address: Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Phone +60 3 2264 3883 Fax +60 3 2282 1886

Stock Exchange listing

Listed on Bursa Malaysia Securities Berhad (Main Market) since December 13, 1994	Stock name: DKSH Stock code: 5908

Company Secretaries

Andre' Chai P'o-Lieng, MAICSA 7062103

Kwan Wai Sin, MAICSA 7035227

Principal bankers

Affin Bank Berhad

Deutsche Bank (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Public Bank Berhad

Chairman's statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and the audited financial statements of the DKSH Holdings (Malaysia) Berhad Group ("the Group") for the financial year ended December 31, 2013.

Sustainable, profitable growth

Once again, we are pleased to announce that 2013 was another record year for the Group and that we have outperformed the record year of 2012. Net sales increased by 7.5% from RM 4.7 billion in 2012 to RM 5.1 billion in 2013, in line with our promise of delivering sustainable, profitable growth. All three business segments contributed positively to this growth. The Group also outperformed the projected Market Expansion Services industry growth rate of 6.1% in Malaysia[1].

At the core of the Group's growth stood the steady expansion of sales and market share for our more than 150 clients. In addition to the growth of existing clients, our business development initiatives were successful, underlining the growth momentum. Moreover, on the retail side, the Group's Famous Amos retail business expanded its retail footprint to 88 outlets nationwide, including the launch of a new café concept, laying the foundation for continued sales growth.

The Malaysian economy continued to provide a favorable environment and expanded at a rate of 4.7%[2] for the year 2013, slightly lower than the 5.6%[2] registered in 2012, whilst private consumption, which is important for DKSH's business activities, advanced at a rate of 7.6% in 2013[2].

Economies of scale, combined with various successful initiatives to mitigate cost increases supported the continued profit growth of the Group. Moreover, our efficient SAP system as well as the sales force automation system provided an industry leading platform for sharing of real time market information with the Group's clients, an increasingly important advantage to react swiftly to market conditions.

Focus on core business

After five years of strong consecutive profit growth and having outgrown our Jalan University distribution center and offices, we reassessed the Group's operating infrastructure in order to secure the platform for the future growth and expansion. The first initiative was to move into a new and larger state-of-the-art distribution center for the Healthcare business equipped with more advanced and efficient facilities. In line with the Group's asset light strategy, the new distribution center is leased, rather than owned. The commitment to this new distribution center underlines the importance and growth opportunities in the Healthcare business. It furthermore allows us to provide unparalleled logistics and distribution services that safeguard the integrity of the value chain for our Healthcare clients and their products.

Having freed-up a large part of the Group's property at Jalan University in Petaling Jaya, which was previously utilized as a Healthcare distribution center, the Group also reassessed its office infrastructure and decided to lease new offices and sell the owned property. This also follows the Group's strategy to remain asset light. The move into new offices is expected to take place in 2015 and will position DKSH optimally for the next phase of growth and expansion, whilst fostering our position as an employer of choice. Separately and on a smaller scale, we have also committed to a new expanded distribution center in Kota Kinabalu, Sabah, for our Consumer Goods and Healthcare businesses.

During 2013, we also disposed of DKSH Transport Agencies, the Group's freight-forwarding business. An opportunity allowed us to divest this non-core unit and focus on our core business of market expansion services.

Good organic sales performance, operating efficiencies and prudently managed expenses, combined with the disposals of the Group's Jalan University property and DKSH Transport Agencies resulted in a strong increase in profit after tax of 132.7%, which increased from RM 73.5 million in 2012 to RM 171.2 million in 2013. The Group's results in both 2012 and 2013 were impacted by property disposals. The disposal of a smaller property in 2012 contributed RM 21.1 million to profit after tax for the Group, whilst the disposal of the property in 2013 contributed RM 97.3 million. After eliminating the exceptional, non-recurring profits from the disposals of property and DKSH Transport Agencies, profit after tax for the Group increased by 24.3% from RM 52.5 million in 2012 to RM 65.3 million in 2013. We delivered profit growth above net sales growth, which demonstrates our ability to perform and operate efficiently in line with our promise in delivering sustainable, profitable growth.

Sustainability

In 2013, we continued our commitment to high ethical standards and good corporate governance. A further enhanced corporate sustainability framework provided the basis for a clear focus on key initiatives. Our charity programs supported the communities at large, with initiatives ranging from DKSH's annual Fantree Club Charity Run, to participation in The

1) Roland Berger Strategy Consultants, March 2014
2) Bank Negara Malaysia

Chairman's statement (continued)

Edge – Bursa Malaysia Kuala Lumpur Rat Race. Passionate staff engagement was important for the success of these events. With a focus on the workplace and establishing the Group as the employer of choice in the Malaysian market, the Group continued its corporate training and development programs, empowering individuals at various levels throughout the Group to grow their careers with DKSH. Our approach in growing the business has also always been the mutual success between DKSH and its clients and customers.

Dividends

In view of the good financial performance in 2013, the Board of Directors will propose a final single tier dividend of 9.5 sen per ordinary share at the Annual General Meeting in June 2014. The Board of Directors also proposes that shareholders participate in the form of a special single tier dividend of 13 sen per ordinary share from the successfully concluded property disposal in 2013. The total dividend payment of 22.5 sen in respect of the financial year ended 2013 amounts to a total payout of RM 35.5 million and reflects a nearly doubling in dividend payment compared to the total dividend of 11.5 sen per ordinary share in 2012.

Outlook

We continue our positive outlook for our markets and the attractiveness of our business model, despite uncertainty in the global and local economy. Sustained domestic demand, although more moderate, will provide a strong backdrop for continued growth throughout the ranges of Consumer Goods, Healthcare and Performance Material products the Group offers. In a study update in March 2014, Roland Berger Strategy Consultants has also projected continued growth in the Market Expansion Services industry of Malaysia at 6.1% per annum up to 2018, underlining the positive trends.

Our business model remains robust. It is supported by increased interest in outsourcing of sales and distribution activities by clients and their need for reliable and transparent partners with local capillary market expertise like DKSH. With a scalable business model, DKSH is also ideally positioned to benefit from Malaysia's growing middle class and resilient private consumption growth.

Acknowledgements

2013 was an exciting and rewarding year where we set yet another record. With this, I would once again like to convey my sincere appreciation to the entire management team and employees who have implemented the Group's strategy for growth with passion and commitment. I would also like to thank our business partners for their continued partnership and support in growing our mutual business throughout Malaysia and Brunei.

In February 2014, Thon Lek has decided to step down from the Board, having served on the Board for twelve years. Throughout his tenure, Thon Lek provided extensive and invaluable insights based on his life-long experience in the consumer goods industry. We thank Thon Lek for his commitment and extensive contributions to the Group and wish him all the very best.

Last but not least, we would like to thank our shareholders for their continued support to DKSH Malaysia.

Michael Lim Hee Kiang
Chairman

Management discussion and analysis

Summary

The DKSH Group continued its track record and delivered another strong performance with sustainable, profitable growth in 2013. Net sales grew by 7.5% from RM 4.7 billion in 2012 to RM 5.1 billion in 2013, exceeding the Market Expansion Services industry's growth rate of 6.1% in Malaysia[1].

The strong net sales growth was a result of organic sales growth from the more than 150 clients of the Group, supported by new business development. All business segments contributed positively to the Group's growth in 2013, with the Marketing and Distribution segment showing the strongest performance.

In 2013, the Group also enhanced its infrastructure to strengthen our presence in Malaysia and to provide the platform for sustainable, profitable growth. As a first initiative, we moved into a new and larger state-of-the-art distribution center for the Healthcare business. The distribution center located in Shah Alam is equipped with more advanced and efficient facility and amenities, thereby reaffirming our position as a strong partner for pharmaceutical and medical device companies in the Malaysian market. The improvements in our distribution center have allowed us to set new standards in providing quality value-added services and safeguarding the integrity of the value chain for our Healthcare clients and their products. Similarly, on a smaller scale, we have also committed to move to a new and more efficient distribution center in Kota Kinabalu, Sabah, to enable expansion in the promising and growing East Malaysia market for our Consumer Goods and Healthcare businesses.

The move of the Healthcare distribution center away from its previous premises at Jalan University in Petaling Jaya to Shah Alam has allowed us to reassess various options for the expansion of our office infrastructure. In line with the Group's commitment in being asset-light, we decided to move to leased offices, allowing for flexible future expansion when needed. The foreseen upgrade in the office infrastructure is also intended to strengthen the Group's ability to attract the best talents in the market and to strengthen our standing as one of Malaysia's preferred employers.

In the fourth quarter of 2013, the Group disposed of DKSH Transport Agencies, a non-core freight forwarding business. To enhance comparability, and in line with accounting standards, segmental net sales and profits have been restated for 2012 and 2013 and split between continuing and discontinued operations.

Profit before tax from continuing operations improved by 102.6% from RM 94.0 million in 2012 to RM 190.4 million in 2013 supported by strong operating performance, as well as the disposals of the Group's Jalan University property and DKSH Transport Agencies. Profit after tax from continuing operations improved by 132.7% from RM 73.5 million in 2012 to RM 171.2 million in 2013, whilst earnings per share from continuing operations increased by 141.2% from 44.08 sen in 2012 to 106.34 sen in 2013.

A strong focus on working capital management remained throughout 2013. With working capital growth trending below sales growth, the cash flow from operating activities grew strongly to RM 63.6 million in 2013, whilst cash flow from investing activities was positively affected by the disposal of the property.

People continue to be DKSH's most important asset. The Group has continued investing in training and development programs catered to specifically increasing the skills and capabilities of the various levels of employees throughout the Group. At the end of 2013, the Group employed more than 2,500 specialists in the Malaysian market.

Marketing and Distribution segment

Under the segment Marketing and Distribution, the Group provides the full range of services integrated and tailor-made along the value chain. 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. This segment comprises the Fast Moving Consumer Goods business and the Performance Materials business.

Net sales for this segment grew strongly by 9.6% from RM 2.1 billion in 2012 to RM 2.3 billion in 2013, outpacing the Malaysian Market Expansion Services industry growth rate of 6.1%[1]. On the basis of this strong sales growth, as well as operating efficiencies and economies of scale, the operating result for this segment increased by 21.7% from RM 50.5 million in 2012 to RM 61.4 million in 2013.

The main driver for this strong sales performance came from the Fast Moving Consumer Goods business, as we grew organically and increased market share for our clients. We further fostered these long-term partnerships and strengthened our own and our client's position in the Malaysian market. The Fast Moving Consumer Goods business also continued to enhance operational processes and business efficiencies, which contributed to the accelerated profit growth in this segment. Malaysia's growing middle class is also expected to drive demand for consumer products, thereby supporting growth in this segment for the future.

As for the Group's Performance Materials business, sales advanced well, both through growth of existing business and new business development. Performance Materials' strategy of enhancing organic growth by leveraging a solutions-oriented business model, combined with new business development, has been successful.

[1] Roland Berger Strategy Consultants, March 2014
[2] Bank Negara Malaysia

Management discussion and analysis (continued)

Logistics segment

Under the segment Logistics, the Group focuses on 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 its clients. The businesses represented under this segment include the Healthcare business and the supply chain focused parts of the Consumer Goods business, specifically the sale of telephone cards. In the fourth quarter of 2013, the Group disposed of the non-core DKSH Transport Agencies, which used to be reported under this segment.

Net sales from continuing operations grew by 5.8% from RM 2.6 billion in 2012 to RM 2.8 billion in 2013, whilst the operating result decreased by 11.3% from RM 22.3 million in 2012 to RM 19.8 million in 2013 due mainly to the one-off relocation costs relating to the new distribution center.

The Healthcare business under this segment saw strong organic sales growth with existing clients. In addition, a number of new clients engaged DKSH to support them with Market Expansion Services. The Healthcare segment expanded its service offering and strengthened its full services solutions business. At the same time, improving operational processes and efficiencies were a key focus area. The integrity of the value chain, specifically the fulfillment of all storage and handling requirements, as well as removal of expired products from any point along the supply chain, continues to be of utmost importance to Healthcare and its clients. With this in mind, and in order to support future growth in a promising market segment, the Group invested in a new state-of-the-art distribution center in Shah Alam, which sets new benchmarks in the stringent quality requirements of the pharmaceutical industry. Whilst in line with our projections, the one-off moving costs, as well as investments in capital expenditure, affected the segment's profit growth temporarily.

Malaysia's growing middle class is expected to be a growth driver for the Healthcare business, with more demand on ethical pharmaceuticals, over-the-counter products and medical devices. Against the backdrop of rigorously focusing on core competencies, increasing numbers of companies are relying on specialist service providers to expand into new and existing markets. Demand for such services is expected to continue to grow.

Separately, the telephone card business under this segment, which accounts for a material part of net sales, had a difficult year and recorded a stagnating sales performance which affected the overall sales performance of this segment.

Segment "Others"

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

Net sales improved by 7.9% from RM 57.4 million in 2012 to RM 61.9 million in 2013. The strong sales performance was contributed by existing Famous Amos outlets and additional new outlets opened during 2013. The Group now operates 88 Famous Amos outlets throughout Malaysia.

In 2012 and in 2013, the Group disposed two separate properties, which materially contributed to the segment's profit leading to a profit growth of 261.5%, an increase from RM 29.1 million in 2012 to RM 105.1 million in 2013. When excluding the two separate disposals of properties, the segmental result reduced by 2.5% from RM 8.0 million in 2012 to RM 7.8 million in 2013. This temporary situation is a result of the rapid expansion in retail footprint and investments into the back-end infrastructure to support the future growth of this important and promising retail business.

Strategy for sustainable, profitable growth

The Group offers a market leading comprehensive portfolio of services along the entire value chain, customized and tailor-made to business partners' specific needs. Our strategy for sustainable, profitable growth therefore remains. We will do more of the same, and we will do it more efficiently. Our initiatives in 2013 have reaffirmed this focus. Our strategy is centered on growing organically, through expanding business with existing clients and customers, whilst enhancing our operational efficiencies to improve services and optimize costs.

We aim at being a strategic, proactive, and strong partner who helps our clients and customers to secure and increase their market share and to grow their businesses. Our strong business development platforms will further contribute to the organic growth of the Group. We will continuously expand value-added service offerings for our clients whilst striving to be the sales channels' partner of choice of our customers.

Outlook

The Group continues to maintain a positive outlook based on a well-diversified portfolio of clients and customers, as well as a strong sales, marketing and distribution infrastructure with a capillary distribution reach. We expect this growth to continue despite a more moderate domestic demand forecast for 2014[2)]. Moreover, we anticipate that operating cost increases throughout the Malaysian market will be offset by rigorous efficiency programs and economies of scale. Furthermore, our operational risk management processes and controls, backed by an industry leading IT system, continue to support the business.

The Group has continued to emphasize its focus on the core business by using a pragmatic approach to capture opportunities identified and create further

Management discussion and analysis (continued)

growth opportunities. With this, we will continue to drive organic growth of our business partners and support this through business development initiatives across all our business segments.

Two market trends additionally support a positive medium-to-long-term outlook for the Group. Firstly, the sustained domestic demand, driven by the growing middle class in Malaysia, supports the growth of consumer goods and pharmaceutical products. Secondly, manufacturers increasingly focus on core competencies and seek specialized service providers like DKSH in order to grow the market for and with them through specialized services such as market research, product registration, sales and marketing, as well as distribution.

Supported by positive market trends and a growth platform, we expect to see continued growth in 2014.

John Peter Clare
Group Finance Director

DKSH at a glance

We help companies to grow their business in new and existing markets. We expand their access to knowledge, their sourcing base, their revenue opportunities and their market shares. Providing business partners with a comprehensive package of services to reach their individual goals is what we call Market Expansion Services.

Net sales: RM 5.1 billion

Over 2,500 specialists

23 business locations

4 ISO-certified distribution centers and 8 regional distribution centers

Network of more than 150 clients and 13,000 customers

Financial highlights

Consolidated results of DKSH Holdings (Malaysia) Berhad Group (RM'000)

	2009	2010	2011	2012	2013
Net sales	3,559,678	3,867,610	4,260,749	4,724,726 [3]	5,079,177
Profit before tax	31,019 [1]	45,556	67,687	94,014 [3]	190,445
Net profit attributable to owners of the parent	21,248 [1]	27,963	44,346	77,762	174,828
Total assets employed	969,147 [2]	1,107,605	1,240,147	1,283,469	1,384,023
Shareholders' equity	162,203	184,909	222,182	290,810	449,187

Notes:

1) The comparatives for the financial year 2009 have been restated to reflect the reclassification of exchange effect on the transition of investment in a foreign subsidiary to other comprehensive income.

2) The comparatives for the financial year 2009 have been restated to reflect the reclassification between receivables and payables in the Statements of Financial Position.

3) The comparatives for the financial year 2012 have been restated to exclude the disposed subsidiaries namely DKSH Transport Agencies (M) Sdn Bhd and Macro Consolidators (M) Sdn Bhd.

Corporate profile

Market Expansion Services

As the No.1 Market Expansion Services provider with a focus on Asia, DKSH helps other companies to grow their business in new or existing markets. Backed by nearly 150 years of experience, we offer our business partners tailor-made solutions along the entire value chain to support them in successfully achieving their objectives.

History – deeply rooted in Malaysia

DKSH is the leading Market Expansion Services provider in Malaysia, with a history of conducting business in the country for over 100 years. Originally operating under the name Diethelm, the first branch office was established in 1923 in Penang. DKSH has since grown from strength to strength employing a workforce of over 2,500 specialists. Today, DKSH's main office in Petaling Jaya, Selangor and its 23 business locations serve more than 150 clients and 13,000 customers across Malaysia, providing unparalleled market coverage nationwide.

DKSH Holdings (Malaysia) Berhad was incorporated on December 24, 1991. On December 13, 1994, the Company was publicly listed on the Main Board of Bursa Malaysia Securities Berhad, then known as the Kuala Lumpur Stock Exchange. DKSH Holdings (Malaysia) Berhad is majority-owned by the DKSH Group of Switzerland.

DKSH Group of Switzerland

DKSH is the leading Market Expansion Services provider with a focus on Asia. As the term "Market Expansion Services" suggests, DKSH helps other companies and brands to grow their business in new or existing markets.

Publicly listed on the SIX Swiss Exchange since March 2012, DKSH is a global company headquartered in Zurich. With 735 business locations in 35 countries - 710 of them in Asia Pacific - and 26,700 specialists, DKSH generated net sales of CHF 9.6 billion in 2013.

The company offers a tailor-made, integrated portfolio of sourcing, marketing, sales, distribution and after-sales services. It provides business partners with expertise as well as on-the-ground logistics based on a comprehensive network of unique size and depth.

Touching the daily lives of millions of Malaysians, DKSH provides a vast portfolio of products for daily use, including many well-known local and international brands.

By working closely with our business partners, we enable them to benefit from market insights, reduced time-to-market intervals and new revenue opportunities

With strong Swiss heritage, the company has a nearly 150-year-long tradition of doing business in and with Asia, and is deeply rooted in communities and businesses across Asia Pacific.

Our business model

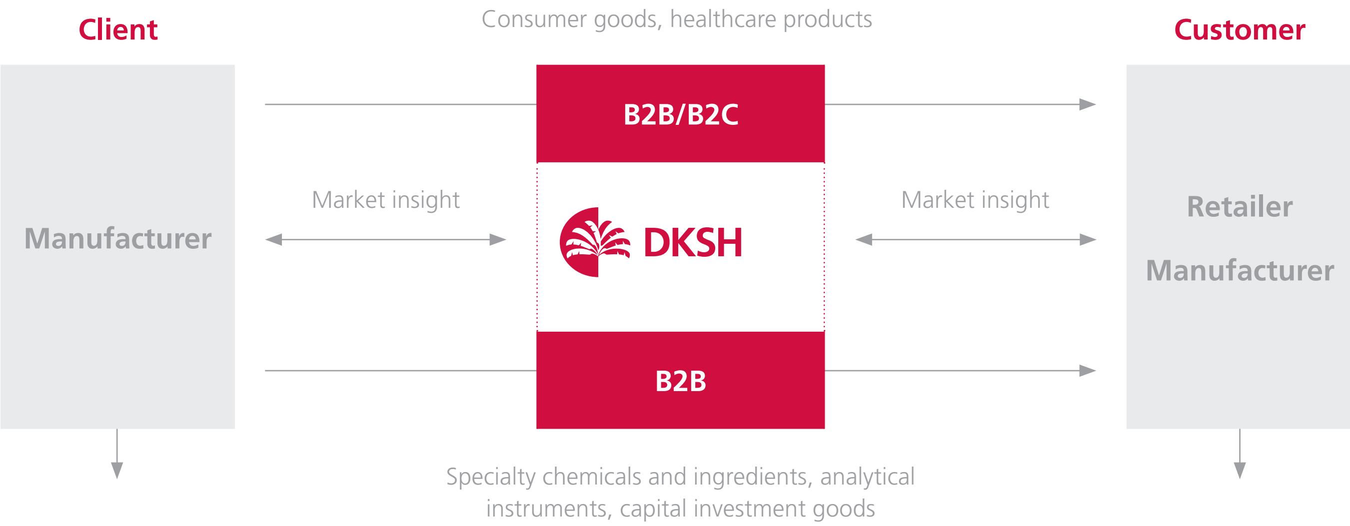
At DKSH, our business partners are either clients or customers, depending on their position in the value chain and the services we provide to them. Our business model is centered on DKSH's role as the key link between clients and customers. We help our partners in growing and adding value to their business and enable them to achieve lasting success.

As a result of our position as the leading Market Expansion Services provider with a focus on Asia, we benefit from economies of scale, unique cross-regional and cross-industry synergies and significant bargaining power with the trade.

Leveraging on our strong market presence, clients can capitalize on the superior commercial terms and conditions made available by DKSH. On the other hand, our scope and scale allows us to provide our customers a comprehensive portfolio of products and services. Our business partners recognize that growth is more profitable if they focus on their core competencies and outsource other elements of the value chain to specialist services providers such as DKSH.

In Malaysia, DKSH represents over 150 clients and distributes their products to over 13,000 customers ranging from local sundry shops to hypermarkets, from

Corporate profile (continued)



We support our clients in marketing, selling and distributing products, provide after-sales services and market insight in new and existing markets.

We support our customers in getting the best raw materials, products and brands at the best price, and we provide them with knowledge and market insights.

medical halls to pharmacies and hospitals, and from animal farms to highly specialized science laboratories.

DKSH offers its business partners with a tailor-made and integrated portfolio of services along the entire value chain of any product, from sourcing, research and analysis, marketing and sales, to distribution and logistics, as well as after-sales services. Business partners leverage DKSH's capillary distribution network, deep local market know-how and expertise, as well as its extensive supply chain network of unique size and depth to expand and grow their businesses.

Well-diversified, unique and scalable, our business is resilient and difficult to replicate, resulting in strong barriers to entry and exit. Our diversity is broad in terms of industries, markets, products, services and business partners serviced and forms the foundation of our continuing sustainable and profitable growth. The majority of our products we handle are close to the daily needs of the people in the markets where we are active, contributing to the resilience of our business model.

Business segments

Marketing and Distribution segment

Under this business segment, the Group provides a comprehensive portfolio of services ranging from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value-added services. The businesses represented under this segment are Consumer Goods and Performance Materials.

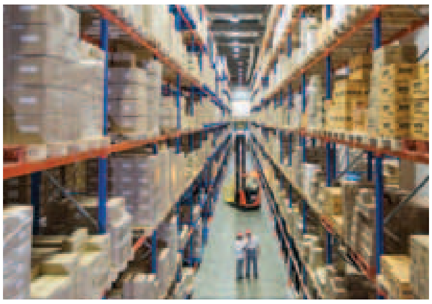
The keystone to the Group's full-service business model lies in its broad range of sales and marketing services, deep market-access insights and knowledge, long-established relationships in the country, and unique distribution reach achieved through an extensive and experienced sales force network of 23 business locations covering key market locations in West and East Malaysia as well as Brunei.

Core to the Group's Marketing and Distribution infrastructure is an ISO-certified 550,000 square feet distribution center in Jalan Sungai Jati near Klang which has a capacity of 55,000 pallets for ambient and temperature controlled products catering for Consumer Goods.


DKSH's in-depth expertise in the specialty chemical industry enables our clients to focus their core competencies while expanding in new markets.

The strength of our sales force is reinforced by the extensive supply chain infrastructure that is unique in size and depth, while local distribution teams ensure products represented by DKSH are widely accessible in hyper- and supermarkets, shops, kiosks, medical halls, and pharmacies throughout Malaysia.

Corporate profile (continued)



The new distribution center's GDPMD certification demonstrates DKSH's dedication to quality and willingness to invest in new certifications to further strengthen its capabilities and service offerings along the entire distribution chain for its healthcare clients and customers.

The majority of DKSH's sales team is equipped with hand-held devices using a powerful web-based IT application that is linked directly to the Group's SAP system to access live inventory information and remotely process orders at any time.

Logistics segment
The Group's Logistics services focuses on supply chain services ranging from import, to forwarding, warehousing and distribution, order processing and collections. The businesses represented in this segment are primarily Healthcare and parts of Consumer Goods, which are entirely supply chain-centric. This includes the distribution of telephone cards.

The Logistics segment continues its growth course with the opening of a new distribution center in Shah Alam. The new central distribution center in Hicom Industrial Estate, Shah Alam provides a significant capacity upgrade with 130,000 square feet of space which stores more than 11,000 pallets. The distribution center is currently a leading service provider for clinical trial supply chain activities, addressing the increasingly complex clinical trial supply packaging, labeling and distribution requirements. Its technologically-advanced cold chain and redressing facilities has industry leading standards storage of vaccines and bio-tech products.

Built in line with DKSH's dedication to quality and compliance, the facility complies with Good Distribution Practices (GDP) and Good Manufacturing Practices (GMP) as well as adheres to strict ISO 9001:2008 and ISO 13485:2003 international standards. The distribution center has set quality assurance benchmarks in Malaysia by being the first service provider to be awarded the Good Distribution Practice for Medical Devices (GDPMD) certification, strengthening the Group's capabilities and service offerings along the entire value chain.

To reach more customers in a timely manner nationwide, the Marketing and Distribution and the Logistics segments' two main distribution centers are further supported by ten branches in East Malaysia (including Brunei) which have their own Consumer Goods distribution centers, while two additional ISO-certified Healthcare distribution centers in Kuching and Kota Kinabalu ensure the highest standards of operational and supply chain efficiencies.

Segment "Others"
The primary business activity in this segment is the Famous Amos chocolate chip cookie business. Famous Amos is a retailer of chocolate chip cookies as well as selected assortment of complementary products such as hampers, gifts, chocolates and confectionery items. As at the end of 2013, there were a total of 88 Famous Amos outlets located in West and East Malaysia.

This segment also includes central overheads.

Freshly baked in store throughout the day, our Famous Amos business has extensive presence in Malaysia with more than 80 outlets in shopping malls and airports across the country.

Corporate profile (continued)

Comprehensive portfolio of services along the value chain

DKSH offers companies integrated and tailor-made Market Expansion Services along their entire value chain:

Sourcing

Our unique sourcing network and a deep industry experience enable us to provide any materials and products our customers need. We offer the perfect mix of cost-effectiveness, quality and dependable supply. With DKSH, business partners can expand their sourcing base and focus on growing their business.

Market analysis and search

In our application, formulation and product development laboratories, we generate new product ideas and develop and customize them. We work on new ingredients and technology applications, provide hands-on training and run acceptance tests. We turn our market insight into strategic advice for our business partners.

Marketing and sales

We open up new revenue opportunities for business partners.

We offer a complete array of marketing and sales services for consumer goods, healthcare products and performance materials. We have a long-standing track record in brand-building and service all relevant channels to market, customers and outlets. In Malaysia, we offer comprehensive market coverage to help our business partners grow their business.

Distribution and logistics

We deliver what our business partners need, at the right time and place.

With our unmatched logistics infrastructure and state-of-the-art distribution centers, we transport, store and distribute clients' products efficiently and professionally across the country. As part of our comprehensive package of Market Expansion Services, we provide many additional specialized services, including supply chain management, regulatory support, logistics, invoicing and cash collection.

After-sales services

We provide a broad range of after-sales services and support that ensures top-quality standards, fast problem resolution and the ability to establish a high-value image. We offer real added value to clients and customers alike.

Directors' profiles

Michael Lim Hee Kiang
Independent Non-Executive Chairman
Member of the Audit Committee
Chairman of the Nominating Committee

Mr Michael Lim Hee Kiang, aged 66, a Malaysian, is an Independent Non-Executive Director and Chairman of DKSH Holdings (Malaysia) Berhad. He was appointed as Director of the Company on December 24, 1991 and as Chairman of the Board on January 1, 1999. He continued to serve as a member of the Audit Committee after he relinquished his position as Chairman of the Audit Committee on December 10, 2004. He was appointed as a member of the Nominating Committee on February 26, 2013 and subsequently re-designated as Chairman of the Nominating Committee on February 25, 2014.

Mr Lim, an advocate and solicitor, was a partner of Messrs Shearn Delamore & Co. for 30 years, and subsequently a consultant before he retired from the firm. Mr Lim is now a consultant to Messrs Jeff Leong, Poon and Wong, a leading law firm in Malaysia. He graduated with a Bachelor of Laws (Hons.) degree in 1972 and obtained a Master of Laws degree with distinction from the Victoria University of Wellington, New Zealand in 1973. On returning to Malaysia in 1974, Mr Michael Lim was admitted to the High Court of Borneo and subsequently to the High Court of Malaya in 1978. He was a lecturer at the Law Faculty, University of Malaya from 1975 to 1977.

Mr Lim sits on the boards of the various subsidiaries of DKSH Holdings (Malaysia) Berhad. He also sits on the boards of Paragon Union Berhad, Selangor Properties Berhad, Seloga Holdings Berhad, Sumatec Resources Berhad and Hektar Real Estate Investment Trust.

Mr Lim attended all four Board meetings of the Company held in the financial year ended December 31, 2013. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten years.

James Armand Menezes
Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Nominating Committee

Mr James Armand Menezes, aged 68, a Malaysian, was appointed as an Independent Non-Executive Director and a member of the Audit Committee of DKSH Holdings (Malaysia) Berhad on July 19, 2004. He was subsequently appointed as the Chairman of the Audit Committee on December 10, 2004 and a member of the Nominating Committee on February 25, 2014.

Mr Menezes, a qualified Certified Public Accountant (CPA) and Chartered Accountant, spent 25 years with Ernst & Young of which he was a partner for 13 years. He was the Managing Partner of the Kuala Lumpur office of Ernst & Whinney (now known as Ernst & Young) for five years before he retired from the firm on June 30, 1990. He was also a partner of Ernst & Young, Hong Kong, Singapore, Brunei, and Indonesia. Mr Menezes represented those offices in Ernst & Young's international Technical Committee for five years and was also the Chairman of the Far East Technical & Training Committee. During his term of office there, he undertook quality control assignments at Ernst & Young's offices in other parts of the world. On his retirement from Ernst & Young in 1990, he set up a company under the name of JA Menezes & Associates Sdn Bhd. This Company was dissolved in 2001 when he fully retired from practice.

During the ten years from 1990 to 2000, Mr Menezes held board positions in private and public listed companies in the United Kingdom, Australia, Singapore, Hong Kong and Malaysia. He is presently a director of Sphere Corporation Sdn Bhd and is an active council member, on a voluntary basis, of Hospis Malaysia, a non-governmental organization limited by guarantee.

Mr Menezes attended all four Board meetings of the Company held in the financial year ended December 31, 2013. He does not hold any directorship of other public companies. Mr Menezes does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten years.

Directors' profiles (continued)

Datuk Haji Abdul Aziz bin Ismail
Non-Independent Non-Executive Director
Member of the Audit Committee

Datuk Haji Abdul Aziz bin Ismail, aged 61, a Malaysian, was appointed as a Non-Independent Non-Executive Director and a member of the Audit Committee of DKSH Holdings (Malaysia) Berhad on July 19, 2007.

Datuk Haji Abdul Aziz graduated with a Master of Business Administration from Eastern Illinois University, United States of America and with a Bachelor of Arts in Business Administration from Augustana College, United States of America. He also holds an Advanced Diploma in Information Systems from the Canberra University Australia on a Colombo Plan Scholarship. In 1993, he attended the Advanced Management Program at Wharton University of Pennsylvania, United States of America, and participated in the INSEAD Advanced Management Program at Fontainebleau, France, in July 2005.

Datuk Haji Abdul Aziz is currently the General Manager of Perbadanan Perwira Harta Malaysia, a subsidiary corporation of Lembaga Tabung Angkatan Tentera ("LTAT"), a post he assumed since May 9, 2011. He was formerly the Deputy Chief Executive of LTAT from January 6, 2001 till May 8, 2011 and also served as the General Manager of the Ex-Serviceman Affairs Corporation (PERHEBAT), a subsidiary corporation of LTAT from January 1995 till December 2000. Prior to joining LTAT, he was a Senior Auditor attached to the Auditor-General's office of Malaysia from April 1977 to May 1985. He also sits on the boards of Affin Fund Management Berhad and Boustead Al-Hadharah REIT.

Datuk Haji Abdul Aziz attended all four Board meetings of the Company held in the financial year ended December 31, 2013. He does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten years.

Alexander Stuart Davy
Independent Non-Executive Director
Member of the Nominating Committee

Mr Alexander Stuart Davy, aged 56, a United Kingdom national, was appointed to the Board of DKSH Holdings (Malaysia) Berhad on January 28, 2008 as a Non-Independent Non-Executive Director. He was subsequently appointed as a member of the Nominating Committee on February 26, 2013. Mr Davy was re-designated as Independent Non-Executive Director on February 25, 2014 having fulfilled the criteria of independent director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Mr Davy graduated from the University of Bristol with a Bachelor of Science degree in Economics in 1978. He is a member of the Institute of Chartered Accountants (ACA) in the United Kingdom with 30 years of experience in the finance field. After qualifying in the UK, he worked for Price Waterhouse in the United States of America and Hong Kong. He subsequently joined First Pacific Group for eight years; initially at its corporate office in Hong Kong for the first three years before he transferred to Berli Jucker, a listed company on the Stock Exchange of Thailand and served as its Chief Financial Officer and as a director for the next five years. Mr Davy joined the DKSH Group in 1998 as the Chief Financial Officer of Diethelm Thailand, the Group's largest operation and was the Group Chief Financial Officer from 2005 to 2011 based initially in the corporate office in Zurich and later in the DKSH Group Financial Center in Singapore. Presently, Mr Davy is a director of Angkor Hospital for Children in Siem Reap, Cambodia.

Mr Davy attended all four Board meetings of the Company held in the financial year ended December 31, 2013. He does not hold any directorship of other public companies. Mr Davy does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten years.

Directors' profiles (continued)

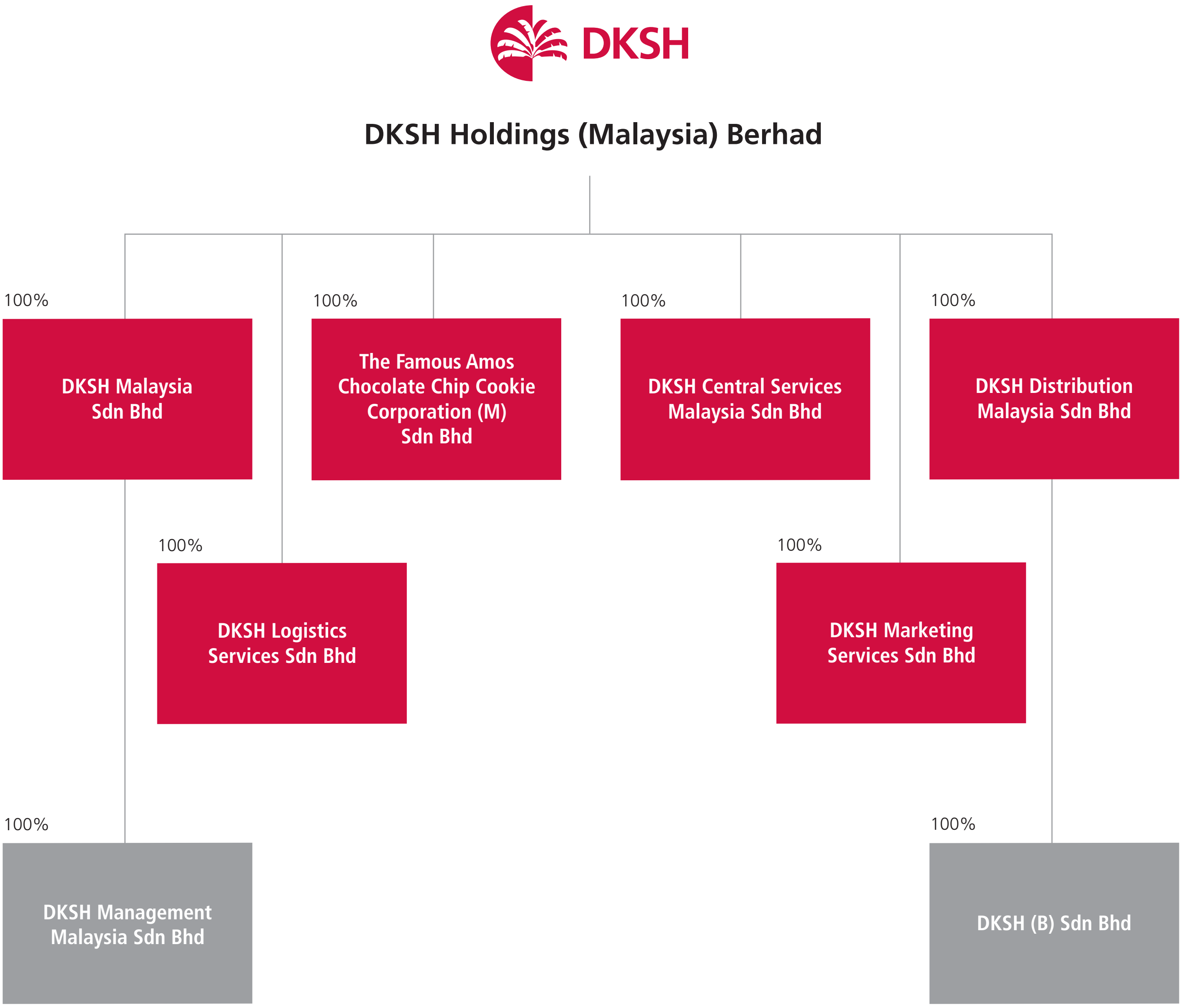
John Peter Clare
Non-Independent Executive Director/
Group Finance Director

Mr John Peter Clare, aged 43, a United Kingdom national, was appointed as the Group Finance Director of DKSH Holdings (Malaysia) Berhad on March 1, 2011.

Mr Clare graduated from the Swiss business school of St. Gallen with a Master of Arts (Major in Finance and Accounting). Thereafter he worked for three years in the Corporate Audit department of Roche, a Swiss pharmaceutical company. In 1999, he joined Diethelm Thailand in Internal Audit and has since 2003 headed the world-wide DKSH Group Internal Audit department out of Hong Kong. In this capacity, he has overseen the audit activities of the world-wide DKSH Group and has over the years supported various corporate initiatives and projects. Since the end of 2008, Mr Clare had headed the Group's Risk Management department based in Hong Kong. In November 2010 he took on the responsibility for DKSH's finance activities in Malaysia as the Country Finance Manager and relocated to Kuala Lumpur.

Mr Clare attended all four Board meetings of the Company held in the financial year ended December 31, 2013. He also sits on the boards of the various subsidiaries of DKSH Holdings (Malaysia) Berhad. He does not hold any directorship of other public companies. Mr Clare does not have any family relationship with any Director and/or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten years.

Corporate structure



Corporate governance statement

We believe that good corporate governance and sustainable business performance are intertwined. The Board of Directors of the Company ("the Board") is committed to upholding high standards of corporate governance and ensuring comprehensive application of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("the Code"). In this process, the Board and management are furthermore supported by the initiatives of the international DKSH Group of Switzerland ("DKSH Switzerland").

The Board is pleased to report to shareholders on the Group's corporate governance practices during the financial year ended December 31, 2013 in accordance with the Code and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

Board matters

Board composition and size

The Board consists of five members: an Independent Non-Executive Chairman, two Independent Non-Executive Directors, a Non-Independent Non-Executive Director and a Non-Independent Executive Director who is the Group Finance Director.

The Board composition and size are assessed by the Board through the Nominating Committee. The Independent Directors make up more than one-third of the Board membership. All members of the Board have extensive professional background. Their profiles are set out on pages 16 to 18 of this Annual Report.

Roles and responsibilities of the Board

The Board has overall responsibility for the Company's strategic planning and direction, and for overseeing the conduct of the Company's business, corporate governance, investor relations, risks management practices and internal controls.

The Board Charter formalizes clear roles and responsibilities for the discharge of the Board's fiduciary and leadership functions. The Board Charter will be reviewed as necessary to reflect current requirements and is available on the Company's website at www.dksh.com.my.

In executing its responsibilities, the Board has established dedicated committees and functions, and conducts respective performance reviews. The Board ensures the senior management is of sufficient caliber to implement the Board's strategies and corporate objectives and promote sustainability, taking into account the interest of various stakeholders.

As the Company is majority-owned by DKSH Switzerland, it practices a world-wide executive management program covering succession planning, including appointing, training, fixing the compensation of and where appropriate, rotating and replacing senior management.

The Board also establishes a corporate culture which ensures that ethical conduct is permeated throughout the Company. The Company's Code of Conduct includes a comprehensive internal reporting process for events of non-compliance. The Company intends to take steps to publish the salient features of the Code of Conduct on the Company's website.

Board balance and effectiveness

The Board has the right mix of skills, experience and knowledge relevant to effectively direct and supervise the Company's business activities and ensure that the interests of all stakeholders are adequately protected.

The Board comprises a majority of Independent Directors who bring independent and objective judgment to the Board, mitigating risks of conflict of interest or undue influence from interested parties.

The Chairman of the Board is an Independent Non-Executive Director and is responsible for managing the effective conduct of the Board. The Group Finance Director together with the management of the Company ensures that strategies, policies and matters approved by the Board are effectively implemented.

Appointment to the Board

The Nominating Committee is responsible for the nomination and election process and for making recommendations to the Board for appointment of new Directors. The Board, after reviewing recommendations of the Nominating Committee, evaluates the suitability of an individual to be appointed.

The Board sets out expectations on the character, experience, integrity, competence and time commitment for the existing Board members and protocols when assessing new directorships. The Board does not have a policy on Boardroom gender diversity as the Board believes in providing equal opportunities to all genders based on merit.

Re-election of Directors

Pursuant to the Listing Requirements, all Directors of the Company shall retire from office at least once every three years and pursuant to the Company's Articles of Association, one third of the Directors will retire by rotation at the Annual General Meeting of the Company. A retiring Director shall be eligible to offer himself for re-election subject to shareholders' approval.

To assist shareholders in their decision, the profile of the retiring Directors and those being eligible have offered themselves for re-election at the forthcoming Annual General Meeting of the Company, is set out on pages 16 to 18 of this Annual Report.

Board assessment

The Nominating Committee is responsible to conduct an annual assessment on the effectiveness of the Board, Board Committees, as well as the performance of individual Directors and his independence where applicable.

The assessment of the Board was structured to ensure a balanced and objective review by the Directors in key areas. The criteria used in the assessment are guided by the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and customized to meet the expectations of the Board and the Company. Where appropriate, the Nominating Committee will review the assessment criteria.

Corporate governance statement (continued)

The assessment questionnaires are designed using rating scales to assist the evaluation process. All Board members completed the assessment questionnaires on a confidential basis. Upon completion, the Nominating Committee compiled and evaluated the respective assessments prior to its reporting and presentation to the Board. The results of the assessment were presented to the Board for its consideration and were formally documented.

Independence of Directors

One of the recommendations of the Code sets out that the tenure of an Independent Director should not exceed a cumulative term of nine years, and if an Independent Director continues to serve on the Board upon completion of the nine years, he is subject to be re-designated as a Non-Independent Director. The Code also sets out a recommendation that the Board must justify and seek shareholders' approval in the event it retains an Independent Director who has served in that capacity for more than nine years without re-designation as a Non-Independent Director.

The Board takes the view that the ability of an Independent Director to serve effectively is a function of his conduct, judgment, caliber and integrity in discharging his responsibilities in the best interest of the Company and various stakeholders.

The Board also acknowledges that significant advantages are gained from the long-serving Directors who possess valuable insights and knowledge of the Company's business affairs and operations. In addition, the Board does not set any term limit for Directors as the Board is of the opinion that the independence of a Director cannot be determined on the basis of his tenure of service.

In view of the above, the Board has adopted alternative practices as detailed below. The Board, taking into account the assessment conducted by the Nominating Committee, reviews the independence of all Independent Directors annually. The Nominating Committee adopts the assessment criteria provided in the Bursa Malaysia's Corporate Governance Guide. Further, an annual declaration of independence is obtained from the respective Independent Directors confirming that they will continue to maintain their status of independence pursuant to the Listing Requirements.

For the year under review, the Nominating Committee and the Board had, after evaluating the aforesaid annual assessment and considering the annual declaration made by Independent Directors, concluded that all Independent Directors of the Company have maintained the status of independence as defined in the Listing Requirements. The Board is also satisfied that these Directors remain independent of management, and objective in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

The Board justified that all Independent Directors of the Company, including Michael Lim Hee Kiang and James Armand Menezes, who have served in the capacity of Independent Directors for more than nine years, shall continue to serve on the Board without re-designation as Non-Independent Directors and without the need for shareholders' approval.

Board meetings and supply of Board information

During 2013, four Board meetings were held. The attendance of each Director thereat is set out in the table below.

Matters specifically reserved for the Board's decision, including quarterly interim financial results, are forwarded to its members prior to the meetings.

The Chairman of the Board ensures that all Board members are given ample opportunity to express their views and opinions during meetings. Discussions, decisions and conclusions are duly

The Board : Composition and attendance at the Board meetings held in 2013

Directors	Designation	No. of meetings attended
Michael Lim Hee Kiang	Independent Non-Executive Chairman	4/4
James Armand Menezes	Independent Non-Executive Director	4/4
Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director	4/4
Alexander Stuart Davy	Independent Non-Executive Director	4/4
John Peter Clare	Non-Independent Executive Director/ Group Finance Director	4/4
Thon Lek (Resigned on February 25, 2014)	Independent Non-Executive Director	4/4

Corporate governance statement (continued)

recorded in the minutes of meetings, which are circulated to Board members and subsequently confirmed by the Chairman of the meeting.

The Chairman of the respective Board Committee informs the Directors at Board meetings of any salient matters raised at the respective Board Committee meetings which require the Board's notice or direction.

There are no restrictions for Directors to obtain independent professional advice at the Company's expense in furtherance of their duties. The Board also has access to information which allows it to oversee the Company's business affairs and performance, and has the advice of senior management and the company secretaries.

The company secretaries are qualified Chartered Secretaries and support the Board in carrying out its roles and responsibilities. They also ensure the Company's compliance with statutory and listing obligations.

Directors' training
All Directors attended the Directors' Mandatory Accreditation Program and are aware of the continuing education program requirement pursuant to the Listing Requirements.

The Board evaluates the training needs of the Directors on a continuous basis and ensures its members have access to appropriate continuing education programs. The Directors devote sufficient time to regularly update their knowledge and enhance their skills to enable them to actively participate in Board deliberations.

The Board is also kept informed of the requirements and updates issued by Bursa Malaysia and other regulatory authorities.

During the financial year under review, all Directors attended a number of training and seminar programs pertaining to, among others, Board's role in corporate governance, investor relations, economic growth and business cycles, finance, corporate reporting and risk management which are relevant and useful in contributing to the effective discharge of their duties as Directors.

Directors' remuneration
The remuneration payable to Non-Executive Directors is proposed by the Board and is subject to shareholders' approval at the Annual General Meeting of the Company. The remuneration of Non-Executive Directors reflects the experience, expertise and responsibilities undertaken by the individual Director concerned.

As the Company is majority-owned by DKSH Switzerland, the remuneration of the Executive Director is based on DKSH Switzerland's own world-wide remuneration policy and procedures which are set in line with international standards. Hence, the Board is of the opinion that a remuneration committee is not required. The Executive Director's remuneration is established by evaluating the scope of his function within the context of the Malaysian market, and the responsibilities and skills required to perform the role successfully subject to the annual internal performance review. In addition, the remuneration of the Executive Director is also directly linked to the achievement of actual financial results and financial key performance indicators of the Group.

The aggregate remuneration of the Directors of the Company categorized under separate bands during 2013 is set out in the table below, and further details of the aggregate remuneration of the Directors during 2013 are set out in Note 6 to the Financial Statements on page 75 of this Annual Report.

Board Committees

Nominating Committee
The Nominating Committee of the Company was established by the Board in February 2013. The Nominating Committee comprises three Independent Non-Executive Directors, its Chairman is an Independent Director.

Duties and responsibilities of the Nominating Committee are set out in its terms of reference approved by the Board which are available on the Company's website at www.dksh.com.my.

The Nominating Committee met once during the year under review with full attendance of its members. Details of the activities undertaken by the Nominating Committee in discharging its duties during 2013 are set out as below:

(i) Adopted the terms of reference of the Nominating Committee approved by the Board.
(ii) Conducted assessment of the Directors who retired by rotation and were eligible for re-election at the previous Annual General Meeting held in 2013. Criteria used in this

Aggregate remuneration of the Directors for the financial year ended December 31, 2013

Range of remuneration	No. of Executive Director	No. of Non-Executive Director
RM 50,000 and below	–	3
RM 50,001 to RM 100,000	–	1
RM 1,300,001 to RM 1,350,000	1	–

Corporate governance statement (continued)

assessment are guided by the Bursa Malaysia's Corporate Governance Guide.

On top of that, the Nominating Committee evaluates the nomination and election of Board and Board Committee members, and makes recommendations to the Board for its approval. Criteria used in the selection process takes into account the current and future needs of the Company. During the financial year under review, there was no Board nomination, election or appointment of a new Director to the Board.

(iii) Conducted annual assessments of the Board, Board Committees, individual Directors and the independence of Independent Directors. Criteria used in these assessments are guided by the Bursa Malaysia's Corporate Governance Guide after taking into consideration the current and future needs of the Company.

The annual assessment of each individual Director enables the Board to ensure that each of the Board members including the Group Finance Director has the character, experience, integrity, competence and time to effectively discharge the respective role.

The Nominating Committee is satisfied that the Board has the right size and the Board composition is well balanced having considered the mix of skills and independence and the diversity required to meet the needs of the Company. The Nominating Committee intends to take steps to formulate a policy on Board composition with regard to the aforesaid attributes.

Audit Committee
The Audit Committee of the Company was established by the Board in September 1994. The Audit Committee comprises two Independent Non-Executive Directors and a Non-Independent Non-Executive Director, its Chairman is an Independent Director. The Audit Committee engages on a continuous basis with the senior management of the Company, as well as internal and external auditors.

During 2013, four Audit Committee meetings were held. Further details of the activities conducted by the Audit Committee during the financial year under review, and the summary of duties and responsibilities as outlined in the Audit Committee's terms of reference approved by the Board are set out in the Audit Committee Report on pages 32 and 33 of this Annual Report. The terms of reference of the Audit Committee are available on the Company's website at www.dksh.com.my.

Accountability and audit

Financial reporting
The Board is responsible for ensuring that the financial statements give a true and fair view of the state of the affairs of the Company and the Group.

The Audit Committee reviews the financial statements for compliance with applicable financial reporting standards. The Board approves the quarterly and annual financial statements of the Group prior to the timely release to Bursa Malaysia and/or shareholders.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements for the year ended 2013 is set out on page 36 of this Annual Report.

Relationship with the Auditors
Through the Audit Committee, the Board maintains a formal and professional relationship with the internal and external auditors.

The Audit Committee reviews and discusses with the external auditors any issues arising from the interim and final audits, audit plans, audit findings and other matters of concern. The Audit Committee members meet with the external auditors at least once a year without the presence of the Executive Director and management.

For the financial year under review, the external auditors confirmed that they are and have been independent throughout the audit engagement.

Risk management and internal controls
The Board maintains a sound risk management framework and internal control system to safeguard shareholders' investment and the Group's assets.

An overview of the state of risk management and internal controls of the Group is set out in the Statement on Risk Management and Internal Control on pages 30 to 31 of this Annual Report.

Shareholder communication and investor relations
The Company acknowledges the need for shareholders to be informed of all material business matters affecting the Company. The Company observes a corporate disclosure policy in accordance with Chapter 3 of the Bursa Malaysia's Corporate Disclosure Guide. The Company has appropriate corporate communications policies and procedures when liaising with shareholders and investors.

In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders and the investing public with an overview of the Group's performance and operations. Shareholders and the investing public may also obtain the up-to-date information and activities of the Company and/or the Group, corporate announcements, quarterly results and annual reports by accessing the Company's website at www.dksh.com.my.

The Annual General Meeting is the principal platform of communication with shareholders of the Company. The Board encourages shareholders' participation during question and answer sessions at the Annual General Meeting. The Chairman and the Group Finance Director present all relevant information to shareholders to enable them to make an informed decision. The external auditors are invited to the meeting to provide their professional and independent view to shareholders, if required. The Board will ensure that any votes of shareholders required to be taken on a poll at the general meeting are complied with.

Corporate governance statement (continued)

The Company conducts regular investor relations meetings, and welcomes the visit of investors for dialogue or discussions on the performance of the Group. The Group Finance Director is available for such meetings and queries or issues regarding the Company and/or the Group may be conveyed to him.

Additional compliance information pursuant to the Listing Requirements

Utilization of proceeds raised from corporate proposals

Pursuant to the Company's announcements released on May 31, 2013, June 5 2013, August 20, 2013 and October 17, 2013 respectively, the disposal of all that piece of leasehold land measuring approximately 258,746 sq. ft. and held under Pajakan Negeri 3696, Lot 52 Seksyen 13, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor together with the office and industrial buildings and warehouses erected thereon by DKSH Central Services Malaysia Sdn Bhd, a wholly-owned subsidiary of the Company, to Sun-PJDC Sdn Bhd for a total cash consideration of RM 124,200,000 ("Corporate Proposal I"), had been completed on October 17, 2013.

As at December 31, 2013, the proceeds raised from the Corporate Proposal I were utilized in the manner as set out in the table below.

Pursuant to the Company's announcements released on August 30, 2013, September 3, 2013 and October 29, 2013 respectively, the disposal of the entire 51% equity interest held by the Company in DKSH Transport Agencies (M) Sdn Bhd ("DKSH TA") comprising 5,508 ordinary shares of RM 100 each to Delta Express (M) Sdn Bhd, for a cash consideration of RM 30,600,000 ("Corporate Proposal II") had been completed on October 29, 2013.

As at December 31, 2013, the proceeds raised from the Corporate Proposal II were utilized in the manner as set out in the table below.

Utilization of proceeds raised from Corporate Proposal I

Purpose	Proposed utilization (RM)	Actual utilization (RM)	Intended timeframe for utilization	Deviation (RM)
Reduce bank borrowings/ Financing of working capital	121,925,000	122,001,553	Within a year upon receipt of payment	(76,553)
Estimated expenses in relation to Corporate Proposal I	2,275,000	2,198,447	Immediate	76,553
Total	124,200,000	124,200,000		0

Utilization of proceeds raised from Corporate Proposal II

Purpose	Proposed utilization (RM)	Actual utilization (RM)	Intended timeframe for utilization	Deviation (RM)
Reduce bank borrowings/ Financing of working capital	10,835,000	11,809,788	Upon completion	(974,788)
Repayment of advance from DKSH TA Group to the Company based on the audited financial statements of DKSH TA Group as at December 31, 2012	19,700,000	18,750,000	Immediate	950,000
Estimated expenses in relation to Corporate Proposal II	65,000	40,212	Upon completion	24,788
Total	30,600,000	30,600,000		0

Corporate governance statement (continued)

Recurrent related party transactions of a revenue or trading nature ("RRPTs")
At the last Annual General Meeting of the Company held on June 25, 2013, the Company had obtained approval from shareholders to allow the Group to enter into RRPTs as specified in the Circular to Shareholders of the Company dated June 3, 2013.

In accordance with paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, the details of RRPTs conducted during the financial year 2013 pursuant to the aforesaid shareholders' mandate are set out in the table below.

	Nature of RRPTs	Transacting companies with whom DKSH Group transacts	Interested Directors and major shareholders (as defined hereinunder)*	Amount transacted during the financial year 2013 RM'000
(i)	Hosting system applications, data processing applications, provision of infrastructure and support facilities, provision of IT and organizational consultancy services by the transacting company to DKSH Holdings (Malaysia) Berhad Group of companies ("DKSH Group")	DKSH Corporate Shared Services Center Sdn Bhd ("CSSC")	DKSH Resources [1)] DKSH Asia [2)] DKSH Holding Ltd [3)] ASD [4)] JPC [5)]	11,705
(ii)	Sale of goods by DKSH Group to transacting companies	DKSH Holding Ltd and its subsidiaries	DKSH Resources [1)] DKSH Asia [2)] DKSH Holding Ltd [3)] ASD [4)] JPC [5)]	1,567
(iii)	Provision of distribution and logistics services by DKSH Group to transacting companies	DKSH Holding Ltd and its subsidiaries	DKSH Resources [1)] DKSH Asia [2)] DKSH Holding Ltd [3)] ASD [4)] JPC [5)]	50,935
(iv)	Provision of Merchandising Services and Promotion Services[#] by transacting companies for products distributed by DKSH Group	DKSH Holding Ltd and its subsidiaries	DKSH Resources [1)] DKSH Asia [2)] DKSH Holding Ltd [3)] ASD [4)] JPC [5)]	7,566
(v)	Lease/tenancy of land and/or premises and/or properties[+], and provision of related/administrative facilities from the transacting company	Lembaga Tabung Angkatan Tentera ("LTAT")	LTAT [6)] DAA [7)]	10,028

***Notes:**

1) DKSH Resources (Malaysia) Sdn Bhd ("DKSH Resources") is a major shareholder of DKSH Holdings (Malaysia) Berhad ("DHMB") (74.31% direct interest as at April 30, 2014) and a wholly-owned subsidiary of DKSH Asia.
2) DKSH Holdings (Asia) Sdn Bhd ("DKSH Asia") is a wholly-owned subsidiary of DKSH Holding Ltd and the holding company of DKSH Resources. DKSH Asia is a person connected with DKSH Resources.
3) DKSH Holding Ltd is the holding company of DKSH Asia and CSSC. DKSH Holding Ltd is a person connected with DKSH Resources.
4) Alexander Stuart Davy ("ASD") was a Non-Independent Non-Executive Director nominated to the Board of DHMB by DKSH Resources. His re-designation as Independent Non-Executive Director was approved by the Board on February 25, 2014 upon fulfilling the definition of independent director as set out in the Listing Requirements.
5) John Peter Clare ("JPC") is a Non-Independent Executive Director/Group Finance Director and has been nominated to the Board of DHMB by DKSH Resources. JPC is a person connected with DKSH Resources. He is also a Director of DKSH Resources, DKSH Asia and CSSC.
6) LTAT is a body corporate established under the Tabung Angkatan Tentera Act 1973. LTAT is a related party by virtue of DAA being a person connected with LTAT.
7) Datuk Haji Abdul Aziz bin Ismail ("DAA") is a Non-Independent Non-Executive Director and has been nominated to the Board of DHMB by LTAT. DAA is a person connected with LTAT.
Merchandising Services shall include services related to making products available to customers in shopping areas and retail outlets, primarily by stocking shelves and displays. Promotion Services shall include introduction of products to consumers, detailing its benefits and making consumers aware of products in shopping areas and retail outlets.
+ Lease of premises and properties at Geran 20004 (Lot 10394), Geran 20062 (Lot 10452) and Geran 35910 (Lot 10451), all in Mukim Klang, State of Selangor (now amalgamated and held under HS(D) 66055, PT 66619, Mukim Klang, Daerah Klang, Negeri Selangor), from LTAT for a term of six years commencing from April 1, 2013 to March 31, 2019 with rental payable on a monthly basis.

Corporate governance statement (continued)

Share buy-backs
During the financial year under review, the Company did not have any share buy-back exercise.

Options, warrants or convertible securities
No options, warrants, or convertible securities were issued by the Company during the financial year under review.

Variation in results
There was no significant variation between the results for the financial year under review and unaudited results previously released by the Company. The Company had not released or announced any estimated profit, financial forecast and projection for the financial year ended December 31, 2013.

Depository receipt program
The Company did not sponsor any depository receipt program during the financial year under review.

Imposition of sanctions and/or penalties
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-audit fees
During the financial year under review, non-audit fees of RM 4,000 were paid to the external auditors of the Company in connection with the services rendered to the Company and/or the Group.

Profit guarantees
No profit guarantees were given by the Company during the financial year under review.

Employees' share option scheme ("ESOS")
The Company does not have any ESOS.

Share issuance scheme ("SIS")
The Company does not have any allocation of options or shares pursuant to SIS.

Material contract
Save as disclosed in the table below, neither the Company nor its subsidiaries had entered into any material contract which involves interests of Directors and/or major shareholders and is still subsisting at the end of the financial year under review.

Material contract which involves Director's interest

Date	Transacting parties	Nature of transaction	Consideration (RM)	Mode of settlement of consideration	Nature of relationship between the Director and the transacting party
May 2, 2013	DKSH Malaysia Sdn Bhd ("DMSB") and Lembaga Tabung Angkatan Tentera ("LTAT")	Lease of premises and properties by LTAT to DMSB	• Monthly rental of RM 739,500 per month for the period from April 1, 2013 to March 31, 2016 • Monthly rental of RM 790,500 per month for the period from April 1, 2016 to March 31, 2019	Cash	LTAT is a person connected with Datuk Haji Abdul Aziz bin Ismail, a Director of the Company

Corporate governance statement (continued)

Corporate social responsibility ("CSR")
At DKSH, being a responsible corporate citizen has been the foundation of our success. We do business in a way that is profitable, while also taking care of and having a positive impact on society.

We actively seek opportunities to participate in CSR initiatives and we are committed to making a positive contribution at all levels. Our employees are also involved in a variety of CSR activities that allow them to reach out a helping hand to those who need it, or to pledge their efforts to a good cause.

The Group continued to demonstrate this commitment to local communities through active participation in various community outreach programs and activities.

In 2013, the Group put in place a corporate sustainability framework that provided the basis for a clear focus on our CSR initiatives and practices in the areas of community involvement, workplace, environment and marketplace.

People, values and employer value proposition
Our people are the most valuable asset we have. It is their ideas, initiatives and decisions that drive our success. United by a shared corporate culture, we empower the best professionals in our industry to grow in their careers and to work together to achieve our vision of being known as the leading company in Market Expansion Services in Malaysia.

At DKSH, our people shape the long-term growth of our business as part of an energetic and successful team, and positively touch the lives of millions of Malaysians by providing them products that meet their daily needs.

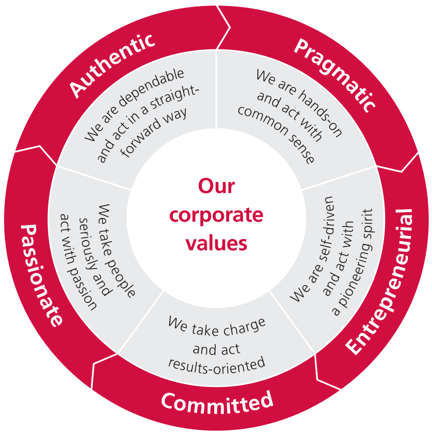
Common values
In a world where products, processes and technologies become easier to duplicate, true competitive advantage stems not just from organizational capabilities, but requires a corporate culture that is hard to imitate or reproduce.

Five meaningful values reflect our corporate culture and are reinforced in all aspects of our business. DKSH's reputation is based on our authentic, pragmatic and entrepreneurial approach to finding tailor-made solutions. Our commitment and passion drive the sustainable business results we achieve for our business partners and ourselves.

Business partners and colleagues can depend on us because we always act in a straight-forward way. Just like the founders of DKSH, we share a pioneering spirit and are passionate to drive growth. We are ambitious, open to change, and embrace progress. At the same time, we take charge and are accountable for our actions and outcomes. At DKSH, we enjoy our work and are passionate about what we do.

Unique opportunities for unique people
Given the complexity of DKSH's business and the dynamic markets in which we operate, coupled with the ever-evolving needs of our business partners, we depend on employees who can live up to the challenges we face every day.

Success in our business requires people with an entrepreneurial mindset who can easily adapt to change, self-starters with leadership qualities and high potential. True to the spirit of our founders, our business model leaves employees a great deal of entrepreneurial freedom



to run the business within a centrally managed general framework providing IT, Finance, Strategy, Legal and Compliance, Communications and HR.

At DKSH, our incentive systems and performance management are geared to recognize achievement and development opportunities for high-performing individuals.

Empowering growth
Having enough of the best fitting people is crucial to enabling our strategy for sustainable, profitable growth to happen. DKSH is dedicated to empowering its people to grow professionally and aims to attract and retain the top talent in the businesses and markets it serves.

At DKSH, our people are our greatest asset, and we invest in them by creating an environment of continuous learning and personal development that enables them to deliver their best.

Corporate governance statement (continued)

The run characterizes the values and attitude DKSH employees believe in and live by – a 'can do' attitude, willpower, stamina and a determination to go the distance.

Human Resources activities are designed to attract and recruit the best fitting people through efficient and effective recruiting and smooth integration processes. With a view to strengthening DKSH's performance-oriented culture, employees' goals are aligned with the Group's overall objectives.

Being part of the global DKSH Group in Switzerland also allows us to leverage on DKSH's Fantree Academy, the corporate training and development center for DKSH which offers senior managers Group-wide leadership programs focused on developing core leadership capabilities required at the different levels of seniority.

The curriculum includes programs to support our internal pool of talents at all levels of the organization, aimed at establishing common DKSH leadership culture and supporting the implementation of our strategy for sustainable, profitable growth.

Working at DKSH offers ample opportunities to lead and develop as leaders, with both in-house and external training programs. In line with building our talent pipeline for strategic growth and developing our people as all-round leaders, the Group's middle-management training program aims to equip high-performing individuals with experience-based knowledge and skills to lead their respective teams, to develop business acumen, to enhance their critical thinking and groom them to be mature managers, and to allow them the opportunity to progress further in the organization.

The Group's junior executive trainee program is a comprehensive training program that is designed to attract and prepare high-performing fresh graduates to acquire management techniques and real-world skills through cross-function exposure within the Group's Consumer Goods end-to-end business operations.

DKSH Fantree Club Alladdin Charity Run

The DKSH Fantree Club Alladdin Charity Run returned for its third year and succeeded in raising funds for community outreach initiatives from employees who participated in the run.

The five kilometer race around the Jalan University, Petaling Jaya area where DKSH's main office is located was organized by the DKSH Malaysia Fantree Sports & Recreation Club. Main sponsor, Alladdin Lighters the Group's in-house brand, had pledged to donate RM 50 for every participant who registered. The event attracted more than 500 runners, comprising mainly employees who ran for a good cause. A total of RM 36,000 was raised from registration fees and in-kind contribution from sponsors.

The funds raised from the charity run were donated to cover operating and program costs of these three charitable and welfare homes for underprivileged children: Rumah Amal Suci Rohani in Bandar Utama, Pusat Penjagaan Kanak-Kanak Cacat in Taman Megah, and Lighthouse Children Welfare Home in Bangsar.

Employees rallied to fill up gift boxes which were delivered to the children in conjunction with DKSH's Christmas gift-giving CSR activity.

Corporate governance statement (continued)

Team DKSH all geared up to run at The Edge-Bursa Malaysia Kuala Lumpur Rat Race. The event aims to bring corporate Malaysia together to create CSR awareness, promote healthy living and also have fun racing as a team.

The Edge – Bursa Malaysia Kuala Lumpur Rat Race 2013
For the third year in running, DKSH participated in the annual The Edge – Bursa Malaysia Kuala Lumpur Rat Race, one of the most anticipated and highly competitive corporate charity runs in the country. The Kuala Lumpur Rat Race demonstrates that besides being caught up in the proverbial rat race to climb the corporate ladder, local executives and corporations are also keen to fulfill their corporate social responsibility.

DKSH joined corporate Malaysia in sponsoring a team of seven runners for the charity run through the financial district of Kuala Lumpur. Funds raised from the event were channeled to support charitable organizations, including homes for the aged and elderly, orphanages and socially-disadvantaged communities.

DKSH's participation in the Rat Race is a culmination of energetic and passionate team players from diverse backgrounds and management levels who volunteered their time and effort to run for a good cause.

Fun weekend for charity – Famous Amos gives back
Famous Amos is always committed to bringing smiles and spreading joy to people, not only through its delicious freshly baked cookies, but by giving back to the community in meaningful ways. On December 21, 2013, Famous Amos took 45 children from Rumah Hope, a welfare home for underprivileged children to a fun-filled day in Sungei Wang Plaza, Kuala Lumpur.

The management team and employees of Famous Amos treated the children to a fun-filled day of meeting Santa Claus, stage performances and a meal. The children also received goodie bags filled with Famous Amos products.

Famous Amos also took the opportunity to raise funds for Rumah Hope by selling Famous Amos cookies charity packs at RM 10 each at the venue. All 1,000 packets worth RM 10,000 were sold out to a supportive public. Proceeds raised from the charity sale were donated to Rumah Hope.

DKSH celebrates Christmas with the less fortunate by sending a "box of kindness"
In the spirit of the festive season, DKSH Malaysia organized a Christmas charity drive among its employees in its Petaling Jaya office.

Employees were encouraged to drop gifts in the "box of kindness" under a Christmas tree set up at the office reception to be given to children from the Lighthouse Children Welfare Home.

While the rest of the world enjoys the celebration and festivities that Christmas has to offer, employees made sure that they spared a thought for the underprivileged. More than ten boxes of food stuff, stationery, clothes, educational toys and books were collected throughout the one-month campaign and were handed over to the children in time for the new school semester.

Christmas-giving – Famous Amos handing over the mock cheque of RM 10,000 to Rumah Hope

Statement on risk management and internal control

The Board of Directors ("the Board") are committed to a sound system of risk management and internal controls. These have and always will be an essential success factor for the Group and are an integral part of our organization's culture. The Board is therefore pleased to provide the following statement outlining the respective activities of the Group.

Board responsibility

The Board is responsible for the adequacy and effectiveness of the Group's risk management processes and internal control system to protect the assets of the Group, safeguard shareholders' investments and affirm its responsibility for the internal control system. Risk management and internal controls are embedded in the Group's management systems which range from the business planning processes, the management of client relationships, to the execution of the Group's daily business affairs.

The Group's system of internal controls is designed to manage and control risks within an acceptable risks appetite, rather than to eliminate risks altogether. Due to the inherent limitations of internal controls, the system can only provide reasonable but not absolute assurance against material misstatements, losses or fraud.

Management assists the Board in implementing and continuously fostering the risk management and internal control system of the Group. Management has therefore established a regular risk review and a Group risk register, as well as a documented Internal Control system, which is subject to reviews and tests. Management also regularly evaluates and identifies the key risks and establishes action plans to further improve controls and reduce risks.

The Board has received reasonable assurance from the Group Finance Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the year under review and up to the date of approval of this statement.

Risk management framework

The Group's risk management framework encompasses the following key elements:

(i) Risk register: The Group regularly reviews its risk management system and the related risk registers. This risk management system includes significant strategic, operational, financial and compliance risks, as well as clearly defined action plans. The Board was briefed by management on the Risk Register 2013 and on the regular risk reviews conducted by management.

(ii) Treasury: The Treasury department follows strictly the DKSH Corporate Treasury policy and is monitored by the Corporate Treasury Center in Singapore. The Group executes a conservative financial risk policy and hedges all foreign exchange risks.

(iii) Insurance: The Group consciously covers and transfers certain risks by securing adequate insurance coverage.

Internal control system

The following internal control components have been embedded to assist the Board to maintain a sound system of internal controls in the Group:

(i) ICS: The Group maintains a formally documented Internal Control System ("ICS") which focuses on the most critical financial reporting and operational risks. ICS has been in place for six years and has since its beginning undergone regular reviews and testing by management, as well as internal auditors, whilst risks relevant to financial reporting have been reviewed and assessed by external auditors. Management further provides assurance on the adequacy and effectiveness of the internal control system through annual Management Certifications.

(ii) Policies and procedures: The Group has in place various formally documented policies and procedures, some of which were updated during 2013.

(iii) Tone at the top: The Group's management team actively enforces good governance and internal controls and further instils a culture of risk management.

(iv) Code of Conduct: The Code of Conduct was further enhanced during 2012. All senior staff have signed and acknowledged compliance to the Code of Conduct. The Code of Conduct is also an integral part of the induction programs for new staff and is communicated to all staff from time to time.

(v) Limits of Authority: The Limits of Authority were reviewed and updated in 2013.

(vi) Fraud Policy: In line with the Group's fraud policy, the management team reviews all fraud cases and ensures that the Group's zero fraud tolerance policy is adhered to. Formal reports are issued on all fraud cases.

(vii) Financial Reporting: The monthly and year-end financial reports are provided to management, business managers and Finance department for review and discussion as well as the international DKSH Group of Switzerland for scrutiny.

(viii) Credit Control: Formalized credit control procedures are in place and reviewed regularly.

(ix) Inventory Management: Stringent controls are in place for inventories, which are further subject to regular stock takes.

(x) System access rights: Regular reviews of system access rights and segregation of duties have been carried out to strengthen internal controls.

Statement on risk management and internal control (continued)

(xi) Internal Audit: The Internal Audit department, which has been in place since the Company's listing on Bursa Malaysia in 1994, continues to independently review key risks and evaluate compliance with policies and procedures as well as assess the adequacy and effectiveness of internal controls. Findings and corrective measures are regularly reported to the Audit Committee. The modus operandi of Internal Audit is further explained on pages 32 to 33 of this Annual Report.

Other elements of the Group's risk management and internal control processes

(i) Business Continuity Planning: A formalized business continuity plan is established.

(ii) ERP System: All operating units of the Group run on a standardised and integrated SAP platform with system integrated controls.

Review of this statement by external auditors

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the year ended December 31, 2013 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

Conclusion

The Board considers the risk management framework and internal control system throughout the Group as sound and adequate to safeguard the shareholders' investment, stakeholders' interest and the Group's assets. The Board is satisfied that various initiatives and reviews undertaken in 2013 have further strengthened the effectiveness of the risk management processes and the internal control environment of the Group. There were no significant control failures or weaknesses that would result in material misstatements, losses or fraud.

The Board together with the management will continuously assess the suitability, adequacy and effectiveness of the Group's system of risk management and internal controls and will take corrective measures to enhance the system, as and when necessary.

This statement is made in respect of the financial year ended December 31, 2013 and in accordance with the Board's approval on May 20, 2014.

Audit Committee report

The Audit Committee, which is appointed by the Board of Directors ("the Board"), consists of three Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Audit Committee, James Armand Menezes, an Independent Non-Executive Director, is a Certified Public Accountant (CPA) and Chartered Accountant. All members have more than 20 years of business experience in various management, finance and audit functions and are financially literate.

Duties and responsibilities

The Audit Committee of DKSH Holdings (Malaysia) Berhad was established by the Board in September 1994. The specific responsibilities of the Audit Committee are set out in the terms of reference and include:

(i) Assistance in establishing an environment in which controls can operate effectively.

(ii) Oversight of the Group's systems of financial reporting, and internal controls and ensuring an early warning system is in place.

(iii) Review of the Group's procedures established to ensure compliance with all laws, rules and regulations, directives and guidelines established by relevant regulatory bodies.

(iv) Assessment of the adequacy, quality, and timeliness of management reports.

(v) Recommendation for the appointment and remuneration of the external auditors and the terms and scope of the audit engagement.

(vi) Review of the audit scope and annual planning, as well as the reports issued by the external auditors, their evaluation of the system of internal controls and follow up on the implementation of recommendations.

(vii) Review of the competency, adequacy of resources, audit scope, and annual planning, of the Internal Audit department, as well as the reports, audit findings and the follow-up on the implementation of recommendations.

(viii) Review of the annual financial statements and quarterly interim results of the Company and the Group before submission to the Board for approval and to ensure that they are prepared in a timely and accurate manner complying with accounting and regulatory requirements.

(ix) Review of related party transactions and conflict of interest situations that may arise within the Company and the Group.

(x) Consideration of other issues referred to by the Board from time to time.

The terms of reference of the Audit Committee were updated in 2014.

Summary of activities in 2013

In 2013, the Audit Committee conducted its activities in line with the above described responsibilities. This included:

(i) Quarterly meetings to review the quarterly results before submission to the Board for approval.

(ii) Review the annual financial statements before submission to the Board for approval.

(iii) Review the results of the interim and final audit by the external auditors.

(iv) Assessment of the effectiveness of the system of internal controls.

(v) Discussion, approval, and monitoring of the internal audit plan for the year.

(vi) Examination of the internal audit reports and the work performed by Internal Audit.

There were no restrictions of resources or information to the Audit Committee that would have impaired the effective execution of the Audit Committee's responsibilities. Throughout the year, the Chairman of the Audit Committee has been in continuous contact with senior management, as well as the internal and external auditors.

Four Audit Committee meetings were held in 2013. Board members, the Group Finance Director and the Head of Internal Audit attended the meetings by invitation. The details of attendance of each Audit Committee member are indicated in the table below.

The external auditors attended two Audit Committee meetings during the financial year. A separate meeting between the Audit Committee and the external auditors, without the presence of any Executive Director and management of the Company, was held twice during the financial year to discuss audit feedback.

Audit Committee : Composition and attendance at the Audit Committee meetings held in 2013

	Designation	No. of meetings attended
Chairman : James Armand Menezes	Independent Non-Executive Director	4/4
Member : Michael Lim Hee Kiang	Independent Non-Executive Director	4/4
Member : Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director	4/4

Audit Committee report (continued)

Internal Audit

The Audit Committee is supported by the Internal Audit department in the discharge of its duties and responsibilities. The Internal Audit department, which reports directly to the Audit Committee, conducts independent assessments of the Group's internal controls, risk management and governance processes.

The objective, authority and responsibility of the Internal Audit department as well as the nature of assurance and consultancy activities provided by the function are described in the Internal Audit Charter. The Audit Committee has reviewed the Charter to ensure an appropriate structure, scope of activities, access and reporting arrangements are in place.

The annual internal audit plan, which is formulated on a risk-based approach, is reviewed and approved by the Audit Committee prior to the commencement of the audits. The audit approach is to focus on high risk business processes and to assess the effectiveness of internal controls therein.

As a subsidiary of the international DKSH Group of Switzerland, the Internal Audit department receives support, training and resources from the Global Internal Audit team, which is based in Singapore. In the year under review, Internal Audit has continued its collaborative efforts with the Global Internal Audit team. This has benefited audits and audit coverage and the transfer of knowledge and best practices from other DKSH world-wide operations into the Malaysian operations.

The internal audit activities carried out during the year encompassed the following:

(i) Operational, financial, and compliance audits, as well as fraud investigations.
(ii) Audits of various branch offices located throughout Malaysia.
(iii) Analytical reviews on the quarterly financial statements of the Group.
(iv) Collaboration between internal and external auditors on certain key areas resulting in increased leverage by the Group's external auditors.
(v) Collaboration with auditors from the Global Internal Audit team on selected key areas.
(vi) Enhancing of the Internal Audit Charter.
(vii) Ad hoc consulting and reviews.

All auditors have an audit background. The Internal Audit department incurred costs of RM 212,000 in 2013.

Analysis of shareholdings

as at April 30, 2014

Authorized share capital	:	RM 500,000,000
Issued and paid-up share capital	:	RM 157,658,076
Class of shares	:	Ordinary shares of RM 1.00 each
Voting rights	:	On show of hand - 1 vote for each shareholder
		On a poll - 1 vote for each share held

Shareholdings of Directors in the Company (as per the Register of Directors' Shareholdings of the Company)

Name	Direct interest No. of shares held	Direct interest % of issued shares	Deemed interest No. of shares held	Deemed interest % of issued shares
Michael Lim Hee Kiang	10,000	0.01	–	–
James Armand Menezes	–	–	–	–
Datuk Haji Abdul Aziz bin Ismail	–	–	–	–
Alexander Stuart Davy	–	–	–	–
John Peter Clare	–	–	–	–

Shareholdings of substantial shareholders in the Company (as per the Register of Substantial Shareholders of the Company)

Name	Direct interest No. of shares held	Direct interest % of issued shares	Deemed interest No. of shares held	Deemed interest % of issued shares
DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31	–	–
Lembaga Tabung Angkatan Tentera	8,036,100	5.10	–	–

Distribution of shareholdings (as per the Record of Depositors of the Company)

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued shares
Less than 100	27	1.22	372	0.00
100 to 1,000	1,145	51.76	1,020,028	0.65
1,001 to 10,000	781	35.31	2,963,400	1.88
10,001 to 100,000	198	8.95	7,095,800	4.50
100,001 to less than 5% of issued shares	60	2.71	29,423,400	18.66
5% and above of issued shares	1	0.05	117,155,076	74.31
Total	**2,212**	**100.00**	**157,658,076**	**100.00**

Analysis of shareholdings

as at April 30, 2014 (continued)

30 largest shareholders (as per the Record of Depositors of the Company)

	Name	No. of shares held	% of issued shares
1.	DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31
2.	Lembaga Tabung Angkatan Tentera	7,495,900	4.75
3.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Opportunity Fund (3969)	2,586,700	1.64
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	2,574,000	1.63
5.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (KAF FM)	1,930,000	1.22
6.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for AMB Value Trust Fund (4249)	1,488,000	0.94
7.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Asia (Ex Japan) Quantum Fund (4579)	614,300	0.39
8.	Wong Lok Jee @ Ong Lok Jee	600,000	0.38
9.	UOBM Nominees (Asing) Sdn Bhd Banque De Luxembourg for RAM (Lux) Systematic Fund – Emerging Markets Equities	596,800	0.38
10.	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	594,100	0.38
11.	Maybank Nominees (Tempatan) Sdn Bhd Malaysian Trustees Berhad for AMB Smallcap Trust Fund (240165)	520,300	0.33
12.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Al-Fauzan (5170)	389,900	0.25
13.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for DCG Asia Value Master Fund	389,400	0.25
14.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	388,000	0.25
15.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for VFM Emerging Markets Trust	383,900	0.24
16.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Al-Faid (4389)	372,400	0.24
17.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Premier Fund	332,300	0.21
18.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for MAAKL Value Fund (950290)	315,200	0.20
19.	HSBC Nominees (Asing) Sdn Bhd TNTC for APS Fund	311,100	0.20
20.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for MAAKL Balanced Fund (910170)	301,400	0.19
21.	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Insurance Berhad (Life Non-Par FD)	300,000	0.19
22.	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Insurance Berhad (Sharehldr's FD)	300,000	0.19
23.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Asia Discovery Emerging Companies Master Fund Pte. Ltd.	285,600	0.18
24.	Citigroup Nominees (Asing) Sdn Bhd GSCO for Chang Kah Siong	277,500	0.18
25.	Maybank Nominees (Tempatan) Sdn Bhd Hwang Investment Management Berhad for MSIG Insurance (Malaysia) Bhd (210236)	262,400	0.17
26.	Citigroup Nominees (Asing) Sdn Bhd GSI for Lloyd Baughan Master Fund LP	250,000	0.16
27.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS I for Asean Growth Fund (Manufacturers L)	235,800	0.15
28.	Maybank Nominees (Tempatan) Sdn Bhd Hwang Investment Management Berhad for Hong Leong Assurance Berhad (PAR-220082)	232,500	0.15
29.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Growth Fund (4074)	229,700	0.15
30.	Amanahraya Trustees Berhad AMITTIKAL	229,300	0.15
	Total	**141,941,576**	**90.05**

Statement of Directors' responsibility

in respect of the audited financial statements

Pursuant to the Companies Act 1965 ("the Act"), the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year, and the results and cash flows of the Company and the Group for the financial year.

The Directors are of the view that the financial statements for the year ended December 31, 2013 of the Company and the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Act. The Directors considered that in preparing the financial statements of the Company and the Group for the year ended December 31, 2013, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose, with reasonable accuracy, the financial position of the Company and the Group and enable the Directors to ensure that the financial statements are in compliance with the Act and in accordance with MFRS and IFRS. The Directors have general responsibility to take such steps that are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended December 31, 2013.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the Group are the provisioning of Market Expansion Services, which ranges from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value added services. These services are provided to consumer goods, healthcare and performance material clients. The Group also operates retail outlets selling Famous Amos cookies.

There have been no significant changes in the nature of the principal activity during the financial year except for the discontinuance of the provision of forwarding and husbanding activities and freight forwarding coordinating related activities as disclosed in Note 15 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit from continuing operations, net of tax	171,171	165,247
Profit from discontinued operation, net of tax	7,171	–
Profit net of tax	178,342	165,247
Profit attributable to:		
Owners of the parent	174,828	165,247
Non-controlling interests	3,514	–
	178,342	165,247

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the gain on disposal of property of RM97.3 million, net of incidental cost and gain on disposal of its subsidiaries of RM8.6 million as disclosed in Notes 29 and 15 respectively to the financial statements.

Directors' report (continued)

DIVIDENDS

The amount of dividends paid and declared by the Company since December 31, 2012 were as follows:

	RM'000
In respect of the financial year ended December 31, 2012:	
- as reported in the Directors' Report for that financial year, a final single tier dividend of 9.0 sen per share, on 157,658,076 ordinary shares was paid on August 22, 2013	14,189
- a special single tier dividend of 2.5 sen per share, on 157,658,076 ordinary shares was paid on August 22, 2013	3,942
	18,131

At the forthcoming Annual General Meeting, a final single-tier dividend of 9.5 sen per share amounting to RM14,977,517 and a special single tier dividend of 13 sen per share amounting to RM20,495,550 on 157,658,076 ordinary shares will be proposed for shareholders' approval. These financial statements do not reflect this proposed final and special dividends and the dividends will be accounted for in the financial year ending December 31, 2014 when approved by shareholders.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Michael Lim Hee Kiang
James Armand Menezes
Datuk Haji Abdul Aziz Ismail
Alexander Stuart Davy
John Peter Clare
Thon Lek (Resigned on February 25, 2014)

In accordance with Article 105 of the Company's Articles of Association, Datuk Haji Abdul Aziz Ismail and John Peter Clare shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than as those disclosed in the notes to the financial statements.

Directors' report (continued)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the ultimate holding company, the Company and its subsidiary during the financial year were as follows:

	Number of ordinary shares of CHF 0.10 each			
	At 1.1.2013	Acquired	Sold	At 31.12.2013
DKSH Holding Ltd				
Alexander Stuart Davy	25,250	–	20,250	5,000

	Number of ordinary shares of RM1 each			
	At 1.1.2013	Acquired	Sold	At 31.12.2013
DKSH Holdings (Malaysia) Berhad				
Michael Lim Hee Kiang	10,000	–	–	10,000
Thon Lek	5,000	–	–	5,000

	Number of ordinary shares of B$1 each			
	At 1.1.2013	Acquired	Sold	At 31.12.2013
DKSH (B) Sdn. Bhd.				
John Peter Clare	1	–	–	1

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realize their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realize.

Directors' report (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE YEAR

Details of the significant events during the year are as disclosed in Note 29 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated March 31, 2014.

MICHAEL LIM HEE KIANG **JOHN PETER CLARE**

Statement by Directors

pursuant to section 169(15) of the companies act, 1965

We, **Michael Lim Hee Kiang** and **John Peter Clare**, being two of the directors of **DKSH Holdings (Malaysia) Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 44 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2013 and of their financial performance and cash flows for the year then ended.

Further to the Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965, the information set out in Note 35 on page 117 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated March 31, 2014.

MICHAEL LIM HEE KIANG **JOHN PETER CLARE**

Statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, **John Peter Clare**, being the Group Finance Director primarily responsible for the financial management of **DKSH Holdings (Malaysia) Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 44 to 117 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **John Peter Clare** at
Petaling Jaya in the Selangor Darul Ehsan
on March 31, 2014 **JOHN PETER CLARE**

Before me,

S. AROKIADASS, A.M.N.
Commissioner for Oaths
No. B390

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of DKSH Holdings (Malaysia) Berhad, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 116.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are responsible for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent auditors' report

to the members of DKSH Holdings (Malaysia) Berhad (Incorporated in Malaysia) (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of a subsidiary of which we have not acted as auditors, which is indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 on page 117 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

LOKE SIEW HENG
No. 2871/07/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
31 March 2014

Statements of comprehensive income

for the year ended December 31, 2013

		Group		Company	
	Note	2013 RM'000	Restated 2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations					
Revenue	4	5,079,177	4,724,726	146,908	38,916
Changes in inventories of finished goods		14,002	18,844	–	–
Finished goods purchased		(4,661,642)	(4,343,504)	–	–
Other income		109,303	28,958	–	–
Net write-back of/(allowance for) doubtful advances to a subsidiary		–	–	6,989	(1,274)
Staff costs	5	(157,728)	(142,081)	–	–
Gain on disposal of subsidiaries		8,640	–	24,620	–
Impairment losses of investment in a subsidiary		–	–	(6,994)	–
Warehousing and logistics expenses		(56,584)	(50,863)	–	–
Net write-back of/(allowance for) impairment of doubtful debts		204	(701)	–	–
Rental expenses		(26,500)	(25,743)	–	–
Depreciation of property, plant and equipment		(7,318)	(8,825)	–	–
Travelling and entertainment expenses		(12,870)	(14,343)	–	–
Information technology and communication expenses		(16,824)	(15,831)	–	–
Utilities, upkeep, repairs and maintenance costs		(14,167)	(12,644)	–	–
Office expenses		(4,042)	(3,595)	–	–
Other selling, advertising and promotional expenses		(41,445)	(40,690)	–	–
Other expenses		(17,278)	(11,866)	(504)	(417)
Finance costs	7	(4,483)	(7,828)	(3,511)	(3,329)
Profit before tax from continuing operations	8	190,445	94,014	167,508	33,896
Income tax expense	9	(19,274)	(20,466)	(2,261)	(5,133)
Profit from continuing operations, net of tax		171,171	73,548	165,247	28,763
Discontinued operation					
Profit from discontinued operation, net of tax	10	7,171	8,262	–	–
Profit net of tax		178,342	81,810	165,247	28,763

Statements of comprehensive income

for the year ended December 31, 2013 (continued)

		Group		Company	
	Note	2013 RM'000	Restated 2012 RM'000	2013 RM'000	2012 RM'000
Other comprehensive income					
Net (loss)/gain on available-for-sale financial assets:					
- (Loss)/gain on fair value changes		(4)	5	–	–
- Transfer to profit or loss upon disposal		(30)	–	–	–
		(34)	5	–	–
Currency translation differences		18	27	–	–
Other comprehensive income for the year, net of tax		(16)	32	–	–
Total comprehensive income for the year		178,326	81,842	165,247	28,763
Profit attributable to:					
Owners of the parent		174,828	77,762	165,247	28,763
Non-controlling interests		3,514	4,048	–	–
		178,342	81,810	165,247	28,763
Total comprehensive income attributable to:					
Owners of the parent		174,812	77,794	165,247	28,763
Non-controlling interests		3,514	4,048	–	–
		178,326	81,842	165,247	28,763
Earnings per share attributable to owners of the parent - basic (sen)	11	110.89	49.32	–	–
Earnings per share from continuing operations attributable to owners of the parent - basic (sen)	11	106.34	44.08	–	–
Earnings per share from discontinued operation attributable to owners of the parent - basic (sen)	11	4.55	5.24	–	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of financial position

as at December 31, 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	20,110	38,310	–	–
Intangible assets	13	3,334	7,910	–	–
Available-for-sale financial assets	14	–	74	–	–
Investment in subsidiaries	15	–	–	84,615	90,349
Deferred tax assets	16	2,715	4,689	–	–
Advances to subsidiaries	18	–	–	314,649	214,686
		26,159	50,983	399,264	305,035
Current assets					
Inventories	17	397,325	382,057	–	–
Trade and other receivables	18	848,334	796,183	322	402
Tax recoverable		–	98	–	–
Derivative financial instruments	23	210	–	–	–
Cash and bank balances	19	111,995	54,148	51,632	82
		1,357,864	1,232,486	51,954	484
Total assets		1,384,023	1,283,469	451,218	305,519
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	20	157,658	157,658	157,658	157,658
Share premium		24,514	24,514	24,514	24,514
Available-for-sale reserve		–	34	–	–
Foreign currency translation reserve		60	42	–	–
Retained earnings	21	266,955	108,562	191,484	44,368
		449,187	290,810	373,656	226,540
Non-controlling interests		–	18,055	–	–
Total equity		449,187	308,865	373,656	226,540

Statements of financial position

as at December 31, 2013 (continued)

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current liabilities					
Trade and other payables	22	877,636	797,442	419	815
Derivative financial instruments	23	–	11	–	–
Borrowings	24	52,195	108,054	32,195	–
Income tax payable		4,716	6,654	290	371
		934,547	912,161	32,904	1,186
Non-current liabilities					
Borrowings	24	–	44,635	44,658	77,793
Post-employment benefits obligation	25	–	12,400	–	–
Provision for other liabilities	26	289	289	–	–
Deferred tax liabilities	16	–	5,119	–	–
		289	62,443	44,658	77,793
Total liabilities		934,836	974,604	77,562	78,979
Total equity and liabilities		1,384,023	1,283,469	451,218	305,519

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity

for the year ended December 31, 2013

		I--- Attributable to owners of the parent ---							
		I--- Non-distributable ---			I	Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Available -for-sale reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At January 1, 2013		157,658	24,514	34	42	108,562	290,810	18,055	308,865
Total comprehensive income		–	–	(34)	18	174,828	174,812	3,514	178,326
Transactions with owners									
Disposal of revalued property	16	–	–	–	–	1,696	1,696	–	1,696
Dividends for financial year ended - December 31, 2012	27	–	–	–	–	(18,131)	(18,131)	(3,969)	(22,100)
Disposal of subsidiaries	15	–	–	–	–	–	–	(17,600)	(17,600)
Total transactions with owners		–	–	–	–	(16,435)	(16,435)	(21,569)	(38,004)
At December 31, 2013		157,658	24,514	–	60	266,955	449,187	–	449,187
At January 1, 2012		157,658	24,514	29	15	39,966	222,182	17,977	240,159
Total comprehensive income		–	–	5	27	77,762	77,794	4,048	81,842
Transactions with owners									
Disposal of revalued property	16	–	–	–	–	1,870	1,870	–	1,870
Dividends for financial year ended - December 31, 2011	27	–	–	–	–	(11,036)	(11,036)	(3,970)	(15,006)
Total transactions with owners		–	–	–	–	(9,166)	(9,166)	(3,970)	(13,136)
At December 31, 2012		157,658	24,514	34	42	108,562	290,810	18,055	308,865

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity

for the year ended December 31, 2013 (continued)

Company	Note	I---- Non-distributable ----I Share capital RM'000	Share premium on ordinary shares RM'000	Distributable Retained earnings RM'000	Total RM'000
At January 1, 2013		157,658	24,514	44,368	226,540
Total comprehensive income		–	–	165,247	165,247
Transactions with owners					
Dividends	27	–	–	(18,131)	(18,131)
Total transactions with owners		–	–	(18,131)	(18,131)
At December 31, 2013		157,658	24,514	191,484	373,656
At January 1, 2012		157,658	24,514	26,641	208,813
Total comprehensive income		–	–	28,763	28,763
Transactions with owners					
Dividends	27	–	–	(11,036)	(11,036)
Total transactions with owners		–	–	(11,036)	(11,036)
At December 31, 2012		157,658	24,514	44,368	226,540

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of cash flows

for the year ended December 31, 2013

	Group		Company	
		Restated		
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities				
Total comprehensive income attributable to owners of the parent	174,812	77,794	165,247	28,763
Adjustments for non-cash items:				
Property, plant and equipment:				
- depreciation	7,494	9,023	–	–
- written off	287	35	–	–
- net gain on disposals	(99,798)	(21,810)	–	–
Inventories:				
- written off	5,152	5,944	–	–
- net (write-back of)/provision for slow moving	(137)	77	–	–
Net (write-back of)/allowance for impairment of doubtful debts	(35)	707	–	–
Bad debts written off	–	16	–	–
Translation of currency differences	(18)	(27)	–	–
Net loss/(gain) on available-for-sale financial assets:				
- loss/(gain) of fair value changes	4	(5)	–	–
- transfer to profit or loss upon disposal	30	–	–	–
Net fair value gain on available-for-sale financial assets transferred from equity upon disposal	(30)	–	–	–
Interest income (Note c)	(714)	(225)	(10,070)	(9,056)
Interest expense (Note b)	4,483	7,828	3,511	3,329
Dividend income (gross)	–	–	(136,831)	(29,791)
Gain on disposal of subsidiaries	(8,640)	–	(24,620)	–
Net (write-back of)/allowance for doubtful advances to a subsidiary	–	–	(6,989)	1,274
Impairment losses of investment in a subsidiary	–	–	6,994	–
Net unrealized foreign exchange gains	(460)	(516)	–	–
Unrealized derivative gains	(221)	(95)	–	–
Accruals for post-employment benefits obligation	1,627	2,023	–	–
Amortization of trademark	976	976	–	–
Income tax expense:				
- continuing operations	19,274	20,466	2,261	5,133
- discontinued operation	2,517	2,890	–	–
Non-controlling interests	3,514	4,048	–	–

Statements of cash flows

for the year ended December 31, 2013 (continued)

	Group		Company	
		Restated		
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities (continued)				
Operating cash flows before changes in working capital	110,117	109,149	(497)	(348)
Changes in working capital:				
Inventories	(20,283)	(5,977)	–	–
Receivables	(76,480)	(115,622)	367	(268)
Payables	85,780	33,533	(405)	224
Cash flows from operations	99,134	21,083	(535)	(392)
Dividend received (net)	–	–	136,156	26,032
Interest received (Note c)	714	225	9,783	9,191
Interest paid (Note b)	(4,937)	(7,406)	(3,502)	(3,413)
Tax paid	(24,377)	(21,428)	(1,667)	(1,341)
Post-employment benefits obligation paid	(6,958)	(1,184)	–	–
Net cash flows generated from/(used in) operating activities	63,576	(8,710)	140,235	30,077
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	124,586	30,168	–	–
Proceed from disposal of available-for-sale financial assets	70	–	–	–
Net cash inflows from disposal of subsidiaries	6,862	–	30,600	–
Incidental expenses incurred for the disposal of subsidiaries	–	–	(40)	–
Additional investment in a subsidiary	–	–	(7,200)	–
Purchase of property, plant and equipment (Note a)	(14,671)	(5,960)	–	–
Net cash flows generated from investing activities	116,847	24,208	23,360	–

Statements of cash flows

for the year ended December 31, 2013 (continued)

	Group		Company	
	2013 RM'000	**Restated 2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Cash flows from financing activities				
Dividends paid to:				
- owners of parent	(18,131)	(11,036)	(18,131)	(11,036)
- non-controlling interest	(3,969)	(3,970)	–	–
Net repayment of external borrowings	(108,054)	(56,777)	–	–
Net advances from/(repayment to) intercompanies	7,560	(2,320)	7,560	(2,320)
Net repayment to advances from subsidiaries	–	–	(101,474)	(16,831)
Net cash flows used in financing activities	(122,594)	(74,103)	(112,045)	(30,187)
Changes on cash and cash equivalents	57,829	(58,605)	51,550	(110)
Currency translation differences	18	27	–	–
Cash and cash equivalents at beginning of year	54,148	112,726	82	192
Cash and cash equivalents at end of year (Note 19)	111,995	54,148	51,632	82

Note:

(a) The additions in property, plant and equipment were acquired by way of:

	Group		Company	
	2013 RM'000	**Restated 2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Cash	14,671	5,960	–	–
Deferred payment	390	171	–	–
Less: Payment made for previous year acquisition	(171)	(932)	–	–
Additions (Note 12)	14,890	5,199	–	–

Statements of cash flows

for the year ended December 31, 2013 (continued)

(b) A reconciliation of interest expenses and interest paid is as follows:

	Group 2013 RM'000	Group Restated 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest paid	4,937	7,406	3,502	3,413
Deferred payment	31	485	236	227
Less: Payment made for previous year interest expenses	(485)	(63)	(227)	(311)
Interest expenses	4,483	7,828	3,511	3,329

(c) A reconciliation of interest income and interest received is as follows:

	Group 2013 RM'000	Group Restated 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest received	714	225	9,783	9,191
Deferred income	–	–	967	680
Less: Receipt for previous year interest income	–	–	(680)	(815)
Interest income	714	225	10,070	9,056

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements

December 31, 2013

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at 74, Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan.

The immediate and intermediate holding companies of the Company are DKSH Resources (Malaysia) Sdn. Bhd. and DKSH Holdings (Asia) Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

The ultimate holding company of the Company is DKSH Holding Ltd, a company incorporated in Switzerland and listed on the SIX Swiss Exchange.

The Company is principally an investment holding company. The principal activities of the Group are the provisioning of Market Expansion Services, which ranges from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value added services. These services are provided to consumer goods, healthcare and performance material clients. The Group also operates retail outlets selling Famous Amos cookies.

There have been no significant changes in the nature of the principal activity during the financial year except for the discontinuance of the provision of forwarding and husbanding activities and freight forwarding coordinating related activities as disclosed in Note 15 to the financial statements.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on March 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On January 1, 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after January 1, 2013.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	July 1, 2012
• MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	January 1, 2013
• MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	January 1, 2013
• MFRS 10 Consolidated Financial Statements	January 1, 2013
• MFRS 11 Joint Arrangements	January 1, 2013
• MFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
• MFRS 13 Fair Value Measurement	January 1, 2013
• MFRS 119 Employee Benefits	January 1, 2013
• MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	January 1, 2013
• MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	January 1, 2013
• Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
• Annual Improvements 2009-2011 Cycle	January 1, 2013
• Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

MFRS 10: Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

MFRS 10: Consolidated Financial Statements (continued)

MFRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

The revised amendments did not impact the financial performance or position of the Group as there were no new business combinations during the year and the existing investments were not affected.

MFRS 12: Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127: Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128: Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

MFRS 13: Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materiality impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

MFRS 119 Employee Benefits

The adoption of MFRS 119 (revised) did not have any effect on the financial performance or position of the Group and the Company.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	January 1, 2014
• Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	January 1, 2014
• Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
• Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
• Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	July 1, 2014
• Annual Improvements to MFRSs 2010–2012 Cycle	July 1, 2014
• Annual Improvements to MFRSs 2011–2013 Cycle	July 1, 2014
• MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	To be announced
• MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to January 1, 2015. Subsequently, on February 14, 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.4 Economic entities in the Group

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Economic entities in the Group (continued)

(a) Basis of consolidation (continued)

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognized in the statement of comprehensive income. The subsidiary's cumulative gain or loss which has been recognized in other comprehensive income and accumulated in equity are reclassified to the statement of comprehensive income or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Economic entities in the Group (continued)

(a) Basis of consolidation (continued)

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and the pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in statement of comprehensive income.

(b) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in statement of comprehensive income of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognized directly in equity. Gain or loss on disposal to non-controlling interests is recognized directly in equity.

2.5 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in statement of comprehensive income.

After initial recognition, goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The accounting policy on impairment of non-financial assets is disclosed in Note 2.8.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

(b) Trademarks

Acquired trademark is shown at historical cost. Trademark has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademark over its estimated useful life of 10 years. The accounting policy on impairment of non-financial assets is disclosed in Note 2.8.

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Leasehold land classified as finance lease (refer to accounting policy Note 2.9 on finance leases) is amortized in equal installments over the period of the respective leases that range from 55 to 56 years.

Other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarized as follows:

Buildings and renovations	3 - 35 years
Plant and machinery	3 - 10 years
Furniture, fittings and equipment	3 - 5 years
Motor vehicles	5 years

Work-in-progress comprise buildings and renovations which are not completed at reporting date. Depreciation on work-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the financial year.

At the end of the financial year, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policy on impairment of non-financial assets is disclosed in Note 2.8.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other gains/(losses) from operations.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investments in subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

Investments in subsidiaries are carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of comprehensive income.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the financial year.

The impairment loss is charged to statement of comprehensive income. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognized in statement of comprehensive income.

2.9 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognized as an expense in statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

The principal annual depreciation rate for related building is 2.86% per annum.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases (continued)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16.

2.10 Inventories

Inventories comprise raw materials and packaging materials, work-in-progress and finished goods. Inventories are stated at the lower of cost and net realizable value.

Cost is principally determined on a weighted average basis and comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2.11 Share capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

(b) Dividends distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognized in the period in which the dividends are approved.

2.12 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognized in the statement of comprehensive income except to the extent that the tax relates to items recognized outside the statement of comprehensive income, either in other comprehensive income or directly in equity.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Income taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the statement of comprehensive income is recognized outside the statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Employee benefits

(a) Short term employee benefits

The Group recognizes a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

(b) Post-employment benefits

(i) National defined contribution plan

Companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. The Group's contributions are charged to the statement of comprehensive income. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Other defined contribution plan

In the previous year, the Group accrued an additional 3% to 4% (2012: 3% to 4%) per annum based on respective eligible employee's annual gross salary, commencing from the date of employment. The Group also accrued interest on the accumulated balance annually, at the current interest rate for savings accounts plus 1%. These additional contributions were expensed to the statement of comprehensive income in the financial year to which they relate. The post-employment benefits were to be paid to eligible employees upon their retirement or resignation, after a minimum of 5 years service. Once the contributions were accrued, the Group had no further liabilities. This plan has been terminated during the current year.

(c) Accruals for retrenchment benefits

Retrenchment benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes retrenchment benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide retrenchment benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the financial year are discounted to present value.

2.14 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, short term, highly liquid investments with original maturities of three months or less (less bank overdrafts) that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are presented within borrowings in current liabilities in the statements of financial position.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Onerous Contract

The Group recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring

Restructuring provisions mainly comprise lease termination penalties and employee termination payments and are recognized in the period in which the Group becomes legally or constructively committed to payment. Future operating costs are not provided for.

Restoration cost

Provision for restoration cost is estimated cost of dismantling, removing or restoring the property, plant and equipment at the lease inception date for operating leases with requirements to remove leasehold improvements at the end of the lease term.

2.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyers, net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue from rendering of services is recognized upon performance.

Other revenue earned by the Group is recognized on the following basis:

Interest income	-	using the effective yield method.
Rental and commission income	-	as it accrues unless collectibility is in doubt.
Dividend income	-	when the entity's right to receive payment is established.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognized in the statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statement of comprehensive income of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. Exchange differences arising from such non-monetary items are also recognized directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognized in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognized in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets

Financial assets are recognized in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognized in the statements of comprehensive income. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognized separately in the statements of comprehensive income as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, and through the amortization process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of comprehensive income when the held-to-maturity investments are derecognized or impaired, and through the amortization process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognized in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognized in the statements of comprehensive income. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the statements of comprehensive income as a reclassification adjustment when the financial asset is derecognized. Interest income calculated using the effective interest method is recognized in the statements of comprehensive income. Dividends on an available-for-sale equity instrument are recognized in the statements of comprehensive income when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realized within 12 months after the reporting date.

A financial asset is derecognized when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the statements of comprehensive income.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortized cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognized in the statements of comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. The amount of reversal is recognized in the statements of comprehensive income.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment of financial assets (continued)

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statements of comprehensive income, is transferred from equity to the statements of comprehensive income.

Impairment losses on available-for-sale equity investments are not reversed in the statements of comprehensive income in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognized in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in the statements of comprehensive income if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the statements of comprehensive income.

2.20 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.21 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognized in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognized in the statements of comprehensive income. Net gains or losses on derivatives include exchange differences.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial liabilities (continued)

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognized initially at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognized in statements of comprehensive income when the liabilities are derecognized, and through the amortization process.

(c) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.18.

A financial liability is derecognized when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

2.22 Borrowing costs

Borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognized in the statements of comprehensive income in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Notes to the financial statements

December 31, 2013 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Segment reporting

For management purposes, the Group is organized into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. These segmental information are reviewed by the chief operating decision maker. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognized initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognized as income in statement of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognized less cumulative amortization.

2.25 Discontinued operation

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognized in statement of comprehensive income.

Notes to the financial statements

December 31, 2013 (continued)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of trademarks

The Group valued the trademark using the premium pricing model. This valuation requires significant judgment. In making this judgment, the Group evaluates, among other factors, the price premium, discount rate and future use of the trademark. In making these key estimates and judgments, the Group takes into consideration assumptions that are mainly based on market condition existing at the financial position dates and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group. More details are disclosed in Note 13 to the financial statements.

(b) Estimated impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of cash generating units were determined based on the value in use calculations, where assumptions and estimates have been used, based on future events which the directors expect to take place and actions which management expects to take. In making these key estimates and judgments, the Group takes into consideration assumptions that are mainly based on market condition existing at the reporting date and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group. More details are disclosed in Note 13 to the financial statements.

(c) Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognized. More details are disclosed in Note 16 to the financial statements.

3.2 Critical judgment in applying the entity's accounting policies

There were no significant judgments made by the management in the process of applying the Group's and the Company's accounting policies that have significant effects on the amounts recognized in the financial statements.

Notes to the financial statements

December 31, 2013 (continued)

4. REVENUE

	Group		Company	
		Restated		
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Sale of goods	5,058,372	4,703,229	–	–
Rendering of services	20,805	21,497	–	–
Commission income	–	–	7	69
Interest income:				
- subsidiaries	–	–	9,493	8,856
- related companies	–	–	8	–
- others	–	–	569	200
Dividend income (gross):				
- subsidiaries	–	–	136,831	29,791
	5,079,177	4,724,726	146,908	38,916

5. STAFF COSTS

	Group	
		Restated
	2013	2012
	RM'000	RM'000
Salaries and bonus	111,096	99,764
Post-employment benefits obligation:		
- national defined contribution plan and social security contribution	16,398	13,980
- other defined contribution plan (Note 25)	1,627	2,023
Other employee benefits	28,607	26,314
	157,728	142,081

Included in staff costs are directors' remuneration as disclosed in Note 6.

Notes to the financial statements

December 31, 2013 (continued)

6. DIRECTORS' REMUNERATION

The details of remuneration received/receivable by directors of the Group and the Company for the financial year are as follows:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Non-executive directors:				
- fees	162	162	150	150
Executive director:				
- salaries and bonus	1,148	1,081	–	–
- other employee benefits	201	195	–	–
	1,349	1,276	–	–
	1,511	1,438	150	150

7. FINANCE COSTS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Interest expense:				
- bankers' acceptances	675	2,291	–	–
- promissory notes	732	1,966	–	–
- revolving credit	446	376	–	–
- term loans	1,452	1,853	–	–
- advances from				
- holding companies	975	1,190	975	1,190
- subsidiaries	–	–	2,423	2,124
- related company	96	–	96	–
- others	107	152	17	15
	4,483	7,828	3,511	3,329

Notes to the financial statements

December 31, 2013 (continued)

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been included in arriving at profit before tax:

	Group		Company	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration	445	445	87	87
Property, plant and equipment				
- depreciation	7,318	8,825	–	–
- written off	287	35	–	–
- other net gain on disposals	(333)	(165)	–	–
- gain on disposal of properties	(99,465)	(21,645)	–	–
Incidental cost from disposal of properties	2,198	582	–	–
Amortization of trademark	976	976	–	–
Net foreign exchange losses/(gains):				
- realized	334	(78)	–	–
- unrealized	(477)	(502)	–	–
Unrealized derivative gains	(221)	(95)	–	–
Inventories:				
- written off	5,152	5,944	–	–
- net (write-back of)/provision for slow moving	(137)	77	–	–
Rental income	(126)	(328)	–	–
Ancillary charges	(43)	(7)	–	–
Rental expenses:				
- other related party	10,028	12,572	–	–
- others	16,472	13,171	–	–
Interest income	(676)	(200)	(10,070)	(9,056)
Compensation from suppliers	(7,253)	(5,565)	–	–
Net (write-back of)/allowance for impairment of doubtful debts	(204)	701	–	–
Bad debts written off	–	16	–	–
Net (write-back of)/allowance for doubtful advances to a subsidiary	–	–	(6,989)	1,274
Gain on disposal of subsidiaries	(8,640)	–	(24,620)	–
Net fair value gain on available-for-sale financial assets transferred from equity upon disposal	(30)	–	–	–
Impairment losses of investment in a subsidiary	–	–	6,994	–
Management fees paid to a related company	4,192	2,936	–	–

Notes to the financial statements

December 31, 2013 (continued)

9. INCOME TAX EXPENSE

	Group		Company	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	2012 RM'000
Malaysian income tax - continuing operations:				
- Current year	20,631	19,892	2,248	5,138
- Under/(over) provision in prior years	175	1,249	13	(5)
	20,806	21,141	2,261	5,133
Deferred tax - continuing operations (Note 16):				
- Relating to origination and reversal of temporary differences	(1,361)	9	–	–
- Over provision in prior years	(171)	(684)	–	–
	(1,532)	(675)	–	–
Income tax attributable to:				
Continuing operations	19,274	20,466	2,261	5,133
Discontinued operation (Note 10)	2,517	2,890	–	–
Total income tax expenses	21,791	23,356	2,261	5,133

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction. Companies in Brunei are taxed where for the first BND100,000 of the chargeable income, only 25% is taxable, the next BND150,000 only 50% is taxable and 100% is taxable for any remaining balance. The income tax rate applicable to the subsidiary, DKSH (B) Sdn. Bhd. in Brunei is 20% (2012: 20%).

Notes to the financial statements

December 31, 2013 (continued)

9. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax from continuing operations	190,445	94,014	167,508	33,896
Profit before tax from discontinued operation	9,688	11,152	–	–
Profit before tax	200,133	105,166	167,508	33,896
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	50,033	26,292	41,877	8,474
Different tax rate in other country	18	13	–	–
Expenses not deductible for tax purposes	1,399	1,845	59	353
Income not subject to tax	(29,725)	(5,356)	(39,688)	(3,689)
Utilization of previously unrecognized deferred tax assets	(9)	(82)	–	–
Deferred tax assets not recognized	71	79	–	–
Under/(over) provision of income tax in prior years	175	1,249	13	(5)
Over provision of deferred tax in prior years	(171)	(684)	–	–
Income tax expense	21,791	23,356	2,261	5,133

Notes to the financial statements

December 31, 2013 (continued)

10. DISCONTINUED OPERATION

On August 30, 2013, the Company announced the decision of its Board of Directors to dispose of the entire 51% equity interest in DKSH Transport Agencies (M) Sdn. Bhd. and its subsidiary, Macro Consolidators (M) Sdn. Bhd. ("DKSH TA Group"), which were previously reported in the logistics services segment. Following the completion of the disposal on October 29, 2013, the results of DKSH TA Group up to the date of disposal are presented separately on the income statements as "profit from discontinued operation, net of tax".

Statement of comprehensive income disclosures

The results of DKSH TA Group up to the date of disposal, October 29, 2013 are as follows:

	2013 RM'000	2012 RM'000
Revenue	18,305	20,798
Expenses	(8,617)	(9,646)
Profit before tax from discontinued operation	9,688	11,152
Income tax expense (Note 9)	(2,517)	(2,890)
Profit from discontinued operation, net of tax	7,171	8,262

Included in the profit before tax of the discontinued operation are:

	2013 RM'000	2012 RM'000
Auditors' remuneration	35	35
Depreciation of plant and equipment	176	198
Other interest income	(38)	(25)
Rental of land and buildings	298	347
Net unrealized foreign exchange losses/(gains)	17	(14)
Net allowance for impairment of doubtful debts	169	6
Staff costs:		
Salaries and bonus	5,096	6,332
Post-employment benefits obligation:		
- national defined contribution plan and social security contribution	748	915
Other employee benefits	520	651

Notes to the financial statements

December 31, 2013 (continued)

10. DISCONTINUED OPERATION (CONTINUED)

Statement of cash flows disclosures

The cash flows attributable to the DKSH TA Group up to the date of disposal, October 29, 2013 are as follows:

	2013 RM'000	2012 RM'000
Operating	7,621	9,411
Investing	(40)	(597)
Financing	11,600	(6,902)
Net cash inflows	19,181	1,912

11. EARNINGS PER SHARE - BASIC

The earnings per share is calculated by dividing the net profit for the financial year attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2013 RM'000	2012 RM'000
Profit from continuing operations attributable to owners of the parent	167,657	69,500
Profit from discontinued operation attributable to owners of the parent	7,171	8,262
Profit attributable to owners of the parent	174,828	77,762
Weighted average number of ordinary shares in issue ('000)	157,658	157,658

	Group	
	2013 sen	2012 sen
Basic earnings per share for:		
Profit from continuing operations	106.34	44.08
Profit from discontinued operation	4.55	5.24
Profit for the year	110.89	49.32

There are no shares in issuance which have a dilutive effect to the earnings per share of the Group.

Notes to the financial statements

December 31, 2013 (continued)

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Buildings and renovations RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
Group							
At December 31, 2013							
Cost							
At January 1, 2013	27,675	43,450	15,241	74,270	3,248	62	163,946
Additions	–	645	704	7,047	181	6,313	14,890
Disposals	(27,675)	(15,405)	(15)	(59)	(1,235)	–	(44,389)
Disposal of subsidiaries	–	–	–	(2,347)	–	–	(2,347)
Reclassification	–	1,635	2,984	1,666	–	(6,285)	–
Written off	–	(1,326)	(718)	(11,467)	(4)	–	(13,515)
At December 31, 2013	–	28,999	18,196	69,110	2,190	90	118,585
Accumulated depreciation							
At January 1, 2013	8,253	35,419	13,222	65,893	2,849	–	125,636
Charge for the year:							
- continuing operations	266	1,658	653	4,550	191	–	7,318
- discontinued operation	–	–	–	176	–	–	176
Disposals	(8,519)	(9,827)	(15)	(35)	(1,205)	–	(19,601)
Disposal of subsidiaries	–	–	–	(1,826)	–	–	(1,826)
Written off	–	(1,257)	(505)	(11,462)	(4)	–	(13,228)
At December 31, 2013	–	25,993	13,355	57,296	1,831	–	98,475
Net carrying amount	–	3,006	4,841	11,814	359	90	20,110

Notes to the financial statements

December 31, 2013 (continued)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land RM'000	Buildings and renovations RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
Group (continued)							
At December 31, 2012							
Cost							
At January 1, 2012	39,575	44,224	14,863	72,732	3,759	18	175,171
Additions	–	812	356	3,924	–	107	5,199
Disposals	(11,900)	(1,728)	(6)	(672)	(511)	–	(14,817)
Reclassification	–	259	36	(232)	–	(63)	–
Written off	–	(117)	(8)	(1,482)	–	–	(1,607)
At December 31, 2012	27,675	43,450	15,241	74,270	3,248	62	163,946
Accumulated depreciation							
At January 1, 2012	11,820	33,436	12,584	63,650	3,154	–	124,644
Charge for the year							
- continuing operations	466	3,325	650	4,178	206	–	8,825
- discontinued operation	–	–	–	198	–	–	198
Disposals	(4,033)	(1,257)	(6)	(652)	(511)	–	(6,459)
Written off	–	(85)	(6)	(1,481)	–	–	(1,572)
At December 31, 2012	8,253	35,419	13,222	65,893	2,849	–	125,636
Net carrying amount	19,422	8,031	2,019	8,377	399	62	38,310

Notes to the financial statements

December 31, 2013 (continued)

13. INTANGIBLE ASSETS

	Goodwill RM'000	Group Trademark RM'000	Total RM'000
Cost:			
At January 1, 2012, December 31, 2012 and December 31, 2013	3,600	8,213	11,813
Accumulated amortization and impairment losses:			
At January 1, 2012	–	2,927	2,927
Amortization during the year	–	976	976
At December 31, 2012	–	3,903	3,903
Disposal (Note 15)	3,600	–	3,600
Amortization during the year	–	976	976
At December 31, 2013	3,600	4,879	8,479
Net carrying amount:			
At December 31, 2013	–	3,334	3,334
At December 31, 2012	3,600	4,310	7,910

Impairment tests for goodwill

In the previous year, the goodwill of RM3,600,000 was allocated to the logistics segment of the Group.

Recoverable amount based on value-in-use

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long term average growth rate for the relevant CGUs.

Notes to the financial statements

December 31, 2013 (continued)

13. INTANGIBLE ASSETS (CONTINUED)

Valuation of trademark

The valuation of trademark is determined based on the premium pricing model.

The key assumptions involved in the value-in-use calculations are as follows:

- A period of 3.5 (2012: 4.5) years based on the remaining life of the trademark,
- Revenue and operating profits were based on the current year's results,
- Declining growth rate of 3.7% (2012: 6.2%) as a result of continuing competitive pressure from the market players and
- Pre-tax weighted average cost of capital of 7.69%, at 1.5% risk premium (2012: pre-tax weighted average cost of capital of 5.80%, at 1.5% risk premium).

Based on the above key assumptions, the recoverable amount for the trademark based on the value-in-use calculation was higher than the carrying value of the trademark. Thus, no impairment is recognized for the financial year.

The sensitivity of the recoverable amount based on changes to the discount rate and growth rate is as follow:

- if the discount rate increases by 8% (2012: 20%) with all other variables remain constant, the trademark will be impaired by RM47,000 (2012: RM40,000).
- if the growth rate decreases by 6% (2012: 15%) with all other variables remain constant, the trademark will be impaired by RM6,000 (2012: RM43,000).

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013 RM'000	**2012 RM'000**
Club memberships		
At January 1	74	69
(Decrease)/increase in fair value recognized in other comprehensive income	(4)	5
Disposals	(70)	–
At December 31	–	74

Unquoted investments comprise golf club memberships that have no fixed maturity date. These investments are classified as available-for-sale financial assets and as such are recorded at fair value with the gain or loss arising as a result of changes in fair value recorded directly in equity. Accumulated fair value changes are recycled to the statements of comprehensive income on disposal, or when the investment is impaired.

Fair value for available-for-sale investments are determined by reference to an active market.

Notes to the financial statements

December 31, 2013 (continued)

15. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Non-current assets		
Unquoted shares at cost	91,909	90,649
Less: Accumulated impairment losses	(7,294)	(300)
	84,615	90,349
Movement in unquoted shares accounts:		
At January 1	90,649	90,849
Written off	–	(200)
Disposals	(5,940)	–
Additional investment	7,200	–
At December 31	91,909	90,649

During the year, the subsidiary company, DKSH Logistics Services Sdn. Bhd. had increased its share capital by RM7,200,000 and was all subscribed by the Company, DKSH Holdings (Malaysia) Berhad.

The Company had also disposed of its entire 51% equity interest in DKSH Transport Agencies (M) Sdn. Bhd. and its subsidiary, Macro Consolidators (M) Sdn. Bhd. on October 29, 2013 which amounted to RM5,939,998.

Name of Company	Country of incorporation	Proportion (%) of ownership 2013 %	Proportion (%) of ownership 2012 %	Principal activities
DKSH Malaysia Sdn. Bhd.	Malaysia	100	100	Provision of Market Expansion Services for consumer goods, healthcare and performance material clients.
Held through DKSH Malaysia Sdn. Bhd.:				
- DKSH Management Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Marketing Services Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Transport Agencies (M) Sdn. Bhd.*	Malaysia	–	51	Forwarding and husbanding activities.

Notes to the financial statements

December 31, 2013 (continued)

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Country of incorporation	Proportion (%) of ownership 2013 %	2012 %	Principal activities
Held through DKSH Transport Agencies (M) Sdn. Bhd.:				
- Macro Consolidators (M) Sdn. Bhd.*	Malaysia	–	51	Freight forwarding coordinating related activities.
DKSH Distribution Malaysia Sdn. Bhd.	Malaysia	100	100	General trading, warehousing and distribution agency.
Held through DKSH Distribution Malaysia Sdn. Bhd.:				
- DKSH (B) Sdn. Bhd.**	Negara Brunei Darussalam	100	100	Provision of Market Expansion Services for consumer goods and healthcare clients.
DKSH Logistics Services Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Central Services Sdn. Bhd.	Malaysia	100	100	Provision of estate management services but ceased operation during the year.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of chocolate chip cookies.

*   Subsidiaries disposed of during the year.

**   Audited by a member firm of Ernst & Young.

Disposal of subsidiaries

On August 30, 2013, the Company announced the decision of its Board of Directors to dispose of the entire 51% equity interest in DKSH Transport Agencies (M) Sdn. Bhd. and its subsidiary, Macro Consolidators (M) Sdn. Bhd. ("DKSH TA Group") , which were previously reported in the logistics services segment.

The Company entered into a Sale and Purchase Agreement with Delta Express (M) Sdn. Bhd. for the disposal of its 51% equity interest in DKSH TA Group for a total consideration of RM30,600,000. Upon completion of the disposal, DKSH TA Group ceased to be a subsidiary of the Company.

The disposal of the DKSH TA Group was completed on October 29, 2013.

Notes to the financial statements

December 31, 2013 (continued)

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Disposal of subsidiaries (continued)

The disposal had the following effects on the financial position of the Group as at October 29, 2013.

	Group RM'000
Property, plant and equipment	521
Trade and other receivables	24,364
Deferred tax assets	248
Cash and bank balances	23,738
Trade and other payables	(12,000)
Income tax payables	(951)
Net assets disposed	35,920
Less: Non-controlling interest	(17,600)
	18,320
Disposal proceeds	(30,600)
Attributable goodwill	3,600
Incidental expenses	40
Gain on disposal to the Group	(8,640)
Cash inflow arising on disposals:	
Cash consideration	30,600
Cash and cash equivalents of subsidiaries disposed	(23,738)
Net cash inflow on disposal	6,862

16. DEFERRED TAX

	Group	
	2013 RM'000	2012 RM'000
At January 1	(430)	(2,925)
Recognized in statements of comprehensive income:		
- continuing operations (Note 9)	1,532	675
- discontinued operation	165	(50)
Recognized in statements of changes in equity	1,696	1,870
Disposal of subsidiaries	(248)	–
At December 31	2,715	(430)

Notes to the financial statements

December 31, 2013 (continued)

16. DEFERRED TAX (CONTINUED)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Group

	As at January 1, 2012 RM'000	Recognized in statement of comprehensive income Continuing operations RM'000	Recognized in statement of comprehensive income Discontinued operation RM'000	Recognized in statement of changes in equity RM'000	As at December 31, 2012 RM'000	Recognized in statement of comprehensive income Continuing operations RM'000	Recognized in statement of comprehensive income Discontinued operation RM'000	Recognized in statement of changes in equity RM'000	Disposal of subsidiaries RM'000	As at December 31, 2013 RM'000
Deferred tax liabilities:										
Revaluation reserve	(6,896)	90	–	1,870	(4,936)	3,240	–	1,696	–	–
Property, plant and equipment	(1,553)	705	(15)	–	(863)	15	17	–	27	(804)
	(8,449)	795	(15)	1,870	(5,799)	3,255	17	1,696	27	(804)
Offsetting	1,249				680					804
	(7,200)				(5,119)					–
Deferred tax assets:										
Receivables	747	(123)	(10)	–	614	(263)	70	–	(98)	323
Inventories	1,016	16	–	–	1,032	(34)	–	–	–	998
Other payables	3,761	(13)	(25)	–	3,723	(1,426)	78	–	(177)	2,198
	5,524	(120)	(35)	–	5,369	(1,723)	148	–	(275)	3,519
Offsetting	(1,249)				(680)					(804)
	4,275				4,689					2,715

Notes to the financial statements

December 31, 2013 (continued)

16. DEFERRED TAX (CONTINUED)

	Group	
	2013	**2012**
	RM'000	**RM'000**
Presented after appropriate offsetting as follows:		
Deferred tax assets	2,715	4,689
Deferred tax liabilities	–	(5,119)
	2,715	(430)

Deferred tax assets have not been recognized in respect of the following items:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Other deductible temporary differences	1,195	1,060
Unutilized capital allowances	192	188
Tax losses	11,277	11,095
	12,664	12,343

Deferred tax assets had not been recognized where it is not probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

17. INVENTORIES

	Group	
	2013	**2012**
	RM'000	**RM'000**
At cost:		
Raw materials	4,327	3,510
Packaging materials	3,062	2,946
Finished goods	389,936	375,601
	397,325	382,057

During the year, the amount of inventories recognized as an expense in cost of sales of the Group was RM4,647,640,000 (2012: RM4,324,660,000).

Notes to the financial statements

December 31, 2013 (continued)

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Trade receivables				
Third parties	854,015	797,101	–	–
Less: Allowance for impairment of doubtful debts	(14,199)	(14,567)	–	–
	839,816	782,534	–	–
Other receivables				
Deposits	6,695	5,257	2	2
Prepayments	1,354	1,497	–	66
Sundry receivables	253	2,751	–	–
Amounts due from:				
- fellow subsidiaries	–	–	319	333
- related companies	216	4,144	1	1
	8,518	13,649	322	402
	848,334	796,183	322	402
Non-current				
Advances to subsidiaries	–	–	314,649	221,675
Provision for doubtful advances to a subsidiary	–	–	–	(6,989)
	–	–	314,649	214,686
Total trade and other receivables	848,334	796,183	314,971	215,088
Less: Prepayments	(1,354)	(1,497)	–	(66)
Add: Cash and bank balances (Note 19)	111,995	54,148	51,632	82
Total loans and receivables	958,975	848,834	366,603	215,104

Notes to the financial statements

December 31, 2013 (continued)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Credit terms of trade receivables range from payment in advance to 90 days (2012: payment in advance to 90 days). They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2013 RM'000	Group 2012 RM'000
Neither past due nor impaired	741,859	670,999
Less than three months past due but not impaired	97,957	109,987
Between three to six months past due but not impaired	–	871
Between six months and one year past due but not impaired	–	331
More than one year past due but not impaired	–	346
	97,957	111,535
Impaired	14,199	14,567
	854,015	797,101

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

As at December 31, 2013, the Group's trade receivables of RM97,957,000 (2012: RM111,535,000) were past due their contractual payment date but not impaired. These relate to a number of external parties where there are no expectations of default.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group 2013 RM'000	Group 2012 RM'000
Trade receivables - nominal amounts	14,199	14,567
Less: Allowance for impairment	(14,199)	(14,567)
	–	–

Notes to the financial statements

December 31, 2013 (continued)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Movement in allowance accounts:

	Group 2013 RM'000	Group 2012 RM'000
At January 1	14,567	14,749
Allowance for impairment	1,929	2,878
Amounts written off	(21)	(889)
Write-back of allowance for impairment	(2,133)	(2,171)
Disposal of subsidiary	(143)	–
At December 31	14,199	14,567

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Credit risk management with respect to trade receivables is disclosed in Note 32(d) to the financial statements.

The currency exposure profile of net trade receivables is as follows:

	Group 2013 RM'000	Group 2012 RM'000
Trade receivables		
Ringgit Malaysia	825,911	769,620
US Dollar	1,549	1,896
Singapore Dollar	110	64
Brunei Dollar	12,246	10,954
	839,816	782,534

Notes to the financial statements

December 31, 2013 (continued)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Related party balances

The amounts receivable from fellow subsidiaries and related companies are unsecured, non-interest bearing and repayable within 30 to 90 days (2012: 30 to 90 days).

Advances to subsidiaries are unsecured and carry at interest rates of between 3.85% to 4.20% (2012: 4.05% to 4.20%) per annum. These advances are not intended to be recalled, in full or in part, within the next twelve months from the reporting date.

Movement in allowance for impairment on advances to a subsidiary:

	Company	
	2013 RM'000	**2012 RM'000**
At January 1	6,989	5,715
Allowance for impairment	–	1,274
Write-back of allowance for impairment	(6,989)	–
At December 31	–	6,989

19. CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Deposits with licensed banks	51,800	4,032	51,600	–
Cash on hand and at banks	60,195	50,116	32	82
Cash and bank balances	111,995	54,148	51,632	82
The currency exposure profile of deposit, bank and cash balances is as follows:				
Ringgit Malaysia	108,522	52,496	51,632	82
Singapore Dollar	208	–	–	–
Brunei Dollar	1,820	1,191	–	–
US Dollar	385	461	–	–
Euro	872	–	–	–
Swiss Franc	179	–	–	–
Australian Dollar	9	–	–	–
	111,995	54,148	51,632	82

Deposits with licensed banks have an average days to maturity period of 2 days (2012: 3 days) and weighted average effective interest rate per annum at reporting date is 2.89% (2012: 2.86%).

Notes to the financial statements

December 31, 2013 (continued)

20. SHARE CAPITAL

	Number of shares		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorized share capital:				
Ordinary shares of RM1 each				
- at January 1/December 31	499,180	499,180	499,180	499,180
Redeemable cumulative preference shares of RM0.01 each				
- at January 1/December 31	82,000	82,000	820	820
			500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1 each				
- at January 1/December 31	157,658	157,658	157,658	157,658

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

21. RETAINED EARNINGS

The Company may distribute dividends out of its retained earnings as at December 31, 2013 under single tier system.

Notes to the financial statements

December 31, 2013 (continued)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Current				
Trade payables				
Third parties	782,379	709,791	–	–
Other payables				
Accruals	52,788	43,530	200	560
Sundry payables	35,394	38,251	–	–
Amounts due to:				
- intermediate holding company	30	57	30	57
- immediate holding company	28	45	28	45
- subsidiaries	–	–	148	153
- related companies	7,017	5,768	13	–
	95,257	87,651	419	815
Total trade and other payables	877,636	797,442	419	815
Add: Loans and borrowings (Note 24)	52,195	152,689	76,853	77,793
Total financial liabilities carried at amortized cost	929,831	950,131	77,272	78,608

The currency exposure profile of payables is as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Trade payables		
Ringgit Malaysia	691,591	632,349
US Dollar	46,928	32,156
Euro	37,370	39,708
Swiss Franc	204	501
Brunei Dollar	391	170
Singapore Dollar	1,241	1,255
Australian Dollar	2,887	3,281
Japanese Yen	72	–
Thai Baht	1,546	283
Sterling Pound	149	88
	782,379	709,791

Notes to the financial statements

December 31, 2013 (continued)

22. TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Intercompany payables				
Ringgit Malaysia	6,639	4,315	219	255
Swiss Franc	287	1,184	–	–
Thai Baht	149	205	–	–
US Dollar	–	166	–	–
Singapore Dollar	–	–	–	–
	7,075	5,870	219	255

	Group	
	2013 RM'000	**2012 RM'000**
Other payables		
Ringgit Malaysia	35,260	37,999
Brunei Dollar	134	252
	35,394	38,251

The average credit terms of payables are as follows:

	Group/Company Average credit terms	
	2013	**2012**
Trade payables	0 to 180 days	0 to 180 days
Sundry payables	30 days	30 days
Intercompany payables	Payable within 30 to 120 days	Payable within 30 to 120 days

The amounts payable to intermediate holding company, immediate holding company, subsidiaries and related companies are unsecured and non-interest bearing.

Notes to the financial statements

December 31, 2013 (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	Contract value RM'000	**Fair value RM'000**	**(Assets)/ liabilities RM'000**
2013			
Current assets:			
Forward foreign exchange contracts			
- at fair value through profit or loss	18,250	18,460	(210)
2012			
Current liabilities:			
Forward foreign exchange contracts			
- at fair value through profit or loss	14,747	14,736	11

The Group's derivative financial instruments relate to forward foreign exchange contracts which are entered into in currencies other than the Group's functional currency to manage exposure to fluctuations in foreign currency exchange rates on specified transactions.

At December 31, 2013, the settlement dates on open forward contracts ranged between 1 and 4 months (2012: 1 and 5 months).

The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts are as follows:

At December 31, 2013

Hedged item	**Currency to be received**	**Currency to be paid**	**RM'000 equivalent**	**Contractual rate**
Trade payables:				
EUR 220,000	EUR	MYR	975	1EUR=RM4.4332
USD 4,788,436	USD	MYR	15,562	1USD=RM3.2499
CHF 260,000	CHF	MYR	924	1CHF=RM3.5529
AUD 90,000	AUD	MYR	271	1AUD=RM3.0124
SGD 200,000	SGD	MYR	518	1SGD=RM2.5915
			18,250	

Notes to the financial statements

December 31, 2013 (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At December 31, 2012

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables:				
EUR 460,000	EUR	MYR	1,854	1EUR=RM4.0300
USD 3,252,271	USD	MYR	9,985	1USD=RM3.0703
CHF 394,860	CHF	MYR	1,331	1CHF=RM3.3699
AUD 376,306	AUD	MYR	1,199	1AUD=RM3.1860
SGD 150,000	SGD	MYR	378	1SGD=RM2.5195
			14,747	

The fair value of outstanding forward contracts of the Group at the reporting date are favourable net position of RM210,000 and unfavourable net position of RM11,000 at December 31, 2012.

24. BORROWINGS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Bankers' acceptances	–	10,000	–	–
Revolving credit	–	13,000	–	–
Term loans	20,000	30,000	–	–
Promissory notes	–	55,054	–	–
Advances from:				
- intermediate holding company	9,622	–	9,622	–
- immediate holding company	6,923	–	6,923	–
- related company	15,650	–	15,650	–
	52,195	108,054	32,195	–

Notes to the financial statements

December 31, 2013 (continued)

24. BORROWINGS (CONTINUED)

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Non-current				
Advances from:				
- intermediate holding company	–	24,635	–	9,362
- immediate holding company	–	–	–	15,273
- subsidiaries	–	–	44,658	53,158
	–	24,635	44,658	77,793
Term loans	–	20,000	–	–
	–	44,635	44,658	77,793
Total loans and borrowings	52,195	152,689	76,853	77,793

Bankers' acceptances, revolving credit, promissory notes and term loans are unsecured.

Advances from intermediate holding company and immediate holding company bear interest at 3.85% to 4.20% (2012: 4.05% to 4.20%) per annum. Advances from related company bear interest at 2.75% (2012: Nil). These are unsecured and are repayable on demand.

Advances from subsidiaries are deposits of excess cash placed with the Company and bear interest at 3.15% (2012: 2.95% to 3.15%) per annum. These are unsecured and are not repayable within the next 12 months.

Weighted average year end effective interest rates

	Group	
	2013 %	**2012 %**
Bankers' acceptances	–	3.36
Revolving credit	–	3.46
Promissory notes	–	3.23
Term loans	4.30	4.42

The remaining maturities of loans and borrowings as at December 31, 2013:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Within one year	52,195	108,054	32,195	–
Between one and five years	–	44,635	44,658	77,793
Total	52,195	152,689	76,853	77,793

Notes to the financial statements

December 31, 2013 (continued)

25. POST-EMPLOYMENT BENEFITS OBLIGATION

	Group 2013 RM'000	Group 2012 RM'000
Non-current		
Defined contribution plan	–	12,400

During the year, the Group terminated the scheme and offered the employees to take up their entitlement by way of cash or contribution to Employee Provident Fund as settlement of the scheme.

The movements during the financial year in the amounts recognized on the consolidated statement of financial position are as follows:

	Group 2013 RM'000	Group 2012 RM'000
At January 1	12,400	11,561
Charged to statements of comprehensive income (Note 5)	1,627	2,023
Transfer from related companies	54	–
Contributions paid	(6,958)	(1,184)
Reclassified to other current payables	(7,123)	–
At December 31	–	12,400

Other than those provided for and disclosed in the financial statements, the Group has no further liabilities in respect of the terminated scheme as at reporting date.

26. PROVISION FOR OTHER LIABILITIES

	Group 2013 RM'000	Group 2012 RM'000
Provision for other liabilities		
- property restoration cost	289	289

The amount represents a provision for property restoration cost upon expiry of lease term.

Notes to the financial statements

December 31, 2013 (continued)

27. DIVIDENDS

Dividends paid in respect of ordinary shares for the financial year are as follows:

	Group and Company			
	2013		2012	
	Gross dividend per share Sen	Amount of dividends RM'000	Gross dividend per share Sen	Amount of dividends RM'000
Final dividend: - for financial year ended December 31, 2012 paid on August 22, 2013: - single tier	9.00	14,189	–	–
Special dividend: - for financial year ended December 31, 2012 paid on August 22, 2013: - single tier	2.50	3,942	–	–
Final dividend: - for financial year ended December 31, 2011 paid on August 17, 2012: - single tier	–	–	7.00	11,036
Dividends in respect of the year	11.50	18,131	7.00	11,036

At the forthcoming Annual General Meeting, a final single-tier dividend of 9.5 sen per share amounting to RM14,977,517 and a special single tier dividend of 13 sen per share amounting to RM20,495,550 on 157,658,076 ordinary shares will be proposed for shareholders' approval. These financial statements do not reflect this proposed final and special dividends and the dividends will be accounted for in the financial year ending December 31, 2014 when approved by shareholders.

28. COMMITMENTS AND FINANCIAL GUARANTEES

(a) Capital commitments

Capital expenditures not provided for in the financial statements are as follows:

	Group	
	2013 RM'000	2012 RM'000
Property, plant and equipment:		
Authorized by the directors and contracted for	847	891
Authorized by the directors and not contracted for	–	5,510
	847	6,401

Notes to the financial statements

December 31, 2013 (continued)

28. COMMITMENTS AND FINANCIAL GUARANTEES (CONTINUED)

(b) Non-cancellable operating lease commitments

The Group entered into non-cancellable operating lease agreements for the use of office premises, warehouses, outlets and certain office equipment.

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2013 **RM'000**	**2012** **RM'000**
Payable within one year	16,629	6,533
Payable after one year but not later than five years	55,108	6,987
Payable after five years	19,202	–
	90,939	13,520

(c) Financial guarantees

As at December 31, 2013, the Group provided guarantees of RM49,910,000 (2012: RM47,587,000) for the purpose of bank guarantees on the trading operations of the Group.

The Group has assessed the financial guarantee contracts and concluded that the guarantees are more likely not to be called upon by the respective parties and accordingly not recognized as financial liability as at December 31, 2013.

29. SIGNIFICANT EVENTS DURING THE YEAR

(a) Disposal of land

A subsidiary, DKSH Central Services Sdn Bhd had completed the disposal of a piece of leasehold land measuring approximately 258,746 sq. ft. together with the office and industrial buildings and warehouses erected thereon to a purchaser for a total cash consideration of RM124.2 million on October 24, 2013.

A gain on disposal of RM97.3 million, net of incidental cost was recognized in the statement of comprehensive income in the current year.

(b) Disposal of subsidiaries

On August 30, 2013, the Company announced the decision of its Board of Directors to dispose of its entire 51% equity interest in DKSH Transport Agencies (M) Sdn. Bhd. and its subsidiary, Macro Consolidators (M) Sdn. Bhd. ("DKSH TA Group"). The disposal of the DKSH TA Group was completed on October 29, 2013 and the balance of purchase price was received on October 29, 2013.

A gain on disposal of RM8.6 million and RM24.6 million were recognized in the statements of comprehensive income of the Group and the Company respectively in the current year.

Notes to the financial statements

December 31, 2013 (continued)

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) Sales of goods and services:				
Sale of services:				
- related companies (goods)	1,567	31,919	–	–
- related company (rental)	126	324	–	–
- related company (ancillary)	43	7	–	–
- related company (freight and forwarding)	–	19	–	–
- related companies (information technology charges)	116	102	–	–
- related companies (human resource charges)	369	469	–	–
	2,221	32,840	–	–
Others (interest):				
- subsidiaries	–	–	9,493	8,856
- related company	8	–	8	–
	8	–	9,501	8,856
Others (dividend):				
- subsidiaries	–	–	136,831	29,791
	2,229	32,840	146,332	38,647

Notes to the financial statements

December 31, 2013 (continued)

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
(b) Purchase of goods and services:				
Purchase of services:				
- related companies (goods)	58,501	64,118	–	–
- related company (management fee and regional audit)	4,192	2,936	–	–
- related company (information technology charges)	11,705	10,425	–	–
- other related party (rental)	10,028	12,572	–	–
	84,426	90,051	–	–
Others (interest):				
- immediate holding company	600	175	600	175
- intermediate holding company	375	1,015	375	1,015
- related company	96	–	96	–
- subsidiaries	–	–	2,423	2,124
	1,071	1,190	3,494	3,314
	85,497	91,241	3,494	3,314

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follow:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-executive directors:				
- fees	162	162	150	150
Salaries and bonus	7,742	8,128	–	–
Post-employment benefits obligation:				
- national defined contribution plan and social security contribution	704	718	–	–
Other employees benefits	740	1,003	–	–
	9,186	9,849	–	–

Notes to the financial statements

December 31, 2013 (continued)

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

The related parties of the Group and the Company are as follow:

Related parties	Relationships
DKSH Holdings (Asia) Sdn. Bhd.	Immediate holding company of DRSB
DKSH Resources (Malaysia) Sdn. Bhd. ("DRSB")	Immediate holding company
DKSH Marketing Services Sdn. Bhd.	Subsidiary
DKSH Distribution Malaysia Sdn. Bhd.	Subsidiary
DKSH (B) Sdn. Bhd.	Subsidiary
DKSH Logistics Services Sdn. Bhd.	Subsidiary
DKSH Transport Agencies (M) Sdn. Bhd. *	Subsidiary
DKSH Central Services Malaysia Sdn. Bhd.	Subsidiary
DKSH Malaysia Sdn. Bhd.	Subsidiary
DKSH Management Malaysia Sdn. Bhd.	Subsidiary
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Subsidiary
DKSH Corporate Shared Services Center Sdn. Bhd.	Related company
Bio-Life Marketing Sdn. Bhd.	Related company
DKSH Datacare Technologies Sdn. Bhd.	Related company
DKSH Switzerland Ltd	Related company
DKSH Singapore Pte Ltd	Related company
DKSH International AG	Related company
DKSH Management Ltd	Related company
DKSH Hong Kong Ltd	Related company
Siber Hegner Ltd	Related company
DKSH Technology Sdn. Bhd.	Related company
DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd.	Related company
Lembaga Tabung Angkatan Tentera	Other related party

Subsidiary refers to companies within the listed Group of DKSH Holdings (Malaysia) Berhad.

Related company refers to companies outside the listed Group of DKSH Holdings (Malaysia) Berhad and companies under the Group of DKSH Holding Ltd.

* Ceased to be a subsidiary company effective November 1, 2013.

31. SEGMENTAL INFORMATION

The Group is organized into three main business segments:

- Marketing and distribution services
- Logistics services
- Others

All the major operations of the Group are carried out in Malaysia. Accordingly, the segment reports as presented below had been reviewed by the chief operating decision maker.

Notes to the financial statements

December 31, 2013 (continued)

31. SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format - business segments

	Marketing and distribution services Continuing operations RM'000	Logistics services Continuing operations RM'000	Logistics services Discontinued operation RM'000	Others Continuing operations RM'000	Eliminations RM'000	Group Continuing operations RM'000
At December 31, 2013						
Revenue						
Segment revenue	2,266,970	2,750,255	18,305	61,952	(18,305)	5,079,177
Intersegment revenue	394	–	–	–	(394)	–
Revenue	2,267,364	2,750,255	18,305	61,952	(18,699)	5,079,177
Results						
Segment results	61,414	19,804	9,688	105,070	(9,688)	186,288
Gain on disposal of subsidiaries	–	8,640	–	–	–	8,640
	61,414	28,444	9,688	105,070	(9,688)	194,928
Finance costs						(4,483)
Income tax expense						(19,274)
Profit for the financial year						171,171

Notes to the financial statements

December 31, 2013 (continued)

31. SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format - business segments (continued)

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2013					
Net assets					
Segment assets	700,816	538,834	17,601	–	1,257,251
Unallocated assets					126,772
Total assets					1,384,023
Segment liabilities	(328,556)	(451,354)	(2,469)	–	(782,379)
Unallocated liabilities					(152,457)
Total liabilities					(934,836)
Other information					
Capital expenditure	2,419	8,381	4,090	–	14,890
Depreciation of property, plant and equipment	2,455	1,571	3,468	–	7,494
Amortization of trademark	976	–	–	–	976

Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise only trade payables. Capital expenditure comprises additions to property, plant and equipment (Note 12).

Notes to the financial statements

December 31, 2013 (continued)

31. SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format - business segments (continued)

	Marketing and distribution services Continuing operations RM'000	Logistics services Continuing operations RM'000	Logistics services Discontinued operation RM'000	Others Continuing operations RM'000	Eliminations RM'000	Group Continuing operations RM'000
At December 31, 2012						
Revenue						
Segment revenue	2,068,640	2,598,664	20,798	57,422	(20,798)	4,724,726
Intersegment revenue	131	–	–	–	(131)	–
Revenue	2,068,771	2,598,664	20,798	57,422	(20,929)	4,724,726
Results						
Segment results	50,459	22,320	11,152	29,063	(11,152)	101,842
Finance costs						(7,828)
Income tax expense						(20,466)
Profit for the financial year						73,548

Notes to the financial statements

December 31, 2013 (continued)

31. SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format - business segments (continued)

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2012					
Net assets					
Segment assets	636,161	526,394	40,346	–	1,202,901
Unallocated assets					80,568
Total assets					1,283,469
Segment liabilities	(288,048)	(418,862)	(2,881)	–	(709,791)
Unallocated liabilities					(264,813)
Total liabilities					(974,604)
Other information					
Capital expenditure	2,062	1,357	1,780	–	5,199
Depreciation of property, plant and equipment	3,552	1,313	4,158	–	9,023
Amortization of trademark	976	–	–	–	976

Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise only trade payables. Capital expenditure comprises additions to property, plant and equipment (Note 12).

Notes to the financial statements

December 31, 2013 (continued)

31. SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format - business segments (continued)

Unallocated assets mainly consists of:

	Group	
	2013 RM'000	2012 RM'000
Goodwill	–	3,600
Trademark	3,334	4,310
Cash and bank balances	60,195	50,116
Deposits with licensed bank	51,800	4,032
Other receivables	8,518	13,649
Deferred tax assets	2,715	4,689
Others	210	172
	126,772	80,568
Unallocated liabilities mainly consists of:		
Other payables	(88,182)	(81,781)
Short term borrowings	(20,000)	(108,054)
Long term borrowings	–	(20,000)
Deferred tax liabilities	–	(5,119)
Retirement benefits	–	(12,400)
Intercompany advances	(32,195)	(24,635)
Intercompany balances	(7,075)	(5,870)
Others	(5,005)	(6,954)
	(152,457)	(264,813)

(b) Secondary reporting format - geographical segments

Although the Group has an operation in Negara Brunei Darussalam, there is no disclosure of this operation as a separate geographical segment as the revenue contributed by this foreign incorporated company is not material to constitute an independent geographical segment as stipulated under MFRS 8: Operating Segments.

(c) Disposal of subsidiaries

Inter-segment revenues and inter-segment results are eliminated on consolidation. The amounts relating to the DKSH Transport Agencies (M) Sdn. Bhd. and its subsidiary, Macro Consolidators (M) Sdn. Bhd. which were previously reported in the logistics services segment have also been excluded to arrive at amounts shown in the consolidated statements of comprehensive income as they are presented separately in the consolidated statements of comprehensive income under "profit from discontinued operation, net of tax".

Notes to the financial statements

December 31, 2013 (continued)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of the Group and the Company expose the Group to a variety of financial risks, in the areas of interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group and the Company is adequately protected. Financial risk management involves risk reviews, monitoring of the compliance of internal control systems and adherence to DKSH Holding Ltd Group's financial risk management policies.

(a) Interest rate risk

Interest rate exposures arise from the Group's and the Company's borrowings. They are managed through the use of a mixture of fixed and floating rate debts.

At the reporting date, the interest rate profile of the interest-bearing financial instruments is as below :

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial liabilities:				
- Fixed rate instruments	20,000	50,000	–	–
- Floating rate instruments	32,195	102,689	76,853	77,793
	52,195	152,689	76,853	77,793

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank. The information on maturity dates and effective interest rates of financial assets are disclosed in their respective notes.

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statement of comprehensive income.

Sensitivity analysis for floating rate instruments

A change of 20% in interest rates at the reporting date would result in the profit before tax to be higher/(lower) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Floating rate instruments (denominated in RM)				
- 20% increase	(61)	(96)	(146)	–
- 20% decrease	61	96	146	–

Notes to the financial statements

December 31, 2013 (continued)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales, purchases and payments on behalf that are denominated in a currency other than the functional currency to which they relate. The currencies giving rise to this risk are primarily United States Dollar (USD), Brunei Dollar (BND), Euro (EUR), Swiss Franc (CHF), Australia Dollar (AUD), Thai Baht (THB), Sterling Pound (GBP) and Singapore Dollar (SGD).

The net unhedged financial assets and financial liabilities of the Group that are not denominated in its functional currency are as follows:

	Note
Trade and other receivables	18 (a)
Due from related companies	18 (b)
Cash and bank balances	19
Trade and other payables	22
Due to related companies	22

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, BND, EUR, CHF, AUD, THB, GBP and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2013 RM'000 Profit net of tax	2012 RM'000 Profit net of tax
USD/RM	- strengthened 5%	85	(249)
	- weakened 5%	(85)	249
BND/RM	- strengthened 5%	708	578
	- weakened 5%	(708)	(578)
EUR/RM	- strengthened 5%	(15)	(26)
	- weakened 5%	15	26
CHF/RM	- strengthened 5%	(4)	(41)
	- weakened 5%	4	41
AUD/RM	- strengthened 5%	(5)	(15)
	- weakened 5%	5	15
THB/RM	- strengthened 5%	(6)	(16)
	- weakened 5%	6	16
GBP/RM	- strengthened 5%	(3)	(3)
	- weakened 5%	3	3
SGD/RM	- strengthened 5%	(18)	120
	- weakened 5%	18	(120)

Notes to the financial statements

December 31, 2013 (continued)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

The Group and the Company manage operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. The Company relies on the distribution of dividends and interest income from subsidiaries to meet its working capital requirements.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity profile based on the remaining period in the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

Analysis of undiscounted financial instruments by remaining contractual maturities

Group	Less than one year RM'000	Between one to two years RM'000	Total RM'000
2013			
Trade and other payables	877,636	–	877,636
Borrowings	53,314	–	53,314
Derivatives - settled net	18,250	–	18,250
	949,200	–	949,200
2012			
Trade and other payables	797,442	–	797,442
Borrowings	109,095	45,738	154,833
Derivatives - settled net	14,747	–	14,747
	921,284	45,738	967,022

Notes to the financial statements

December 31, 2013 (continued)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Analysis of undiscounted financial instruments by remaining contractual maturities (continued)

Company	Less than one year RM'000	Between one to two years RM'000	Total RM'000
2013			
Trade and other payables	419	–	419
Borrowings	32,501	45,083	77,584
	32,920	45,083	78,003
2012			
Trade and other payables	815	–	815
Borrowings	–	78,445	78,445
	815	78,445	79,260

(d) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Notes to the financial statements

December 31, 2013 (continued)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including amounts due to/from group companies) and short term borrowings.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 2 RM'000
2013	
Derivative financial instruments	18,250
2012	
Derivative financial instruments	14,747

The fair values of derivative financial instruments are determined based on the quoted market price of similar derivatives as they are not traded on an active market. These derivatives are classified as Level 2 financial instruments in accordance with MFRS 7 "Financial Instruments: Disclosures" classification hierarchy.

The Group does not have any financial instruments classified as Level 1 and Level 3 as at December 31, 2013 and 2012.

Notes to the financial statements

December 31, 2013 (continued)

33. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maintain an optimal capital structure in order to support its business via a mixture of equity and its debt obligation in adherence to DKSH Holding Ltd Group's financial risk management policies.

The Group optimizes the overall capital management performance through improvement in the cash flows. The Group's cash flows management focuses on inventories, receivables and payables by ensuring that it has sufficient liquidity to meet its obligations. No significant changes were made in the objectives, policies or processes during the years ended December 31, 2013 and December 31, 2012.

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Loans and borrowings	52,195	152,689	76,853	77,793
Less: Cash and bank balances	(111,995)	(54,148)	(51,632)	(82)
(Surplus cash)/net debt	(59,800)	98,541	25,221	77,711
Equity attributable to the owners of the parent	449,187	290,810	373,656	226,540
Total capital	449,187	290,810	373,656	226,540
Total capital and net debt	389,387	389,351	398,877	304,251
% of net debt to total capital and net debt	–	25%	6%	26%

The gearing ratio is not governed by the MFRS and its definition and calculation may vary from one group/company to another.

34. COMPARATIVES

The comparative figures in prior year was restated due to the discontinued operation of disposed subsidiaries as disclosed in Note 10 to the financial statements.

Supplementary Explanatory Note

on disclosure of realized and unrealized profits

35. SUPPLEMENTARY EXPLANATORY NOTE ON DISCLOSURE OF REALIZED AND UNREALIZED PROFITS

The breakdown of the retained profits of the Group and of the Company into realized and unrealized profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated March 25, 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained profits of the Company and its subsidiaries				
- Realized	285,715	106,679	191,484	44,368
- Unrealized	2,402	12,461	–	–
	288,117	119,140	191,484	44,368
Less: Consolidation adjustments	(21,162)	(10,578)	–	–
Total retained profits as per financial statements	266,955	108,562	191,484	44,368

The determination of realized and unrealized profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

Unique value

We offer our clients and customers the services they need most, tailor-made to their specific requirements.

Proxy Form

for the Twenty-Second Annual General Meeting

DKSH Holdings (Malaysia) Berhad

(Company No. 231378-A)

No. of shares held:	
CDS account no.:	

I/We *(full name and in block capitals)* ____,

NRIC no. (new)/Company no.: ________________________, of *(full address)* ____

____

being a member/members of **DKSH Holdings (Malaysia) Berhad**, hereby appoint *(full name as per NRIC and in block capitals)*

____,

NRIC no. (new): ____________________________________, of *(full address)* ____

____

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at Conference Room, Ground Floor, 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, June 24, 2014 at 10.00 a.m. or at any adjournment thereof, in the manner indicated below:

	Resolutions	**For**	**Against**
1.	Receipt of the Audited Financial Statements for the year ended 2013		
2.	Payment of Dividends		
3.	Approval of Directors' fees		
4.	Re-election of Datuk Haji Abdul Aziz bin Ismail		
5.	Re-election of John Peter Clare		
6.	Re-appointment of Ernst & Young as Auditors		
7.	Proposed Mandate I for Recurrent Related Party Transactions of a revenue or trading nature		
8.	Proposed Mandate II for Recurrent Related Party Transactions of a revenue or trading nature		

Please indicate with an "x" in the space provided above how you wish to cast your vote. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

____
Signature of Shareholder

____
Common Seal to be affixed here if
Shareholder is a Corporate Member

Dated this __________ day of ________________, 2014.

Notes:

(i) Only members of the Company whose names appear in the Record of Depositors as at June 16, 2014 will be entitled to attend and vote at the Annual General Meeting.

(ii) A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint not more than two (2) proxies to attend, vote and speak on such member's behalf. A proxy may, but need not, be a member of the Company.

(iii) Where a member appoints more than one (1) proxy to attend and vote at the Annual General Meeting, the appointment shall be invalid unless the member specifies the proportion of the shareholdings to be represented by each proxy in the Proxy Form.

(iv) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.

(v) The Proxy Form shall be in writing under the hand of the appointer or of his/her attorney duly authorized in writing, or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorized. Only original copy of the duly signed and/or sealed Proxy Form will be accepted.

(vi) To be valid, the original signed and/or sealed Proxy Form must be deposited at the registered office of the Company at 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the Annual General Meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

Affix
Stamp

The Company Secretary
DKSH Holdings (Malaysia) Berhad (231378-A)
74 Jalan University
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1st fold here

Resilient
Unique
Scalable

Our unique business model fuels our growth and is deeply rooted in the fast-growing Malaysian market.

DKSH Holdings (Malaysia) Berhad (231378-A)
74 Jalan University, P. O. Box 77, 46700 Petaling Jaya, Selangor, Malaysia
Phone +60 3 7966 0288, Fax +60 3 7957 0829

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